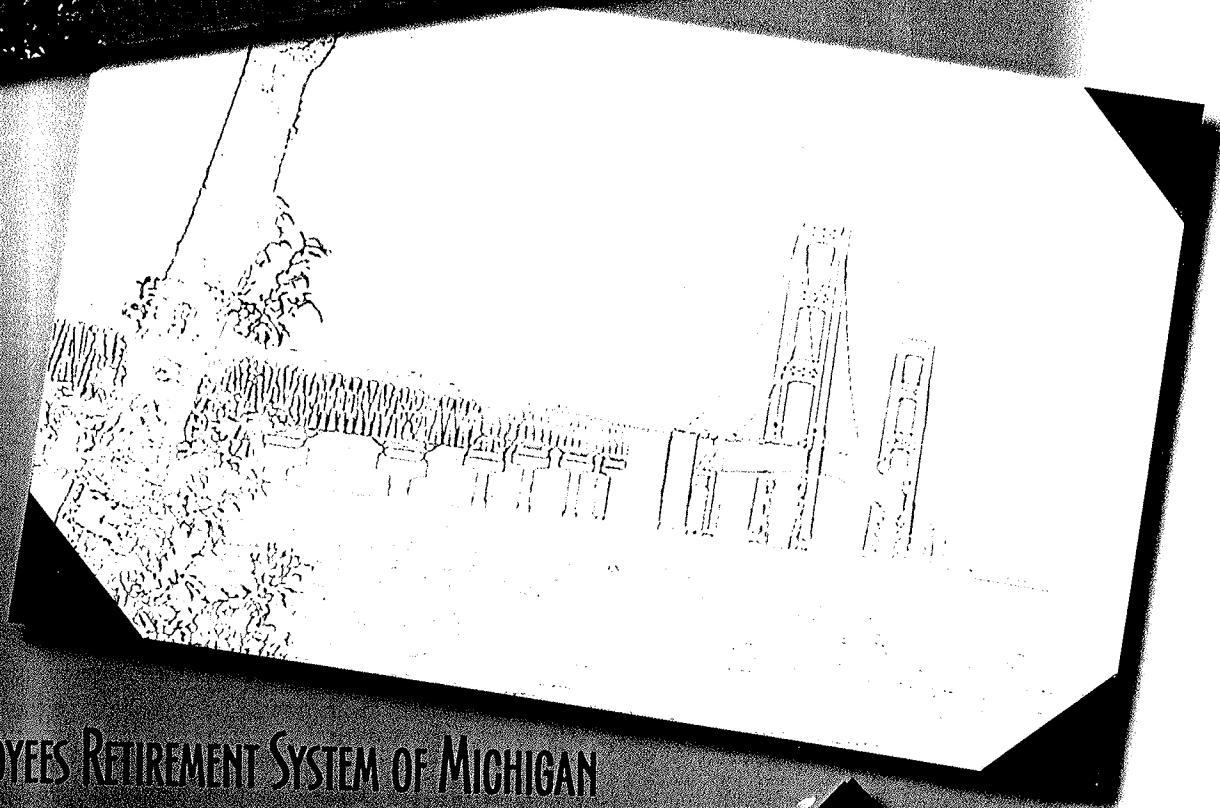
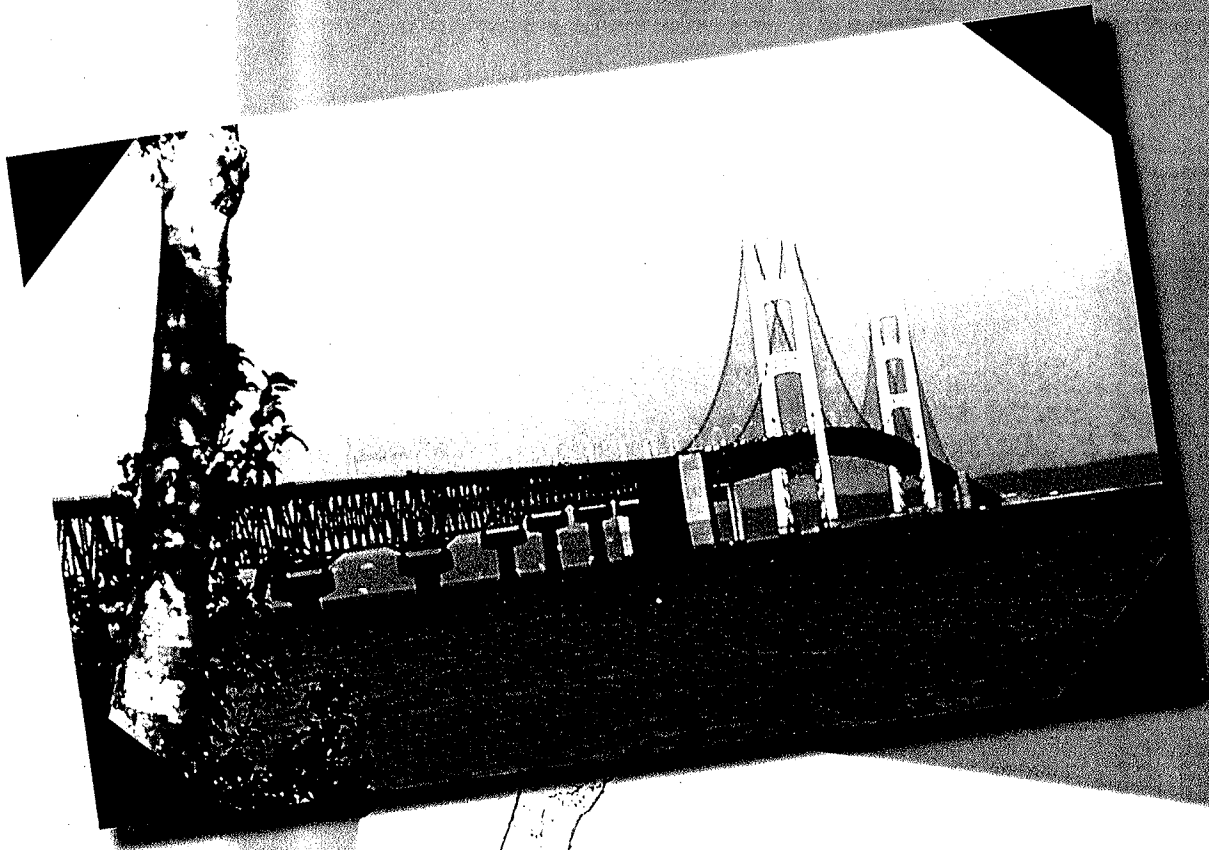
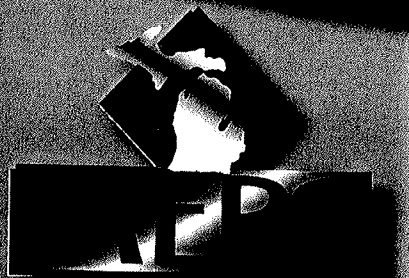


MERS-A BRIDGE TO THE FUTURE!



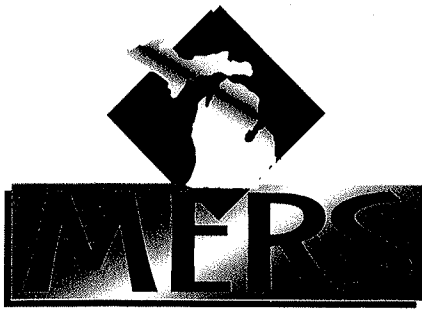
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2002





“A bridge is a structure designed to provide continuous passage over any obstacle.”

PHOTOS PROVIDED AS A COURTESY OF THE MACKINAC BRIDGE AUTHORITY AND
THE MICHIGAN DEPARTMENT OF TRANSPORTATION



Municipal Employees' Retirement System of Michigan
Comprehensive Annual Financial Report
Fiscal Year Ended December 31, 2002
Anne M. Wagner, Chief Executive Officer

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CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Municipal Employees' Retirement System of Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2001

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.



William Robert Hots
President

Jeffrey L. Eselle
Executive Director



May 8, 2003

The Retirement Board
Municipal Employees' Retirement System of Michigan
1134 Municipal Way
Lansing, Michigan 48917

Dear Retirement Board Members:

It is a privilege to present to you the Comprehensive Annual Financial Report (CAFR) of the Municipal Employees' Retirement System of Michigan (MERS) for the fiscal year ended December 31, 2002. We believe this report reflects the careful stewardship of the system's assets as well as the staff's dedication to serving our membership.

Since its inception by legislative initiative in 1946, MERS has experienced continuous membership growth. Today, with 578 municipalities, the focus remains to provide retirement, disability and survivor benefit protection for thousands of public employees throughout the whole state.

Fiscal Year 2002 Highlights

In May, MERS staff moved into the new home office building. This was the culmination of a project that stretched over the past two years. For the first time in MERS' history, the system has its own facility with plenty of room for future expansion. The conference/training rooms provide much needed space for in-house retirement seminars with easy access to major highways in Lansing. The Board and staff celebrated in June with an Open House for the statewide family and friends of MERS. The new boardroom was named in honor of Bruce A. Seymore for his leadership and many contributions to the system. Mr. Seymore served on the Board as chairperson for more than twenty years, and he continued to serve as the retiree board member after retirement from the City of Port Huron in 1997.

Shortly following the Open House, the Member and Retiree Services Department initiated the new training room with a "Planning Your Retirement" seminar. These seminars, designed for active members of MERS who plan to retire within two years, are held monthly in the MERS' building from spring through fall. Each seminar attendee is provided information about MERS' retirement process as well as a current estimate of their MERS' participation. In addition, staff scheduled seminars at off-site locations around the state during the year. The effort was a resounding success with more than 1,000 people in attendance.

In June, MERS began the long-planned implementation of upgrading the system to PeopleSoft version 8.4. This was an enormous project requiring that departments work in tandem with outside consultants to facilitate the conversion. The project was delivered on time in November. The overwhelming advantage of this project for MERS is our ability to operate the system in real time. The municipalities may now view their accounts using a customer portal sign-on for billing information and making contribution payments via bank-to-bank transfers. This project was a huge step in the continued efforts to move the system to a paperless environment.

The Board approved a three-phase feasibility study on health care in August to explore what, if any, role MERS might play in the health care arena. The study requires the Board's approval at the end of each phase in order to continue to the next phase. The study, at phase three, continued into 2003.

The system's annual meeting was held in September at the Amway Grand Plaza Hotel in Grand Rapids. Each participating municipality and court may send to the meeting two delegates and two alternate delegates representing the employers and employees. The event provided education for the delegates and an opportunity for them to select board members for three-year terms. Raymond Klosowski, employee representative from Isabella County, and Gary Murphy, employer representative from the City of East Lansing, were elected to serve.

Report Contents and Structure

MERS is an agent multiple-employer public employee pension plan and is a tax-qualified plan under section 401(a) of the Internal Revenue Code. MERS is an independent non-profit corporation pursuant to Public Act 220 of 1996 that is an instrumentality of the participating municipalities and courts.

Under the MERS Plan Document, the municipalities and courts are provided with the option of selecting either the defined benefit retirement plan or the defined contribution program. As of December 31, 2002, with \$3.3 billion in assets, the defined benefit plan had 37,053 active members, 17,530 retired members (and beneficiaries) and 4,760 vested former members. For that same period, with \$84.8 million in assets, the defined contribution program had 4,743 participants. The total membership for both the defined benefit plan and the defined contribution program at fiscal year-end was 578 municipalities and courts, with 64,086 participants. The complete list of MERS' member municipalities can be found on pages 86-97.

The responsibility for the accuracy of the data and the completeness and fairness of this financial presentation belongs with the management of MERS. Sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules, and statistical tables.

The report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) established by the Governmental Accounting Standards Board (GASB) and is likewise designed to comply with the reporting requirements of State law as provided by the Municipal Employees Retirement Act of 1984, section 36(2)(e)-(f); MCL 38.1536(2)(e)-(f).

There are five sections in this CAFR as follows:

- ❖ The *Introductory Section* contains the administrative organization, the Certificate of Achievement of Excellence in Financial Reporting, a letter of transmittal, and the Letter from the Chairperson of the Retirement Board.
- ❖ The *Financial Section* contains the Report of the Independent Auditors, Management's Discussion and Analysis, the basic financial statements of the system and certain required supplementary information.
- ❖ The *Investment Section* contains the report on investment activity, investment policies, investment performance and various investment schedules.
- ❖ The *Actuarial Section* contains the Actuary's Certification Letter and the results of the annual actuarial valuation.
- ❖ The *Statistical Section* contains significant data pertaining to the system.

Summary of Financial Information

The following schedule presents the pension trust fund's additions and deductions for the years ended December 31, 2002, and December 31, 2001:

	<u>2002</u>	<u>2001</u>
Additions	\$ (143,494,767)	\$ 88,416,727
Deductions	<u>217,568,218</u>	<u>213,285,142</u>
Net Decrease	\$ (361,062,985)	\$ (124,868,415)

The additions to the fund decreased by \$231,911,494 primarily because of an increase in the loss of \$229,874,755 in the net depreciation in the fair value of investments, a decrease in interest and dividend income of \$12,350,822, and an increase in employer and member contributions of \$15,729,542. The deductions increased by \$4,283,076 primarily due to an increase in benefit payments of \$18,443,666 and a decrease in transfers to the defined contribution program from the defined benefit plan of \$13,312,864.

Plan Financial Condition

The funding objective of MERS' defined benefit pension plan is to meet the long-term benefit obligations that the participating municipalities and courts have promised to their members. MERS' goal is to have member contributions at an approximately level percent of member payroll over future decades. During the fiscal year ended December 31, 2001, the funding status of the actuarial accrued liability dipped from 86.1% to 84.3% due to the adoption of higher cost benefit plans by the membership and not the performance of the investment portfolio. Net assets available for pension benefits for MERS' defined benefit plan were \$3.3 billion as of December 31, 2002. Additional information regarding the financial condition may be found in the Actuarial Section of this report.

Investment Activity

MERS' defined benefit plan portfolio produced a total return, net of expenses, of -8.6% for the fiscal year ended December 31, 2002. This compares favorably to the policy benchmark with a return of -8.3%. While that comparison was flat for the past year, over the longer period of five years MERS has added an additional 20 basis points of value versus the markets. This is

significant in a declining U.S. equity market. With our 44% domestic equity weighting, the past three years have proven to be a very great challenge to our plan. Our policies still continue to operate as intended, and the fund exceeds the real rate of return hurdle of 3.5% over the rate of inflation over the longer ten-year period at 7.5%. Additional information regarding the investment results for the year is included in the Investment Section of this report.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to MERS for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2001. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest preparation standards for state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR conforming to program standards. The CAFR must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for evaluation.

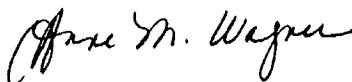
Conclusion

This report is the product of the best efforts and cooperation of MERS' staff and advisors functioning under your leadership. It is intended to provide complete and reliable information that will facilitate the management decision-making process, serve as a means for determining compliance with legal requirements, and allow for the evaluation of responsible stewardship of the system. As in the past, we have received an unqualified opinion from our independent auditors on the financial statements included in this report. The opinion of the independent auditors can be found on page 16.

Copies of this report are provided to the Governor, each participating municipality and court, and will be posted on the MERS' Web site. Additional copies will be provided to the Secretary of the Senate and the Clerk of the House, and will be read into the Official Record of both Houses of the Legislature. We hope this information will be informative and useful to all the recipients.

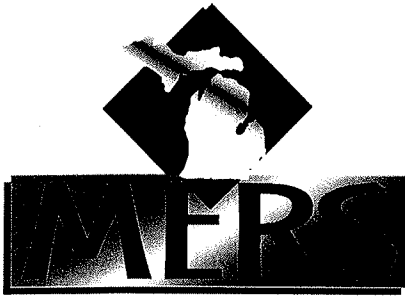
I would like to take this opportunity to express my appreciation to you, the Board Members, the staff and all of our member municipalities and courts who have worked so diligently to assure the continued success of MERS.

Respectfully submitted,



Anne M. Wagner
Chief Executive Officer

Letter from the Chairperson



May 8, 2003

Dear Members:

On behalf of the Retirement Board, I am pleased to present the Municipal Employees' Retirement System's Fifty-Sixth *Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended December 31, 2002. This report provides information on the financial status of your Retirement System and highlights the significant changes that occurred during the year.

Despite the difficult investment environment and sluggish economy, your Retirement System remains well funded and your promised benefits secure. The Board's investment policy of preserving the assets and maximizing the long-term growth of those assets using a diversified portfolio continues to be the primary focus in the coming fiscal year. Although the defined benefit portfolio generated a loss of -8.6% net of expenses this past fiscal year, it outperformed the policy benchmark over the five-year period -- a very welcome accomplishment in a volatile investment market.

The new home office was completed in the spring. This was the culmination of a two-year project to provide a permanent residence for the Board and staff as well as a training facility for the membership. The finished building is a wonderful arrangement of space representing the collaborative efforts of the Board, staff, architect and building developer.

At the Annual Meeting, the delegates re-elected Gary Murphy and Raymond Klosowski to three-year terms on the Board as the employer and employee members, respectively. The nine members on the Retirement Board continue to work very conscientiously to serve the membership and fulfill their fiduciary responsibilities. MERS greatly benefits from their diverse expertise and experience. It is a privilege for me to serve as chairperson along with trustees of such high caliber and commitment.

In closing, I wish to thank the staff for continuing to maintain its high level of commitment and service to the Retirement System's participants. If you have any questions regarding this report, please contact us by calling 1-800-767-6377, or writing us at MERS, 1134 Municipal Way, Lansing, MI 48917.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dale M. Walker', is written over a horizontal line.

Dale M. Walker, Chairperson
Retirement Board

MERS Retirement Board



Dale Walker, Chairperson
Officer Member
City of Cadillac
Term Expires: December 31, 2004

Kristen Wade, Chairperson ProTem
Employee Member
Muskegon County
Term Expires: December 31, 2004

Bruce Johnson
Public Member
Term Expires: December 31, 2004

Raymond Klosowski
Employee Member
Isabella County
Term Expires: December 31, 2005

Dennis Murphy
Public Member
Term Expires: December 31, 2005

John Murphy
Officer Member
Cass County
Term Expires: December 31, 2003

Gary Murphy
Officer Member
City of East Lansing
Term Expires: December 31, 2005

Barbara Fandell
Employee Member
City of St. Louis
Term Expires: December 31, 2003

Bruce Seymore*
Retiree Member

Standing (left to right):

Raymond Klosowski
Gary Murphy
Barbara Fandell
Dennis Murphy
Bruce Johnson

Seated (left to right):

Kristen Wade
Dale Walker
Bruce Seymore*

Not Pictured:

John Murphy

* Bruce Seymore passed away in January 2003. He gave more than 20 years of dedicated volunteer service to MERS. Bruce's expertise as a Board member and GFOA budget reviewer will be greatly missed. Not only was Bruce our colleague, he was our friend. He has given us a wonderful legacy to follow.

Administrative Organization

MERS Retirement Board

Chief Executive Officer

Chief Administrative
Officer

Chief Financial
Officer

Chief Investment
Officer

Chief General
Counsel

Chief Retirement
Services Officer

Chief Technology
Officer



Standing (left to right):

Tama Allen-Chief Technology Officer
Anne Wagner-Chief Executive Officer
Catherine House-Chief Retirement Services Officer

Seated (left to right):

Jeb Burns-Chief Investment Officer
Michael Moquin-Chief General Counsel
Luke Huelskamp-Chief Financial Officer
Ronald Beaton-Chief Administrative Officer



EXECUTIVE OFFICE

Back Row (left to right):

Judy Johnson
Sheila Parsons
Helen Constan
Janet Richmond

Front Row (left to right):

Tiffany DuBois
Anne Wagner-Chief Executive Officer

LEGAL DEPARTMENT

(left to right):

Lois Withers
Michael Moquin-Chief General Counsel
Thomas Petroni



FINANCE DEPARTMENT

Back Row:

Luke Huelskamp-Chief Financial Officer

Front Row (left to right):

Janette LaFleur
Sharlene Pallick
Jennifer Marshall



INVESTMENT DEPARTMENT

Back Row (left to right):

Jeb Burns-Chief Investment Officer
Karen Butka
Michael Charette

Front Row (left to right):

Matthew Blonshine
Jamison Smythe



MEMBER/RETIREE SERVICES

Back Row (left to right):

Cathy Watkins
Kelly Nelson
Casandra Puffpaff
Robert Noa
Jennifer Willis

Middle Row (left to right):

Kathy House-Chief Retirement
Services Officer
Gerri Wonnacott
Carol Pohl
Jennifer Larson

Front Row (left to right):

Debra Peake
Carole Lamb
Shirley Roe
Beth Nelson
Rachel Scott





INFORMATION SYSTEMS

Back Row (left to right):

Gary Davis

Front Row (left to right):

Michelle McMahon

Tama Allen-Chief Technology Officer

Jennifer Cross

Not Pictured:

Nick Weller

ADMINISTRATIVE SERVICES

Back Row (left to right):

Christine Cotton

Steve Harry

Tom Lindemann

Colleen Wolter

Front Row (left to right):

Lynda Pittman

Ronald Beaton-Chief Administrative Officer

Gale Larson

Ann Cool

Not Pictured:

Laura Kramer

Pamala Phillips



OUTSIDE PROFESSIONAL SERVICES

Professional Consultants

Actuary

Gabriel Roeder Smith & Company

Auditor

Andrews Hooper & Pavlik, PLC

Defined Contribution Program Third-Party Administrator

International City Management Association Retirement Corporation (ICMA-RC)

Investment Custodian

The Northern Trust Company

Investment Performance Measurement Consultant

The Northern Trust Company

Legal Counsel

Miller, Canfield, Paddock & Stone, PLC

Legislative Consultants

Karoub Associates

Medical Advisor

Associated Physicians
Consulting Physicians

Security Lending Agent

The Northern Trust Company

Systems Implementation and Maintenance

Beacon Application Systems
PeopleSoft
Thomas Shadle

Investment Managers

Domestic Equity

Armstrong Shaw Associates
Barclays Global Investors
Comerica Bank
Kennedy Capital Management
Trust Co of West (TCW) Asset Management
Wasatch Advisors
Wellington Management
World Asset Management

International Equity

Barclays Global Investors
Lombard Odier

Domestic Fixed Income

Barclays Global Investors
Reams Asset Management
Western Asset Management

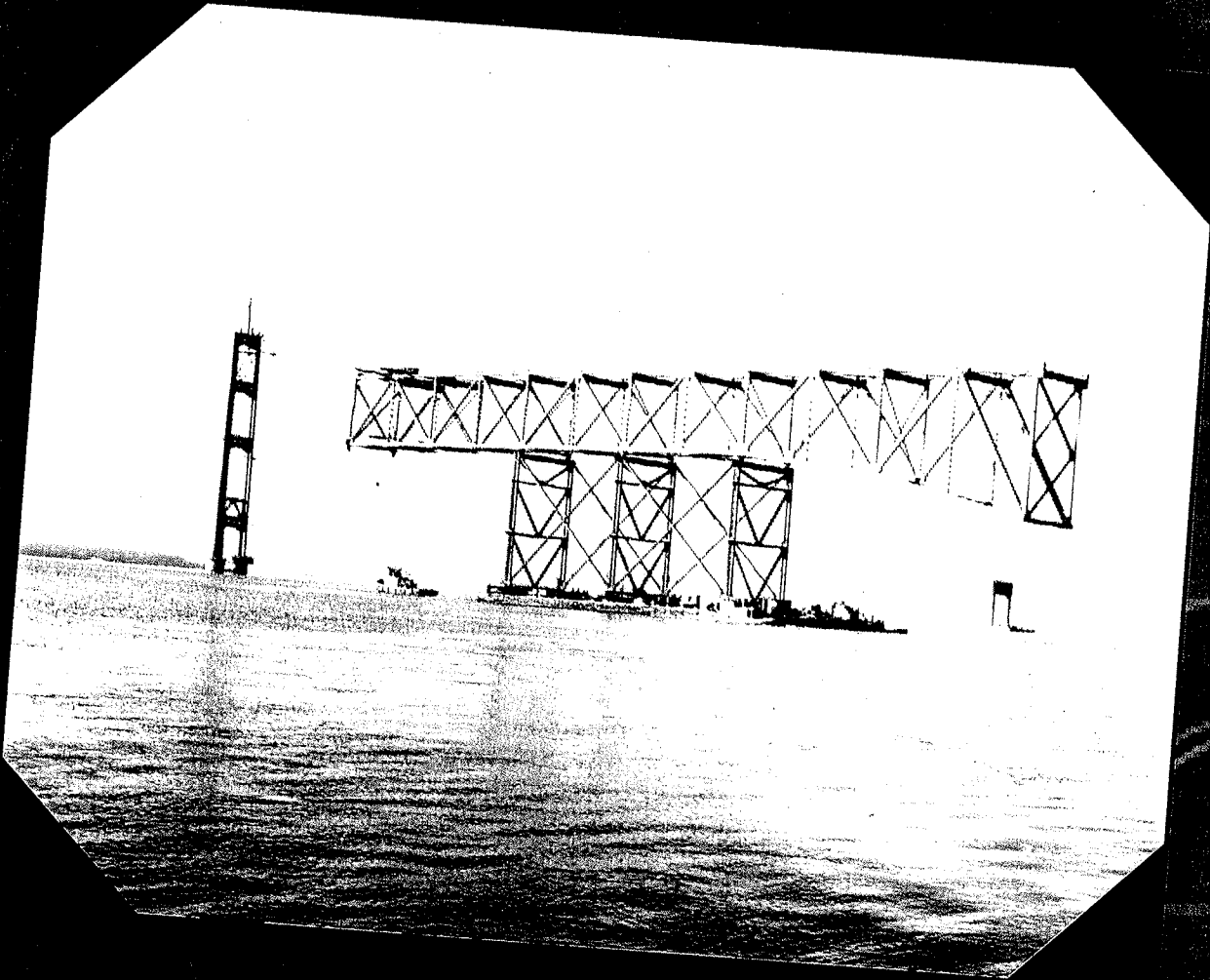
Real Estate

Townsend Group (Manager)
AEW Capital Management
Hancock Timber Resources
KBS Realty Advisors
Lend Lease Rosen
J.P. Morgan Investment Management
Prudential Property Investment
SSR Realty Advisors, Inc.
UBS Realty Investors, LLC
The Campbell Group

Private Equity

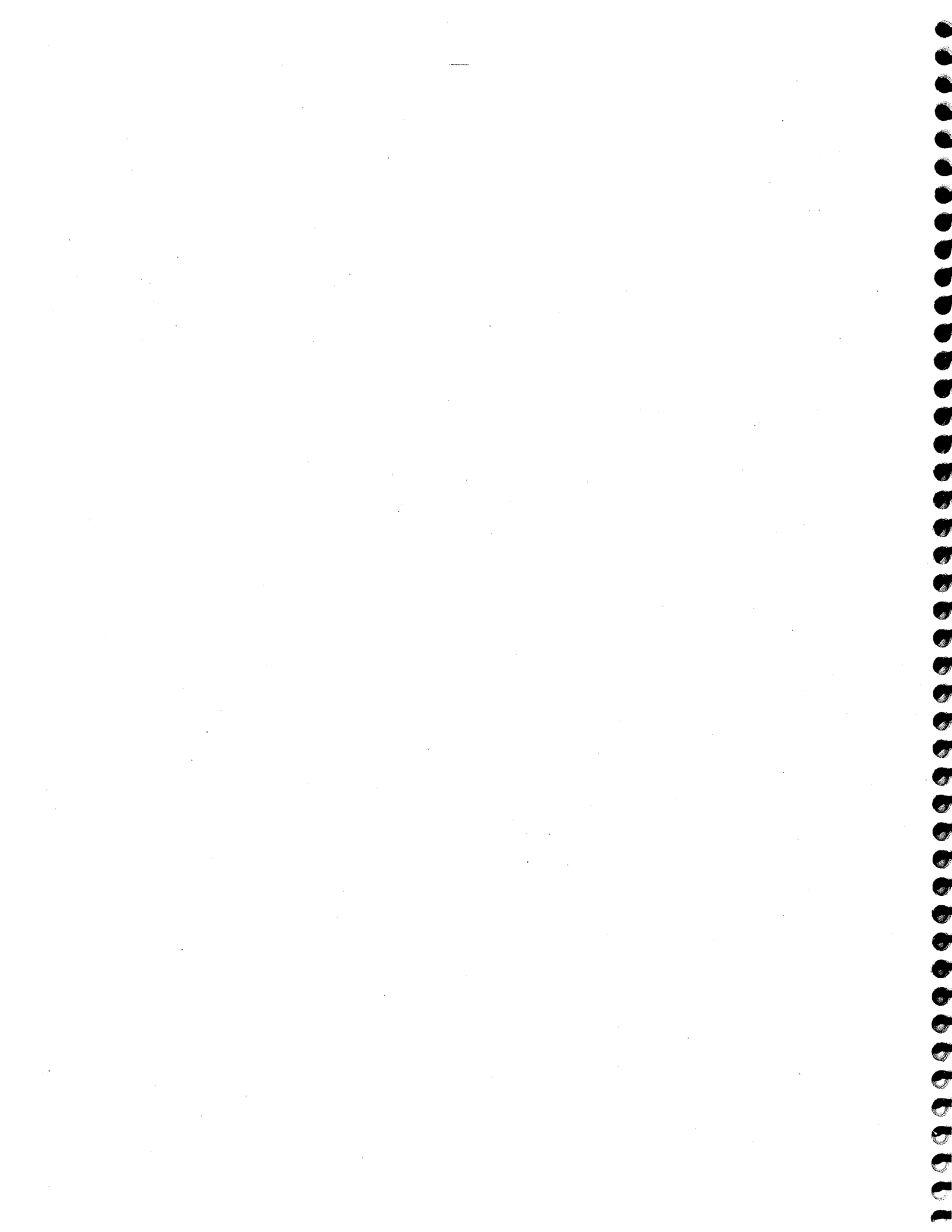
Mesirow Financial
Credit Suisse First Boston (CSFB)

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FINANCIAL SECTION

...to today...





ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Independent Auditor's Report

Municipal Employees' Retirement System of Michigan Retirement Board:

We have audited the accompanying statements of plan net assets of the Municipal Employees' Retirement System of Michigan as of December 31, 2002, and the related statements of changes in plan net assets for the year then ended. These financial statements are the responsibility of the management of the Municipal Employees' Retirement System of Michigan. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the 2001 financial statements and, in our report dated May 22, 2002, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Municipal Employees' Retirement System of Michigan as of December 31, 2002, and the changes in its financial status 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 required supplementary information and supporting schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The required supplementary information and supporting schedules are the responsibility of the Municipal Employees' Retirement System of Michigan's management. The Schedules of Funding Progress and Employer Contributions and related notes and the supporting schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it. The Introductory, Investment, Actuarial, and Statistical Sections were not audited by us and, accordingly, we express no opinion on those sections.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 25, 2003 on our consideration of the Municipal Employees' Retirement System of Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Andrews Hooper & Pavlik P.L.C.

Okemos, Michigan
April 25, 2003

Financial Section

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of MERS' financial condition for fiscal year ended December 31, 2002, is presented in conjunction with the Chief Executive Officer's Letter of Transmittal. The financial section is comprised of two basic financial statements with explanatory notes, two required supplementary schedules with explanatory notes, three expense schedules, summation of 2002 financial highlights, analysis of plan net assets, investment activity, historical trends, and funding status.

MERS was created to provide retirement, survivorship and disability benefits to qualified members and their beneficiaries. The cost of administering such benefits includes (1) payment of monthly benefits as designated by the defined benefit plan and defined contribution program, (2) refund of member contributions to employees that separate from employment, and (3) payment of all administrative and investment costs associated with administering the plans.

Financial Statements

1. Statement of Plan Net Assets (p. 22)
2. Statement of Changes in Plan Net Assets (p. 23)
3. Notes to Basic Financial Statements (p. 24)
4. Comparison Statement of Plan Net Assets (p. 19)
5. Comparison Statement of Changes in Plan Net Assets (p. 19)

Defined benefit plans and defined contribution programs are premised upon long-term investing; therefore, current financial statements alone do not provide the total perspective to properly assess the Retirement System's long-term financial condition.

The "Statement of Plan Net Assets" and "Statement of Changes in Plan Net Assets" provide the current consolidated financial condition of the 578 individual municipal defined benefit plans and 76 individual municipal defined contribution programs administered by MERS. The "Comparison Statement of Plan Net Assets" and "Comparison Statement of Changes in Plan Net Assets" provide a comparative summary of the financial condition of the Retirement System as a whole.

Required Supplemental Information

1. Schedule of Funding Progress (p. 35)
2. Schedule of Employer Contributions (p. 35)
3. Notes to the Schedules of Required Supplementary Information (p. 36)

The "Schedule of Funding Progress" shows the progress MERS has made in accumulating sufficient assets to pay future retirement benefits when due. The schedule sets forth the actuarially funded status of the plan with historical trends in funding. The "Schedule of Employer Contributions" shows the current annual employer contributions and the historical trend of employer contributions. From the long-term investment perspective, these schedules provide a better understanding of the changes over time in the funded status of the plan.

Expense Schedules

1. Schedule of Administrative Expenses (p. 37)
2. Schedule of Investment Expenses (p. 38)
3. Schedule of Payments to Consultants (p. 39)

The expense schedules summarize all expenses associated with administering the defined benefit plan and defined contribution program.

Financial Highlights

- Total net assets for both the defined benefit plan and defined contribution program decreased by \$361 million during the 2002 fiscal year. This was primarily due to net investment losses of \$331 million dollars.
- Pension benefits paid to retirees and beneficiaries increased \$18 million bringing total benefit payments to \$206 million.
- Refunds of employee contributions paid to members upon termination of employment decreased by \$2 million. A depressed job market and high unemployment contributed to fewer members terminating employment.
- Transfers from the defined benefit plan to the defined contribution program dropped by \$13 million. This was due in large part to the stock market decline that caused members to re-evaluate retirement options. Transfers from defined benefit to defined contribution dropped from \$14 million to less than \$1 million.
- Employee contributions increased 24% and employer contributions increased by 6%.
- Administrative expenses totaled \$7 million, an increase of 22% compared to the 2001 fiscal year. Most of the increase was due to increased salaries and health insurance premiums, operational and moving costs for MERS' new building, depreciation related to a software upgrade and new equipment, and implementation of a new records retention program to track records for MERS' 59,343 defined benefit plan and 4,743 defined contribution program members.

SUMMARY COMPARISON STATEMENT OF PLAN NET ASSETS

	As of December 31, 2002	As of December 31, 2001	Increase (Decrease) Amount	Increase (Decrease) Percent
Assets				
Cash and Short-Term Investments	\$ 291,283,201	\$ 297,221,874	(5,938,673)	-2.00%
Receivables	37,996,874	118,247,216	(80,250,342)	-67.87
Investments, at fair value	3,235,677,359	3,582,316,537	(346,639,178)	-9.68
Invested Securities Lending Collateral	260,060,272	262,950,144	(2,889,872)	-1.10
Other Assets/Prepays	469,787	3,234,974	(2,765,187)	-85.48
Net Fixed Assets	2,748,652	1,098,355	1,650,297	150.25
Total Assets	<u>3,828,236,145</u>	<u>4,265,069,100</u>	<u>(436,832,955)</u>	<u>-10.24</u>
Liabilities				
Purchase of Investments	195,095,671	267,548,402	(72,452,731)	-27.08
Securities Lending Collateral	260,060,272	262,950,144	(2,889,872)	-1.10
Administrative and Investment Costs	3,014,999	3,442,366	(427,367)	-12.41
Total Liabilities	<u>458,170,942</u>	<u>533,940,912</u>	<u>(75,769,970)</u>	<u>-14.19</u>
Net assets held in trust for pension benefits	<u>\$ 3,370,065,203</u>	<u>\$ 3,731,128,188</u>	<u>\$(361,062,985)</u>	<u>-9.68%</u>

SUMMARY COMPARISON STATEMENT OF CHANGES IN PLAN NET ASSETS

	Year ended December 31, 2002	Year ended December 31, 2001	Increase (Decrease) Amount	Increase (Decrease) Percent
Additions				
Contributions	\$ 181,178,490	\$ 165,448,948	\$ 15,729,542	9.51%
Transfers from Defined Benefit Plan	491,096	13,803,960	(13,312,864)	-96.44
Transfers from Other Plans and Other Items	3,557,813	826,992	2,730,821	330.21
Investment net loss-investing activities	(330,611,876)	(93,746,635)	(236,865,241)	252.67
Investment net income-securities lending	803,823	1,013,222	(209,399)	-20.67
Miscellaneous Income	1,085,887	1,070,240	15,647	1.46
Total Additions	<u>(143,494,767)</u>	<u>88,416,727</u>	<u>(231,911,494)</u>	<u>-262.29</u>
Deductions				
Benefits	206,341,439	187,897,773	18,443,666	9.82
Refunds of Contributions	3,366,464	5,413,698	(2,047,234)	-37.82
Special Expenses and Fees	366,273	412,989	(46,716)	-11.31
Transfers to Defined Contribution Program	491,096	13,803,960	(13,312,864)	-96.44
Administrative Expense	7,002,946	5,756,722	1,246,224	21.65
Total Deductions	<u>217,568,218</u>	<u>213,285,142</u>	<u>4,283,076</u>	<u>2.01</u>
Net Decrease	<u>(361,062,985)</u>	<u>(124,868,415)</u>	<u>(236,194,570)</u>	<u>189.15</u>
Net assets held in trust for pension benefits				
Balance Beginning of Year	3,731,128,188	3,855,996,603	(124,868,415)	-3.24
Balance End of Year	<u>\$ 3,370,065,203</u>	<u>\$ 3,731,128,188</u>	<u>\$(361,062,985)</u>	<u>-9.68%</u>

Analysis of Plan Net Assets and Changes in Net Assets

Combined plan net assets declined by \$361 million over the last fiscal year. Looking at additions to and deductions from plan net assets, this decline was attributable to both economic conditions (the stock market's decline) and municipalities increasing benefit

multipliers resulting in higher benefit payments. Even though the stock market's decline has impacted net assets, MERS' actuary uses a five-year smoothing method to record market gains and losses to lessen the impact of the stock market's decline. Also contributing to the decline in assets was a 10% increase in pension benefit payments to a greater number of retirees and post-retirement cost-of-living increases.

Employer contributions increased approximately \$7 million because of higher actuarial contribution rates resulting from salary increases, benefit enhancements, and an increase in the number of employees. Member contributions also increased approximately \$8 million for the same reasons. The major reason contributions increased was because employers adopted better benefit plans for their employees, and employers have been forced to shift more of the contribution requirements onto employees to help pay for the better benefits. The current trend for higher contribution percentage increases will likely continue in the near future.

MERS had Capital Assets of approximately \$3 million, the bulk of which was for software and servers needed to run the Retirement System. Assets increased by \$1.6 million due in large part to a software upgrade.

MERS had \$3 million in Other Assets associated with the construction and design of the new office building in 2001. In 2002, the building was completed, and a total of \$6.9 million was transferred into the real estate portion of MERS' investment portfolio.

MERS does not have any long-term liabilities. The bulk of MERS' liabilities at the end of the year related to investment purchases that did not settle until 2003.

Investment Activities

Although the total fund investment performance on a comparative basis to benchmarks was good, the real negative return of 8.6% fell below the long-term net 8% actuarial return assumption target for the year. However, on both a three and five year basis, the average returns of -4.6% and 3.0%, respectively, reasonably compare to the benchmarks. Net investment losses (net decrease in fair value plus investment earnings, less investment administrative expenses) increased by 256% compared to the December 31, 2001, fiscal year. The stock market is now in its third year of negative returns. MERS' investment portfolio performance placed it slightly below median within the Northern Trust Public Fund Universe for public fund returns for the fiscal year and ranked it in the 60th percentile. MERS ranked 42nd and 63rd for the two and three year periods.

Investments are managed to control the extent of downside risk to which assets are exposed, while maximizing long-term gain potential. Portfolio diversification is an important element of investment risk control. This control allows the Retirement System to limit the impact of adverse market conditions.

Investment activity is governed by the "prudent person rule." The prudent person rule establishes a standard for all fiduciaries that includes anyone who has authority with respect to the Retirement System. The prudent person rule states that "fiduciaries shall discharge their duties solely in the interest of the retirement system participants and beneficiaries and with the degree of diligence, care, and skill that a prudent person would ordinarily exercise under similar circumstances."

Historical Trends

Accounting standards require that the "Statement of Plan Net Assets" state asset values at fair value and include only benefits and refunds due plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the actuarial funded status of the pension fund is provided in the "Schedule of Funding Progress." The asset value stated in the "Schedule of Funding Progress" is the actuarial value of assets as determined by calculating the ratio of market value to book value of assets over a five-year period. The funded ratio (Actuarial Value of Assets divided by the Actuarial Liability) continues to remain at 84%. This percentage has not materially changed over the last six years. The actuarial assumptions used in the most recent valuation are identified in the "Notes to the Schedules of Required Supplementary Information."

Annual required contributions of employers versus contributions actually made by employers are set forth in "Schedule of Employer Contributions." This schedule shows that employers are consistently meeting their necessary obligations to fund the plans.

MERS' overall financial condition did not improve for the fiscal year ended 2002. The market downturn (due in part to the economic recession affecting the global economy) caused MERS' financial position to decline to some extent. Increased pension benefit payments to retirees also added to the decline, but had a much smaller impact. Market downturns have historically been part of the economic process and will remain part of the process in the decades to come. The plan, itself, remains stable and viable for the years to come.

Funding Status

The MERS' plan is not 100% funded, but the annual contributions are continuously being made at the actuarially determined rate to reach full funding. This will insure that there are sufficient assets to meet all expected future obligations to participants. The actuarial method for calculating accrued liability for all plans is "Entry Age Normal" with the objective of keeping employer contributions approximately level as a percent of member payroll over time. During the fiscal year ended December 31, 2001, MERS' funding status of the actuarial accrued liability dipped from 86.1% to 84.3% due to the adoption of higher cost benefit plans by the municipalities and not a decline in the equity market.

A detailed discussion of the funding method is provided in the Actuarial Section of the CAFR. Based upon the valuation results and in accordance with actuarial principles of level percent of payroll financing, MERS continues to be in sound financial health.

FINANCIAL STATEMENTS
STATEMENT OF PLAN NET ASSETS
As of December 31, 2002

	December 31, 2002			December 31, 2001
	Defined Benefit Plan	Defined Contribution Plan	Total Pension Trust Funds	Total Pension Trust Funds
Assets				
Cash and Short-Term Investments	\$ 273,920,807	\$ 17,362,394	\$ 291,283,201	\$ 297,221,874
Receivables				
Employer Contributions	13,548,644		13,548,644	12,311,273
Plan Member Contributions	3,037,010		3,037,010	3,138,953
Sale of Investments	7,143,089		7,143,089	85,876,140
Investment Income	13,125,774		13,125,774	16,104,245
Loans/Other	180,383	961,974	1,142,357	816,605
Total Receivables	37,034,900	961,974	37,996,874	118,247,216
Investments, at fair value				
Domestic Fixed Income	1,179,953,472	5,609,863	1,185,563,335	1,255,842,807
Domestic Equities	1,397,400,835	26,765,298	1,424,166,133	1,719,279,463
International Equities	385,912,266	1,449,056	387,361,322	370,794,645
Real Estate	191,978,811		191,978,811	198,984,602
Venture Capital & Partnerships	11,995,473		11,995,473	3,600,000
Balanced Funds		32,612,285	32,612,285	33,815,020
Total Investments	3,169,240,857	66,436,502	3,235,677,359	3,582,316,537
Invested Securities Lending Collateral	260,060,272		260,060,272	262,950,144
Other Assets				2,826,035
Prepaid Expenses	469,787		469,787	408,939
Fixed Assets, at cost, net of accum. depreciation of \$7,166,666 in 2002 and \$6,169,145 in 2001	2,748,652		2,748,652	1,098,355
Total Assets	3,743,475,275	84,760,870	3,828,236,145	4,265,069,100
Liabilities				
Purchase of Investments	195,095,671		195,095,671	267,548,402
Securities Lending Collateral	260,060,272		260,060,272	262,950,144
Administrative and Investment Costs	3,014,999		3,014,999	3,442,366
Total Liabilities	458,170,942		458,170,942	533,940,912
Net assets held in trust for pension benefits	\$ 3,285,304,333	\$ 84,760,870	\$ 3,370,065,203	\$ 3,731,128,188

The "Schedule of Funding Progress" is presented in the Required Supplementary Information of the Financial Section of this report.
The accompanying notes are an integral part of these Financial Statements

STATEMENT OF CHANGES IN PLAN NET ASSETS
For the Fiscal Year Ended December 31, 2002

	Year ended December 31, 2002			Year Ended December 31, 2001
	Defined Benefit Plan	Defined Contribution Plan	Total Pension Trust Funds	Total Pension Trust Funds
Additions				
Contributions				
Employer Contributions	\$ 127,802,230	\$ 10,241,672	\$ 138,043,902	\$ 130,734,218
Plan Member Contributions	39,625,328	3,509,260	43,134,588	34,714,730
Transfers from Defined Benefit Plan				
Employer		438,040	438,040	12,922,048
Plan Member		53,056	53,056	881,912
Transfers from Other Plans and Other Items		3,557,813	3,557,813	826,992
Total Contributions and Transfers	<u>167,427,558</u>	<u>17,799,841</u>	<u>185,227,399</u>	<u>180,079,900</u>
Investment Income				
Net appreciation (depreciation) in fair value of plan investments	(392,267,847)	(10,798,653)	(403,066,500)	(173,191,745)
Interest Income	45,714,662		45,714,662	65,499,175
Dividend Income	30,999,530		30,999,530	23,565,838
Real Estate Operating Income, net	3,852,327		3,852,327	2,351,098
Commission Recapture Income	770,744		770,744	471,718
Defined Contribution Income (net of fees)				(4,154,015)
	<u>(310,930,584)</u>	<u>(10,798,653)</u>	<u>(321,729,237)</u>	<u>(85,457,931)</u>
Less Investment Expenses	8,882,639		8,882,639	8,288,704
Net Investment Income (Loss)	<u>(319,813,223)</u>	<u>(10,798,653)</u>	<u>(330,611,876)</u>	<u>(93,746,635)</u>
From Security Lending Activities				
Security Lending Income	4,902,231		4,902,231	11,848,291
Security Lending Expenses				
Borrower Rebates	3,755,385		3,755,385	10,400,842
Management Fees	343,023		343,023	434,227
Total Securities Lending Expenses	<u>4,098,408</u>		<u>4,098,408</u>	<u>10,835,069</u>
Net Income from Security Lending Activities	<u>803,823</u>		<u>803,823</u>	<u>1,013,222</u>
Total Net Investment Income (Loss)	<u>(319,009,400)</u>	<u>(10,798,653)</u>	<u>(329,808,053)</u>	<u>(92,733,413)</u>
Miscellaneous Income	1,085,887		1,085,887	1,070,240
Total Additions	<u>(150,495,955)</u>	<u>7,001,188</u>	<u>(143,494,767)</u>	<u>88,416,727</u>
Deductions				
Benefits	200,793,802	5,547,637	206,341,439	187,897,773
Refunds of Contributions				
Employer				214,305
Plan Member	3,366,464		3,366,464	5,199,393
Special Expenses and Fees	366,273		366,273	412,989
Transfers to Defined Contribution Program				
Employer	438,040		438,040	12,922,048
Plan Member	53,056		53,056	881,912
Administrative Expense	7,002,946		7,002,946	5,756,722
Total Deductions	<u>212,020,581</u>	<u>5,547,637</u>	<u>217,568,218</u>	<u>213,285,142</u>
Net Increase (Decrease)	<u>(362,516,536)</u>	<u>1,453,551</u>	<u>(361,062,985)</u>	<u>(124,868,415)</u>
Net assets held in trust for pension benefits				
Balance Beginning of Year	3,647,820,869	83,307,319	3,731,128,188	3,855,996,603
Balance End of Year	<u>\$ 3,285,304,333</u>	<u>\$ 84,760,870</u>	<u>\$ 3,370,065,203</u>	<u>\$ 3,731,128,188</u>

The accompanying notes are an integral part of these Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended December 31, 2002

1. Reporting Entity and Plan Description

The Municipal Employees' Retirement System of Michigan (MERS) is an agent multiple-employer public employee pension plan created under Public Act 135 of 1945, as repealed and replaced by Public Act 427 of 1984. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to local government employees in Michigan. The MERS Plan Document provides for both a defined benefit plan and a defined contribution program.

On August 15, 1996 (pursuant to 1996 PA 220), MERS became an independent public non-profit corporation (an instrumentality of the participating municipalities and courts). Prior to that time MERS was a component unit of the State of Michigan and operated under the Department of Management and Budget. MERS is now administered solely by a nine-member Retirement Board, each of whom, except for the retiree member and the Retirement Board appointees, shall be from a different county at the time of appointment:

- Two members appointed by the Retirement Board who have knowledge or experience in retirement systems, administration of retirement systems, or investment management or advisory services.
- One member who is a retiree of the Retirement System, nominated by the Board and elected by the delegates to an annual meeting of the Retirement System.
- Three members of the Retirement System, who are officers of a participating municipality or of a participating court, who shall be designated as officer Board members.
- Three employee members of the Retirement System who are not officers of a participating municipality or of a participating court, who shall be designated as employee Board members.

The regular term of office for members of the Retirement Board is three years. Members of the Retirement Board serve without compensation with respect to their duties, but are reimbursed by the Retirement System for their actual and necessary expenses incurred in the performance of their duties.

As of December 31, 2002, there were 578 participating municipalities in the defined benefit plan:

Counties	64
Cities and Villages	235
Townships	54
County Road Commissions	56
Authorities, Districts and Others	153
Closed Groups	<u>16</u>
Total	<u>578</u>

Any municipality within the State may elect to become a participating member of MERS by a majority vote of the municipality's governing body or an affirmative vote by the qualified electors. A municipality may elect to terminate participation by an affirmative vote of the qualified electors. Changes in benefit coverage are available to bargaining units after approval by a majority vote of the municipality's governing body.

As of December 31, 2002, total membership for the defined benefit plan consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	
Retirement Annuities	13,567
Survivor Annuities	3,027
Disability Annuities	<u>936</u>
Total	17,530
Vested Deferred Members	4,760
Current Active Members	<u>37,053</u>
Total Membership	<u>59,343</u>

Defined benefit plans and provisions are established by the Retirement Board. All benefits vest after ten years of service, except that benefits may vest after eight or six years of service if adopted by the municipality's governing body. The standard retirement age is 60 years; however, members may retire with several combinations of age and years of service to receive reduced early retirement benefits. Municipalities may adopt various other benefit plans that allow retirement at an earlier age with unreduced benefits based upon combinations of age and years of service, or just years of service. MERS also provides non-duty disability and survivorship benefits to members after vesting requirements are met. The vesting requirements provision is waived for duty disability and duty death benefits. Benefits are paid monthly over the member's or surviving beneficiary's lifetime equal to a specific

percentage of the member's final average compensation times the number of years of credited service. The specific percentage depends on the benefit plan or programs adopted by each municipality for its employees. See Note 6 for benefit descriptions in the defined contribution program.

Pursuant to the Constitution of the State of Michigan:

The accrued financial benefits of each pension plan and retirement system of the State and its political subdivisions shall be a contractual obligation thereof which shall not be diminished or impaired thereby. Financial benefits arising on account of service rendered in each fiscal year shall be funded during that year and such funding shall not be used for financing unfunded accrued liabilities.

Members contribute to the Retirement System at rates that range from 0 to 10% depending on the contribution program adopted by the municipality. If an employee leaves employment or dies before becoming eligible for retirement benefits, accumulated employee contributions plus interest are refunded to the employee or designated beneficiary upon application.

2. Summary of Significant Accounting Policies

Reporting Entity

The Retirement Board is responsible for administration of the Retirement System, has fiduciary responsibility for the investment of assets and oversees all funds included in MERS' financial statements. The Board appoints the Chief Executive Officer who manages and administers the Retirement System under the supervision and direction of the Board.

Since MERS is an independent public corporation, its financial statements are not included in any other organization's financial statements. MERS is the only entity included in this financial report.

Basis of Accounting

The financial statements for MERS are prepared on the accrual basis in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Plan member and employer contributions are recognized in the period in which the employee provides service. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

GASB 27

Governmental Accounting Standards Board (GASB) Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers," requires certain changes in reporting pensions by employers. The following section is required and pertains to MERS' staff only. Prior to separation from the State of Michigan, the pension liability for MERS' staff was the obligation of its official employer, the State of Michigan. MERS does not have any pension liability for staff prior to August 25, 1996, when independent payroll processing began.

The Retirement Board, as an employer, elected to become a participating municipality in MERS to provide pension benefits for MERS' staff. Vesting occurs after six years of credited service. Normal retirement age is 60; however, an employee may retire at age 55 with 30 years of credited service. The annual pension benefit is based on the employee's years of credited service multiplied by 2% times the Final Average Compensation (FAC). FAC is the average of the three highest consecutive years of compensation. Employees contribute 2% of their compensation. Employer contributions were 8.46% of compensation in 2002.

The following pension information for GASB 27 applies to MERS' staff only:

**Actuarial Accrued Liability from December 31, 2001,
and December 31, 2000, Actuarial Valuations**

	<u>2001</u>	<u>2000</u>
Retirees and Beneficiaries Currently Receiving Benefits	\$ 145,363	\$ 146,656
Vested Deferred Members	14,781	17,584
Current Members		
Accumulated Employee Contributions, Including Allocated Investment Income	132,313	98,501
Employer Financed	<u>951,508</u>	<u>618,637</u>
Total Actuarial Accrued Liability	1,243,965	881,378
 Net Assets Available for Benefits at Actuarial Value (\$774,577 and \$625,576 at Market Value for December 31, 2001, and 2000, respectively)	 <u>1,068,314</u>	 <u>775,096</u>
 Unfunded Actuarial Accrued Liability	 <u>\$ 175,651</u>	 <u>\$ 106,282</u>

Three-Year Trend Information

<u>Fiscal Period Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2000	122,552	100	-0-
December 31, 2001	130,359	100	-0-
December 31, 2002	146,906	100	-0-

Schedule of Funding Progress

Actuarial Valuation <u>Dec. 31</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded (Over) AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL As A % of Covered Payroll <u>((b-a)/c)</u>
1999	549,831	580,943	31,112	94.6	1,366,768	2.28%
2000	775,096	881,378	106,282	87.9	1,624,802	6.54%
2001	1,068,314	1,243,965	175,651	85.9	1,970,436	8.91%

GASB 34

GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis has been adopted by MERS for the fiscal year ended December 31, 2002. The addition of the Management's Discussion and Analysis was the primary change required to implement the Statement.

Fair Value of Investments

In accordance with GASB 25, plan investments are presented at fair value. Short-term investments are valued at cost plus accrued interest that approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based upon equivalent values of comparable securities with similar yield and risk. Independent appraisals are the basis of the fair value of real estate. Other investments that do not have an established market are recorded at an estimated fair value.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation. Items of software, equipment and leasehold improvements are capitalized if the value exceeds \$5,000. These assets are depreciated on a straight-line basis. Estimated lives are either three or five years. Office equipment, software and computers have a three-year life, while leasehold improvements have a five-year life.

Other Assets

Other assets include costs through December 31, 2001, of land, design and construction associated with the new office building. The approximate \$6.9 million cost of the new office development project has been made an investment asset in the defined benefit real estate portfolio. MERS accounts for this project the same as all investments in the real estate portfolio.

"Total" Columns on Statements

"Total" columns on the "Statement of Plan Net Assets" and "Statement of Changes in Plan Net Assets" are considered memorandum only and are presented to facilitate financial analysis. Amounts in these columns do not present the plan net assets and changes in plan net assets in conformity with U.S. GAAP, and such data is not comparable to a consolidation. Transactions between the defined benefit plan and the defined contribution program have not been eliminated from the "total" columns.

