

INTRODUCTORY SECTION

MICHIGAN ROCKS!

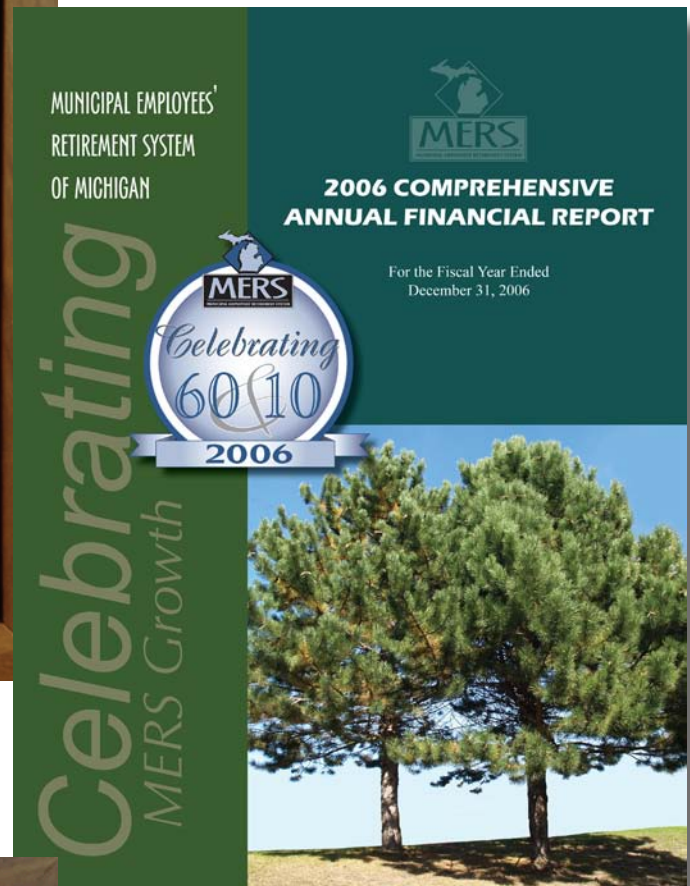
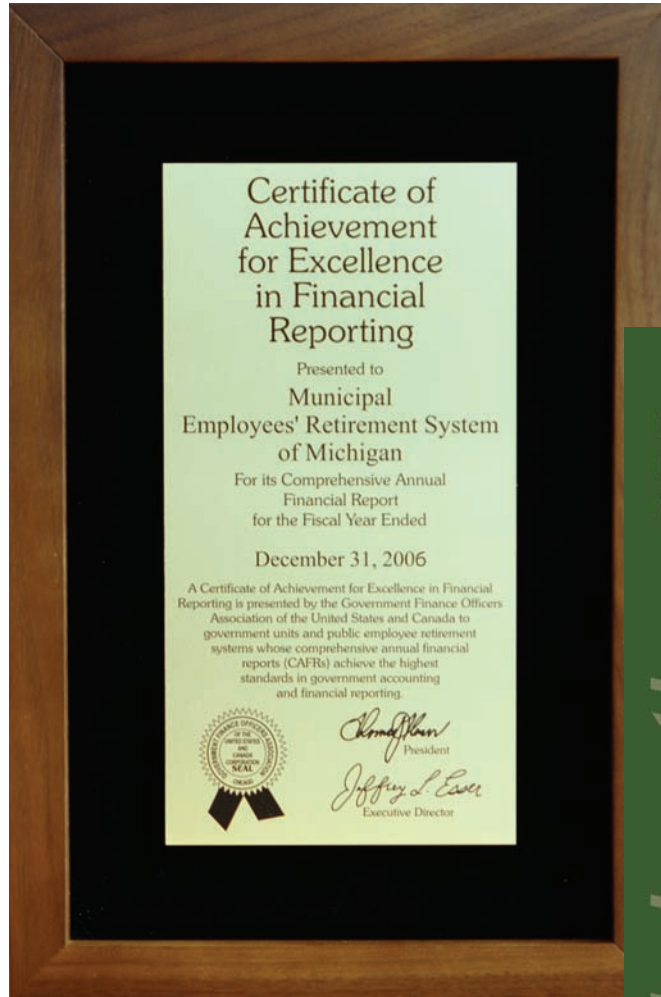


PETOSKEY STONE

Petoskey stones are fragments of a coral reef that was originally deposited approximately 350 million years ago. When dry, the stone resembles ordinary limestone but when wet or polished, its distinctive pattern emerges. Petoskey State Park and Magnus Park are two of the few places in the state where the coral pieces can be found.

CERTIFICATES OF ACHIEVEMENT

MERS received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the December 31, 2006 Comprehensive Annual Financial Report. This marks the 19th consecutive year MERS has received this honor.



MERS also received the Public Pension Coordinating Council (PPCC), Public Pension Standards Award in 2007, in recognition of meeting the professional standards for plan design and administration as set forth in the Public Pension Standards. This award is presented by the PPCC, a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR).

LETTER OF TRANSMITTAL



June 26, 2008

Dear Board Members:

I am pleased to present the 61st *Comprehensive Annual Financial Report* (CAFR) of the Municipal Employees' Retirement System of Michigan (MERS) for the fiscal year ended December 31, 2007. This financial report provides all of the required information on the financial status of our Retirement System.

MERS is a statewide voluntary organization created in 1945 by the state legislature. We gained independence in 1996 with just under 500 employer members. Currently, approximately 700 communities throughout Michigan have chosen to pool their resources with MERS to provide stable retirement plans for their employees. We continue to add new municipalities to the system with 16 new groups joining in 2007 with just over \$52 million in assets.

Our theme in 2007 was Michigan Rocks. This theme was chosen to reflect our membership because, like the rocks and minerals that are found throughout the landscape of Michigan, MERS is diverse, strong, and comes in all shapes and sizes. MERS has unique and rare gems – our members.

Two years ago, the MERS Retirement Board created an Ends Policy to provide clear strategic direction to the system. This policy identifies the initiatives crucial to MERS endeavors that will have a positive effect on the local Michigan communities and the world at large. The Board selected three Ends as follows: all employers and employees 1) will have accurate information, 2) experience excellent service and 3) participate in pooled benefits that are cost-effective and innovative. These Ends have been used to develop benchmarks to measure the performance of the system.

With these specific Ends in mind, we formulated a comprehensive plan to meet the Board's objectives. We offer educational opportunities, satisfaction surveys and various innovative strategies to improve costs and add value. With these pilot objectives, MERS continues to grow and pursues new ideas and programs specifically designed to benefit all of our members.