3. Contributions and Reserves

Contributions

Funding requirements are actuarially determined using the "Entry Age Normal" actuarial cost method and are based upon the benefit program(s) selected by the municipality. Some municipalities fund their entire pension obligations solely from employer contributions. Other municipalities' pension obligations are jointly funded by the employees and the employer. Monthly employee contributions are based upon a percentage of actual compensation as determined by an annual actuarial valuation. Employer contributions are based upon projected compensation as determined by an annual actuarial valuation. Employee contributions are held in individual member accounts that are currently credited with 4% interest annually. The employee contribution rates vary from 0% to 10% according to the plan selected by the municipality. A "Schedule of Employer Contributions" is included in the "Required Supplementary Information."

Reserves

The following Reserves have been established pursuant to the MERS' Plan Document. A "Schedule of Changes in Reserves" is included in the Statistical Section.

Reserve for Employee Contributions: Member contributions and interest are credited to this reserve. Also included is purchase of service credit or repayment of previously refunded contributions. This reserve is reduced by amounts refunded to a member who separates from service or is transferred into the "Reserve for Employer Contributions and Benefit Payments" upon retirement. Interest is credited to each member's account in December of each year based on the accumulated balance from the prior December 31. The current allocation rate of interest is set by the Board at 4%. The December 31, 2002, balance was \$371,461,312. The "Reserve for Employee Contributions" was fully funded as of the December 31, 2001, actuarial valuation.

Reserve for Employer Contributions and Benefit Payments: All employer contributions are credited to this reserve. Net income is allocated to this reserve from the "Reserve for Expenses and Undistributed Investment Income." At retirement, a member's accumulated contributions, if any, including interest are transferred into this reserve. Monthly benefits paid to retirees reduce this reserve. The December 31, 2002, balance was \$2,913,843,021. The unfunded liability was \$749,476,105 (based on the actuarial value of assets) as of the December 31, 2001, actuarial valuation.

Reserve for Expenses and Undistributed Investment Income: All investment earnings and all other monies received that are not dedicated to other reserves are credited to this reserve. All administrative and investment expenses are paid from this reserve. Transfers are made to the "Reserve for Employer Contributions and Benefit Payments" at allocation rates determined by the Board. The "Reserve for Expenses and Undistributed Investment Income" was allocated at 100% to the "Reserve for Employer Contributions and Benefit Payments" in 2002 leaving a zero balance at December 31, 2002.

4. Investments

The Retirement Board has the fiduciary responsibility and authority for the investment portfolio. Various professional investment managers are contracted to manage the Retirement System's assets. All investment decisions are subject to statutory regulations imposed under the Michigan Public Employees' Retirement System Investment Act, 1965 PA 314, as amended, and the investment policy established by the Board. Michigan law allows diverse investment in stocks, corporate and government bonds, mortgages, real estate, alternative investments, and other investments. The Act has prudence standards and requires that the assets of a retirement system be invested solely in the interest of the participants and beneficiaries. The investments shall be made for the exclusive purpose of providing benefits to the participants and the participants' beneficiaries and defraying reasonable expenses of the retirement system.

The Retirement Board's investment policy requires independent performance measurement of investment managers and establishes total return objectives for the total portfolio and major categories of investments. As of December 31, 2002, all securities held met the required statutory provisions and Board policy. As of the same date, no investments were in default or subject to bankruptcy proceedings that would have a material effect on the plan. MERS did not hold a single organization's securities that exceeded 5% of the plan's net assets available for benefits as of December 31, 2002.

Cash

Cash deposits are classified according to credit risk to give an indication of the level of risk assumed by MERS. For custodial credit risk, the bank balances of deposits are disclosed.

- Category 1 Insured or collateralized with securities held by MERS or its agent in MERS' name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in MERS' name.
- Category 3 Uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in MERS' name.

As of December 31, 2002, MERS' cash included:

(Expressed in thousands)

	Category			Bank Balances not Subject to Classification	Bank Balance	Book Value
	1	2	3			
Operating Cash			\$ 2,222		\$ 2,222	\$ 2,183
Investment Cash			<u>5,383</u>		<u>5,383</u>	<u>5,161</u>
	<u>\$0</u>	<u>\$0</u>	<u>\$ 7,605</u>	<u>\$0</u>	<u>\$ 7,605</u>	<u>\$ 7,344</u>

Securities Lending

MERS' policy authorizes participation in a securities lending program administered by its global custodian, the Northern Trust Company. MERS receives income from the loan of securities in addition to the income, which accrues to the Retirement System as owner of the securities. The securities loans are open contracts and, therefore, could be terminated at any time by either party. The borrower collateralizes the loan with either cash or securities of 102% of market value plus accrued interest on domestic securities loaned, and 105% of market value plus accrued interest on international securities loaned. Cash collateral is invested for MERS in a dedicated short-term investment fund consisting of investment grade fixed income securities. The custodian provides for full indemnification to MERS for any losses that might occur in the event of borrower default resulting from negligence or intentional misconduct. The securities on loan are marked to market daily to ensure the adequacy of the collateral. There are no restrictions on the amount of securities that can be lent at one time. Neither MERS nor the custodian has the ability to pledge or sell collateral securities delivered unless the borrower is in default.

MERS also invests in two index funds that participate in securities lending on a pooled basis.

MERS has never experienced a loss on securities lending transactions resulting from the default of a borrower or lending agent since it commenced lending securities in March 1995. The average term of loan was 22 days as of December 31, 2002, and produced net income of \$803,823 in 2002.

The collateral held and the fair value of securities on loan as of December 31, 2002, was as follows:

Dollars In Thousands

<u>Fair Value of Securities on Loan</u>	<u>Nature of Collateral</u>	<u>Collateral Held</u>
\$ 253,604,944	Cash	\$ 260,060,272
<u>23,799,711</u>	Non-Cash	<u>24,273,782</u>
<u>\$ 277,404,655</u>		<u>\$ 284,334,054</u>

Derivatives

In accordance with investment policy, the active international manager may, when deemed prudent, enter into forward foreign currency exchange contracts in the international portfolio to match settlement deadlines or to take advantage of favorable currency moves in the market. Forward contracts are used to hedge against changes in the exchange rates related to foreign equities, primarily denominated in European and Asian currencies. This method is used to reduce the risk of currency exposure in the portfolio. As of December 31, 2002, there were no positions in forward currency contracts held in the portfolio.

Derivatives are neither used for speculation nor are they used to leverage the investment portfolio. The Retirement System does not use swap agreements, stock options, caps/floors, or floating rate securities that are priced from underlying collateral.

Categories of Investment Risk

The following table represents the total investments held as of December 31, 2002, categorized to give an indication of the level of risk assumed by MERS. All investments are governed primarily by an investment doctrine known as the "prudent person rule." The "prudent person rule," establishes a standard for all fiduciaries that includes anyone who has authority with respect to the funds. The GASB Statement Number 3 requires disclosure of investment securities in the following three categories of custodial risk. The category descriptions follow.

- Category 1 Insured or registered securities that are held by MERS or its agent in MERS' name.
- Category 2 Uninsured and unregistered securities collateralized, with securities held by the counterparty's trust department or agent in MERS' name.
- Category 3 Uninsured and unregistered securities, with securities held by the counterparty or its trust department or agent, but not in MERS' name.

A security, for purposes of classification in the above categories, is a transferable financial instrument that evidences ownership or creditorship. Securities do not include investments made with another party, real estate or direct investments in mortgages and other loans. Investments in open-end mutual funds, annuity contracts, and guaranteed investment contracts are also not considered securities for purposes of custodial credit risk classification. Such investments are shown as not subject to classification.

There are no Category 2 investments. The Real Estate section consists of real estate equity holdings (REITS) and real estate. The defined contribution program assets are participant-directed mutual funds that are not subject to GASB Statement No. 3 credit risk classification. The Short-Term investment funds that are Category 3 investments are in foreign currencies. The Domestic Equities, Fixed Income, and International Equities that are not subject to classification below are investments that are unregistered, pending trades, open-end mutual index funds, guaranteed investment contracts and direct investments in mortgages and other loans.

Credit Risk of Investments as of December 31, 2002:

(Expressed in Thousands)	Category			Securities not subject to Classification	Fair Values
	1	2	3		
Domestic Equities	\$ 974,125			\$ 425,276	\$ 1,399,401
Fixed Income	524,116		863	654,974	1,179,953
International Equities	288,264			97,648	385,912
Real Estate	76,393			115,586	191,979
Commercial Paper	266,068				266,068
Short-Term Investment Funds			4,916	2,937	7,853
Private Equity & Venture Capital				11,995	11,995
Defined Contribution Program				66,437	66,437
Securities Lending Collateral				<u>260,060</u>	<u>260,060</u>
	<u>\$2,128,966</u>	<u>\$ 0</u>	<u>\$5,779</u>	<u>\$1,634,913</u>	<u>\$3,769,658</u>

Reconciliation to Investments on Statement of Plan Net Assets

Totals above	\$3,769,658
Less Commercial Paper	-266,068
Less Short Term Investments	-7,853
Less Securities Lending Cash Collateral	<u>-260,060</u>
	<u>\$3,235,677</u>

5. Commitments and Contingencies

Member benefit claims are processed through established administrative procedures. Members can appeal adverse determinations to the Board or courts. These administrative appeals and court cases arise in the normal course of business. MERS does not anticipate any material loss as a result of adverse claims. Furthermore, if a member is successful on appeal of a denied claim, the cost is ultimately borne by the affected participating municipality's funding obligation. MERS maintains liability insurance for workers' compensation, owned and leased vehicles, blanket property, fiduciary, fidelity, and faithful performance to cover risk of loss, such as personal injury to employees or others, property damage, or other liability.

6. Defined Contribution Program

Program Description

The MERS' defined contribution program became operative July 8, 1997, under Section 401(a) of the Internal Revenue Code. MERS has contracted with International City Management Association- Retirement Corporation (ICMA-RC) to serve as the third-party administrator for the program. The program is available to all of MERS' participating municipalities and may be adopted on a division-by-division basis. Program provisions and requirements are specified in the MERS' Plan Document.

Contributions to the defined contribution program are remitted directly to ICMA-RC by the participating municipalities and are separate from contributions made to the defined benefit plan. Both employer contributions and employee voluntary defined contributions are governed by the percentages allowable under the Internal Revenue Code. Members of the defined contribution program cannot change their contribution as a percent of payroll after enrollment.

Participating municipalities may offer current employees an opportunity to transfer from the defined benefit plan to the defined contribution program. MERS will then transfer the present value of the employee's accrued benefit in the defined benefit plan to the employee's account in the defined contribution program (at a stipulated funded ratio which shall not exceed 100%). Members direct their contributions to various investment options offered by ICMA-RC and may transfer their account balances between investment categories or make changes to the percentage allocation on a daily basis. ICMA-RC offers a variety of investment opportunities for the defined contribution program. The Vantage Trust Funds include nine actively managed funds; five index funds, and five model portfolio funds. The Mutual Fund Series includes 16 segregated accounts, each with a different investment strategy.

As of December 31, 2002, there were 76 municipalities that had adopted the defined contribution program, with 4,743 member accounts totaling \$84.8 million.

Significant Accounting Policies

The defined contribution financial statements are prepared using the cash basis of accounting (which approximates the accrual basis of accounting). Program investments are presented at fair value. Program participants select from 38 investment options.

Reserve for Defined Contribution Program

All additions to and deductions from defined contribution program assets are recorded in the "Reserve for Defined Contribution Program."

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(Dollars in Millions)

Actuarial Valuation Date <u>Dec. 31</u>	Actuarial Value Of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
1996	2,416.4	2,999.0	582.6	80.6%	1,025.2	56.8%
1997*	2,692.7	3,285.2	592.5	82.0%	1,087.3	54.5%
1998	3,030.4	3,592.0	561.6	84.4%	1,163.1	48.3%
1999	3,464.9	3,835.5	370.6	90.3%	1,179.3	31.4%
2000	3,787.2	4,397.0	609.8	86.1%	1,226.0	49.7%
2001	4,034.4	4,783.9	749.5	84.3%	1,271.6	58.9%

* In 1997, economic assumptions were revised.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollars in Millions)

Fiscal Year (<u>See Note 1</u>)	Annual Required Contribution	Accelerated Funding Credit	Percentage Contributed Before Credit	Percentage Contributed After Credit
1997	110.7	24.6	82%	106%
1998	116.9	14.3	99%	113%
1999	119.6	6.8	111%	118%
2000	124.9	8.4	106%	113%
2001	118.2	14.5	103%	118%
2002	124.7	7.7	103%	118%

See notes to the Schedules of Required Supplementary Information.

NOTES TO THE SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

1. **Actuarial Valuation** - Actuarial valuations are prepared annually as of December 31 for each participating municipality. To facilitate budgetary planning needs, employer contribution requirements are provided for the municipality's unique fiscal year that commences after the following calendar year end. For example, the requirements for fiscal years that began in 2002 were determined by actuarial valuations as of December 31, 2000.

Approximately 75% of the participating municipalities have fiscal years that begin January 1 or July 1. The remainder are scattered throughout the rest of the year.

The "Annual Required Contribution and Accelerated Funding Credit" shown in the preceding schedule represents the summation of each participating municipality's contribution requirements for its fiscal year commencing in the year stated. However, the calculations to determine the percentage contributed use contributions recorded during MERS' fiscal year.

2. **Accelerated Funding Credits** - An Accelerated Funding Credit (AFC) Program was first established by the Retirement Board in 1984 and modified several times since then. The program that affected 2002 contributions reduced the required contribution rates of municipalities that had funded percentages in excess of 100%.
3. **Summary of Actuarial Methods and Assumptions** - The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation may be found in the Actuarial Section.

Summary Information follows:

Valuation Date	December 31, 2001
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 years
	For new municipalities that first joined MERS prior to 2002, the amortization period was greater than 30 years and will decline one year annually until the period reaches 30 years.
Asset Valuation Method	5-Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	8%
Projected Salary Increases	4.5% for base inflation, plus 0.0% to 4.16% per year attributable to merit and longevity.
Post-Retirement Benefit Adjustment	2.5% annual post-retirement benefit adjustments if adopted by individual municipality.

SUPPORTING SCHEDULES
SCHEDULE OF ADMINISTRATIVE EXPENSES
For the Fiscal Year Ended December 31, 2002

Administrative Expenses	
Personnel Services	
Salaries	\$1,983,954
Social Security	153,466
Retirement	178,487
Insurance	<u>287,830</u>
Total Personnel Services	2,603,737
Professional Services	
Actuarial Services	390,792
Audit Services	39,880
Commercial Banking	91,064
Legal Services	83,333
Medical Advisory Services	32,825
Data Processing	13,481
Computer Maintenance	17,719
Consultants	187,010
Temporary Personnel	75,716
Recruitment Fees	<u>29,622</u>
Total Professional Services	961,442
Communication	
Reproduction / Retention	152,371
Mail & Postage	65,894
Promotional Supplies	19,179
Telephone / Communications	122,274
Travel and Meetings	106,852
Newsletter	25,926
Annual Meeting	<u>180,960</u>
Total Communication	673,456
Rentals	
Equipment Rental	127,978
Office Rental	<u>349,442</u>
Total Rentals	477,420
Miscellaneous	
Payroll Processing	2,366
Office Supplies	75,733
Cash Short and Over	47
Operating Expenses	428,760
Equipment Expense	95,884
Software	38,572
Software Maintenance	399,513
Professional Development and Tuition Reimbursement	97,055
Insurance	156,546
Maintenance	8,811
Depreciation	<u>983,604</u>
Total Miscellaneous	2,286,891
Total Administrative Expenses	<u>\$7,002,946</u>

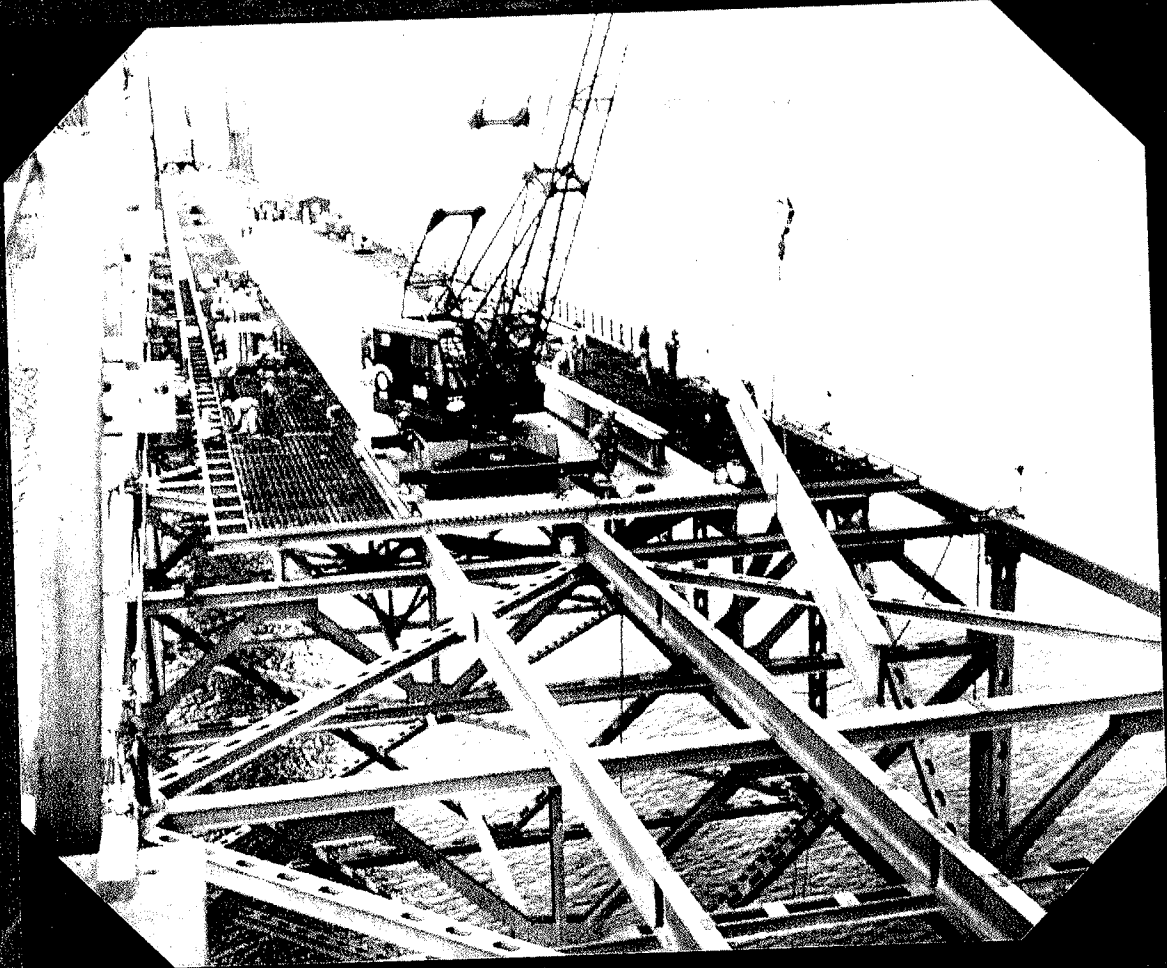
SCHEDULE OF INVESTMENT EXPENSES
For the Fiscal Year Ended December 31, 2002

Investment Expenses	
Personnel Services	
Salaries	\$215,600
Social Security	17,750
Retirement	19,614
Insurance	<u>40,686</u>
Total Personnel Services	293,650
Professional Services	
Commercial Banking	271,872
Investment Managers	8,030,910
Investment Performance Expense	<u>80,750</u>
Total Professional Services	8,383,532
Communication	
Travel and Meetings	16,153
Training and Subscriptions	<u>83,800</u>
Total Communication	99,953
Miscellaneous	
Operating Expenses	8,528
Equipment Expenses	197
Software Maintenance	82,862
Depreciation	<u>13,917</u>
Total Miscellaneous	<u>105,504</u>
Total Investment Expenses	<u>\$8,882,639</u>

SCHEDULE OF PAYMENTS TO CONSULTANTS
For the Fiscal Year Ended December 31, 2002

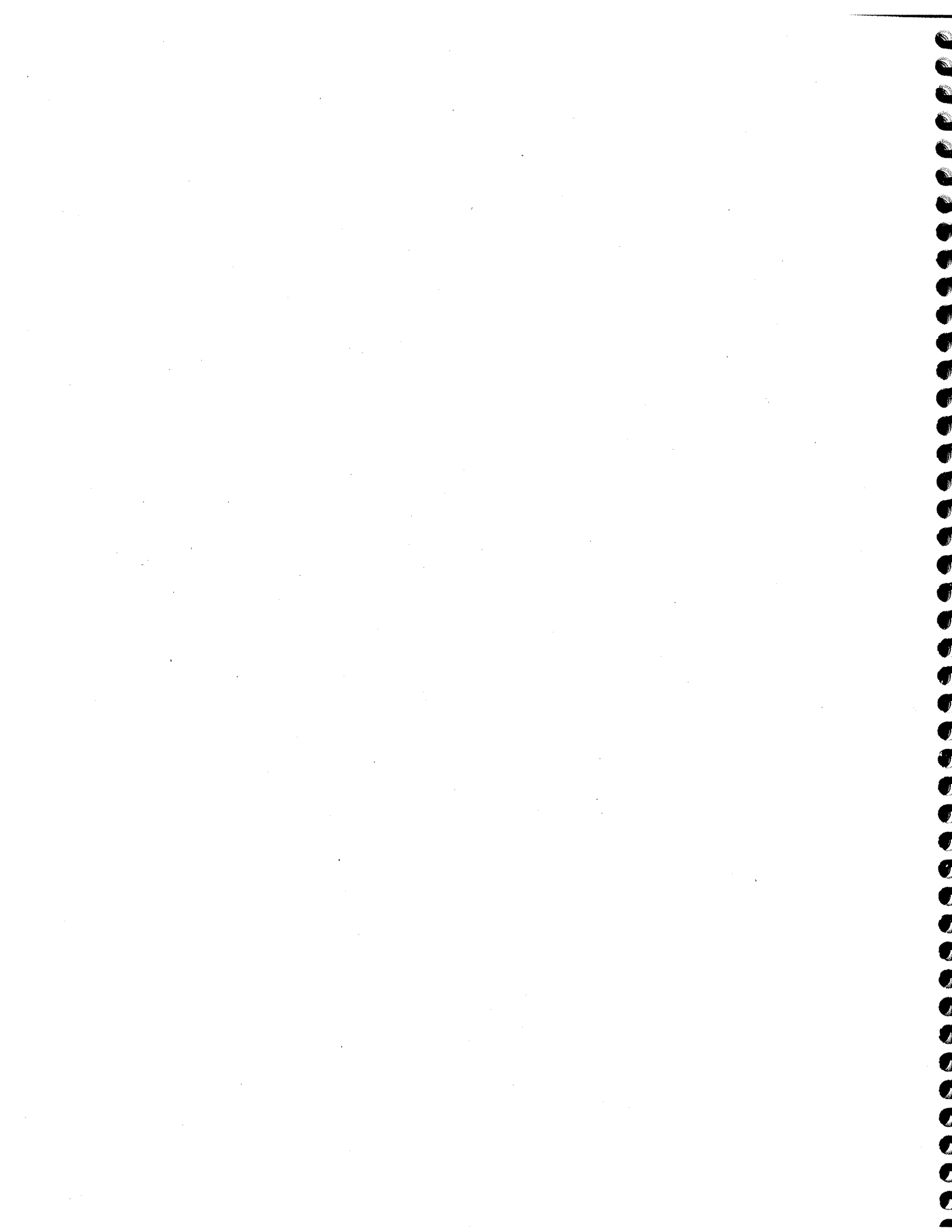
<u>Firm</u>	<u>Nature of Service</u>	<u>Fee</u>
Beacon Application Services	Systems Implementation and Maintenance	\$1,223,137
Gabriel, Roeder, Smith & Company	Actuary	716,647
PeopleSoft	Systems Implementation and Maintenance	665,129
Thomas Shadle	Systems Implementation and Maintenance	125,565
Andrews Hooper & Pavlik PLC	Auditor	39,880
New London Management Associates	Personnel and Human Resource Advisors	35,718
Karoub Associates	Legislative Advisors	30,000
Associated Physicians	Medical Advisors	18,875
Miller, Canfield, Paddock & Stone PLC	Legal Counsel	16,023
Consulting Physicians	Medical Advisors	<u>14,800</u>
Total Payments to Consultants		<u>\$2,885,774</u>

Note: Fees paid to investment managers are included in the Investment Section.



...to tomorrow.

INVESTMENT SECTION



REPORT ON INVESTMENT ACTIVITY – DEFINED BENEFIT PLAN

Introduction

The MERS' Retirement Board has the fiduciary responsibility and authority to direct the Retirement System's investment program. Members of the Board must follow the State law and prudent standards of diligence consistent with "discharging their duties in the interest of plan participants." The prudent person standard requires that the Board "exercise the same judgment, care, skill, prudence and diligence under the circumstances which persons acting in a like capacity and familiar with such matters would use in the conduct of a similar enterprise with similar aims." MERS has a defined benefit plan and a defined contribution program. The first portion of the investment section is devoted to the defined benefit plan and the second portion to the defined contribution program.

Investment Objectives and Activity

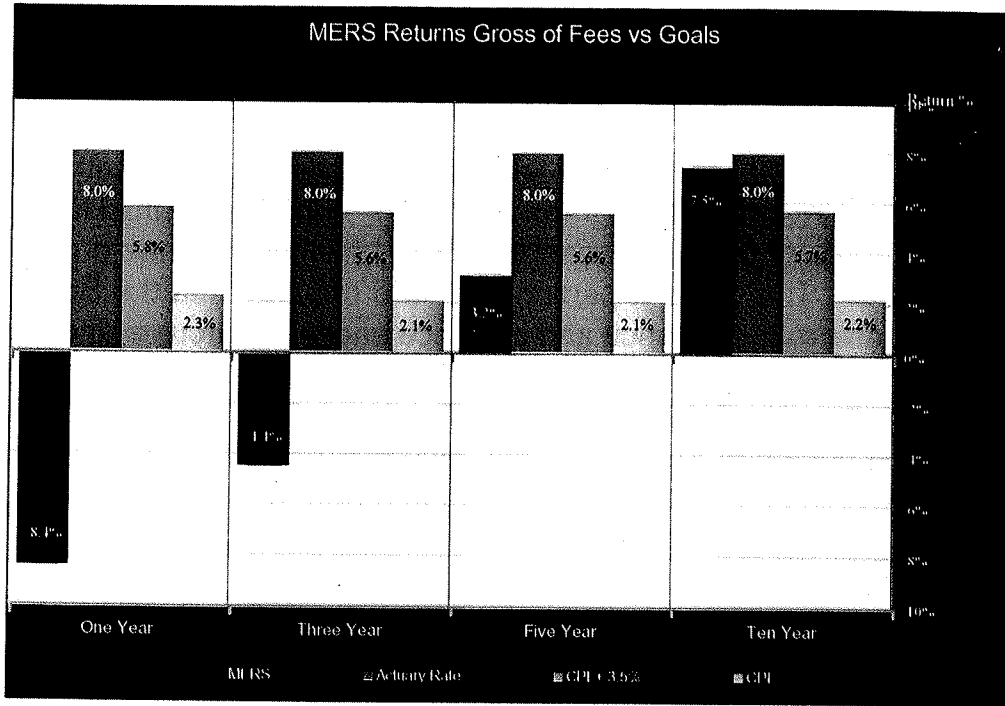
The primary investment objective is to maximize the long-term total rate of return on investments with a high degree of prudence and sufficient diversification to eliminate inordinate risks in conformity with the Michigan Public Employee Retirement System's Investment Act, 1965 PA 314, as amended. In addition, the Retirement Board has established Investment Guidelines that are updated annually. These guidelines communicate long-term objectives, goals and performance expectations to the staff, investment managers, consultants, and all other interested parties. The Retirement Board strives to add incremental return relative to the market by employing active management strategies where appropriate. Every effort is made to minimize the costs to the portfolio with the use of skilled internal and external resources without negatively affecting the performance of the portfolio.

The long-term objectives for the investment assets are:

- Achieve a real rate of return of at least 3.5% annually over the rate of inflation, and
- Exceed the actuarial assumption rate of 8% annually.

The real rate of return is defined as the rate at which the long-term total return on the Retirement System's assets exceeds the long-term inflation rate. The graph on the following page illustrates that MERS has achieved returns greater than the Consumer Price Index (CPI) plus 3.5% and is only 50 basis points below the actuarial assumption rate of 8% over 10 years. The market downturn of the last three years has resulted in a return gap between the actuary's assumption rate and actual performance. Given the volatility and severity of losses to the broader markets, the return gap is expected. Historical post-recession returns should reverse this trend in the next few years.

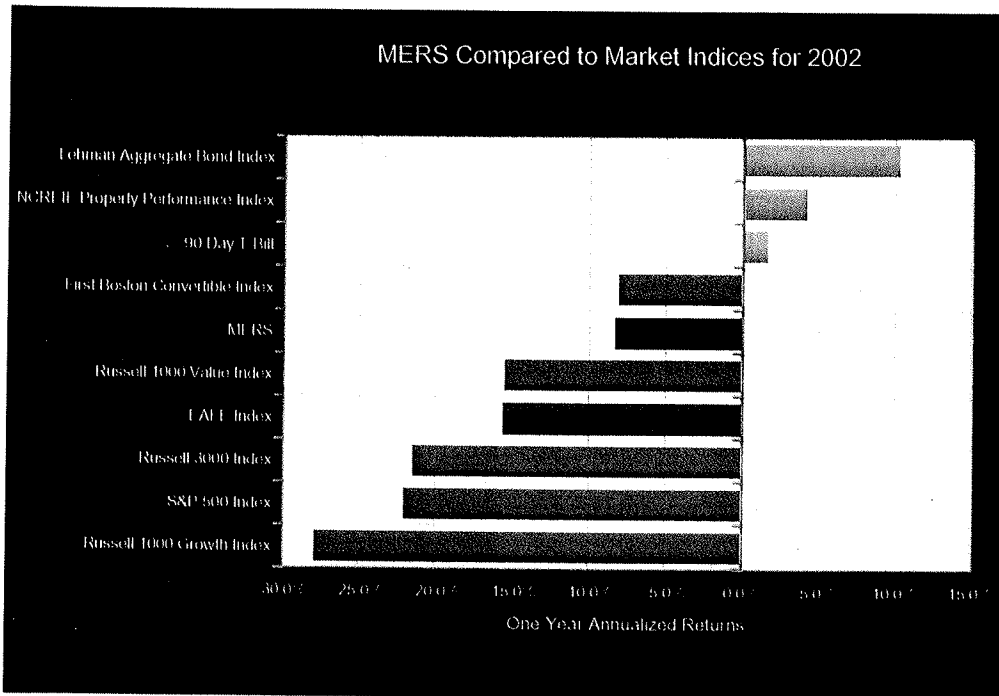
Returns Gross of Fees vs Goals



CPI Source: Bureau of Labor Statistics, U.S. Department of Labor

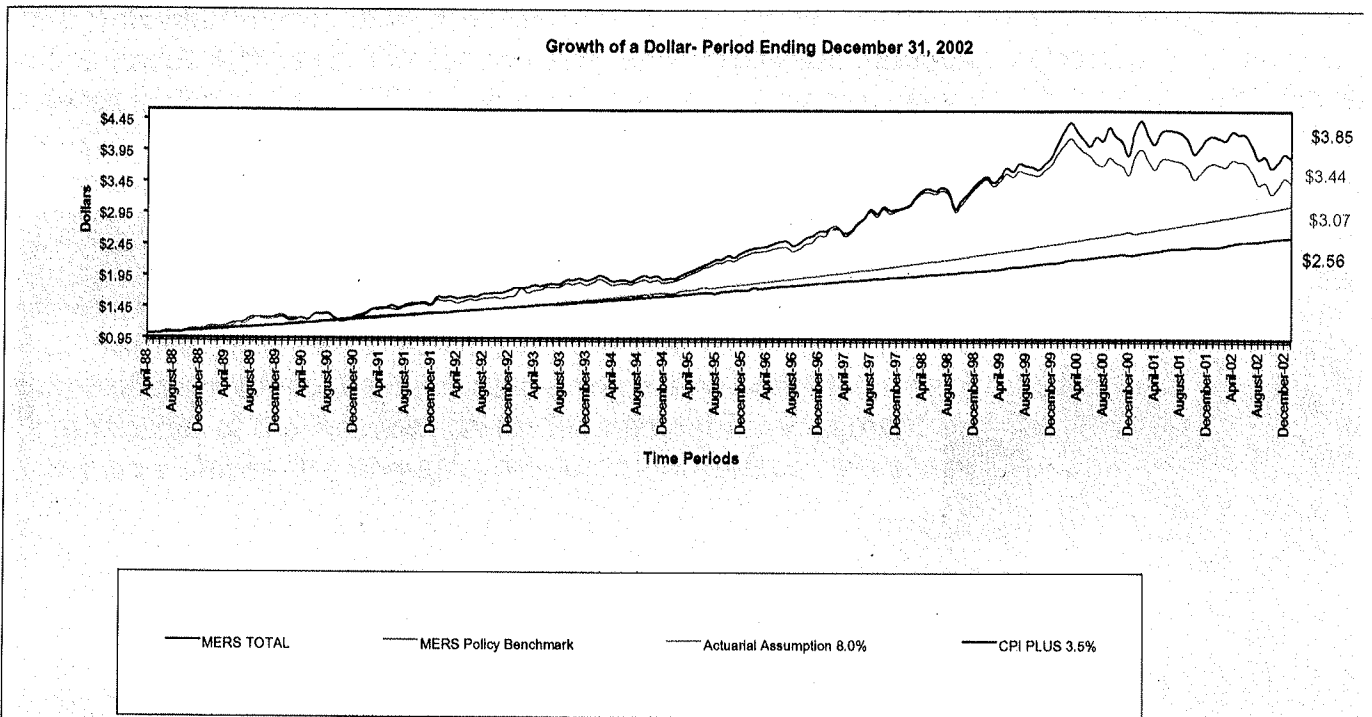
When compared to the major market indexes, the portfolio demonstrates the value of diversification in providing stability during an extremely volatile investment environment.

Compared to Market Indices for 2002



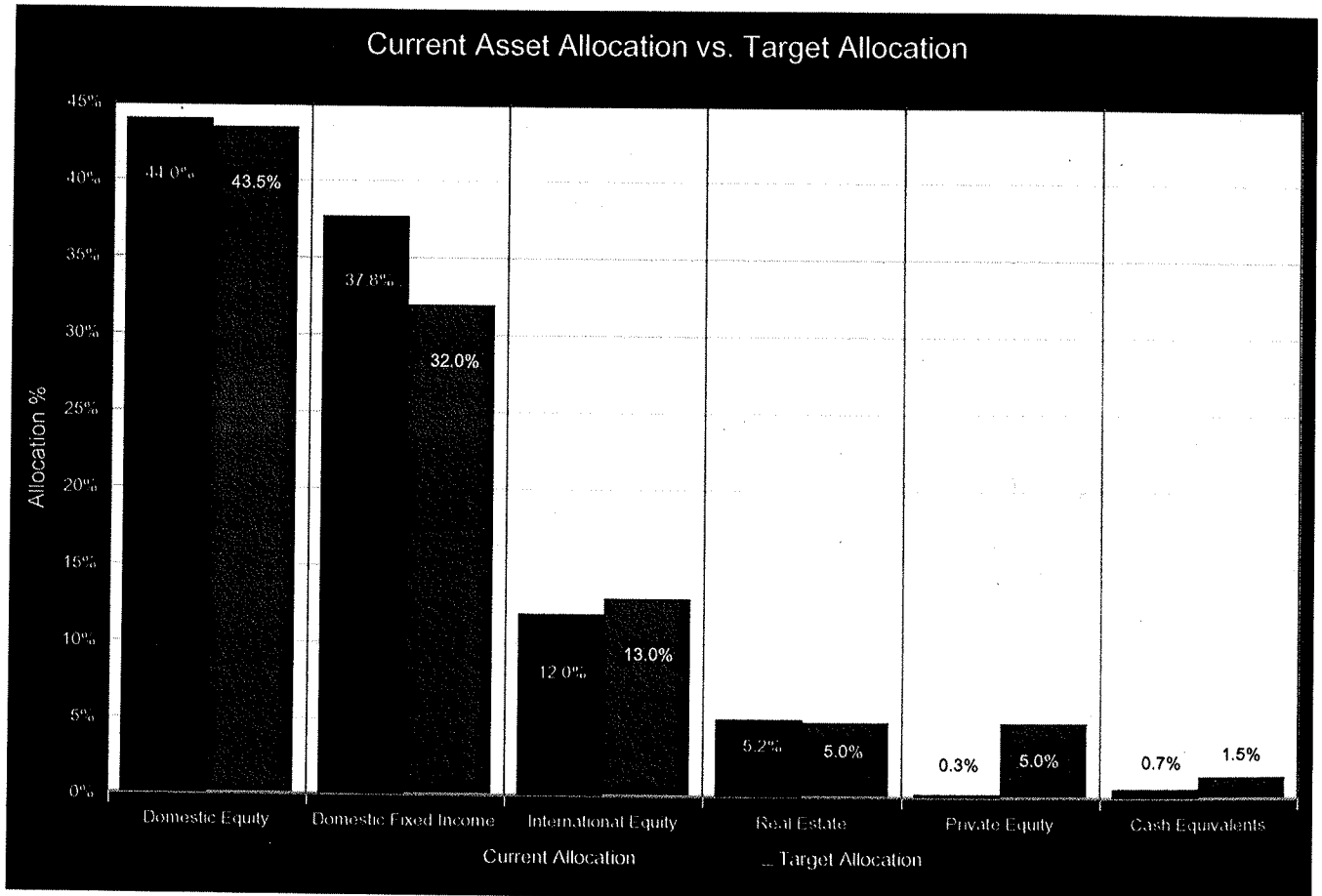
The historic underperformance of the financial markets has resulted in MERS slightly underperforming its actuarial assumption rate of return for the ten-year period. However, MERS continues to exceed all other investment assumption hurdles over longer periods. The strength of its combination of passive and active management, diversification across asset classes and its disciplined adherence to its asset allocation plan has allowed MERS to provide value through multiple market cycles. The chart below illustrates the growth of a dollar over the last 15 years comparing the fund to its various benchmarks and demonstrating the value added by the portfolio.

Growth of a Dollar



Asset Allocation

With the long-term investment objectives as the central focus, the Retirement Board conducts periodic asset allocation studies to select a strategic asset allocation plan. A study was completed in 2001 resulting in two new asset classes (private equity and high yield bonds) being added to the portfolio. This allocation plan designs a portfolio with the optimal mix of asset classes for the long-term investment time horizon. The characteristics of expected return, risk and correlation of return of various asset categories are carefully projected. The result is a portfolio that is broadly diversified in domestic and international stocks, domestic fixed income securities, high yield bonds, real estate, and private equity and cash equivalents. Both active and passive strategies are employed. Due to market movements, the different asset classes fluctuate in performance. Thus, it is reasonable to expect that the actual allocation will differ from that of the target as is demonstrated in the bar chart below.



Total Fund Investment Results

The investment portfolio produced a total net return for the fiscal year of -8.6%. MERS did experience a decline for the year. The portfolio's broad asset diversification kept losses relatively low when compared against the broader markets. The equity markets experienced significant losses across all major indexes. A fourth quarter rally eased some of the year's negative returns. In contrast, fixed income markets produced significant positive returns. Real estate and cash positions also added positive returns to the overall portfolio. The technology heavy NASDAQ Index returned -31.5% for the year. The Dow Jones Industrial Average and the Russell 3000 fared slightly better, yielding -16.8% and -21.5%, respectively, in 2002.

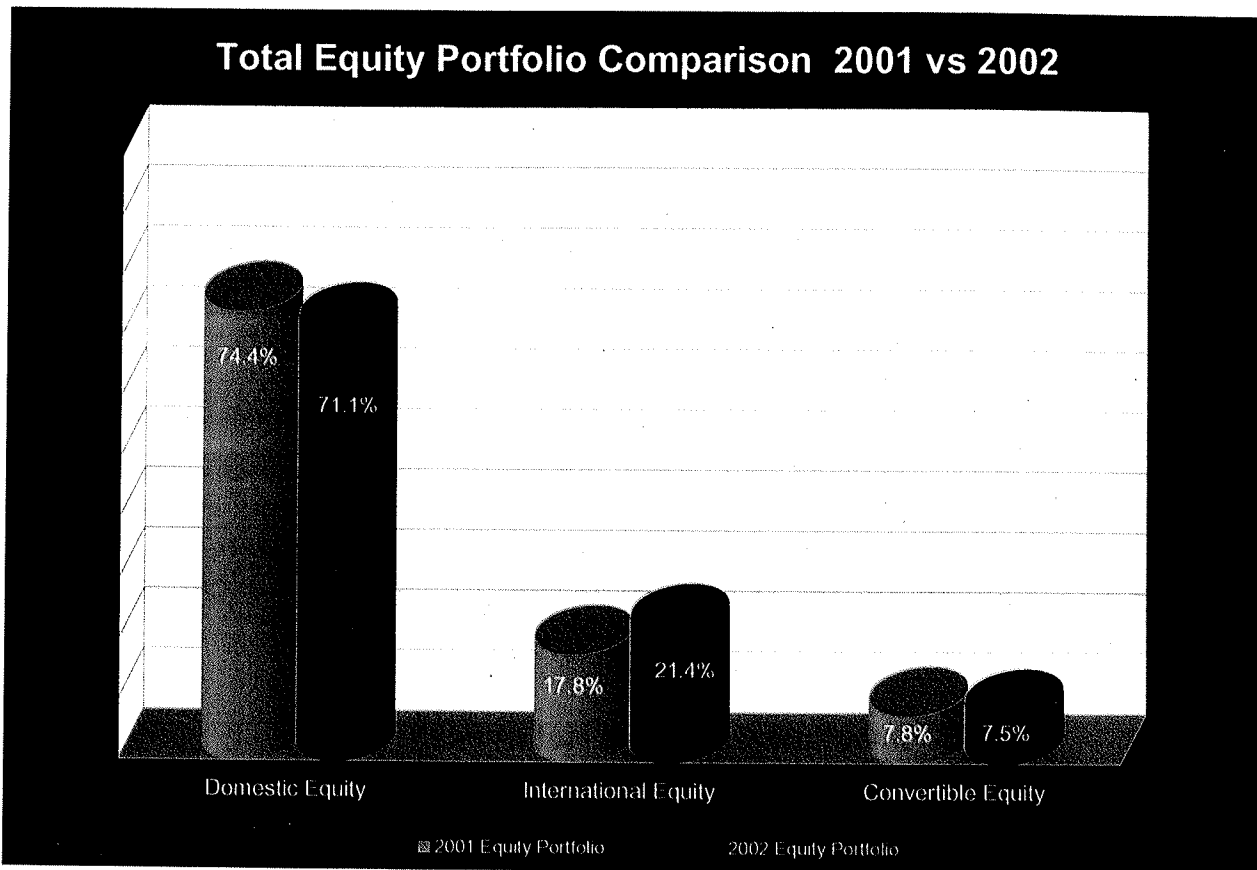
The MERS' portfolio ranked slightly below median within the Northern Trust (TNT) Public Fund Universe, returning - 8.6% net for the fiscal year and ranked in the 60th percentile. MERS ranks 42nd and 63rd for the two and three-year periods, respectively. The TNT universe is comprised of 31 public plans with a total market value of \$116 billion. The plans ranged in size from \$163 million to \$21.3 billion, with a median market value of \$1.6 billion and an average market value of \$3.7 billion. The portfolio returned -4.6% and 3.0% for the three and five-year periods, respectively, versus its policy benchmark at -3.7% and 2.9%. The policy portfolio benchmark reflects the return that would have been achieved had MERS passively implemented the Retirement System's policy asset mix decision through index funds. MERS continues to achieve returns that outpace inflation for the ten-year period. The returns of the portfolio are calculated using a time-weighted rate of return in accordance with the standards of the Association for Investment Management and Research (AIMR). The table below shows the annualized returns net of fees for fiscal year ended December 31, 2002.

Investment Results Net of Fees

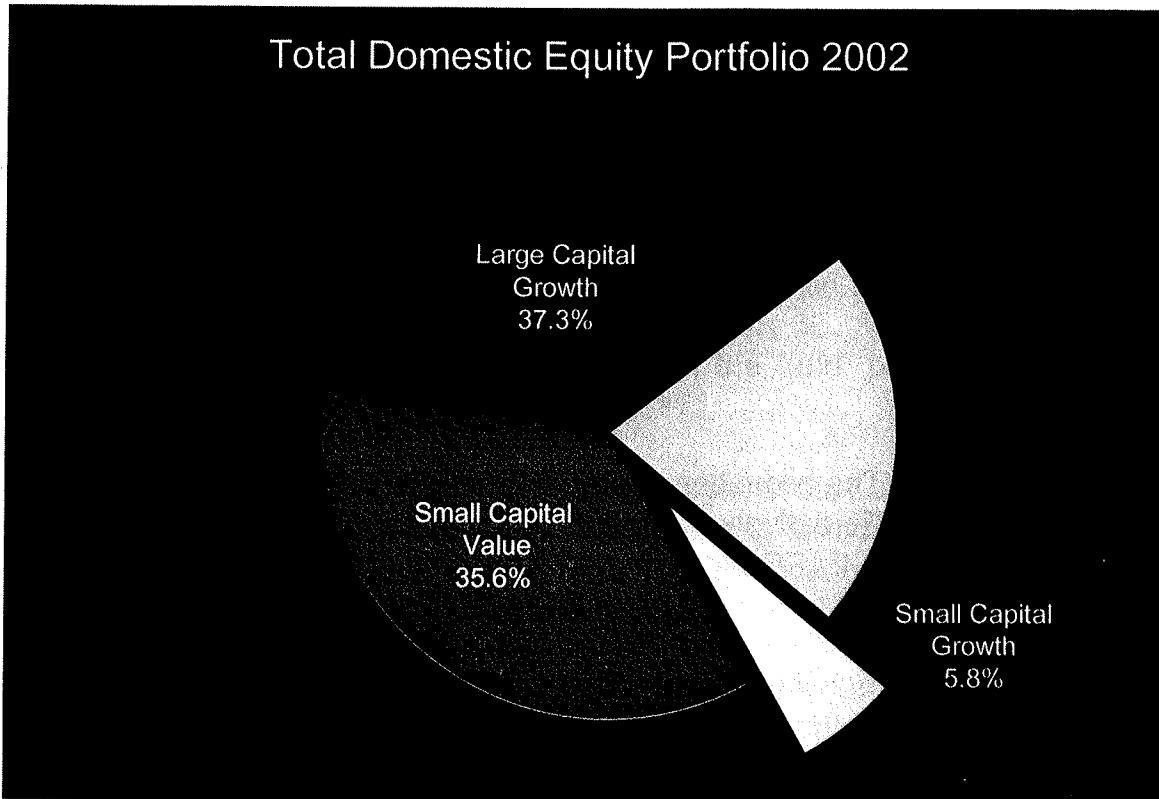
Schedule of Investment Results Net of Fees			
	One Year Annualized	Three Year Annualized	Five Year Annualized
MERS Total Fund	-8.6%	-4.6%	3.0%
<i>Policy Portfolio</i>	-8.3%	-3.7%	2.9%
* <i>Median Public Plan</i>	-7.9%	-4.0%	3.2%
MERS Domestic Stocks	-17.6%	-9.8%	1.6%
<i>Russell 3000 Index</i>	-21.5%	-13.7%	-0.7%
MERS Convertibles	-16.8%	-9.6%	3.2%
<i>First Boston Convertible Index</i>	-8.1%	-7.3%	3.7%
MERS International Stocks	-17.6%	-21.2%	-4.7%
<i>MSCI Eafe Free Index</i>	-15.7%	-17.0%	-2.7%
MERS Domestic Fixed Income	9.2%	9.8%	7.3%
<i>Lehman Aggregate Bond Index</i>	10.3%	10.1%	7.5%
MERS High Yield Bond	-8.1%	N/A	N/A
<i>Merrill Lynch High Yield Master II</i>	-1.8%	N/A	N/A
MERS Real Estate	4.7%	10.8%	7.7%
<i>NAREIT All Equity Index</i>	3.8%	14.3%	3.3%

NOTE: * The Median Public Plan returns are shown Gross of Fees

Total Equities – The total equity portfolio includes U.S. common stocks, international stocks and convertible securities and represents 55.9% of the total portfolio as of December 31, 2002. The year-end composition of the equity portfolio is shown below and is compared to the 2001 equity allocation.



Domestic Equities – As of December 31, 2002, the U.S. stock portfolio had a market value of \$1.179 billion and represented just over 39.8% of the total portfolio. The Retirement Board employs U.S. stocks in the portfolio primarily because their historical returns over inflation help to preserve and enhance the fund's ability to achieve the Board's long-term real rate of return objective.



The returns for this asset class declined in 2002 due largely to the slower-than-expected economic recovery and general uncertainty resulting from continued international instability, specifically the potential war in Iraq. During this period, the domestic common stock portfolio returned -17.6% versus the Russell 3000 Index with a return of -21.5% . The large cap growth portfolio had returns of -23.4% compared to the Russell 1000 Growth Index of -27.9% . MERS' small cap growth manager returned -21.7% versus the Russell 2000 Growth Index at -30.3% . Value style managers fared better than growth managers, but all sectors of the equity markets were depressed.

Passive management accounts for 12.7% of the U.S. equity portfolio and is expected to provide broad market diversification. These funds are designed to track the performance of the market at a low cost. Two external managers manage three different indices: S&P 500 Index, S&P 400 Index, and Russell 1000 Value Index.

The U.S. equity asset class is diversified by capitalization using small and large companies and by style using value and growth. The stocks within the portfolio can be classified by style as follows: 37.3% large cap growth, 21.3% large cap value, 35.6% small cap value and 5.8% small cap growth.

Ten Largest Stock Holdings

Top Ten Equity Holdings as of December 31, 2002			
Asset Description	Shares	Market Value	Percentage of Total Market Value
CITIGROUP INC COM	534,599	18,812,538.81	0.58%
SCHERING-PLOUGH CORP COM	786,800	17,466,960.00	0.53%
MICROSOFT CORP COM	333,400	17,236,780.00	0.53%
DELL COMPUTER CORP COM	536,100	14,335,314.00	0.44%
PHARMACIA CORP COM	339,050	14,172,290.00	0.43%
ELI LILLY & CO COM	213,200	13,538,200.00	0.41%
FIRST DATA CORP COM	380,800	13,484,128.00	0.41%
ABBOTT LAB COM	142,200	12,192,000.00	0.37%
BERRY PETE CO CL A	677,700	11,554,785.00	0.35%
OMNICOM GROUP INC COM	178,800	11,550,480.00	0.35%

International Equities - The allocation to non-U.S. stocks comprises just over 11.9% of the total portfolio and is 69.8% actively managed by Lombard Odier Darier Hentsch, with the remainder in the Barclays EAFE Index Fund. This strategy is employed in recognition of today's global economy and provides further diversification for the total equity portfolio.

Historically, international equities have tended to outperform domestic equities during bull markets and underperform those same markets during bear market conditions. This year the international portfolio outperformed most broad domestic market measures on a relative basis. The European markets found themselves experiencing double-digit losses for a third year. Negative returns were due to poor corporate performance across all sectors, with health care, financials, information technology and consumer discretionary being particularly hard hit for the year.

The benchmark for the international equity portfolio is the MSCI ACWI Free ex-U.S. indexes as computed by Morgan Stanley Capital International. The active portfolio returned -18.1% versus the index portion at -15.8% for the one-year period ending December 31, 2002. The combined active and passive strategies returned -17.6% and -21.2% for one and three years, respectively.

Convertibles - The convertible portfolio is 4.2% of total portfolio assets and is part of the overall equity strategy. Convertible securities are used to lower the volatility of the equity portfolio while producing higher returns than available in fixed income securities. The convertible section of the portfolio is managed by Trust Company of the West (TCW) and returned -16.8% for the fiscal year versus the First Boston Convertible Bond Index of -8.1%. The three and five-year returns for the portfolio are -9.6% and 3.2%, respectively, versus the benchmark of -7.3% and 3.7% for the same periods. The high level of zero coupons held within the index resulted in the significant outperformance of the index. The portfolio outpaced its additional hurdle (the S&P 500) which returned -22.1%.

Domestic Fixed Income - The U.S. fixed income markets dramatically proved the case for diversification, outperforming the equity portion of the portfolio with returns of 9.2% versus equity at -17.5%. Bonds are traditionally regarded as a hedge in a disinflationary or deflationary environment. The fixed income portfolio is 36.1% of the total portfolio and serves to diversify the equity risk component within the fund, providing asset protection during market downturns.

The domestic fixed income performance is measured against the Lehman Brothers Aggregate Bond Index and Lehman Brothers U.S. Universal. The long-term returns for this sector of the portfolio are 9.8% and 7.3% for the three and five-year periods, respectively. The portfolio is 68% actively managed and 32% passively managed.

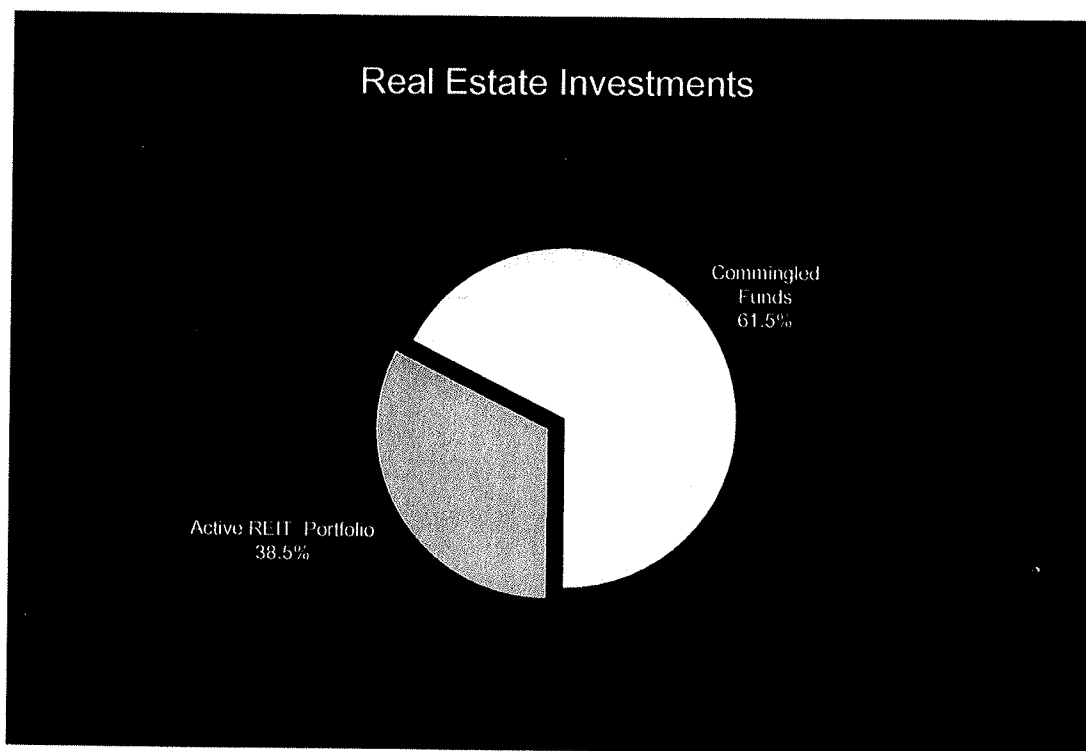
Ten Largest Fixed Income Holdings

Top Ten Fixed Income Holdings as of December 31, 2001			
Asset Description	Par Value	Market Value	Percentage of Total Market Value
FNMA 30 YR PASS-THROUGHS 6.5 30 YEARS SETTLES JAN	27,850,000	28,998,812.50	0.89%
FNMA POOL # 555203 7 DUE 09-01-2032 REG	21,840,000	22,932,000.00	0.70%
GNMA TBA POOL 6.5 TBA	20,800,000	21,814,000.00	0.67%
US TREAS BDS BDS 5.375 DUE 02-15-2031 BEO	16,725,000	18,225,064.24	0.56%
U.S TREAS BDS INFLATION INDEXED 3.875 DUE 04-15-2029 REG	13,000,000	17,382,570.40	0.53%
FNMA POOL # 545759 6.5 DUE 07-01-2032 REG	15,476,751	16,119,401.78	0.49%
FHLMC GOLD G01443 6.5 08-01-2032	14,889,762	15,519,131.29	0.47%
US TREAS BDS BDS 5.375 DUE 02-15-2031 BEO	13,935,000	15,184,829.31	0.46%
FNMA 15 YR PASS-THROUGHS 5.5 15 YEARS SETTLES JAN	11,605,000	12,022,083.70	0.37%
FNMA 30 YR PASS-THROUGHS 7 30 YEARS SETTLES JAN	11,200,000	11,777,472.00	0.36%

High Yield Bonds - The MERS Board adopted a new asset allocation structure in 2001 adding high yield bonds as a distinct asset class with a 5% allocation target within the portfolio. The portfolio seeks to invest in lower grade fixed income investments that provide higher returns than traditional core fixed income assets within the risk budget approved by the Board. The portfolio returned -8.1% versus its benchmark, the Merrill Lynch High Yield Master II Index at -1.8%. Even though the MERS' portfolio is of higher quality than the benchmark, it was still negatively impacted by last year's accounting scandals that affected the valuations of corporate issues in the market regardless of fundamentals.