Examples of growth may be found in the **Introductory Section**. This section includes the Letter from the Chairperson of the Retirement Board, the GFOA Certificate of Achievement, administrative organizational details, and a review of MERS activities covering Defined Benefit (DB) Defined Contribution (DC) and MERS Group Health Solutions.

The following sections are included in this document:

- **Financial Section.** Management's Discussion and Analysis (MD&A) report of the independent auditor, and the Retirement System's financial statements and supplemental information for the DB plan.
- **Investment Section.** Summary of investment activity, an explanation of investment policy, portfolio performance information, and various investment schedules for both the DB and DC plans.
- **Actuarial Section.** Actuary's Certification Letter and summaries for the DB plan.
- **Statistical Section.** Statistical information on all plans. The responsibility for the accuracy and completeness of the financial data and the fairness of the presentation rests with the Chief Executive Officer and the management of MERS.

Financial

The basic financial statements have been prepared in accordance with Generally Accepted Accounting Principals (GAAP) applied on a consistent basis as promulgated by the Governmental Accounting Standards Board and its predecessor, the National Council on Government Accounting. The Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis to accompany the basic financial statements. This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found in the Financial Section immediately following the independent auditor's report (see page 14).

Investments – Defined Benefit Portfolio

The U.S. economy began to reflect the stresses imposed by the sub prime and housing credit market problems which first surfaced in the spring of the year. With new home sales sliding by 70% at year-end, the equity markets declined. In response, the Federal Reserve Board lowered the federal funds rate by 150 basis points to 3%. The weakened U.S. dollar provided an opportunity for U.S. companies to reap gains in overseas sales. Supported by the global economic growth, commodities, global fixed income and infrastructure, investments posted strong returns in the portfolio.

MERS Defined Benefit (DB) portfolio, with \$6.5 billion in assets, ranked in the 38th percentile for the five-year period ending 12/31/07 in the Northern Trust universe of public funds. The universe is comprised of 42 plans with a total market value of \$380 billion, with a median market value of \$4.1 billion.

The DB portfolio maintains a well-diversified posture. It is positioned to take advantage of market movements. For the fiscal year-end, the portfolio gross return was 8.57% for the one-year period and 8.2% for the ten-year period and outperformed its policy benchmark for the three-year period by 31 basis points. These positive returns assist in meeting our actuarial assumption rate of 8% and a real rate of return of +3.5% to the Consumer Price Index.

The Board's investment policy is reviewed annually with a consistent focus on preserving the Retirement System's assets while maximizing the long-term growth of those assets. They maintain a focused discipline policy on the asset allocation of the portfolio. The allocation model is determined after extensive

examination of risk and return profiles approximately every five years. The portfolio is rebalanced annually to the selected allocation weightings. In 2007, the allocation to commodities rewarded the portfolio with returns of 34.48%. The Board's Investment Committee retains oversight and approval authority for any tactical recommendations by the MERS Investment staff.

Funding

The December 31, 2005 Actuarial Valuation reports the consolidated funding to be an increase from 76.05% in 2005 to 76.43% in 2006. The increase was attributable to investment experience, new municipalities and benefit provision changes. All of the effects of the unfavorable investment markets in 2000-2002 were offset by MERS very favorable returns in 2003, 2004 and 2006. MERS receives no state funded contributions. Each member municipality is legally responsible for funding the pensions earned by their employees under the provisions of the Michigan Constitution and the MERS Plan Document. Each municipality is a separate trust account in MERS. The pension obligations are paid from that account. MERS does not fund or borrow from one municipality's account to cover another municipality's obligation to pay its pensioners.

Group Health Solutions Programs

In 2003, MERS expanded into the health care arena by introducing a Group Life and Disability insurance program. This program has 126 member municipalities and allows the members to collectively purchase various life and disability insurance products through The Standard Insurance Company of Portland, Oregon.

The Health Care Savings Program (HCSP) and Retiree Health Funding Vehicle (RHFV) followed closely behind. These programs continued to grow over the past year: HCSP with 83 municipalities and growth of \$3 million to end the year with approximately \$10 million in assets. RHFV grew by \$67 million to end the year with over \$113 million in assets and 68 municipalities.

MERS Premier Health, with its own duly elected board, provides group health coverage for public employers including employee and retiree medical, prescription drug, dental and vision benefits. It is a municipal risk pool regulated and authorized by the State of Michigan as the first public Multiple Employer Welfare Arrangement (MEWA) in Michigan. The year closed with 1,891 contracts or approximately 4,500 lives in the program.

Michigan continues to lead the country with the highest unemployment rate. The budget problems at both the state and local level plague the Michigan taxpayer. MERS continues to provide economies of scale to our members, continuity of service and remains firmly committed to provide solutions in a variety of ways. We are dedicated to improving the health and economic welfare of our members.

Education

With the development of a comprehensive education plan, MERS staff continues to explore how to use technology to reach our members. We hosted regional meetings, retirement seminars, municipality meetings and the Successful Retirement Seminar (introduced in 2006). Members attending these events increased this year. Regional meetings cover pension, benefits, health care, and insurance topics of interest for employers and employees. Retirement seminars review MERS basics and are intended for members contemplating retirement in the next three to five years. The Successful Retirement Seminar is designed to cover aspects of interest in retirement including financial planning, Social Security and health care.

Technology

MERS Automated Pension System (MAPS) was scheduled for completion by year-end with plans to enter the testing phase in early 2008. This project has been an enormous undertaking because the new software is replacing the current PeopleSoft pension administration software. The goal of the project is to expand our capabilities to capture information, eliminate redundant entry and achieve superior data integrity.

MERS Information Technology (IT) staff work aggressively to expand web-based capabilities. They continuously examine security-enhanced software and on-line services for our current and prospective members. We are proactive in turning to technology to address the needs of our members and the system.

Awards

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 for the year ended December 31, 2006. This was the 19th consecutive year that MERS has achieved this prestigious award.

In order to be awarded the Certificate of Achievement, a governmental unit must publish an easily read and efficiently organized comprehensive annual financial report. This report must satisfy GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe this current report continues to meet the Certificate of Achievement requirements, and we are submitting it to the GFOA to determine its eligibility.

Acknowledgments

This report reflects the best combined efforts of the MERS staff under the leadership of the MERS Retirement Board. I deeply appreciate the staff's efforts in creating another outstanding report. I also want to extend my appreciation to the Retirement Board for their tireless efforts and dedication to the task of overseeing the system. Their conscientious service is exemplary to the staff and members of the system. I am also grateful to the many organizations, advisors and individuals who work diligently to assure the success of the Municipal Employees' Retirement System of Michigan.