Real Estate Portfolio - MERS' real estate investments represented 5.2% of the total portfolio at year end and produced a total return of 4.7% for the year. The portfolio is well diversified by property type, geographic region and risk category. The publicly traded assets comprised of Real Estate Investment Trusts (REITS) are 38.5% of the real estate portion, with 61.5% in commingled-pooled funds which includes 10.5% in timber investments.

The one-year returns for the public securities portion of the portfolio are 3.4% versus the North American Real Estate Investment Trust (NAREIT) All Equity Index with 3.8%. MERS added a new REIT manager Lend Lease Rosen, terminating Cohen and Steers. The REIT markets produced positive returns of 3.4% versus the traditional equity markets that produced double digit losses. The private securities portion of the real estate allocation returned 4.8% versus the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index of 4.2%. Private real estate is split between stable and enhanced properties that returned 4.6% and 5.0%, respectively. The NCREIF Index represents approximately 3,400 properties and encompasses retail, industrial, office and apartment property types geographically diversified across all regions of the country. The real estate portfolio had returns of 10.8% and 7.7% for the three and five-year periods, respectively.



Private Equity - The MERS Board adopted a new asset allocation structure in 2001 adding private equity as a distinct asset class with a 5% allocation target within the portfolio. This asset class invests predominately in private markets via such vehicles as venture capital, leveraged buyouts, distressed debt and other special situation investment opportunities. The objective is to achieve higher total returns for the fund utilizing a diversified portfolio within the risk budget established by the MERS Board. In 2001, the fund committed \$50 million to two funds, Mesirow II and Mesirow VII. In 2002, MERS hired Credit Suisse First Boston's (CSFB) Customized Fund Investment Group to invest the remaining capital and to serve as the consultant over all future private equity investments. They will be making investments domestically and in Europe over the next three years. Capital calls of \$10.8 million were made thus far; the remaining funding will be called in the next three years. MERS plans to become fully invested in the asset class over a three to five-year period.

Short-Term Cash Portfolio - Cash equivalents are employed by the fund to meet the liquidity needs of funding pension benefit payments. These investments allow the external managers a vehicle for the investment of funds during brief periods of time between the sale of an existing security and the purchase of a replacement. The dedicated cash portfolio has an allocation of 1.5%. In addition, all residual cash from MERS' actively managed portfolios is managed through this account. The portfolio is managed internally using various fixed income securities with investment guidelines designed for the preservation of principal, liquidity and the highest credit quality. This portfolio represents 8% of the total fund's assets.

A complete list of the holdings for all asset categories can be made available to the public upon request.

SCHEDULE OF INVESTMENT FEES
Fiscal Year Ended December 31, 2002

	Average Assets Under	Average Basis
<u>Investment Managers</u>	<u>Management</u>	<u>Fees</u>
		<u>Points</u>
Armstrong Shaw Associates, Inc.	\$206,082,218	\$662,164
Barclays Global Investors	642,079,294	812,243
CSFB Private Equity Fund	N/A	559,700
J.P. Morgan Strategic Property Fund	25,961,349	253,919
Kennedy Capital Management	339,970,301	954,970
Lend Lease Rosen	60,191,087	300,955
Lombard Odier Darier Hentsch	303,345,445	1,034,024
Reams Asset Management Company	556,848,042	911,477
Trust Company of the West	141,495,719	582,993
Wasatch Advisors	54,279,967	474,240
Wellington Management Company, LLP	352,278,506	665,348
Western Asset Management Company	228,528,411	492,793
World Asset Management	341,661,742	58,916
The Townsend Group	N/A	267,168
<hr/>		
TOTAL INVESTMENT MANAGER FEES*	<u>\$3,252,722,081</u>	<u>8,030,910</u>
<hr/>		
<u>Investment Custodian</u>		
The Northern Trust Company (Domestic and International)		271,872
<u>Investment Performance Measurement Consultants</u>		
The Northern Trust Company **		80,750
<u>Securities Lending Agent</u>		
The Northern Trust Company		<u>343,023</u>
Total Investment Fees		<u>\$8,726,555</u>

* Investment manager fees for investments in Real Estate Private Securities are netted against the reported partnership or trust fund income.

** Includes the addition of the Alerts product provided by TNT to measure guideline compliance.

SCHEDULE OF COMMISSIONS
Fiscal Year Ended December 31, 2002

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Total Dollars</u>	<u>Commissions\Share</u>
Fano Securities	6,467,395	\$351,179	\$0.05
Instinet Corporation	12,102,107	323,316	0.03
Cantor Fitzgerald & Co.	7,035,949	283,548	0.04
Direct Trading	13,166,921	278,839	0.02
Capital Institutional Services	5,444,265	246,977	0.05
Bridge Trading	3,537,050	161,873	0.05
Chapdelaine	2,959,700	147,985	0.05
Goldman Sachs	2,502,900	119,135	0.05
Bear Stearns	2,129,350	104,698	0.05
Jeffries & Co.	2,610,350	103,491	0.04
Wunderlich	3,119,700	90,269	0.03
MS Dean Witt	1,628,732	80,481	0.05
CS First Boston	1,924,600	77,390	0.04
Deutsche Morgan	1,568,900	73,375	0.05
Citation Group	1,481,594	73,020	0.05
Merrill Lynch	1,470,225	72,381	0.05
Witt Soundview	1,574,639	71,152	0.05
Salomon Smith Barney	1,500,650	70,388	0.05
Rockhouse Security	1,614,767	68,973	0.04
J.P. Morgan	1,281,575	63,903	0.05
Paine Webber	1,053,200	57,750	0.05
SG Cowen	1,126,325	56,316	0.05
Lehman Brothers	1,108,675	51,547	0.05
First Union	947,600	43,937	0.05
Barrett	<u>1,947,500</u>	<u>43,773</u>	<u>0.02</u>
Subtotal (25 largest)	81,304,669	3,115,696	0.04
Other	<u>43,925,466</u>	<u>1,161,902</u>	<u>0.03</u>
Total Commissions	<u>125,230,135</u>	<u>\$4,277,598</u>	<u>\$0.03</u>

Directed Brokerage/Commission Recapture Program

MERS utilizes commission recapture brokers to reduce expenses to the overall fund. Securities Exchange Commission (SEC) investment advisor guidelines stipulate that commissions are classified as assets of the fund and a portion of those costs may be returned to the fund to offset expenses. In the fiscal year ended December 31, 2002, MERS earned \$770,744 in commission rebates.

Derivatives

In accordance with the Investment Guidelines, MERS allows the active international manager to enter into forward foreign currency exchange contracts in the international portfolio to match settlement deadlines. Forward contracts are used to hedge against changes in exchange rates related to foreign equities, primarily denominated in European and Asian currencies. This is used to reduce the risk of currency exposure in the portfolio. As of December 31, 2002, there were no forward currency contracts held in the portfolio. Derivatives are not used for speculation or used to leverage the investment portfolio.

The Retirement System does not use swap agreements, stock options, caps/floors or floating rate securities that are priced from underlying collateral.

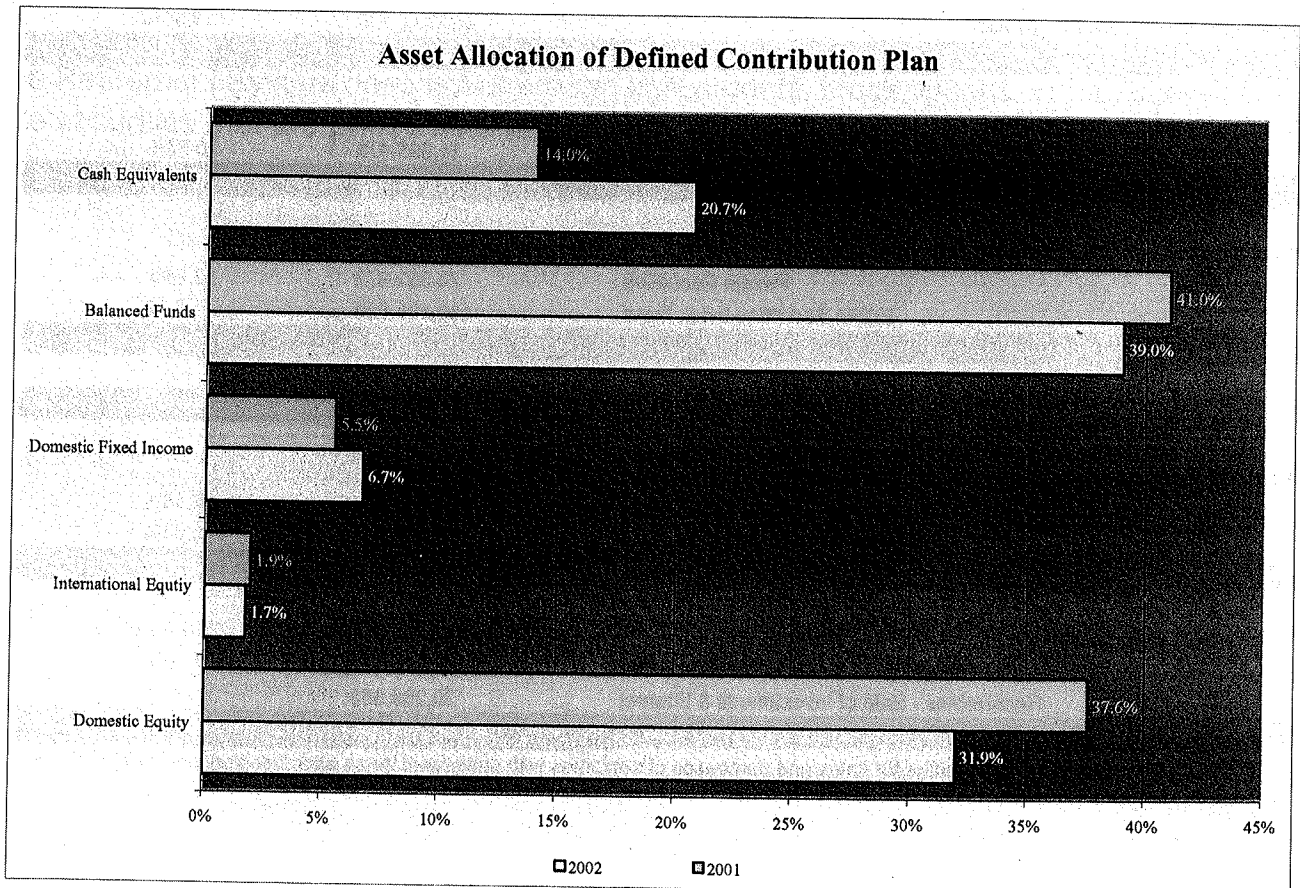
Type of Investment	Market Value	Percent of Market Value
Domestic Fixed Income		
US Government Bonds	\$59,807,242	1.83%
Corporate Bonds	326,834,741	10.00%
Bond Index Funds	445,154,581	13.62%
Mortgages	92,367,227	2.83%
US Agency Bonds	255,789,681	7.83%
Total Fixed Income	1,179,953,472	36.10%
Equities		
Domestic Stock	869,641,323	26.61%
Domestic Index Funds	415,499,139	12.71%
Convertibles	114,260,373	3.50%
Sub Total Domestic Equities	1,399,400,835	42.82%
International Stock	291,861,234	8.93%
International Index Funds	94,051,032	2.88%
Sub Total International Equities	385,912,266	11.81%
Total Equities	1,785,313,101	54.62%
Venture Capital & Partnerships		
Private Equity	11,995,473	0.37%
Total Venture Capital & Partnerships	11,995,473	0.37%
Real Estate		
Private Securities	76,392,972	2.34%
Public Securities Index Fund	115,585,839	3.54%
Total Real Estate	191,978,811	5.87%
Sub Total Investments	3,169,240,857	96.97%
Cash Equivalents		
Commercial Paper	266,068,000	8.14%
Short Term Investments/Cash	7,852,807	0.24%
Total Cash Equivalents	273,920,807	8.38%
Sub Total Investments & Cash	3,443,161,664	105.35%
Payables - Purchases of Investments	(195,095,671)	(5.97%)
Receivables - Sale of Investments & Interest	20,268,863	0.62%
Total Investments	\$3,268,334,856	100.00%

Note: Includes receivables and payables for sales and purchases of securities with settlement dates after December 31, 2002

REPORT ON INVESTMENT ACTIVITY – DEFINED CONTRIBUTION PROGRAM

Investment Activity

The MERS' defined contribution program became operative on July 8, 1997, under Section 401(a) of the Internal Revenue Code. This program is available for adoption by all of MERS' member municipalities. It is an alternative option to MERS' defined benefit plan. As of December 31, 2002, the defined contribution program had net assets of \$84.8 million and 4,743 members. Each member is responsible for directing the investment of the member's accumulated account balance. Members receive investment performance information from MERS' third-party administrator, International City Management Association - Retirement Corporation (ICMA-RC). On a consolidated basis, the assets as of December 31, 2002, are allocated as follows:



Investment Options

ICMA-RC offers the following investment options:

Total Return Funds – The actively managed funds include equities, both domestic and international; fixed income; balanced accounts; cash; and investment contracts. These funds are Aggressive Opportunities Fund, International Fund, Growth Fund, Growth and Income Fund, Equity Income Fund, Asset Allocation Fund, U.S. Government Securities Fund and Cash Management Fund. The index funds are comprised of the Overseas Equity Index Fund, Mid/Small Company Index Fund, Broad Market Index Fund, 500 Stock Index Fund and Core Bond Index Fund.

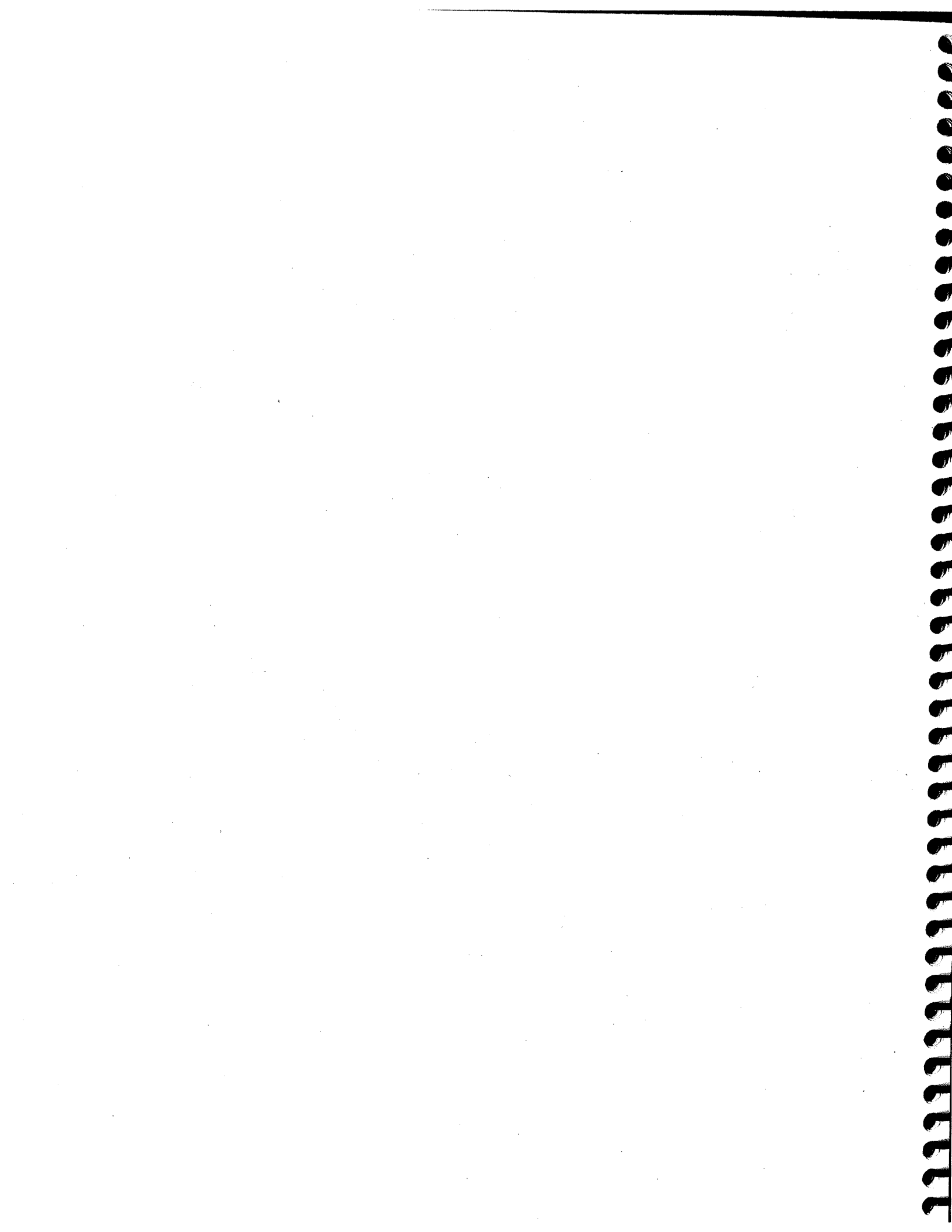
Plus Fund – The Plus Fund consists primarily of portfolios of investment contracts purchased from financial institutions and, accordingly, maintains a stable capital value in the absence of credit default.

Model Portfolio Funds – These five funds invest in the actively managed funds, the index funds and investment contracts in varying proportions. They allow the investor to choose one investment vehicle to provide the level of diversification that best meets their risk tolerance and investment objectives. In descending order of market risk, they are All-Equity Growth Fund, Long-Term Growth Fund, Traditional Growth Fund, Conservative Growth Fund and Savings Oriented Fund.

Mutual Fund Series - This is a group of 17 segregated accounts. The portfolio of each segregated account consists of shares of a single designated mutual fund that are acquired, held and redeemed by the Trust in response to investments and withdrawals from the account by participants. The series includes the following: PIMCO Total Return, PIMCO High Yield Fund, Fidelity Puritan Fund, Lord Abbott Large Company Value Fund, American Century Value Fund, Calvert Social Investment Fund Equity Portfolio, Fidelity Contrafund, Fidelity Magellan Fund, Gabelli Value Fund, MFS Large Company Growth Fund, American Century Ultra Fund, Putnam Voyager Fund, T. Rowe Price Small-Cap Value Fund, T. Rowe Price Small-Cap Stock Fund, INVESCO Small Company Growth Fund, Janus Adviser Series Worldwide Fund and Putnam International Growth Fund.

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October 15, 2002

The Retirement Board
Municipal Employees' Retirement System of Michigan
1134 Municipal Way
Lansing, Michigan 48917

Dear Board Members:

The basic financial objective of the Municipal Employees' Retirement System of Michigan (MERS) is to establish and receive contributions which:

- (1) when expressed in terms of percents of active member payroll will remain approximately level from generation to generation of Michigan citizens, and which
- (2) when combined with present assets and future investment return will be sufficient to meet the present and future financial obligations of MERS.

In order to measure progress toward this fundamental objective, MERS has annual actuarial valuations performed. Separate actuarial valuations are prepared for each participating municipality and court. The valuations (i) measure present financial position, and (ii) establish contribution rates that provide for the normal cost (current cost) and level percent of payroll amortization of unfunded actuarial accrued liabilities over a reasonable period (generally 30 - 34 years). The latest completed actuarial valuations were based upon data and assumptions as of December 31, 2001. These valuations determine the contribution rates for the fiscal years beginning in 2003.

The actuarial valuations are based upon financial and participant data which is prepared by retirement system staff, assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death, and disability among MERS members and their beneficiaries. The data is reviewed by us for internal and year-to-year consistency as well as general reasonableness prior to its use in the actuarial valuations. It is also summarized and tabulated for the purpose of analyzing trends. The demographic assumptions were adopted by the Retirement Board and were based upon actual experience of MERS during the years 1993 to 1998. The economic assumptions were adopted by the Board in 1998. Assets are valued according to a method that fully recognizes expected investment return and averages unanticipated market return over a five-year period. The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by Governmental Accounting Standards Board Statement No. 25.

The current benefit structure is outlined in the actuarial section of the CAFR. We provided the information used in the supporting schedules in the actuarial section and some of the supporting schedules in the statistical section. In the financial section the Schedules of Funding Progress and the employer contributions shown in the Schedule of Employer Contributions are based on the actuarial valuations.

The actuarial valuations were performed by qualified actuaries in accordance with accepted actuarial principles in compliance with Act No. 220 of the Public Acts of 1996, as amended, and the MERS plan document, as revised. **Based upon the valuation results, it is our opinion that the Municipal Employees' Retirement System of Michigan continues in sound condition in accordance with actuarial principles of level percent of payroll financing.**

Respectfully submitted,

Alan E. Sonnanstine, MAAA, ASA

Cathy Nagy, MAAA, FSA

W. James Koss, MAAA, ASA

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

1. The investment return rate used in making the valuations was 8% per year, compounded annually. Adopted 1981. This rate of return is not the assumed real rate of return. The real rate of return is the rate of investment return in excess of the inflation rate. Considering other financial assumptions, the 8% investment return rate translates to an assumed real rate of return of 3.5% in excess of inflation. Adopted 1998.
2. Valuation assets (cash and investments) were valued for each municipality using a five-year smoothed market value method. For the 1993 valuation and later, the excess (shortfall) of actual investment income (including interest, dividends, realized and unrealized gains or losses) over the imputed income at the valuation interest rate is considered the gain (loss) that is spread over five years. Adopted 1994.
3. The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA). The assumptions used in the actuarial valuations were adopted by the Retirement Board after consulting with the actuary.
4. The mortality table used to project the mortality experience of plan members is the 1994 Group Annuity Mortality Table. For disabled retirees, the ages in the regular mortality table have been adjusted by three years to reflect the higher expected mortality rates of disabled members. Adopted 2000.
5. Sample probabilities of retirement with an age and service allowance are shown on page 65. Adopted 2000.
6. Sample probabilities of separation from service before retirement due to disability or other causes are shown on pages 66-67. Adopted 2000.
7. The salary increase assumption projects annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity and promotional increases. Sample rates are shown on page 68. Adopted 1998.
8. Total active member payroll is assumed to increase 4.5% a year, which is the portion of the individual pay increase assumptions attributable to inflation. In effect, this assumes no change in the number of active members. Adopted 1998.
9. An individual entry age actuarial cost method of valuation was used to determine actuarial accrued liabilities and normal cost. Adopted 1994. Unfunded actuarial accrued liabilities are funded over periods ranging between 30 and 34 years, depending on the municipality.

10. For employers that adopt E-1 or E-2 post-retirement benefit increases, retirement benefits are assumed to increase by an annual, non-compounded rate of 2.5%. Adopted 1981.
11. The most recent experience study for the Retirement System was completed in April 2000 and covered the period January 1, 1993, through December 31, 1998. All assumptions and method changes adopted in 2000 are based on the results of that study.
12. The Accelerated Funding Credit (AFC) Program has been replaced with a new, less complicated program of contribution credits for overfunded employee divisions. The new program eliminates the complexities of the AFC, simplifies the calculation of the required employer contribution rates, removes much of the variability of contribution rates, and satisfies the requirement of the Governmental Accounting Standards Board. Adopted 2002.
13. There have been no recent changes in the nature of the plan that have had an impact on the Retirement System. Municipalities have the ability to modify those plan provisions that apply to their individual plan. The individual municipality contribution rates are modified to account for changes in provisions of the plan selected by the municipality.
14. There have been no changes in the actuarial assumptions or methods that have had a material impact on the December 31, 2001, actuarial valuation results.
15. The data about persons now covered and about present assets has been furnished by the Retirement System's administrative staff. Although examined for general reasonableness, the data has not been audited by the actuary.

**PROBABILITIES OF RETIREMENT
FOR MEMBERS ELIGIBLE TO RETIRE**

Percent of Eligible Active Members Retiring Within Next
Year*

Retirement Ages	Without F50 or F55 or F(N)	With F55	With F50
50			22%
51			22
52			22
53			22
54			24
55		18%	18
56		14	14
57		16	16
58		18	18
59		18	18
60	20%	20	20
61	24	24	24
62	24	24	24
63	24	24	24
64	27	27	27
65	30	30	30
66	30	30	30
67	30	30	30
68	30	30	30
69	30	30	30
70	100	100	100

* Municipalities that adopted a non-standard benefit multiplier after December 31, 1996, that is in excess of the B-4 2.5% multiplier will have a retirement rate equal to 75% when they first reach the age at which unreduced plan benefits are available.

**NORMAL RETIREMENT - SERVICE BASED
BENEFIT F(N) ADOPTED**

<u>Years of Service</u>	<u>Percent of Eligible Active Members Retiring Within Next Year</u>	<u>Years of Service</u>	<u>Percent of Eligible Active Members Retiring Within Next Year</u>	<u>Years of Service</u>	<u>Percent of Eligible Active Members Retiring Within Next Year</u>
20	22%	31	22%	41	24%
21	22	32	22	42	24
22	22	33	22	43	24
23	22	34	24	44	27
24	22	35	18	45	30
25	22	36	14	46	30
26	22	37	16	47	30
27	22	38	18	48	30
28	22	39	18	49	30
29	22	40	20	50	100
30	22				

Municipalities that have adopted a non-standard benefit multiplier after December 31, 1996, that is in excess of the B-4 2.5% multiplier will have a retirement rate equal to 75% at the first age at which unreduced plan benefits are available.

EARLY RETIREMENT - REDUCED BENEFIT

<u>Retirement Ages</u>	<u>Percent of Eligible Active Members Retiring Within Next Year</u>
50	3%
51	3
52	5
53	8
54	15
55	4
56	4
57	4
58	8
59	10

**RATES OF SEPARATION (EXCLUDING DEATH)
FROM ACTIVE EMPLOYMENT BEFORE RETIREMENT**

<u>Sample Ages</u>	<u>Years of Service</u>	<u>Percent of Active Members Separating Within Next Year</u>
	0	18.00%
	1	18.00
	2	16.00
	3	12.00
	4	10.00
20	5 & Over	9.00
25		9.00
30		9.00
35		7.00
40		5.00
45		4.00
50		4.00
55		3.00
60		3.00
65		2.00
70		0.00

**RATES OF SEPARATION DUE TO DISABILITY*
PERCENT BECOMING DISABLED WITHIN NEXT YEAR**

<u>Sample Ages</u>	<u>Percent</u>
20	0.02%
25	0.02
30	0.02
35	0.02
40	0.05
45	0.12
50	0.25
55	0.40
60	0.45
65	0.50

*85% of the disabilities are assumed to be non-duty, and 15% of the disabilities are assumed to be duty related. For those plans that have adopted disability provision D-2, 70% of the disabilities are assumed to be non-duty, and 30% are assumed to be duty related.