Respectfully submitted,

Anne M. Wagner
Chief Executive Officer

LETTER FROM THE CHAIRPERSON



June 26, 2008

Dear Board Members:

On behalf of the MERS Retirement Board, it is my pleasure to present the *62nd Comprehensive Annual Financial Report (CAFR)* of the Municipal Employees' Retirement System of Michigan for the fiscal year ended December 31, 2007. This financial report provides information on the status of our retirement system.

This past year we saw significant changes to the Retirement Board's members with the retirement of three Board members: Raymond Klosowski, employee delegate from Isabella County on July 1, Harold Hailey, officer delegate from Ingham County on October 1, and Dale Walker, officer delegate from the city of Cadillac on December 1. The delegates at the Annual Meeting elected Mrs. Beverly Crumley, administrative assistant to the city manager at Sault Ste. Marie, to finish the last year of a three-year term left vacant by Mr. Klosowski. The Retirement Board appointed two members to serve until the election at the 2008 Annual Meeting: Mr. Randy Girard, township manager of Marquette, and Mr. Michael Brown, county administrator for Barry County. The Board selected Mr. Larry Opelt, the retiree Board member, to serve as the Board chairperson.

MERS nine-member Retirement Board is comprised of three employer and three employee members elected by the membership; two expert consultants and one retiree member appointed by the Retirement Board. These individuals work conscientiously to fulfill their fiduciary responsibilities and serve the membership. MERS is fortunate to have trustees with such diverse backgrounds, expertise and experience.

The allocation and diversification of the Defined Benefit portfolio provides the ability to take advantage of market movements. It was a key component in delivering a net return for the one-year period in 2007 of 8.57% and 8.2% for the ten-year period. These positive returns exceeded our actuarial assumption rate of 8% and real rate of return of 3.5% over the Consumer Price Index. The Board's investment policy is reviewed annually with a steadfast focus on preserving the retirement system's assets while maximizing the long-term growth of those assets.

Educational seminars and regional meetings with MERS members played a significant role last year for the system's participants. The MERS staff works diligently to provide excellent service to all of our member municipalities, whether by on-site visits or answering questions through the MERS Call Center. Over 5,000 members have attended some type of educational meeting conducted by the MERS staff. The Successful Retirement Seminar, introduced in the spring of 2006, is a comprehensive approach to assist our members with various issues as they approach retirement. Such topics include Social Security, health care, and

financial planning. This seminar was repeated four times in 2007 to sold-out crowds. The MERS in-house retirement seminars cover MERS basics and are intended for those members contemplating retirement in the next three to five years. Regional meetings cover pension, benefits, health care, and insurance topics of interest for employers and employees.

The Retirement Board conducted an annual review of their Board Governance Policy in July. This Policy provides the Board the necessary framework to be fully participatory in measuring the strategic outcomes of the system while assigning the internal staff to perform the daily tasks of running the system. The Board adopted three Ends Policies which drive the strategic initiatives of the system. The Board reviews department reports quarterly to ensure that these policies are being met and goals are being achieved. The Ends state that all employers and employees of the system shall have accurate information, experience excellent service and participate in cost-effective, innovative measures. An education manager was hired to assist in developing a robust curriculum for both the internal staff and external members. Service was defined with goals for the staff to achieve, namely visiting every member municipality. Delivering information and assistance in formulating retirement benefit solutions for members is the goal for the staff in Employer Services.

In closing, I wish to express my appreciation to the Board members and the staff for their continued high level of commitment and service to the system's participants. The dedication and excellence these individuals bring ensures that the promises made for retirement are kept and resources are available when needed. MERS continues to grow and develop as a healthy, well-funded retirement system. *Our present is your future* is not just a statement but the true vision we share for the future. It is a pleasure to serve as MERS chairperson.

Sincerely,

Larry Opelt, Chairperson
MERS Board of Trustees

MERS RETIREMENT BOARD – 2007



From left to right: Sally Dreves, Beverly Crumley, John Ogden, Larry Opelt, Randy Girard, Sue Stahl, Michael Brown, Dennis Murphy, Anne Wagner, Bruce Johnson – *Not Pictured*

Officer Members

John Ogden
Michael Brown
Randy Girard

Employee Members

Sally Dreves
Beverly Crumley
Sue Stahl

Public Members

Dennis Murphy
Bruce Johnson

Retiree Member

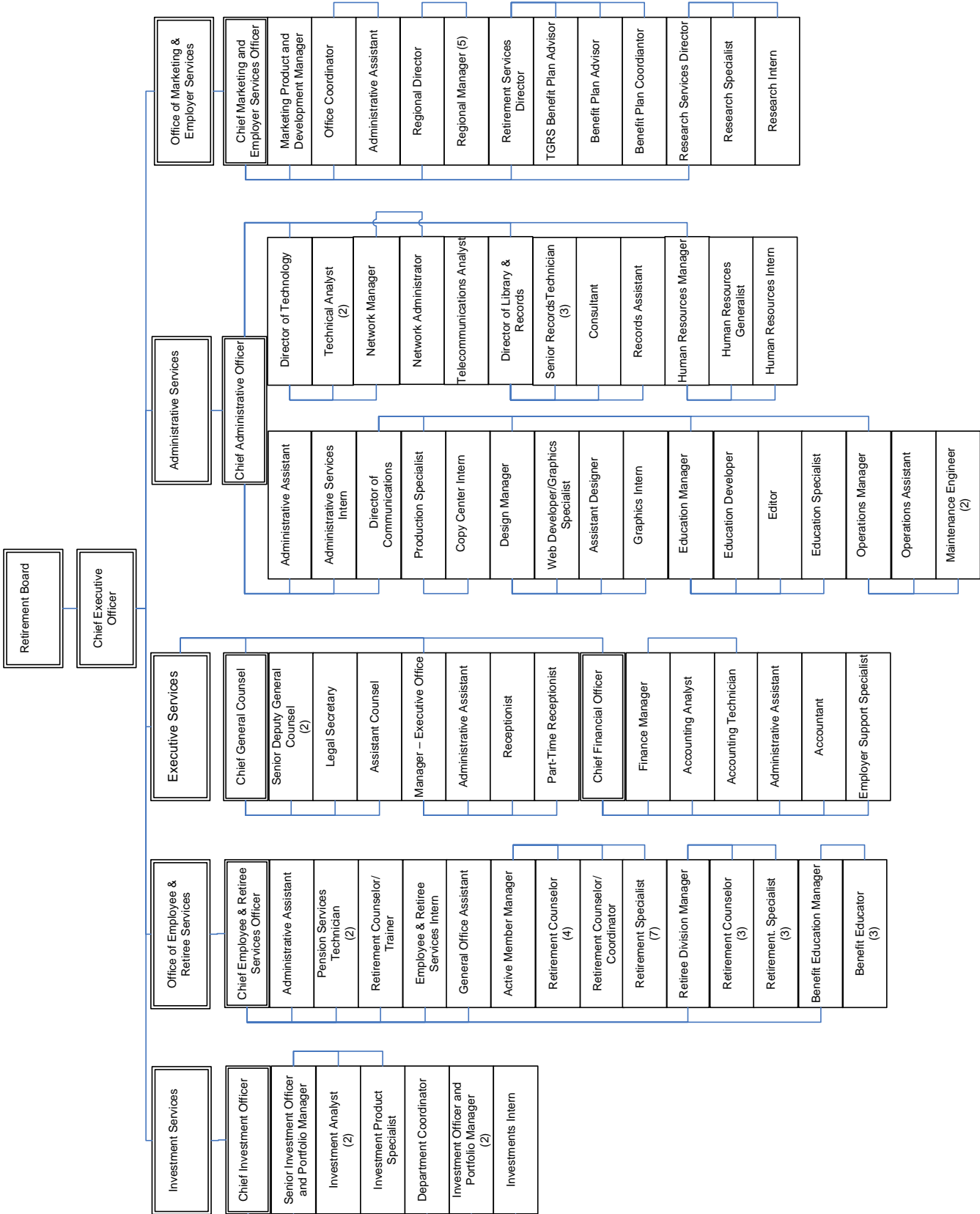
Larry Opelt

MERS OFFICERS – 2007

From left to right: Jeb Burns, Caryn Mateer, Mike Moquin, Anne Wagner, Carrie Lombardo, Luke Huelskamp, Debra Peake



ORGANIZATIONAL CHART – 2007



OUTSIDE PROFESSIONAL SERVICES

Professional Consultants

Actuary

Gabriel, Roeder, Smith & Company

Actuary Auditor

Segal Company

Auditor

Andrews, Hooper & Pavlik, PLC

Defined Contribution Third-Party Administrator

International City/ County Management
Association Retirement Corporation (ICMA-RC)

Investment Custodian

The Northern Trust Company

Legal Counsel

Ice Miller

Loomis, Ewert, Parsley, Davis & Gotting
Miller, Canfield, Paddock & Stone, PLC

Legislative Consultants

Karoub Associates
Matt Wesaw

Medical Advisor

Consulting Physicians

Security Lending Agent

The Northern Trust Company

Systems Implementation and Maintenance

Gabriel, Roeder, Smith & Company
Oracle / PeopleSoft

Third-Party Administrators

Omega Recordkeeping Group, LLC

Investment Managers

Domestic Equity

Ariel Capital Management
C. S. McKee
Delaware Investment Advisors
Kennedy Capital Management
Johnson Investment Counsel
LSV Asset Management
Wellington Management Company

International Equity

Acadian Asset Management
Barclays Global Investors
Mondrian Investment Advisors

Fixed Income

Barclays Global Investors
Evergreen Investments
Reams Asset Management
Stone Harbor Investment Partners
Western Asset Management

Real Estate

Townsend Group Consultants
AMB Institutional Alliance
Blackstone Real Estate Partners
CB Richard Ellis Investors
Colony Capital
FIA Timber Partners
Guggenheim Structures Real Estate Fund
J.P. Morgan Investment Management
KBS Realty Advisors
LaSalle Investment Management
Prudential Property Management
Square Mile Partners
Starwood Capital Group
UBS Realty Investors, LLC
Hancock Timber Resources
Urdang Investment Management

Private Equity

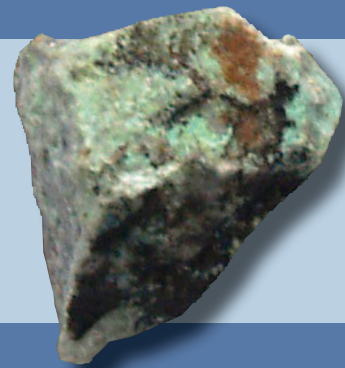
Credit Suisse CFG
Barclays Global Investors
Mesirow Capital Partners

Commodities

Cargill Risk Management

FINANCIAL SECTION

MICHIGAN ROCKS!



CHRYSOCOLLA

Chrysocolla is a copper bearing mineral that is used as copper ore and as an ornamental stone. It is a beautiful sky blue color and is often confused with turquoise. Chrysocolla is found in Houghton, Keweenaw, and most notably, the Algoma Mine in Ontonagon County.

INDEPENDENT AUDITOR'S REPORT



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, 2007, 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 2006 financial statements and, in our report dated June 20, 2007, 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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2008 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, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 14 through 19 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Introductory, Investment, Actuarial, and Statistical Sections and the required supplementary information and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedules of Funding Progress and Employer Contributions and related notes and the supporting schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory, Investment, Actuarial, and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Andrews Hooper & Pavlik P.L.C.

Okemos, Michigan
June 26, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of MERS financial condition for fiscal year ended December 31, 2007, is presented in conjunction with the Chief Executive Officer's Letter of Transmittal. The financial section is comprised of the Independent Auditor's Report, Management's Discussion and Analysis, two basic financial statements with explanatory notes, two required supplementary schedules with explanatory notes and three supplementary expense schedules.

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, Defined Contribution plan, Investment Services Program, Health Care Savings Program and Retiree Health Funding Vehicle (2) refund of member contributions requested by employees that separate from employment, and (3) payment of all administrative and investment costs associated with administering the plans.

Basic Financial Statements

1. Statement of Plan Net Assets (pages 20-21)
2. Statement of Changes in Plan Net Assets (pages 22-23)
3. Notes to Basic Financial Statements (pages 24-40)
4. Comparison Statement of Plan Net Assets (page 16)
5. Comparison Statement of Changes in Plan Net Assets (page 17)

The Defined Benefit plan, Defined Contribution plan, Investment Services Program, Health Care Savings Program and Retiree Health Funding Vehicle 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 financial condition of the 685 individual municipal Defined Benefit plans, 146 individual municipal Defined Contribution plans, 83 Health Care Savings Programs, 68 Retiree Health Funding Vehicle plans and 3 Investment Services Programs administered by MERS.

The "Comparison Statement of Plan Net Assets" and "Comparison Statement of Changes in Plan Net Assets" presented later in the Management's Discussion and Analysis provide a comparative summary of the financial condition of the Retirement System as a whole.