ANNUAL PERCENTAGE INCREASE IN SALARY

<u>Sample Ages</u>	<u>Base Inflation</u>	<u>Merit and Longevity</u>	<u>Total Percent Increase in Salary</u>
20	4.50%	4.16%	8.66%
25	4.50	2.88	7.38
30	4.50	1.98	6.48
35	4.50	1.52	6.02
40	4.50	1.10	5.60
45	4.50	0.66	5.16
50	4.50	0.32	4.82
55	4.50	0.14	4.64
60	4.50	0.00	4.50

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

<u>Valuation Dec 31</u>	<u>Participating Municipalities</u>	<u>Active Members</u>	<u>Active Members Annual Payroll</u>	<u>Annual Average Pay</u>	<u>Percent Increase in Average Pay</u>	<u>Persons on Deferred Status</u>
1992	418	34,001	852,361,539	25,069	6.0%	1,855
1993	438	34,139	869,313,319	25,464	1.6%	1,941
1994	463	34,994	925,500,706	26,447	3.9%	2,034
1995	490	35,611	972,975,649	27,322	3.3%	2,322
1996	506	36,070	1,025,214,728	28,423	4.0%	2,713
1997	529	36,547	1,068,597,733	29,239	2.9%	3,752
1998	544	36,817	1,163,056,817	31,590	8.0%	4,369
1999	552	36,472	1,179,274,854	32,334	2.4%	4,794
2000	560	36,573	1,225,992,204	33,522	3.7%	5,303
2001	561	36,583	1,271,563,960	34,758	3.7%	5,799

MORTALITY TABLES

In estimating the amount of the reserves required at the time of retirement to pay a member's benefit for the remainder of the member's lifetime, it is necessary to make an assumption with respect to the probability of surviving to retirement and life expectancy after retirement.

The mortality table used to project the mortality experience of plan members is the 1994 Group Annuity Mortality Table. For disabled retirees, the ages in the regular mortality tables have been adjusted by three years to reflect the higher expected mortality rates of disabled members.

The life expectancies and mortality rates projected by the 1994 Group Annuity Mortality table for non-disabled members are shown below for selected ages:

<u>Age</u>	<u>Expected Years of Life Remaining</u>		<u>Mortality Rates</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
20	58.90	63.60	0.05%	0.03%
25	54.06	58.69	0.07	0.03
30	49.25	53.77	0.08	0.04
35	44.45	48.88	0.09	0.05
40	39.64	44.01	0.11	0.07
45	34.88	39.18	0.16	0.10
50	30.19	34.39	0.26	0.14
55	25.65	29.67	0.44	0.23
60	21.33	25.09	0.80	0.44
65	17.34	20.77	1.45	0.86
70	13.79	16.80	2.37	1.37
75	10.62	13.10	3.72	2.27
80	7.87	9.81	6.20	3.94

The life expectancies and mortality rates projected by the 1994 Group Annuity Mortality table for disabled members are shown below for selected ages:

<u>Age</u>	<u>Expected Years of Life Remaining</u>		<u>Mortality Rates</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
20	55.99	60.65	0.06%	0.03%
25	51.17	55.74	0.08	0.03
30	46.37	50.83	0.08	0.04
35	41.56	45.95	0.09	0.06
40	36.77	41.11	0.14	0.09
45	32.05	36.30	0.21	0.12
50	27.45	31.55	0.36	0.19
55	23.02	26.89	0.63	0.34
60	18.89	22.46	1.15	0.67
65	15.16	18.36	1.99	1.18
70	11.84	14.54	3.12	1.83
75	8.90	11.07	5.02	3.17
80	6.50	8.08	8.25	5.49

**SCHEDULE OF RETIREES AND BENEFICIARIES
ADDED TO AND REMOVED FROM ROLLS**

<u>Valuation Dec 31</u>	<u>Added to Rolls</u>		<u>Removed From Rolls</u>		<u>End-of-Year Rolls</u>		<u>% Increase in Annual Allowance</u>	<u>Average Annual Allowance</u>
	<u>Retirees/ Beneficiaries Number</u>	<u>Annual Allowance</u>	<u>Retirees/ Beneficiaries Number</u>	<u>Annual Allowance</u>	<u>Retirees/ Beneficiaries Number</u>	<u>Annual Allowance</u>		
1992	1,181	11,771,336	625	2,533,740	11,617	71,044,806	14.90%	6,116
1993	1,024	12,219,419	601	2,300,023	12,040	80,964,212	14.00%	6,725
1994	946	12,978,853	494	2,716,142	12,492	91,226,923	12.70%	7,303
1995	1,154	13,799,665	614	3,015,915	13,032	102,010,673	11.80%	7,828
1996	824	10,582,845	593	2,752,328	13,263	109,841,190	7.70%	8,282
1997	1,504	16,305,680	531	3,033,941	14,236	123,112,929	12.10%	8,648
1998	1,122	19,230,034	568	3,642,223	14,790	138,700,740	12.60%	9,378
1999	1,312	19,663,240	777	5,592,269	15,325	152,771,711	10.10%	9,969
2000	1,319	23,588,044	369	2,810,133	16,275	173,549,622	13.60%	10,664
2001	1,238	22,971,336	608	4,735,312	16,905	191,785,646	10.50%	11,345

SOLVENCY TEST

The solvency test is another means of checking a retirement system's progress under its funding program, based on the aggregate accrued liability. In this test, the plan's present assets (actuarial value) are compared with obligations in order of priority: (1) active member contributions on deposit; (2) the present value of future benefits to present retired lives; (3) the aggregate accrued liability for present active members. In a system that has been following the discipline of level percent of payroll financing, the obligation for active member contributions on deposit (present value 1) and the present value of future benefits to present retired lives (present value 2) will be fully covered by present assets (except in rare circumstances). In addition, the aggregate accrued liability for present active members (present value 3) will be partially covered by the remainder of present assets. Generally, if a retirement system has been using level cost financing, the funded portion of present value 3 will increase over time.

The Solvency Test illustrates the history of the obligations of the Retirement System and reflects the MERS' policy of following the discipline of level percent payroll financing.

Solvency Test (Dollars In Millions)

Valuation Date <u>Dec 31</u>	<u>Aggregate Accrued Liabilities</u>			<u>Portion of Accrued Liabilities Covered by Valuation Assets</u>			
	(1)	(2)	(3)	<u>Valuation Assets</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
	<u>Active Member Contributions</u>	<u>Retirees and Beneficiaries</u>	<u>Active Members (Employer- Financed Portion)</u>				
1992	214.8	648.2	781.3	1,720.20	100.00%	100.00%	109.70%
1993*	221.2	704.9	1,220.9	1,863.30	100.00%	100.00%	76.80%
1994	239.0	844.4	1,385.9	1,986.60	100.00%	100.00%	65.20%
1995	250.6	968.4	1,524.8	2,166.90	100.00%	100.00%	62.20%
1996**	269.3	1,041.1	1,688.6	2,416.40	100.00%	100.00%	65.50%
1997***	277.5	1,174.7	1,833.0	2,692.70	100.00%	100.00%	67.70%
1998	291.9	1,316.2	1,983.9	3,030.40	100.00%	100.00%	71.70%
1999	305.5	1,463.2	2,066.9	3,464.90	100.00%	100.00%	82.10%
2000	318.4	1,744.6	2,334.0	3,787.20	100.00%	100.00%	73.90%
2001	336.5	1,944.6	2,502.8	4,034.40	100.00%	100.00%	70.10%

* 1993 had revised actuarial method, and revised economic and non-economic assumptions.

** 1996 includes accrued liabilities for member contributions, retirees, beneficiaries, and active member (employer-financed portion) amounting to \$4.0 million, \$6.1 million and \$13.2 million, respectively; and related assets of \$29.6 million for 14 municipalities that in various years have separated from MERS, but have remaining obligations for retirees or deferred plan members entitled to MERS' pension benefits. Exclusive of these liabilities and assets, the active members (employer-financed portion) would have been 64.8% funded.

***1997 had revised economic assumptions.

SUMMARY OF PLAN DOCUMENT PROVISIONS

The December 31, 2001, Actuarial Valuation was based upon the provisions of the MERS' Plan Document summarized below. This information relates to the MERS' defined benefit plan.

Monthly retirement payments are made over the lifetime of the retirant and/or over the lifetime of the beneficiary, depending upon choice of benefits adopted by each municipality and final payment option elected by the retiring member.

Credited service is a combination of the prior service a member accrues with their employer before their employer joins MERS and the service rendered after that date. Credited service can be a combination of service with several government employers. A month's credited service is accumulated for each month that the employee is paid for ten days or the number of hours per month as specified by the employer.

Vesting occurs after ten years of credited service unless the municipality selects a lesser number of years.

Final Average Compensation (FAC) is the highest monthly average of a member's compensation over a consecutive period of months of credited service. The municipality selects the number of months. FAC-3 is over 36 months. FAC-5 is over 60 months.

Normal retirement for a member occurs after vesting and attaining age 60. The municipality may choose other combinations of age and service such as age 55 and 15 years service; age 50 and 25 years service, etc. There is no mandatory retirement age.

Benefit Formula

The annual benefit equals a specified percentage of the member's FAC multiplied by the number of years and months of credited service. The plan has several benefit programs available with percentages that vary from 1.3% to 2.5% that may be selected by a participating municipality.

Early Retirement

Early retirement occurs if the vested member meets the credited service requirements but not the age requirement. The monthly payment is reduced (unless waived by the municipality) for each month that the member is younger than the minimum retirement age.

Deferred Retirement

Deferred retirement occurs when the employee leaves MERS' covered employment after vesting but before reaching the minimum retirement age. This member or beneficiary will become eligible for the deferred allowance once the member reaches the minimum retirement age provided the member's contributions remain on deposit with MERS.

Disability Benefit - Duty or Non-Duty

Duty disability is available to a member who becomes totally and permanently disabled due to a duty-related injury or disease. This benefit is calculated like a normal allowance without regard to the vesting requirement or to age. The benefit shall not be less than 25% of FAC.

Non-duty disability is available to a vested member who becomes totally and permanently disabled for reasons other than from duty-related causes. This allowance is calculated like a normal allowance without regard to age.

Benefits for duty and non-duty disability retirants who have not attained age 60 shall not exceed the difference between 100% of FAC and the amount of the retirant's considered income. Continuing medical examinations may be required.

Survivor Benefit

Upon death of a vested non-retired member, the eligible surviving dependents would receive a portion of the normal retirement at the time of death. The surviving spouse would receive 85%. If no surviving spouse, each unmarried child under 21 would receive an equal share of 50%. If the death were duty related, the surviving spouse would receive the higher of 85% or 25% of the FAC after waiver of the vesting requirement.

Post-Retirement Adjustments

Each municipality may elect to provide post-retirement adjustments to retirees and their beneficiaries. The municipality can choose one-time adjustments or an annual adjustment for all retirees or for future retirees only. This Cost of Living Adjustment (COLA)-type of increase is effective in January of each year.

Forms of Benefit Payment

The member elects one of the following payment options as part of the retirement application process. Once the election is made, it is irrevocable after receipt of first payment. The options include:

1. Straight life over the retirant's life only.
2. Reduced to cover retirant and beneficiary as long as either live.
3. Reduced to cover retirant for their lifetime and further reduced to 75% or 50% of the original reduced amount to cover beneficiary if the beneficiary outlives the retirant.
4. A reduced benefit for the retirant's life guaranteed for a specified number of years. The reduced benefit continues for the beneficiary even if the retirant dies, but terminates after the guaranteed number of years.

Changes in Plan Provisions

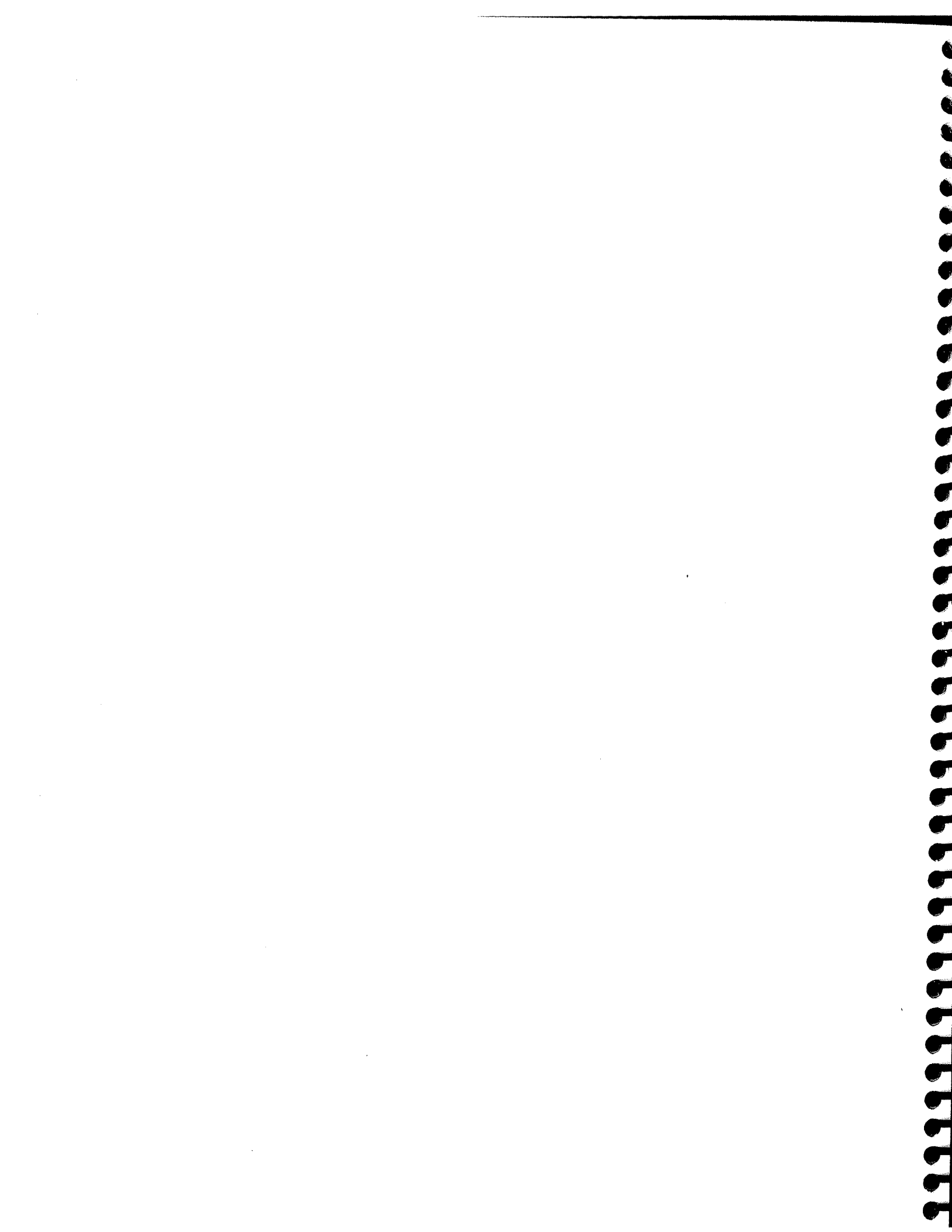
There have been no changes in the Plan Document that have had a material impact on the December 31, 2001, actuarial valuation.

Pursuant to a collective bargaining agreement, a participating municipality may provide for retirement benefits that are modifications of standard retirement benefits otherwise included in the plan. These modifications were taken into consideration when determining the municipality contribution rates on the December 31, 2001, actuarial valuation.



...and more.

STATISTICAL SECTION



**SCHEDULE OF ADDITIONS TO PLAN NET ASSETS
DEFINED BENEFIT PLAN
(Thousands of Dollars)**

<u>Fiscal Year Ended</u>	<u>Member Contributions</u>	<u>Employer Contributions</u>		<u>Investment and Misc. Income</u>	<u>Total</u>
		<u>Dollars</u>	<u>% of Annual Covered Payroll</u>		
Sept. 30, 1993	\$ 21,799	\$ 64,515	7.6%	\$ 228,599	\$ 314,913
Sept. 30, 1994	24,607	38,537	4.4%	33,838	96,981
Sept. 30, 1995	20,999	49,471	5.3%	354,731	425,201
Sept. 30, 1996	26,611	67,329	6.9%	280,705	374,645
Dec. 31, 1997*	28,508	113,711	8.9%	477,040	619,259
Dec. 31, 1998	27,633	115,956	9.9%	416,705	560,293
Dec. 31, 1999	27,977	132,557	11.2%	562,567	723,101
Dec. 31, 2000	30,823	131,881	N/A	(122,407)	40,297
Dec. 31, 2001	32,164	121,940	N/A	(87,510)	66,594
Dec. 31, 2002	39,625	127,802	N/A	(317,923)	(150,496)

* The 1997 Revenue covered 15 months. The Employer Contributions as a percent of Annual Covered Payroll was calculated on an annualized basis. Investment Income and Total Income has been restated for prior years to be consistent with the requirements of GASB 25.

**SCHEDULE OF DEDUCTIONS FROM PLAN NET ASSETS
DEFINED BENEFIT PLAN
(Thousands of Dollars)**

<u>Fiscal Year Ended</u>	<u>Benefit Payments</u>	<u>Administrative & Special</u>		<u>Transfers to MERS DC Program</u>	<u>Total</u>
		<u>Expenses</u>	<u>Refunds</u>		
Sept. 30, 1993	\$ 74,937	\$ 1,824	\$ 43,359		\$ 120,119
Sept. 30, 1994	85,391	1,892	4,370		91,653
Sept. 30, 1995	94,245	1,980	3,204		99,430
Sept. 30, 1996	104,627	2,594	4,666		111,887
Dec. 31, 1997 *	146,225	5,526	4,085		155,836
Dec. 31, 1998	131,690	4,871	7,769	\$ 8,302	152,632
Dec. 31, 1999	147,833	5,922	8,272	30,398	192,425
Dec. 31, 2000	162,827	6,881	8,994	14,573	193,275
Dec. 31, 2001	182,272	6,170	5,414	13,804	207,660
Dec. 31, 2002	200,794	7,370	3,366	491	212,021

* Fiscal 1997 included 15 months of expenses.

**SCHEDULE OF BENEFIT EXPENSES BY TYPE
DEFINED BENEFIT PLAN
(Thousands of Dollars)**

<u>Fiscal Year Ended</u>	<u>Regular Benefits</u>	<u>Disability Benefits</u>	<u>Employee Refunds</u>	<u>Total</u>
Sept. 30, 1993	\$ 73,248	\$1,688	\$43,359	\$118,295
Sept. 30, 1994	83,340	2,051	4,370	89,761
Sept. 30, 1995	91,720	2,525	3,204	97,449
Sept. 30, 1996	101,280	3,347	4,666	109,293
Dec. 31, 1997*	141,749	4,476	4,085	150,310
Dec. 31, 1998**	127,608	4,082	3,743	135,433
Dec. 31, 1999	143,309	4,524	4,433	152,266
Dec. 31, 2000	155,853	6,974	3,964	166,791
Dec. 31, 2001	174,635	7,638	5,199	187,472
Dec. 31, 2002	192,540	8,254	3,366	204,160

* Fiscal 1997 included 15 months of expenses.

** Disability benefits estimated based on prior fiscal year's ratio to total benefits.

**SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
DEFINED BENEFIT PLAN**

December 31, 2001

Tabulated by Optional Form of Benefit Being Paid

Monthly Benefit	All Retired Members	Type of Annuity					
		1	2	3	4	5	6
\$ 0-199	2,166	1,357	52	28	590	137	2
200-399	3,202	2,212	137	61	614	165	13
400-599	2,425	1,748	149	45	361	109	13
600-799	1,874	1,421	102	38	238	67	8
800-999	1,378	1,100	67	27	121	57	6
1,000-1,199	1,154	927	58	22	106	38	3
1,200-1,399	894	750	36	9	72	25	2
1,400-1,599	735	633	30	6	45	18	3
1,600-1,799	618	553	20	4	27	14	0
1,800-1,999	506	459	16	1	19	10	1
2,000 & over	<u>1,953</u>	<u>1,888</u>	<u>11</u>	<u>4</u>	<u>25</u>	<u>24</u>	<u>1</u>
Totals	<u>16,905</u>	<u>13,048</u>	<u>678</u>	<u>245</u>	<u>2,218</u>	<u>664</u>	<u>52</u>
Total Monthly Benefit	<u>\$15,982,137</u>	<u>\$13,743,502</u>	<u>\$ 498,865</u>	<u>\$ 157,632</u>	<u>\$1,128,252</u>	<u>\$417,616</u>	<u>\$ 36,270</u>

Type of Annuity

- | | |
|--|-------------------|
| 1. Normal Retirement for age and service | 4. Beneficiaries |
| 2. Non-Duty Disability* | 5. Non-Duty Death |
| 3. Duty Disability* | 6. Duty Death |

* At age 60, these annuity types are converted to Type 1, normal retirement for age and service

**SCHEDULE OF RETIRED MEMBERS BY TYPE OF OPTION SELECTED
DEFINED BENEFIT PLAN**

December 31, 2001

Tabulated by Optional Form of Benefit Being Paid

Monthly Benefit	All Retired Members	Form of Annuity								
		1	2	3	4	5	6	7	8	9
0 to 199	2,166	693	315	7	53	14	8	8	7	1,061
200-399	3,202	873	404	17	88	25	27	11	14	1,743
400-599	2,425	692	330	29	62	22	23	14	10	1,243
600-799	1,874	523	303	23	43	31	31	9	11	900
800-999	1,378	344	262	18	28	27	25	4	8	662
1,000-1,199	1,154	337	222	29	25	15	22	6	6	492
1,200-1,399	894	273	217	24	16	9	6	1	4	344
1,400-1,599	735	258	153	25	19	10	6	2	4	258
1,600-1,799	618	209	138	32	15	7	6	2	4	205
1,800-1,999	506	147	129	23	13	6	7	2	4	175
2,000 & over	<u>1,953</u>	<u>554</u>	<u>516</u>	<u>153</u>	<u>57</u>	<u>27</u>	<u>23</u>	<u>8</u>	<u>9</u>	<u>606</u>
Totals	<u>16,905</u>	<u>4,903</u>	<u>2,989</u>	<u>380</u>	<u>419</u>	<u>193</u>	<u>184</u>	<u>67</u>	<u>81</u>	<u>7,689</u>
Total Monthly Benefit	<u>\$15,982,137</u>	<u>\$4,635,470</u>	<u>\$3,472,220</u>	<u>\$710,502</u>	<u>\$408,081</u>	<u>\$211,240</u>	<u>\$189,565</u>	<u>\$63,146</u>	<u>\$80,894</u>	<u>\$6,211,021</u>

Option Selected

- | | |
|---|-----------------------------|
| 1. Beneficiary draws the same benefit | 6. 10-year certain and life |
| 2. Beneficiary draws 50% of the benefit | 7. 15-year certain and life |
| 3. Beneficiary draws 75% of the benefit | 8. 20-year certain and life |
| 4. Equated option (changing at social security age) | 9. Straight-life allowance |
| 5. 5-year certain and life | |

Statistical Section

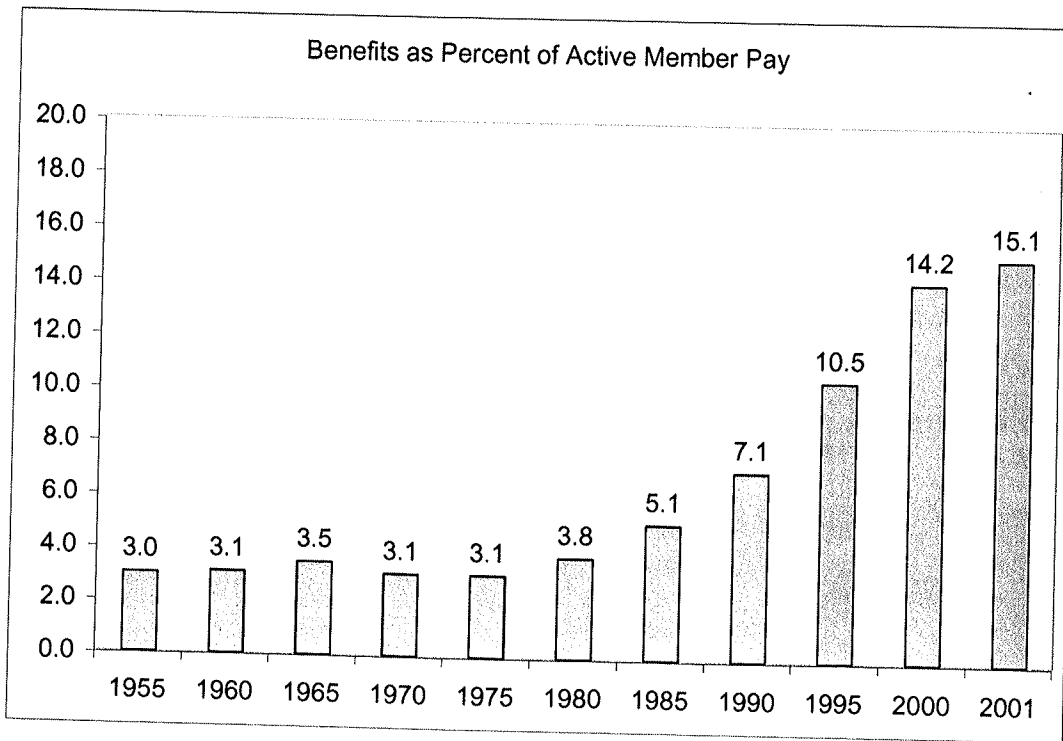
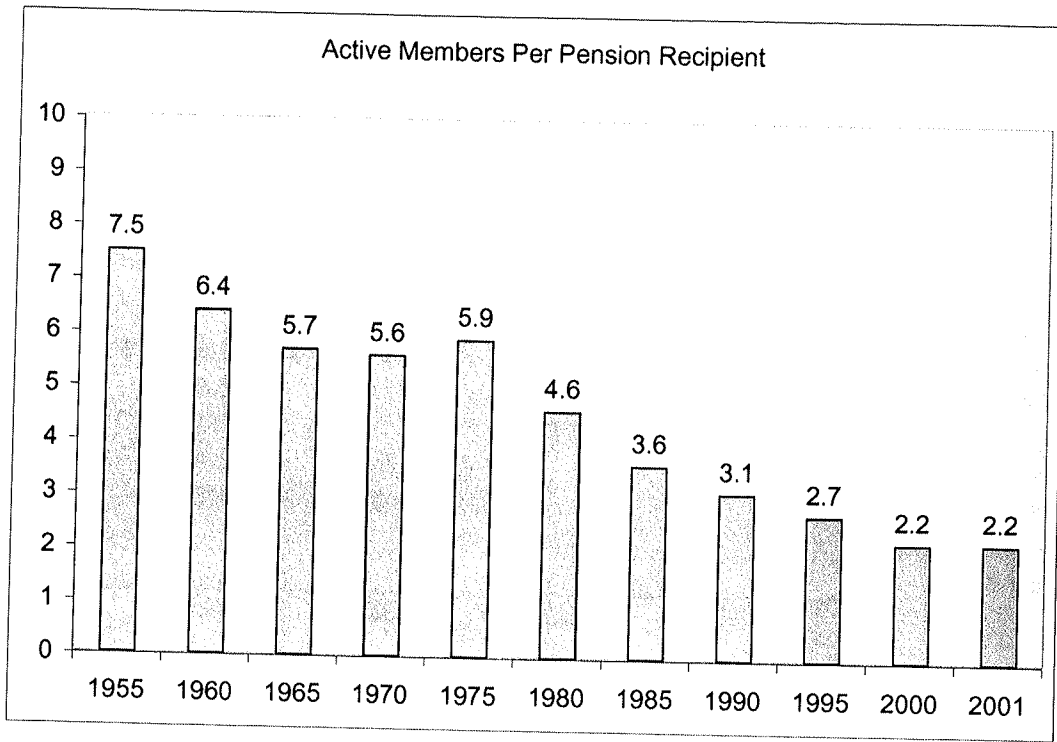
**SCHEDULE OF AVERAGE BENEFIT PAYMENTS
DEFINED BENEFIT**

<u>Valuation Date December 31</u>	<u>Number of Retirees and Beneficiaries</u>	<u>Average Yearly Benefit</u>
1992	11,617	\$ 6,116
1993	12,040	6,725
1994	12,492	7,303
1995	13,032	7,828
1996	13,263	8,282
1997	14,192	8,770
1998	14,790	9,378
1999	15,325	9,975
2000	16,275	10,664
2001	16,905	\$11,345

Although defined contribution program participants are not included in the annual actuarial valuation of the MERS' defined benefit plan, the trend in defined contribution participation is of interest. Numerous municipality divisions have established defined contribution program benefits for future new employees. Existing defined benefit plan active members in those divisions were offered the choice of plans. The table below shows recent trends in defined contribution program participation and overall MERS' participants.