Required Supplemental Information

1. Schedule of Funding Progress (page 41)
2. Schedule of Employer Contributions (page 41)
3. Notes to the Schedules of Required Supplementary Information (pages 42-43)

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 Defined Benefit 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 a 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 (page 44)
2. Schedule of Investment Expenses (page 45)
3. Schedule of Payments to Consultants (page 46)

The expense schedules summarize all expenses associated with administering the Defined Benefit plan.

Financial Highlights

The following financial highlights occurred during fiscal year ended December 31, 2007:

- Total plan net assets for the Defined Benefit plan, Defined Contribution plan, Health Care Savings Program, Retiree Health Funding Vehicle and Investment Services Program increased by \$603 million during the 2007 fiscal year. This was primarily due to net gains in investments of \$478 million dollars.
- Total pension benefits paid to retirees and beneficiaries increased \$37 million to a total of \$352 million. While contributions exceeded pension benefit payments by \$150 million in 2007 (primarily due to new municipalities joining MERS and transfers into the Retiree Health Funding Vehicle and Investment Services Program), the cash flow trend in the past few years has shown pension benefit payments are increasingly exceeding contributions. This is normal plan cycling as the Defined Benefit plan matures and is due in large part to baby boomers reaching retirement age and drawing pension benefits.
- Transfers from the Defined Benefit plan to the Defined Contribution plan increased by \$974 thousand. The number of new hires in Defined Contribution continues to increase relative to the Defined Benefit plan members. (See page 88)
- Total employer contributions increased by 25% to \$434 million, but employee contributions decreased 25% down to \$68 million. Again, much of the employer contribution increase was due to new municipalities joining MERS Defined Benefit plan, Defined Contribution plan, Retiree Health Funding Vehicle, Investment Services Program and Health Care Savings Program. Employer and employee contributions from new municipalities were \$52 million in 2007 compared to \$99 million in 2006. Employer contributions in the Defined Benefit plan have increased in recent years due to municipalities adopting enhanced benefits and the market declines of 2000-2002.
- Administrative expenses totaled \$14 million. Much of this increase was due to the added costs of hiring additional staff and depreciation of software, computer servers and office equipment used in administering the Defined Benefit plan with 66,436 members and Defined Contribution plan with 7,443 members.
- Investment expenses totaled \$21 million. The largest expense is due to higher investment manager fees increasing to \$19.5 million. This was not unexpected with the market increases of the past year.

Using this Financial Report

Because of the long-term nature of a Defined Benefit plan, financial statements alone cannot provide sufficient information to properly reflect the Retirement System's ongoing plan perspective. This financial report consists of two financial statements and two required schedules of historical trend information. The "Statement of Plan Net Assets" and "Statement of Changes in Plan Net Assets" (pages 20-23) provide financial information about the activities of the 982 individual municipal plans administered by MERS in its Defined Benefit plan, Defined Contribution plan, Retiree Health Funding Vehicle, Health Care Savings Program and Investment Services Program, as well as comparative summary information about these activities for the Retirement System as a whole.

The "Schedule of Funding Progress" (page 41) includes historical trend information about the actuarially funded status of the Defined Benefit plans from a long-term, ongoing plan perspective and the progress made in accumulating sufficient assets to pay benefits when due. The "Schedule of Employer Contributions" (page 41) presents historical trend information about the annual actuarially required contributions of employers and the actual contributions made by employers in relation to this requirement. These schedules provide information that contributes to understanding the changes over time in the funded status of the Defined Benefit plans.

Comparison Statement of Plan Net Assets

	As of		Increase (Decrease)	
	December 31, 2007	December 31, 2006	Amount	Percent
Assets				
Cash and Short-Term Investments	\$ 146,267,940	\$ 225,530,139	\$ (79,262,199)	-35.14%
Receivables	66,889,486	224,851,017	(157,961,531)	-70.25%
Interfund Receivables	941,456	1,202,304	(260,848)	-21.70%
Investments, at fair value	6,406,130,851	5,769,420,916	636,709,935	11.04%
Invested Securities Lending Collateral	709,449	905,007,240	(904,297,791)	-99.92%
Other Assets/Prepays	259,216	337,474	(78,258)	-23.19%
Net Capital Assets	6,554,063	6,641,104	(87,041)	-1.31%
Total Assets	6,627,752,461	7,132,990,194	(505,237,733)	-7.08%
Liabilities				
Purchase of Investments	146,851,175	348,526,226	(201,675,051)	-57.87%
Securities Lending Collateral	709,449	905,007,240	(904,297,791)	-99.92%
Administrative and Investment Costs	14,295,008	15,890,222	(1,595,214)	-10.04%
Interfund Payables	941,456	1,202,304	(260,848)	-21.70%
Other Accounts Payable	29,475	16,843	12,632	75.00%
Total Liabilities	162,826,563	1,270,642,835	(1,107,816,272)	-87.19%
Net Assets Held in Trust for Pension and Health Benefits and Investment Accounts Held for Others	\$ 6,464,925,898	\$ 5,862,347,359	\$ 602,578,539	10.28%

Comparison Statement of Changes in Plan Net Assets

	Year ended		Increase (Decrease)	
	December 31, 2007	December 31, 2006	Amount	Percent
Additions				
Contributions	\$ 502,497,000	\$ 439,052,040	\$ 63,444,960	14.45%
Transfers from Defined Benefit Plan	1,725,549	751,161	974,388	129.72%
Transfers from Other Plans and Other Items	1,184,321	8,112,861	(6,928,540)	-85.40%
Investment Net Income Investing Activities	474,740,239	656,892,178	(182,151,939)	-27.73%
Investment Net Income-Securities Lending	3,363,352	2,524,348	839,004	33.24%
Miscellaneous Income	1,067,367	790,789	276,578	34.97%
Total Additions	984,577,828	1,108,123,377	(123,545,549)	-11.15%
Deductions				
Benefits	352,221,202	314,764,086	37,457,116	11.90%
Refunds of Contributions	6,288,216	4,711,038	1,577,178	33.48%
Special Expenses and Fees	1,171,617	542,942	628,675	115.79%
Transfers to Defined Contribution Plan	1,725,549	751,161	974,388	129.72%
Medical Disbursements Paid to Members	328,172	144,699	183,473	126.80%
Disbursements Paid to Municipalities	5,827,116	1,109,386	4,717,730	425.26%
Forfeited Employer Contributions	29,295	44,724	(15,429)	-34.50%
Administrative Expense	14,408,122	13,021,687	1,386,435	10.65%
Total Deductions	381,999,289	335,089,723	46,909,566	14.00%
Net Increase	602,578,539	773,033,654	(170,455,115)	-22.05%
Net Assets Held in Trust for Pension and Health Benefits and Investment Accounts Held for Others				
Balance Beginning of Year	5,862,347,359	5,089,313,705	773,033,654	15.19%
Balance End of Year	\$ 6,464,925,898	\$ 5,862,347,359	\$ 602,578,539	10.28%

Analysis of Plan Net Assets

Combined plan net assets increased by \$603 million over the previous fiscal year. Looking at additions to and deductions from plan net assets, the increase in net assets was primarily attributable to economic conditions (the stock market's rise), municipalities increasing benefit multipliers, and adopting benefit enhancements resulting in higher employer/employee contributions. Deductions from plan net assets were attributable to an 12% increase in pension benefit payouts due to a greater number of retirees and post retirement cost-of-living increases.

Employer and employee contributions increased \$63 million due chiefly to municipalities joining MERS plans bringing in \$52 million. The remaining increases were due to higher required actuarial contribution rates resulting from increases in salaries, benefit enhancements, plan modifications, and an increase in the number of employees.

In determining contribution rates through 2007, MERS actuary used a five-year smoothing method to recognize market gains and losses. This has tempered many of the market losses over the three down market years. For 2003, the Retirement Board adopted a one-time ad hoc adjustment to aggregate the yet unrecognized market gains and losses from 1999-2002 with the 2003 market gain. For 2003, no gain or loss was recognized. The aggregate loss amount of \$388,778,035 was to be recognized in four equal dollar installments in 2004-2007. In 2004, the normal five-year smoothing method was reinstated. On December 31, 2005, with prospective application, the MERS Board adopted a ten-year smoothing method for calculating valuation assets to further reduce the volatility of employer contribution rates. Employers are also shifting more of the responsibility for contribution requirements on to employees to pay for better benefit plans.

MERS has capital assets of approximately \$6.6 million, mostly comprised of software and computer servers needed to run the Retirement System's pension and financial programs.

MERS has no long-term liabilities. The bulk of MERS liabilities at year end related to investment purchases that did not settle until early in 2008 and accrued administrative and investment expenses.

Investment Activities

The total fund investment performance on a comparative basis to the benchmarks was excellent. The positive gross return of 8.6% was above the long-term net 8% actuarial return assumption target for the year. On both a five and ten year basis, the gross returns of 13.6% and 8.2% respectively, compared favorably to the actuarial return assumption. Net investment income (net increase in fair value, plus investment earnings, less investment administrative expenses) was \$478 million for the year. The stock market is in its fifth year of positive returns after three years of negative returns. A further detailed analysis of investment returns may be found in the Investment Section.

MERS Retirement System investments are managed to control the extent of downside risk to which assets are exposed while maximizing long-term gain potential. This positions the Retirement System to limit the impact of adverse market conditions. Portfolio diversification by asset class and style is an important element of investment risk control.

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 a degree of diligence, care, and skill that a prudent person would ordinarily exercise under similar circumstances.

The "prudent person rule" permits the Board to establish an investment policy based upon certain investment criteria and allows for the delegation of investment authority to professional investment managers. Investment constraints are outlined, including the appropriate degree of risk. Investment managers are hired to execute the investment policy. They have full discretion for investment decisions within statutory authority, Board policy, and their respective guidelines. A list of investment managers under contract with the Retirement System as of December 31, 2007, is found on page 10 of this report. A summary of the total Retirement System's assets can be found on page 58.

Historical Trends

Accounting standards require that the "Statement of Plan Net Assets" state investment asset values at fair value and include only benefits and refunds due plan members, beneficiaries, accrued investment and administrative expenses as of the reporting date. Information regarding the actuarial funding status of the Defined Benefit plan is provided in the "Schedule of Funding Progress" (page 27). 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 increased from 76.0% to 76.4% for the 2006 valuation. The actuarial assumptions used in the most recent valuation are identified in the "Notes to the Schedules of Required Supplementary Information" (page 42-43).

Annual required employer contributions as determined by the actuary and the actual contributions made by employers are provided in the “Schedule of Employer Contributions” (page 41). This schedule indicates that employers are meeting their actuarially required contribution payments.

MERS overall financial condition improved for the fiscal year ended 2007, and the plan remains stable and viable for the years to come. The market upturn in 2007 and the downturns of 2000-2002 are historically considered to be normal market cycles in the overall economic process.

Funding Status

A pension plan is well funded when it has sufficient assets invested to meet all expected future obligations to participants. The greater the level of funding, the larger the ratio of assets to actuarial accrued liability. While the plan is not totally funded, annual contributions are being made at an actuarially determined rate to reach full funding. There is no single all-encompassing test for measuring a retirement system’s funding progress and current funded status. However, some common indicators of the progress that a retirement system has achieved in funding their obligations include observing the changes over time of the ratio of valuation assets to actuarial accrued liabilities, and the pattern of the unfunded actuarial accrued liability as a percentage of active payroll. These ratios and numbers are found in the Required Supplementary Information.

MERS Retirement Board has adopted a funding methodology for the Retirement System to achieve the following major objectives:

- To develop level required contribution rates as a percentage of payroll;
- To finance benefits earned by present employees on a current basis;
- To accumulate assets to enhance members’ benefit security;
- To produce investment earnings and interest on accumulated assets to help meet future benefit costs;
- To make it possible to estimate the long-term actuarial cost of proposed amendments to system provisions; and
- To assist in maintaining the Retirement System’s long-term financial viability.

The actuarial method for calculating the accrued liability for all plans is Entry Age Normal with the objective of maintaining employer contributions approximately level as a percent of member payroll. A detailed discussion of the funding method is provided in the Actuarial Section of this report starting on page 63. Based upon the valuation results, MERS continues to be in sound financial health in accordance with actuarial principles of level percent of payroll financing.