**DEFINED CONTRIBUTION PROGRAM PARTICIPANTS AND
TOTAL MERS PARTICIPANTS**

Item	December 31, 2001	December 31, 2000	December 31, 1999
Number of Participants			
Total	63,714	61,595	58,275
Defined Benefit Plan	59,287	58,151	56,591
% of Total	93.1%	94.4%	97.1%
Defined Contribution Program	4,427	3,444	1,684
% of Total	6.9%	5.6%	2.9%



Charts 1 and 2 illustrate how MERS has matured over the years. Over time the number of active members per retiree has declined from 7 to around 2. The benefit payout as a percentage of active member payrolls has increased to over 15%.

SCHEDULE OF CHANGES IN RESERVES
For the Fiscal Year Ended December 31, 2002

Defined Benefit Plan

	Reserve for Employee Contributions	Reserve for Employer Contributions and Benefit Payments	Reserve for Expenses and Undistributed Investment Income	Total Defined Benefit Plan	Total Defined Contribution Plan	Total Pension Trust Funds
Additions						
Member contributions						
Regular	\$ 35,315,957			\$ 35,315,957	\$ 3,509,260	\$ 38,825,217
Purchase of Service Credit	4,309,371			4,309,371		4,309,371
Employer contributions		\$ 127,802,230		127,802,230	10,241,672	138,043,902
Net Investment Income			\$ (319,009,400)	(319,009,400)	(10,798,653)	(329,808,053)
Miscellaneous Income			1,085,887	1,085,887		1,085,887
Transfers from Defined Benefit Plan					491,096	491,096
Transfers from Other Plans					3,557,813	3,557,813
Total Additions	<u>39,625,328</u>	<u>127,802,230</u>	<u>(317,923,513)</u>	<u>(150,495,955)</u>	<u>7,001,188</u>	<u>(143,494,767)</u>
Deductions						
Retirement Benefits		200,793,802		200,793,802	5,547,637	206,341,439
Refund of contributions	3,366,464			3,366,464		3,366,464
Administrative Expense			7,002,946	7,002,946		7,002,946
Special Expenses and Penalties		366,273		366,273		366,273
Transfers to DC Plan	53,056	438,040		491,096		491,096
Total Deductions	<u>3,419,520</u>	<u>201,598,115</u>	<u>7,002,946</u>	<u>212,020,581</u>	<u>5,547,637</u>	<u>217,568,218</u>
Net Increase (Decrease)	<u>36,205,808</u>	<u>(73,795,885)</u>	<u>(324,926,459)</u>	<u>(362,516,536)</u>	<u>1,453,551</u>	<u>(361,062,985)</u>
Other Changes in Reserves						
Investment Income Allocations	12,897,022	(337,823,481)	324,926,459			
Retirement and Unclaimed Transfers	(24,620,906)	24,620,906				
Total Other Changes in Reserves	<u>(11,723,884)</u>	<u>(313,202,575)</u>	<u>324,926,459</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Increase (Decrease) in Reserves After Other Changes	<u>24,481,924</u>	<u>(386,998,460)</u>	<u>0</u>	<u>(362,516,536)</u>	<u>1,453,551</u>	<u>(361,062,985)</u>
Reserve Balance Beginning of Year	346,979,388	3,300,841,481	0	3,647,820,869	83,307,319	3,731,128,188
Reserve Balance End of Year	<u>\$ 371,461,312</u>	<u>\$ 2,913,843,021</u>	<u>\$ 0</u>	<u>\$ 3,285,304,333</u>	<u>\$ 84,760,870</u>	<u>\$ 3,370,065,203</u>

Statistical Section

**Schedule of Participating Municipalities
Defined Benefit Plan
For the Fiscal Year Ended December 31, 2002**

<u>Name</u>	<u>Number of Actives</u>	<u>Number of Vested</u>	<u>Number of Retirees/ Beneficiaries</u>	<u>Balance Reserve for Employee Contributions</u>	<u>Balance Reserve for Employer Contributions</u>	<u>Total Reserves</u>
Adrian, City of	158	13	105	\$3,913,223	\$22,373,175	\$26,286,398
Albion, City of	59	25	107	377,024	10,916,494	11,293,518
Alcona County	66	7	40	228,845	3,688,980	3,917,825
Alger County	36	4	18	140,703	3,155,667	3,296,370
Alger County Road Commission	33	1	39	920,165	3,725,481	4,645,646
Algonac, City of	31	1	3	610,598	1,003,687	1,614,285
Allegan County	181	103	183	1,783,706	21,025,497	22,809,203
Allegan County Road Commission	73	3	54	2,180,434	7,637,564	9,817,998
Allegan, City of	11	3	2	4,129	851,843	855,972
Alma, City of	88	7	67	2,208,970	9,279,219	11,488,189
Almont, Village of	14	0	1	173,120	379,712	552,832
Alpena County	110	19	52	249,514	6,107,409	6,356,923
Alpena County Road Commission	39	0	32	279,891	5,131,939	5,411,830
Alpena General Hospital	652	35	218	3,924,091	59,165,417	63,089,508
Alpena Senior Citizens Center	4	3	3	0	188,722	188,722
Alpha, Village of	1	0	0	0	18,194	18,194
Antrim County	330	39	99	722,563	10,009,738	10,732,301
Antrim County Road Commission	44	2	37	340,967	4,399,919	4,740,886
Arenac County	87	12	41	430,887	2,981,349	3,412,236
Arenac County Road Commission	29	0	23	25,161	1,938,554	1,963,715
Ash Township	3	0	2	64,486	80,106	144,592
Au Gres, City of	5	1	5	0	608,783	608,783
Auburn, City of	7	0	3	180,414	554,094	734,508
Bad Axe, City of	28	1	0	158,268	1,274,173	1,432,441
Bangor, City of	15	4	11	141,736	1,268,029	1,409,765
Baraga County	33	7	16	10,559	2,208,238	2,218,797
Baraga County Memorial Hospital	178	19	72	344,186	4,876,408	5,220,594
Baraga County Road Commission	30	0	27	32,093	3,256,999	3,289,092
Baraga, Village of	10	1	5	4,005	904,724	908,729
Barry County	382	22	132	1,256,494	14,148,640	15,405,134
Barry County Community Mental Health Authority	42	3	0	87,938	702,246	790,184
Barry-Eaton District Health Dept	91	29	27	839,474	4,439,066	5,278,540
Barton Hills, Village of	3	0	1	0	299,968	299,968
Bates Township	2	0	0	0	68,337	68,337
Bath Charter Township	19	1	2	539,542	656,965	1,196,507
Battle Creek, City of	452	28	214	5,402,857	43,279,202	48,682,059
Bay City Housing Commission	17	1	17	56,834	2,915,325	2,972,159
Bay City, City of	161	16	264	1,543,548	28,094,517	29,638,065
Bay Metro Transit Authority	107	5	4	263,148	1,127,247	1,390,395
Bayliss Public Library	6	0	6	115,403	693,401	808,804
Beecher Metropolitan District Sewage & Water	14	1	7	296,012	2,182,092	2,478,104
Belding, City of	7	0	3	75,452	420,023	495,475
Belleville, City of	20	3	11	7,042	1,789,890	1,796,932
Benzie County	95	21	20	0	3,826,875	3,826,875
Benzie County Medical Care Facility	97	12	12	193,864	2,389,241	2,583,105
Benzie County Road Commission	38	2	15	393,525	1,442,314	1,835,839
Benzie Shores District Library	1	0	0	8,769	43,018	51,787
Benzie-Leelanau District Health Dept	5	0	0	0	131,562	131,562
Berkley, City of	53	6	54	1,411,685	9,435,249	10,846,934
Berrien Springs, Village of	20	5	11	103,397	1,444,657	1,548,054
Bessemer, City of	14	1	19	223,304	1,230,432	1,453,736
Beverly Hills, Village of	14	7	9	35,143	1,374,786	1,409,929
Big Rapids Housing Commission	5	2	3	9,340	408,010	417,350
Big Rapids, City of	47	9	38	408,766	4,405,902	4,814,668
Birch Run, Village of	16	0	3	105,450	69,916	175,366
Bishop International Airport Authority	26	1	2	442,854	1,071,667	1,514,521
Blissfield, Village of	18	0	3	329,245	876,881	1,206,126
Bloomfield Hills, City of	37	3	25	1,413,595	8,737,369	10,150,964
Blue Water Transportation Commission	44	0	4	38,132	1,176,500	1,214,632

Statistical Section

<u>Name</u>	<u>Number of Actives</u>	<u>Number of Vested</u>	<u>Number of Retirees/ Beneficiaries</u>	<u>Balance Reserve for Employee Contributions</u>	<u>Balance Reserve for Employer Contributions</u>	<u>Total Reserves</u>
Boyer City, City of	42	3	23	1,130,256	2,715,075	3,845,331
Branch-Hillsdale-St. Joseph District Health	84	6	24	1,013,666	4,676,379	5,690,045
Breckenridge, Village of	11	2	6	159,355	753,536	912,891
Bridgeport Charter Township	38	17	21	170,273	2,775,076	2,945,349
Brighton Township	14	5	3	181,373	255,292	436,665
Brighton, City of	50	4	16	51,044	3,602,775	3,653,819
Britton, Village of	2	0	1	45,271	109,428	154,699
Bronson, City of	5	0	1	54,351	78,719	133,070
Brooklyn, Village of	4	0	2	131,235	397,212	528,447
Buchanan, City of	35	3	31	828,824	3,891,086	4,719,910
Buena Vista Charter Township	52	3	4	1,418,686	2,208,957	3,627,643
Burton, City of	97	9	25	1,049,348	7,002,980	8,052,328
Butman Township	0	4	0	0	59,580	59,580
Cadillac, City of	77	13	45	184,300	7,533,396	7,717,696
Cadillac-Wexford Transit Authority	18	0	2	9,096	206,846	215,942
Calhoun County	150	0	21	2,966,321	65,049	3,031,370
Calhoun County Road Commission	92	8	20	83,762	3,981,820	4,065,582
Canton Public Library	0	0	0	808,167	373	808,540
Capac, Village of	11	1	10	5,845	575,830	581,675
Capital Area District Library	44	0	0	76,760	85,304	162,064
Capital Region Airport Authority	50	6	21	140,296	4,840,534	4,980,830
Carleton, Village of	8	1	0	156,344	151,428	307,772
Caseville, Village of	13	1	2	234,275	88,788	323,063
Caspian, City of	7	3	5	395	320,380	320,775
Cass County	131	8	50	2,460,392	5,860,103	8,320,495
Cass County Medical Care Facility	72	2	20	810,821	1,812,304	2,623,125
Cass District Library	12	0	5	44,120	430,658	474,778
Cedar Springs, City of	13	1	8	225,985	1,088,729	1,314,714
Center Line, City of	38	2	37	786,357	4,057,860	4,844,217
Central Dispatch Muskegon County	24	4	13	489,500	1,957,035	2,446,535
Central Michigan District Health Dept	106	30	43	582,326	6,113,657	6,695,983
Central Wayne County Sanitation Authority	0	11	17	87,603	2,557,188	2,644,791
Charlevoix County	302	22	95	525,232	9,609,172	10,134,404
Charlevoix County Road Commission	38	4	39	234,825	3,037,935	3,272,760
Charlevoix, City of	42	3	25	852,545	3,171,975	4,024,520
Charlotte District Library	5	0	2	7,379	208,016	215,395
Charlotte, City of	54	14	31	514,956	6,918,600	7,433,556
Cheboygan County	130	11	46	1,672,133	5,305,468	6,977,601
Cheboygan County Road Commission	56	3	53	565,287	5,528,960	6,094,247
Cheboygan, City of	34	1	28	930,021	3,318,222	4,248,243
Chelsea, Village of	30	4	17	20,478	3,132,176	3,152,654
Chesaning, Village of	13	2	7	0	227,103	227,103
Chippewa County	192	28	77	1,363,741	12,235,121	13,598,862
Chippewa County Road Commission	67	5	63	83,906	7,270,816	7,354,722
Chippewa River District Library	17	0	0	256,005	497,641	753,646
Clare County	129	14	48	1,789,548	5,686,911	7,476,459
Clare County Road Commission	40	0	37	1,109,232	4,723,513	5,832,745
Clare, City of	29	3	11	733,031	1,866,505	2,599,536
Clawson, City of	39	1	51	104,160	9,255,444	9,359,604
Clay Township	44	2	11	472,307	1,123,334	1,595,641
Clearwater Township	1	0	0	0	5,565	5,565
Clinton County	194	24	81	434,155	13,486,639	13,920,794
Clinton County Road Commission	59	3	47	1,043,498	6,184,003	7,227,501
Clinton Township	257	6	91	6,391,999	19,100,746	25,492,745
Clinton, Village of	17	4	8	48,180	1,522,111	1,570,291
Clinton-Eaton-Ingham Mental Health	667	108	97	3,480,248	35,144,871	38,625,119
Coldwater Board of Public Utilities	33	5	34	780,969	4,646,856	5,427,825
Coldwater, City of	40	8	53	1,520,834	8,337,910	9,858,744
Coleman, City of	6	1	5	196,152	480,020	676,172
Columbiaville, Village of	2	1	2	36,046	105,481	141,527

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Community Mental Health of Central Michigan	326	74	33	1,505,734	16,111,206	17,616,940
Coopersville, City of	18	1	5	210,580	741,759	952,339
Corunna, City of	15	3	9	40,773	1,810,219	1,850,992
Crawford County	65	19	46	219,424	3,991,295	4,210,719
Crawford County Road Commission	35	2	8	258,112	1,160,908	1,419,020
Crawford County Transit Authority	25	0	3	224,346	1,233,365	1,457,711
Croswell, City of	34	0	15	354,051	2,161,831	2,515,882
Crystal Falls Community Hospital	0	85	42	34,011	2,550,844	2,584,855
Crystal Falls, City of	29	2	18	70,017	3,863,437	3,933,454
Davison Township	14	0	0	897,836	55,560	953,396
Davison, City of	13	0	1	687,308	450,402	1,137,710
Deerfield, Village of	5	0	2	47,544	622,697	670,241
Delta Charter Township	28	1	4	1,252,488	2,162,392	3,414,880
Delta County	117	10	63	504,011	8,875,193	9,379,204
Delta County Road Commission	45	5	14	0	1,776,540	1,776,540
Delta-Menominee District Health Dept	53	15	7	412,904	2,722,690	3,135,594
Detour, Village of	7	1	1	0	86,876	86,876
Dewitt Charter Township	14	2	1	372,424	389,627	762,051
Dewitt, City of	18	8	5	91,748	661,706	753,454
Dexter Township	11	0	3	89,462	137,140	226,602
Dexter, Village of	20	2	2	386,041	740,571	1,126,612
Dickinson County	107	16	29	787,395	7,954,699	8,742,094
Dickinson County Road Commission	42	2	37	284,321	3,611,244	3,895,565
Dickinson-Iron District Health Dept	59	11	18	284,235	3,029,278	3,313,513
Dimondale, Village of	6	0	2	0	238,022	238,022
District Health Dept No. 10	58	27	63	348,456	8,760,067	9,108,523
District Health Dept No. 2	44	6	15	305,292	2,292,273	2,597,565
District Health Dept No. 4	63	10	15	689,549	4,881,368	5,570,917
Douglas, Village of	17	2	4	10,496	631,197	641,693
Dowagiac Housing Commission	3	1	0	2,145	49,685	51,830
Dowagiac, City of	75	11	26	1,271,787	3,506,769	4,778,556
Dryden, Village of	1	1	1	27,409	212,729	240,138
Dundee, Village of	12	0	6	506,816	1,026,771	1,533,587
Durand, City of	24	3	16	68,388	1,922,393	1,990,781
East China, Township of	15	1	9	497,414	2,181,385	2,678,799
East Grand Rapids, City of	20	5	42	496,843	10,976,744	11,473,587
East Jordan, City of	22	4	13	197,272	1,441,497	1,638,769
East Lansing, City of	312	53	210	3,082,709	62,884,373	65,967,082
Eastern Upper Peninsula Transit Authority	30	1	12	16,810	2,836,203	2,853,013
Eaton County	390	37	139	9,539,188	24,256,366	33,795,554
Eaton County Medical Care Facility	115	8	33	624,895	2,205,448	2,830,343
Eaton Rapids, City of	49	1	3	232,295	2,545,969	2,778,264
Eau Claire, Village of	5	0	2	68,426	107,701	176,127
Ecorse, City of	56	5	97	185,976	11,684,221	11,870,197
Elderly Housing Commission	14	1	10	170,982	955,764	1,126,746
Elkton, Village of	3	2	4	112,575	235,397	347,972
Elsie, Village of	4	3	1	66,618	39,267	105,885
Emmet Charter Township	21	0	0	784,902	181,782	966,684
Emmet County Road Commission	21	4	50	121,146	6,020,887	6,142,033
Escanaba, City of	135	10	82	122,333	12,459,843	12,582,176
Essexville, City of	20	3	21	520,000	3,102,116	3,622,116
Ewart Local Development Finance Authority	2	0	0	0	67,812	67,812
Ewart, City of	14	1	0	50,397	408,421	458,818
Farmington Community Library	30	5	12	543,705	3,428,490	3,972,195
Fenton, City of	50	3	26	143,552	4,632,147	4,775,699
Ferrysburg, City of	8	3	3	165,296	213,483	378,779
Flat Rock, City of	69	2	38	1,436,870	5,363,622	6,800,492
Flint Charter Township	63	3	2	2,670,648	3,709,932	6,380,580
Flint Public Library	21	0	0	0	56,664	56,664
Flushing Charter Township	8	1	0	220,373	253,840	474,213

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Flushing, City of	37	3	22	326,598	4,539,772	4,866,370
Forsyth Township	20	1	4	571,156	684,475	1,255,631
Fowler, Village of	2	1	2	0	195,330	195,330
Fowlerville District Library	2	0	0	17,387	29,102	46,489
Fowlerville, Village of	15	2	7	266,848	1,415,109	1,681,957
Frankenmuth, City of	33	3	16	833,090	4,670,395	5,503,485
Frankfort, City of	16	1	9	84,270	924,844	1,009,114
Franklin, Village of	14	1	4	171,868	1,179,939	1,351,807
Fraser, City of	0	4	3	108,917	83,568	192,485
Fremont Area District Library	8	0	2	6,885	359,306	366,191
Fremont, City of	28	4	14	34,756	3,336,604	3,371,360
Gaastra, City of	2	0	0	0	35,163	35,163
Gaylord, City of	36	3	12	229,968	2,833,575	3,063,543
Genesee Charter Township	53	2	18	289,378	2,775,484	3,064,862
Genoa Township	1	0	0	1,620	2,147	3,767
Gladstone, City of	26	6	29	112,674	3,607,596	3,720,270
Gladwin County	111	15	40	1,381,347	4,369,128	5,750,475
Gladwin County Road Commission	34	0	29	1,077,527	5,044,633	6,122,160
Gladwin, City of	0	0	0	137,320	2,637	139,957
Gogebic-Iron Wastewater Authority	8	1	1	267,543	346,040	613,583
Grand Blanc Charter Township	44	1	7	454,332	1,289,911	1,744,243
Grand Blanc, City of	14	2	0	295,378	696,773	992,151
Grand Haven, City of	191	20	110	4,089,163	38,556,785	42,645,948
Grand Ledge Emergency Service Authority	0	0	0	79,267	767	80,034
Grand Rapids Housing	5	1	1	50,034	226,055	276,089
Grand Traverse County	571	104	213	623,865	29,415,707	30,039,572
Grand Traverse County Road Commission	23	4	54	86,149	5,943,248	6,029,397
Grandville, City of	41	11	38	292,352	6,637,650	6,930,002
Gratiot County	94	25	67	402,350	8,281,064	8,683,414
Gratiot County Road Commission	41	2	45	976,020	6,303,065	7,279,085
Grayling, City of	21	1	6	0	1,510,686	1,510,686
Great Lakes Community Mental Health	80	23	33	35,853	8,486,565	8,522,418
Green Oak Township	13	0	0	129,116	216,890	346,006
Greenville, City of	20	0	9	286,583	1,804,002	2,090,585
Grosse Ile Township	64	7	25	135,369	7,702,372	7,837,741
Grosse Pointe Park, City of	86	2	77	3,072,783	13,625,763	16,698,546
Grosse Pte.-Clinton Refuse Dispository	0	7	13	428,237	2,454,556	2,882,793
Hamburg Township	11	0	2	68,808	212,803	281,611
Hamtramck, City of	146	14	313	4,881,851	38,505,548	43,387,399
Harbor Beach, City of	20	3	15	751,416	2,022,648	2,774,064
Harrison, City of	12	1	6	217,006	823,589	1,040,595
Hastings, City of	74	7	51	503,823	5,553,221	6,057,044
Health Source of Saginaw	326	52	181	1,523,485	16,845,484	18,368,969
Helen Newberry Joy Hospital	95	7	45	910,413	6,008,286	6,918,699
Henika District Library	3	0	0	6,438	149,662	156,100
Herrick District Library	46	4	19	2,930	2,277,661	2,280,591
Hiawatha Community Mental Health Authority	143	24	8	587,211	4,414,620	5,001,831
Highland Park, City of	35	7	46	2,912,287	2,010,718	4,923,005
Hillsdale County	41	0	3	344,963	186,303	531,266
Hillsdale County Road Commission	51	2	15	521,349	1,880,105	2,401,454
Hillsdale, City of	91	11	42	2,173,172	8,498,341	10,671,513
Holland Hospital	0	24	86	56,089	2,319,152	2,375,241
Holland, City of	421	45	220	2,658,751	54,348,719	57,007,470
Holly, Village of	38	1	9	451,360	3,551,614	4,002,974
Homer, Village of	14	3	6	38,853	622,453	661,306
Houghton County	110	8	52	395,957	6,774,196	7,170,153
Houghton County Road Commission	9	0	8	16,751	1,824,818	1,841,569
Houghton Lake Public Library	5	0	0	0	89,323	89,323
Howard City, Village of	9	1	7	180	549,876	550,056
Howell Area Fire Authority	2	0	0	11,922	89,023	100,945

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Howell Carnegie District Library	8	1	3	2,531	327,488	330,019
Howell, City of	72	16	23	934,494	4,820,590	5,755,084
Hudsonville, City of	11	3	10	42,042	845,389	887,431
Huntington Woods, City of	32	3	49	628,021	7,764,916	8,392,937
Huron Charter Township	46	0	7	945,056	1,814,160	2,759,216
Huron County	360	43	164	7,021,412	24,528,470	31,549,882
Huron County Road Commission	69	1	70	1,700,192	11,242,706	12,942,898
Imlay City, City of	24	7	6	16,573	1,809,447	1,826,020
Independence Township	33	0	2	668,817	902,005	1,570,822
Indianfields Township	7	3	4	0	44,321	44,321
Ingham County	1,207	237	583	19,871,417	90,025,009	109,896,426
Ingham County Road Commission	104	15	86	1,038,723	13,863,796	14,902,519
Interurban Transit Authority	7	0	0	11,017	370,155	381,172
Ionia County	45	5	1	404,883	669,005	1,073,888
Ionia County Central Dispatch	13	0	0	108,794	77,768	186,562
Ionia County Road Commission	45	3	28	368,556	2,230,144	2,598,700
Ionia Housing Commission	4	0	0	26,822	342,549	369,371
Ionia, City of	65	3	24	253,893	2,990,908	3,244,801
Iosco County	225	24	86	260,965	7,380,672	7,641,637
Iosco County Road Commission	39	1	18	571,336	2,319,984	2,891,320
Iron County	305	18	120	1,239,391	7,954,337	9,193,728
Iron County Housing Commission	4	1	2	0	142,738	142,738
Iron County Road Commission	29	2	47	15,555	3,749,318	3,764,873
Iron Mountain, City of	30	3	49	872,544	4,182,694	5,055,238
Iron Mountain-Kingsford Sewage Treatment	5	0	2	122,309	66,004	188,313
Iron River, City of	26	2	33	238,289	2,988,778	3,227,067
Isabella County	312	44	103	640,564	14,803,750	15,444,314
Isabella County Road Commission	49	2	34	1,092,804	4,293,843	5,386,647
Ishpeming A J Wastewater Treatment Facility	5	1	1	106,367	147,710	254,077
Ishpeming, City of	44	5	33	1,249,818	3,547,853	4,797,671
Ithaca, City of	16	1	11	465,333	1,296,091	1,761,424
Jackson District Library	37	10	13	671,672	2,643,570	3,315,242
Jackson Transportation Authority	77	1	1	229,984	787,795	1,017,779
Jordan Valley District Library	2	0	1	0	80,461	80,461
Kalamazoo Lake, Sewer & Water Authority	8	4	2	4,853	391,582	396,435
Kalamazoo Public Library	41	0	0	0	625,808	625,808
Kalkaska County	104	12	27	594,533	4,735,329	5,329,862
Kalkaska County Road Commission	35	1	36	645	3,542,069	3,542,714
Kalkaska Public Transit Authority	20	0	0	162,668	377,016	539,684
Kalkaska, Village of	14	0	5	374,313	1,304,958	1,679,271
Keego Harbor, City of	13	6	6	64,618	950,922	1,015,540
Keweenaw County	18	1	4	78,144	474,055	552,199
Keweenaw County Road Commission	23	0	9	96,795	2,689,827	2,786,622
Kinde, Village of	1	0	0	41,669	18,181	59,850
Kingsford, City of	23	2	17	528,363	2,189,515	2,717,878
Laingsburg, City of	9	0	0	45,660	15,071	60,731
Lake County	115	10	26	490,879	2,518,509	3,009,388
Lake County Road Commission	35	2	30	255,911	3,250,149	3,506,060
Lake Linden, Village of	9	1	3	0	320,325	320,325
Lake Odessa, Village of	0	0	4	0	49,203	49,203
Lake Orion, Village of	19	1	10	219,519	2,083,096	2,302,615
Lakeland Library Cooperative	12	0	0	80,080	210,834	290,914
Lakeshore Coordinating Council	6	1	1	0	375,898	375,898
L'Anse, Village of	22	2	2	521,991	1,001,036	1,523,027
Lansing Housing Commission	49	7	15	25,306	4,337,058	4,362,364
Lapeer County	774	76	167	2,233,775	27,386,147	29,619,922
Lapeer County Road Commission	58	4	51	1,532,684	3,538,059	5,070,743
Lapeer, City of	83	11	38	257,806	6,791,685	7,049,491
Lathrup Village, City of	24	1	13	791,349	2,676,526	3,467,875
Laurium, Village of	12	2	13	0	599,497	599,497