Statement of Plan Net Assets as of December 31, 2007

Assets	Defined Benefit*	Defined Contribution
Cash and Short-Term Investments	\$ 116,521,372	\$ 29,263,526
Receivables		
Employer Contributions	26,560,636	
Plan Member Contributions	5,454,768	
Sale of Investments	14,394,206	
Investment Income	17,971,933	
Loans		2,012,723
Interfund Receivables	941,456	
Other	495,220	
Total Receivables	65,818,219	2,012,723
Investments, at fair value		
Fixed Income	1,906,913,398	10,546,774
Equities	3,720,290,610	79,759,775
Balanced Funds		108,989,750
Real Estate	411,126,290	
Total Investments	6,038,330,298	199,296,299
Invested Securities Lending Collateral	709,449	
Prepaid Expenses	259,216	
Capital Assets, at cost, net of accumulated depreciation	6,554,063	
Total Assets	6,228,192,617	230,572,548
Liabilities		
Purchase of Investments	146,851,175	
Securities Lending Collateral	709,449	
Administrative and Investment Costs	14,295,008	
Interfund Payables		
Other Accounts Payable		
Total Liabilities	161,855,632	-
Net Assets Held in Trust for Pension and Health Benefits and Investment Accounts Held for Others	\$ 6,066,336,985	\$ 230,572,548

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

Health Care Savings Program	Retiree Health Funding Vehicle	Investment Services Program	Year Ended December 31, 2007	Year Ended December 31, 2006
\$ 73,665	\$ 266,309	\$ 143,068	\$ 146,267,940	\$ 225,530,139
			26,560,636	32,289,390
			5,454,768	9,045,805
			14,394,206	170,354,735
			17,971,933	11,181,004
			2,012,723	1,914,278
			941,456	1,202,304
			495,220	65,805
-	-	-	67,830,942	226,053,321
3,304,076	35,766,105	14,143,705	1,970,674,058	1,911,109,441
6,446,084	69,777,844	27,593,645	3,903,867,958	3,302,714,838
			108,989,750	93,889,086
712,351	7,711,093	3,049,351	422,599,085	461,707,551
10,462,511	113,255,042	44,786,701	6,406,130,851	5,769,420,916
			709,449	905,007,240
			259,216	337,474
			6,554,063	6,641,104
10,536,176	113,521,351	44,929,769	6,627,752,461	7,132,990,194
			146,851,175	348,526,226
			709,449	905,007,240
			14,295,008	15,890,222
690,170	176,779	74,507	941,456	1,202,304
27,732	1,743		29,475	16,843
717,902	178,522	74,507	162,826,563	1,270,642,835
\$ 9,818,274	\$ 113,342,829	\$ 44,855,262	\$ 6,464,925,898	\$ 5,862,347,359

Statement of Changes in Plan Net Assets for the Year Ended as of December 31, 2007

Additions	Defined Benefit	Defined Contribution	Health Care Savings Program
Contributions and Transfers In			
Employer Contributions and Other	\$ 320,203,718	\$ 17,590,799	\$ 2,927,102
Plan Member Contributions	61,771,740	6,309,939	
Employer Transfers In		1,040,071	
Plan Member Transfers In		685,478	
Transfers from Other Plans and Other Items		1,184,321	
Total Contributions and Transfers In	<u>381,975,458</u>	<u>26,810,608</u>	<u>2,927,102</u>
Investment Income			
Net Appreciation in Fair Value of Investments	351,789,125		
Interest Income	64,095,023		
Dividend Income	48,397,882		
Real Estate Operating Income, net	8,732,374		
Commission Recapture Income	104,114		
DC Plan Investment Income		13,411,117	
Investment Income			719,462
Service Charge Revenue			89,162
Miscellaneous Revenue			7,151
	<u>473,118,518</u>	<u>13,411,117</u>	<u>815,775</u>
Less Investment Expense	<u>21,268,479</u>		
Net Investment Income Before Securities Lending Activities	451,850,039	13,411,117	815,775
Security Lending Activities			
Security Lending Income	44,450,377		
Security Lending Expenses			
Borrower Rebates	40,246,713		
Management Fees	840,312		
Total Securities Lending Expenses	<u>41,087,025</u>		
Net Income from Security Lending Activities	<u>3,363,352</u>		
Total Net Investment Income	<u>455,213,391</u>	<u>13,411,117</u>	<u>815,775</u>
Miscellaneous Income	<u>1,067,367</u>		
Total Additions	<u>838,256,216</u>	<u>40,221,725</u>	<u>3,742,877</u>
Deductions			
Benefits	339,456,920	12,764,282	
Refunds of Contributions			
Employer	1,230,274		
Plan Member	5,057,942		
Special Expenses and Fees	587,685		89,102
Transfers to Defined Contribution Plan			
Employer	1,040,071		
Plan Member	685,478		
Medical Disbursements Paid to Members			328,172
Disbursements Paid to Municipalities			
Forfeited Employer Contributions			29,295
Administrative Expenses	13,903,553		243,953
Total Deductions	<u>361,961,923</u>	<u>12,764,282</u>	<u>690,522</u>
Net Increase	<u>476,294,293</u>	<u>27,457,443</u>	<u>3,052,355</u>
Net Assets Held in Trust for Pension and Health Benefits and Investment Accounts Held for Others			
Balance Beginning of Fiscal Period	5,590,042,692	203,115,105	6,765,919
Balance End of Fiscal Period	<u>\$ 6,066,336,985</u>	<u>\$ 230,572,548</u>	<u>\$ 9,818,274</u>

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

Retiree Health Funding Vehicle	Investment Services Program	Year Ended December 31, 2007	Year Ended December 31, 2006
\$ 67,013,503	\$ 26,680,199	\$ 434,415,321	\$ 348,498,467
		68,081,679	90,553,573
		1,040,071	646,754
		685,478	104,407
		1,184,321	8,112,861
67,013,503	26,680,199	505,406,870	447,916,062
		351,789,125	551,193,919
		64,095,023	49,381,422
		48,397,882	34,417,629
		8,732,374	13,445,618
		104,114	228,362
		13,411,117	19,224,093
6,144,495	2,177,009	9,040,966	5,838,380
332,016		421,178	148,101
9,788		16,939	47,015
6,486,299	2,177,009	496,008,718	673,924,539
		21,268,479	17,032,361
6,486,299	2,177,009	474,740,239	656,892,178
		44,450,377	43,559,939
		40,246,713	40,405,059
		840,312	630,532
		41,087,025	41,035,591
		3,363,352	2,524,348
6,486,299	2,177,009	478,103,591	659,416,526
		1,067,367	790,789
73,499,802	28,857,208	984,577,828	1,108,123,377
		352,221,202	314,764,086
		1,230,274	-
332,016	162,814	5,057,942	4,711,038
		1,171,617	542,942
		1,040,071	646,754
		685,478	104,407
		328,172	144,699
5,827,116		5,827,116	1,109,386
		29,295	44,724
185,108	75,508	14,408,122	13,021,687
6,344,240	238,322	381,999,289	335,089,723
67,155,562	28,618,886	602,578,539	773,033,654
46,187,267	16,236,376	5,862,347,359	5,089,313,705
\$ 113,342,829	\$ 44,855,262	\$ 6,464,925,898	\$ 5,862,347,359

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2007

1. Reporting Entity and Plan Description

The Municipal Employees' Retirement System (MERS) is an agent multiple-employer, statewide, public employee pension plan created under Public Act 135 of 1945, repealed and replaced by successor Municipal Employees' Retirement Act of 1984 (PA 427), as last amended by 2004 PA 490, and the MERS Plan Document, as revised. MERS was established to provide a pooled program for retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. The MERS Plan Document provides for the Defined Benefit plan, Defined Contribution plan, Investment Services Program, Health Care Savings Program and the Retiree Health Funding Vehicle. See Note 6 for the Defined Contribution plan (page 37-38). See Note 7 for the Health Care Savings Program and Retiree Health Funding Vehicle (page 38-39). See Note 8 for the Investment Services Program (page 39).