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Lawrence, Village of	3	3	2	0	100,565	100,565
Leelanau County	100	13	26	218,577	5,015,855	5,234,432
Leelanau County Road Commission	44	2	10	426,768	559,173	985,941
Leoni Township	41	2	4	1,196,732	1,121,160	2,317,892
Leslie, City of	9	0	2	114,013	207,550	321,563
Lexington, Village of	15	1	2	112,767	321,756	434,523
Library Network	36	8	18	668,446	2,321,644	2,990,090
Lima Township	6	0	4	40,720	46,272	86,992
Livingston County	573	61	147	822,235	31,146,599	31,968,834
Livingston County Community Mental Health	130	23	11	20,028	4,347,783	4,367,811
Livingston County Road Commission	67	1	45	828,476	7,610,421	8,438,897
Loutit District Library	12	0	1	41,663	309,031	350,694
Lowell, City of	45	4	17	1,218,749	2,892,947	4,111,696
Luce County	38	14	17	15,316	1,433,117	1,448,433
Luce County Road Commission	29	1	29	12,921	2,935,309	2,948,230
Luce-Mackinac-Alger-Schoolcraft District Health	100	104	26	9,319	4,617,015	4,626,334
Ludington, City of	56	7	53	87,824	8,124,630	8,212,454
Ludington-Mason District Library	11	0	3	5,383	605,709	611,092
Luna Pier, City of	13	0	6	405,974	1,477,381	1,883,355
Mackinac County	67	22	56	88,515	4,936,456	5,024,971
Mackinac County Road Commission	25	6	30	8,177	2,409,711	2,417,888
Mackinac Straits Hospital & Health Center	208	3	17	1,519,513	2,229,416	3,748,929
Madison Heights, City of	122	13	88	1,136,169	16,586,702	17,722,871
Madison Township	10	0	4	122,663	127,706	250,369
Manistee County	260	33	100	815,652	11,157,848	11,973,500
Manistee County Road Commission	44	3	23	7,525	2,737,316	2,744,841
Manistique, City of	32	1	25	138,864	3,320,637	3,459,501
Manlius Township	6	0	0	13,779	18,272	32,051
Manton, City of	6	2	6	106,247	312,680	418,927
Marine City, City of	0	0	4	0	50,729	50,729
Marion, Village of	6	1	3	45,861	149,583	195,444
Marquette Board of Light & Power	71	2	76	2,905,840	13,943,763	16,849,603
Marquette County	426	43	154	2,562,309	25,243,424	27,805,733
Marquette County Airport	10	0	4	24,879	864,978	889,857
Marquette County Road Commission	87	3	43	1,121,496	5,535,429	6,656,925
Marquette County Transit Authority	25	1	4	332,975	673,970	1,006,945
Marquette Waste Management	7	3	0	158,737	221,785	380,522
Marquette, City of	143	14	73	3,904,810	12,623,354	16,528,164
Marshall District Library	1	0	0	32,900	117,781	150,681
Marshall, City of	101	6	46	3,048,726	12,621,444	15,670,170
Mason County	222	42	109	200,638	19,271,746	19,472,384
Mason County Road Commission	40	1	3	526,518	353,488	880,006
Mason, City of	44	3	16	1,725,666	4,429,164	6,154,830
Mason-Oceana 911 Central	19	0	0	133,047	132,121	265,168
Mastodon Township	0	0	1	0	41,790	41,790
MBS International Airport	27	0	11	230,776	3,291,019	3,521,795
Meceola Central Dispatch	16	2	1	481	400,974	401,455
Mecosta County	125	41	62	478,679	10,744,422	11,223,101
Mecosta County General Hospital	0	92	74	392,764	5,898,732	6,291,496
Mecosta County Road Commission	46	5	41	1,136,078	3,848,231	4,984,309
Melvindale Housing Commission	7	2	1	7,147	247,039	254,186
Melvindale, City of	80	2	43	2,303,785	7,519,075	9,822,860
Menominee County	92	19	58	481,244	5,650,558	6,131,802
Menominee County Road Commission	14	0	9	6,687	1,350,961	1,357,648
Menominee, City of	49	11	47	244,570	4,306,515	4,551,085
Meridian Charter Township	136	8	15	982,322	8,198,699	9,181,021
Metamora Township	7	0	0	79,900	12,791	92,691
Michigan Grand River Watershed	0	0	1	0	16,570	16,570
Michigan South Central Power Agency	46	10	10	319,254	2,939,208	3,258,462
Middleville, Village of	7	4	4	118,202	408,758	526,960

<u>Name</u>	<u>Number of Actives</u>	<u>Number of Vested</u>	<u>Number of Retirees/ Beneficiaries</u>	<u>Balance Reserve for Employee Contributions</u>	<u>Balance Reserve for Employer Contributions</u>	<u>Total Reserves</u>
Midland Authority for Central Dispatch	16	0	1	139,980	253,518	393,498
Midland County Road Commission	46	1	46	1,039,797	5,197,140	6,236,937
Midland, City of	287	13	208	3,946,437	47,638,474	51,584,911
Mid-Michigan District Health Dept	84	16	33	349,005	2,895,425	3,244,430
Mid-Peninsula Library Cooperative	1	2	3	8,848	240,764	249,612
Milan Library	5	0	1	0	130,342	130,342
Milan, City of	31	7	17	287,200	3,709,087	3,996,287
Milford, Village of	33	4	15	172,980	3,794,745	3,967,725
Millington, Village of	8	0	1	263,447	448,396	711,843
Missaukee County	24	2	1	86,885	823,264	910,149
Montague, City of	17	1	2	309,230	798,483	1,107,713
Montcalm County Road Commission	57	1	21	753,909	4,435,938	5,189,847
Montmorency County	61	7	41	41,496	3,299,424	3,340,920
Montrose, City of	5	4	1	43,147	149,396	192,543
Mt. Morris Township	60	5	30	148,865	7,886,144	8,035,009
Mt. Pleasant, City of	98	16	49	2,402,829	7,388,116	9,790,945
Muir, Village of	3	0	2	16,582	155,769	172,351
Mundy Charter Township	17	1	0	159,012	240,226	399,238
Municipal Employees Retirement System	45	1	3	262,036	901,418	1,163,454
Munising, City of	32	2	19	79,200	3,164,558	3,243,758
Muskegon Charter Township	55	5	32	1,168,592	5,017,436	6,186,028
Muskegon County	1,169	165	450	4,054,513	90,645,162	94,699,675
Muskegon County Road Commission	97	9	75	690,431	12,330,850	13,021,281
Muskegon Heights, City of	110	11	103	2,751,019	18,282,245	21,033,264
Muskegon Housing Commission	0	0	0	54,503	41,444	95,947
Negaunee, City of	40	1	39	177,333	4,457,295	4,634,628
Newaygo County	107	21	61	58,450	11,147,598	11,206,048
Newaygo County Mental Health	3	2	4	743	1,567,353	1,568,096
Newaygo Medical Care Facility	159	10	67	879,430	4,909,158	5,788,588
Newaygo Soil & Water Conservation District	4	1	0	5,290	27,458	32,748
Newberry, Village of	24	3	20	30,955	1,796,431	1,827,386
North Houghton County Water & Sewage	3	0	0	0	76,341	76,341
North Michigan Community Mental Health	0	0	1	0	46,157	46,157
North Muskegon, City of	21	2	13	544,827	2,220,101	2,764,928
North Pointe Behavioral Healthcare System	67	19	12	691,595	3,685,407	4,377,002
Northeast Ottawa District Library	3	0	0	0	68,727	68,727
Northport, Village of	0	0	1	0	650	650
Northville Charter Township	21	0	2	1,144,709	963,655	2,108,364
Northville District Library	13	3	3	0	558,258	558,258
Northville, City of	41	12	40	136,723	7,106,357	7,243,080
Northwest Michigan Community Health	22	13	22	19,333	2,540,806	2,560,139
Northwestern Regional Airport Commission	15	3	4	44,280	1,304,466	1,348,746
Norton Shores, City of	99	9	49	252,068	11,743,430	11,995,498
Norway, City of	34	1	39	811,752	4,835,720	5,647,472
Novi, City of	263	23	49	2,071,645	19,386,590	21,458,235
Oceana County	305	18	74	2,600,738	7,725,452	10,326,190
Ogemaw County	147	14	52	2,155,549	7,909,035	10,064,584
Ogemaw County Road Commission	32	2	32	737,874	2,577,255	3,315,129
Olive Township	3	1	0	50,682	76,993	127,675
Onaway, City of	5	1	1	6,194	229,093	235,287
Ontonagon County	54	15	18	25,213	3,141,896	3,167,109
Ontonagon County Economic Development Corp	1	0	0	0	38,786	38,786
Ontonagon County Road Commission	55	1	27	0	4,559,928	4,559,928
Ontonagon Memorial Hospital	152	7	72	2,036,383	4,731,812	6,768,195
Ontonagon, Village of	13	4	13	28,267	1,262,642	1,290,909
Orchard Lake, City of	13	2	7	69,947	1,666,298	1,736,245
Osceola County	107	21	34	120,942	4,848,773	4,969,715
Osceola County Road Commission	32	2	33	166,936	3,454,094	3,621,030
Oscoda Charter Township	13	2	2	456,754	626,033	1,082,787
Oscoda County	57	12	24	394,022	2,954,868	3,348,890

<u>Name</u>	<u>Number of Actives</u>	<u>Number of Vested</u>	<u>Number of Retirees/ Beneficiaries</u>	<u>Balance Reserve for Employee Contributions</u>	<u>Balance Reserve for Employer Contributions</u>	<u>Total Reserves</u>
Otisville, Village of	7	1	1	49,064	344,127	393,191
Otsego County	202	15	41	994,973	5,152,778	6,147,751
Otsego County Road Commission	44	3	36	92,174	4,122,975	4,215,149
Ottawa County	904	114	229	3,495,745	61,973,539	65,469,284
Ottawa County Central Dispatch Authority	17	4	1	15,469	674,214	689,683
Ottawa County Road Commission	140	6	117	1,831,749	19,934,641	21,766,390
Otter Lake, Village of	1	0	0	4,911	12,754	17,665
Owosso, City of	6	0	6	251,457	2,040,183	2,291,640
Oxford Police, Fire & EMS Commission	6	5	9	58,959	2,129,397	2,188,356
Oxford, Village of	17	1	3	24,317	933,900	958,217
Parchment, City of	12	2	11	362,892	1,150,315	1,513,207
Pathways	203	58	95	1,410,009	18,403,160	19,813,169
Paw Paw Lake Regional Joint Sewage Disposal	4	0	3	101,948	435,073	537,021
Paw Paw, Village of	31	1	10	823,554	2,800,754	3,624,308
Pellston, Village of	2	0	0	22,557	52,302	74,859
Pentwater, Village of	10	2	4	168,075	517,908	685,983
Perrinton, Village of	1	0	0	5,317	7,284	12,601
Petersburg, City of	5	0	0	21,756	758	22,514
Petoskey, City of	70	7	60	106,932	8,912,844	9,019,776
Pewamo, Village of	1	0	0	5,266	17,260	22,526
Pigeon, Village of	6	1	4	98,250	403,326	501,576
Pinckney, Village of	10	1	1	169,187	488,999	658,186
Pinconning, City of	14	2	15	189,653	928,637	1,118,290
Pittsfield Charter Township	111	10	8	1,643,812	2,191,641	3,835,453
Pleasant Ridge, City of	11	12	13	21,311	1,941,019	1,962,330
Plymouth District Library	13	1	1	0	887,280	887,280
Plymouth, City of	16	12	54	45,506	8,116,724	8,162,230
Port Austin Area Sewer & Water Authority	0	2	0	43,190	33,376	76,566
Port Austin, Village of	5	2	2	64,983	107,383	172,366
Port Huron, City of	364	32	276	4,063,288	69,716,516	73,779,804
Port Sanilac, Village of	5	2	1	31,701	98,820	130,521
Portland, City of	34	5	27	271,694	4,238,687	4,510,381
Presque Isle County	66	10	33	768,552	3,026,102	3,794,654
Presque Isle County Road Commission	30	2	37	128,735	4,367,660	4,496,395
Ravenna, Village of	3	1	0	12,442	120,393	132,835
Reading, City of	8	1	2	0	107,603	107,603
Redford Township	156	16	108	579,970	19,691,725	20,271,695
Redford Township District Library	10	3	0	99,991	661,714	761,705
Reed City, City of	24	10	21	10,062	1,659,704	1,669,766
Richfield Township (Genesee County)	9	0	0	204,444	244,029	448,473
Richfield Township (Roscommon County)	17	3	2	306,125	407,477	713,602
Richland Township	12	0	1	101,713	677,887	779,600
Rochester, City of	60	4	27	1,699,859	6,710,006	8,409,865
Rockford, City of	42	7	9	63,049	1,606,413	1,669,462
Rogers City, City of	27	2	18	733,861	3,318,475	4,052,336
Romeo District Library	28	1	4	184,011	468,335	652,346
Romeo, Village of	25	2	12	143,803	2,009,248	2,153,051
Romulus, City of	65	2	16	1,702,677	6,785,744	8,488,421
Roosevelt Park, City of	17	5	11	57,958	1,745,153	1,803,111
Roscommon County	147	10	45	660,143	6,935,310	7,595,453
Rose City, City of	8	2	1	84,387	261,109	345,496
Rose Township	5	0	6	10,247	143,428	153,675
Royal Oak Township	23	2	15	316,753	4,658,360	4,975,113
Saginaw County	312	85	397	5,141,525	56,950,870	62,092,395
Saginaw County 911 Center	28	7	4	224,885	3,344,025	3,568,910
Saginaw County Community Mental Health Authority	62	33	41	276,026	7,494,945	7,770,971
Saginaw County Road Commission	80	4	89	2,650,626	14,352,477	17,003,103
Saginaw Public Libraries	12	1	0	70,353	163,031	233,384
Saginaw Township	34	1	9	1,009,411	4,994,984	6,004,395
Saginaw Transit System Authority	11	4	0	122,584	327,017	449,601

<u>Name</u>	<u>Number of Actives</u>	<u>Number of Vested</u>	<u>Number of Retirees/ Beneficiaries</u>	<u>Balance Reserve for Employee Contributions</u>	<u>Balance Reserve for Employer Contributions</u>	<u>Total Reserves</u>
Saginaw, City of	290	20	414	8,417,027	52,734,587	61,151,614
Saginaw-Midland Municipal Water	11	0	16	222,616	1,674,243	1,896,859
Saline, City of	67	11	35	282,741	6,972,620	7,255,361
Sandusky District Library	2	0	0	19,382	23,975	43,357
Sandusky, City of	25	1	8	260,778	363,821	624,599
Saugatuck Township	7	2	3	16,375	267,716	284,091
Saugatuck, City of	7	3	5	25,616	596,769	622,385
Sault Ste. Marie, City of	100	3	68	3,106,014	10,802,931	13,908,945
Schoolcraft County	166	11	58	1,747,146	7,512,894	9,260,040
Schoolcraft County Road Commission	30	0	34	187,642	4,595,635	4,783,277
Schoolcraft Memorial Hospital	95	10	50	2,279,291	6,029,288	8,308,579
Sebewaing, Village of	20	1	16	552,893	2,511,743	3,064,636
Shepherd, Village of	6	2	0	57,354	175,774	233,128
Shiawassee Council on Aging	8	0	3	82,798	169,224	252,022
Shiawassee County	636	117	216	1,246,634	35,329,494	36,576,128
Shiawassee County Road Commission	46	3	47	1,080,727	6,673,180	7,753,907
Shiawassee District Library	6	0	1	245,097	607,062	852,159
Sims Whitney Utilities Authority	2	1	0	0	49,906	49,906
Smart	1,036	134	331	6,338,638	69,738,344	76,076,982
South Haven Emergency Service Authority	13	0	0	771,433	477,009	1,248,442
South Haven, City of	80	5	60	2,306,825	11,989,537	14,296,362
South Lyon, City of	47	2	15	365,961	2,880,340	3,246,301
Southeast Michigan Council of Governments	80	26	31	76,148	16,574,209	16,650,357
Southeastern Oakland County Resource Recovery	24	3	26	96,922	3,452,296	3,549,218
Southeastern Oakland County Water Authority	25	1	19	115,112	3,248,063	3,363,175
Southern Clinton County Municipal Utilities Authority	16	6	3	394,048	736,226	1,130,274
Sparta, Village of	16	1	3	227,883	603,324	831,207
Springfield, City of	18	1	14	10,316	1,585,056	1,595,372
St. Charles, Village of	11	3	4	124,083	903,851	1,027,934
St. Clair Shores Housing Commission	9	1	2	161,179	438,544	599,723
St. Clair, City of	46	4	29	718,591	4,956,176	5,674,767
St. Ignace, City of	35	5	15	102,385	2,782,760	2,885,145
St. Johns, City of	44	9	25	316,065	5,830,959	6,147,024
St. Joseph County	48	3	10	239,391	4,934,084	5,173,475
St. Louis Housing Commission	4	0	0	0	80,977	80,977
St. Louis, City of	20	7	27	419,113	3,356,012	3,775,125
Stambaugh Township	1	0	1	5,710	36,690	42,400
Standish, City of	6	5	6	59,342	811,551	870,893
Stanton, City of	0	1	1	13,823	45,265	59,088
Stephenson, City of	3	0	1	0	43,124	43,124
Sterling, Village of	1	0	1	11,071	122,117	133,188
Stockbridge, Village of	6	0	1	39,781	89,629	129,410
Summit Township	37	1	12	191,517	3,395,258	3,586,775
Sumpter Township	16	1	3	378,082	232,175	610,257
Superior Charter Township	7	0	1	222,365	574,595	796,960
Superiorland Library Cooperative	3	1	0	103,189	273,975	377,164
Swan Creek Township	6	1	1	43,932	93,863	137,795
Swartz Creek, City of	18	2	13	414,461	4,627,215	5,041,676
Sylvan Lake, City of	10	0	7	291,129	805,779	1,096,908
Tawas Police Authority	6	0	1	83,053	48,838	131,891
Taylor Housing Commission	5	0	0	13,268	14,801	28,069
Three Rivers Hospital	0	0	5	0	18,517	18,517
Three Rivers, City of	69	7	29	1,055,211	4,937,306	5,992,517
Traverse Area District Library	42	0	9	16,897	1,224,671	1,241,568
Traverse City, City of	148	21	120	827,358	23,956,190	24,783,548
Trenton, City of	80	5	91	3,615,257	18,080,804	21,696,061
Tri-County Aging Consortium	66	9	24	29,332	3,268,027	3,297,359
Trio Council on Aging	0	4	0	18,421	144,520	162,941
Tuscarora Township	8	0	0	27,941	202,945	230,886
Tuscola County	175	7	69	2,613,791	9,832,708	12,446,499

Name	Number of Actives	Number of Vested	Number of Retirees/ Beneficiaries	Balance Reserve for Employee Contributions	Balance Reserve for Employer Contributions	Total Reserves
Tuscola County Community Mental Health	113	15	12	1,769,757	3,484,519	5,254,276
Tuscola County Health Dept	38	3	9	776,266	2,338,723	3,114,989
Tuscola County Medical Care Facility	193	9	52	1,800,828	4,403,745	6,204,573
Tuscola County Road Commission	18	0	5	726,632	558,566	1,285,198
Twenty-Sixth Judicial Circuit Court	42	8	7	23,190	1,475,502	1,498,692
Twenty-Third Judicial District Court	20	3	0	400,089	710,663	1,110,752
Twin Cities Public Safety Authority	0	3	0	43,726	11,444	55,170
Ubyl, Village of	4	0	0	169,373	-2,758	166,615
Utica, City of	21	0	0	459,341	564,928	1,024,269
Van Buren County	61	0	2	1,373,009	198,558	1,571,567
Vassar, City of	25	1	15	488,502	2,170,099	2,658,601
Vicksburg District Library	1	0	1	0	27,242	27,242
Vicksburg, Village of	112	2	9	0	936,362	936,362
Wakefield, City of	21	1	24	463,930	1,739,699	2,203,629
Walled Lake, City of	45	4	15	629,172	1,001,665	1,630,837
Washtenaw County	244	6	16	5,292,630	4,552,082	9,844,712
Washtenaw County Road Commission	141	9	91	4,182,576	13,749,616	17,932,192
Wayland, City of	22	4	8	72,123	1,437,706	1,509,829
Webberville, Village of	3	1	1	40,673	18,706	59,379
West Branch, City of	22	3	9	432,309	1,153,483	1,585,792
West Iron County Sewer Authority	4	1	2	31,745	309,585	341,330
West Michigan Community Mental Health System	111	6	14	142,751	3,252,633	3,395,384
West Michigan Shoreline Regional Development	10	6	0	25,075	2,035,085	2,060,160
Western Upper Peninsula District Health Dept	99	22	40	16,264	4,423,593	4,439,857
Westland, City of	223	20	181	444,981	33,470,569	33,915,550
Westphalia, Village of	2	1	0	0	150,647	150,647
Wexford County	143	12	51	1,386,944	6,438,489	7,825,433
Wexford County Road Commission	42	3	52	139,536	4,496,428	4,635,964
White Cloud Community Library	4	0	0	0	64,972	64,972
White Cloud, City of	7	3	0	0	171,875	171,875
White Lake Charter Township	70	1	12	2,418,181	3,131,839	5,550,020
White Pine Library	3	0	3	12,222	73,475	85,697
Whitehall, City of	22	2	14	19,840	2,203,248	2,223,088
Willard Public Library	21	1	0	111,764	109,011	220,775
Williamston, City of	16	5	8	406,640	1,101,645	1,508,285
Wixom, City of	65	7	20	723,279	5,357,112	6,080,391
Wolverine Lake, Village of	12	1	3	178,880	207,369	386,249
Ypsilanti Community Utilities Authority	145	10	52	830,689	14,586,463	15,417,152
Ypsilanti, City of	79	2	45	1,344,323	10,101,515	11,445,838
Ypsilanti, Township of	91	7	27	1,350,297	5,234,808	6,585,105
	37,053	4,760	17,530	\$371,461,312	\$2,913,843,021	\$ 3,285,304,333

SCHEDULE OF PARTICIPATING MUNICIPALITIES

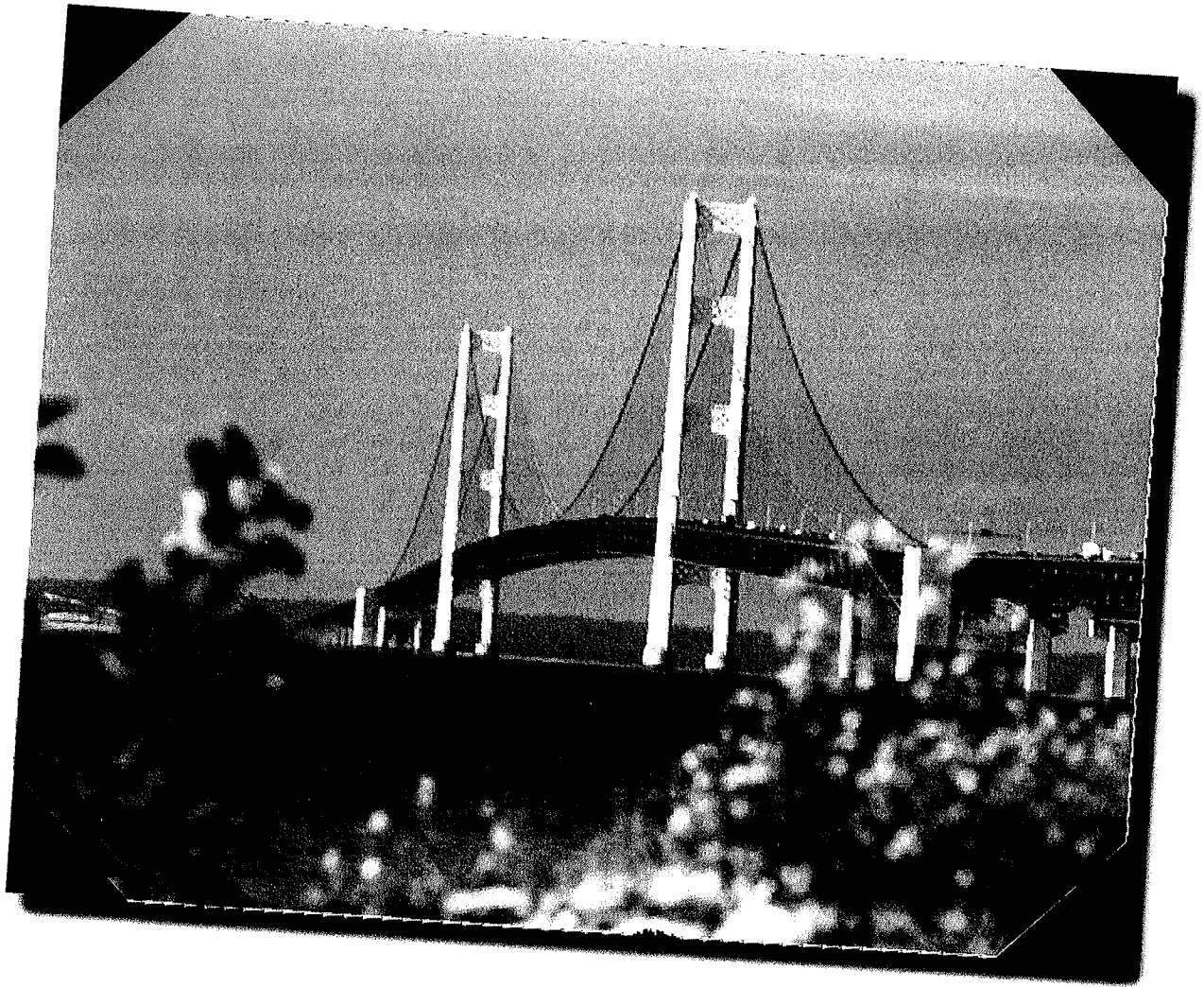
Defined Contribution Plan

For the Fiscal Year Ended December 31, 2002

<u>Plan Name</u>	<u>Number of Members</u>	<u>Defined Contribution Plan Balance</u>
Albion, City of	21	\$88,787
Alcona County	26	51,057
Allegan, City of	118	1,394,526
Allegan County	489	7,597,653
Alma, City of	3	44,063
Alpena General Hospital	301	1,778,583
Augres, City of	2	12,886
Baraga County Hospital	11	345,794
Bay City Housing Commission	9	556,507
Bay City, City of	163	6,744,979
Big Rapids Housing Commission	9	30,922
Big Rapids, City of	21	450,417
Charlotte, City of	1	8,649
Cheboygan County Road Commission	1	22,425
Chelsea Area Construction	2	12,210
Chelsea, Village of	23	206,406
Clawson, City of	14	200,376
Clinton County	3	26,379
Clinton-Eaton-Ingham Community Mental Health	9	266,031
Coldwater Board Public Utilities	20	146,880
Coldwater, City of	51	933,442
District Health Dept #2	27	131,784
District Health Dept #4	12	136,693
District Health Dept #10	127	1,766,904
East Grand Rapids, City of	62	3,146,945
East Lansing, City of	171	1,599,772
Elkton, Village of	3	38,011
Emmet County Road Commission	29	624,412
Farmington Community Library	35	336,840
Flint Charter Township	22	781,781
Gladstone, City of	22	278,099
Grand Rapids Housing Commission	54	520,298
Grand Traverse County	290	4,339,015
Grand Traverse County Road Commission	45	736,777
Grandville, City of	15	1,367,656
Gratiot County	40	455,952
Grayling, City of	1	15,302
Great Lakes Community Mental Health Authority	42	302,774
Helen Newberry Joy Hospital	216	252,256
Hiawatha Behavioral Health	8	296,851

Statistical Section

<u>Plan Name</u>	<u>Number of Members</u>	<u>Defined Contribution Plan Balance</u>
Highland Park Housing Commission	9	282,251
Highland Park, City of	133	2,614,895
Howell Downtown Development Authority, City of	1	7,419
Hudsonville, City of	16	332,764
Huntington Woods, City of	24	156,922
Ingham County Capital Area District Library	62	230,266
Iosco County Steelworkers #10	16	63,168
Isabella County	9	8,329
Lakeland Library Co-op	1	23,356
Mackinac County	4	4,400
Manistee, City of	1	4,292
Marquette Board of Light and Power	5	74,268
Marquette County	154	3,293,995
Marquette, City of	11	654,240
Mecosta County	48	155,967
Milan, City of	21	80,423
Milford, Village of	18	496,469
Montrose County	10	21,024
Newaygo County	135	1,705,049
Newaygo County Mental Health Center	59	1,135,041
Northpointe Behavioral Health	1	23,470
Northville, City of	19	236,580
Northwest Michigan Community Health	164	3,848,864
Ottawa County General Dispatch	18	92,467
Pathways	138	772,516
Plymouth, City of	78	5,414,777
Roscommon, Village of	5	22,379
Saginaw County	509	15,547,368
Saginaw County Community Mental Health	236	3,677,664
Saginaw, City of	70	642,868
Saginaw-Midland Municipal Water Corp	4	12,326
Schoolcraft Memorial Hospital	87	1,268,727
Southfield Downtown Authority	5	44,510
St. Louis, City of	13	99,526
Standish, City of	1	3,036
West Michigan Community Health	<u>140</u>	<u>3,662,160</u>
	<u>4,743</u>	<u>\$84,760,870</u>



MERS is that bridge.