Pursuant to 1996 PA 220, on August 15, 1996, MERS became an independent non-profit public corporation, which is an instrumentality of the participating municipalities and courts. Prior to that time, MERS was a component unit of the State of Michigan and operated within the Department of Management and Budget. Since then, MERS is solely administered by a nine member Retirement Board consisting of the following members, each of whom, except for the retiree member and the Retirement Board appointees, shall be from a different county at the time of election:

Two members, who are 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, is appointed by the Retirement Board.

Three members of the Retirement System, who are officers of a participating municipality or of a participating court, who shall be elected as officer Board members by the delegates to an Annual Meeting of the Retirement System.

Three employee members of the Retirement System, who are not officers of a participating municipality or of a participating court, who shall be elected as employee Board members by the delegates to an Annual Meeting of the Retirement System.

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.

MERS Participating Municipalities as of December 31, 2007

Counties	65
Cities and Villages	258
Townships	83
County Road Commissions	58
Authorities, Districts and Others	203
Closed Groups	18
Total	<u>685</u>

Any “municipality” as that term is defined by Section 2b (2) of the Retirement Act, Michigan Compiled Law 38.1502b (2), within the state may elect to become a participating member of MERS by a majority vote of the municipality’s governing body or 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.

MERS Defined Benefit Membership as of December 31, 2007

Retirees and Beneficiaries Currently Receiving Benefits	
Retirement annuities	17,955
Survivor annuities	3,621
Disability annuities	1,161
Total	<u>22,737</u>
Vested former members	6,027
Current active employees	<u>37,672</u>
Total Membership	<u>66,436</u>

Benefit plans and provisions that are available for adoption are established by the Retirement Board. All benefits vest after six, eight or ten years of service depending on the plan adopted by the municipality's governing body. The standard retirement age is 60 years. Municipalities may also adopt various other benefit plan options allowing retirement at an earlier age with unreduced benefits based upon combinations of age and years of service, or just years of service. Employees may retire after reaching several combinations of age and years of service to receive reduced early retirement benefits. MERS also provides non-duty disability and non-duty death benefits to employees after vesting requirements are met. The vesting requirements provision is waived for duty disability and duty death benefits. Benefits are paid monthly over the employee's or survivor's lifetime and are equal to a specific percentage of the employee's final average compensation times the number of years of credited service. The specific percentage depends on the benefit plan or plans adopted by each municipality for its employees.

Pursuant to Article 9 Section 24 of 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." Employees contribute to the Retirement System at rates that range from 0 to 22.34% depending on the benefit plan 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.

The MERS programs have been determined to be a governmental plan that is a tax-qualified trust, under Internal Revenue Code (the Code) Section 401(a), and tax exempt under Section 501(a). The most recent Letter of Favorable Determination for MERS was issued by the IRS on June 15, 2005. The benefits of tax-qualified status include the preferential deferred taxability of contributions, accumulated earnings, pensions, rollovers, annual compensation limits, and benefit limitations.

Under the Code, the major portion of a retiree's pension becomes taxable upon periodic distribution. Pursuant to IRC Section 72(d), any "after tax contributions" are recovered tax-free over the life expectancy of the retiree (or beneficiary, if applicable).

IRC Section 401(a) (17) limits the amount of compensation that an active employee can receive for pension benefit calculation purposes and, correspondingly, limits the amount of employer and employee contributions. Compensation in excess of the 401(a) (17) limit (\$225,000 for 2007 and increasing to \$230,000 in 2008) will not be credited by MERS. Contributions in excess of the IRS limit will not be collected or accepted, nor figure into final average compensation for benefit purposes.

In addition, IRC Section 415 (b)(1)(A) imposes certain limitations on pension benefit payments from the MERS qualified trust. Any amounts that exceed the limitations shall be paid from a Qualified Excess Benefit Arrangement (QEBA), as authorized by IRC Section 415(m) and Michigan Compiled Law 38.1686. The QEBA shall be a separate plan, and is annually cash funded by the affected participating municipality or court. The Retirement Board established the MERS QEBA in 2003 solely for the purpose of providing to retirees and beneficiaries, that portion of the retirement allowance exceeding the Section 415 limits and otherwise not payable by the trust under the terms of the MERS qualified plan. Internal Revenue Service approval of the QEBA was pursuant to Private Letter Ruling issued December 15, 2003. Retirees and beneficiaries do not have an election, directly or indirectly, to defer compensation to the QEBA.

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 these financial statements. The Retirement 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, MERS financial statements are not included in the financial statements of any other organization. MERS is the only entity included in this financial report.

The costs of administering the plan are allocated out to the municipalities along with investment gains and losses on a quarterly basis.

Basis of Accounting

The financial statements for MERS are prepared on the accrual basis in accordance with Generally Accepted Accounting Principles (GAAP). Employer and employee contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. 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 on August 15, 1996, the pension liability for MERS staff remained the obligation of its official employer, the State of Michigan. Therefore, MERS has no pension liability for staff prior to August 15, 1996, when it began independent payroll processing separate and apart from the state.

The Retirement Board, as an employer, elected after separation in 1996 to become a participating municipality in MERS Defined Benefit plan to provide pension benefits for MERS staff. Vesting occurs after 6 years of credited service. Normal retirement age is age 60, although an employee may retire at age 55 with 30 years of credited service. The annual pension benefit is calculated by multiplying the employee's years of credited service by 2.25% and then multiplying it by the Final Average Compensation (FAC) based on the highest consecutive three years of compensation. MERS contributed 12.28% of compensation in 2007; employees contributed 2% of compensation in 2007.

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

Schedule of Funding Progress

Actuarial Valuation December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2004	\$ 2,591,903	\$ 3,694,402	\$ 1,102,499	70.16%	\$ 3,603,548	30.59%
2005	3,454,714	4,773,326	1,318,612	72.38	4,410,167	29.90
2006	4,498,837	6,336,642	1,837,805	71.00	5,374,269	34.20

Actuarial Accrued Liability from December 31, 2006 and December 31, 2005 Actuarial Valuations

	2006	2005
Retirees and beneficiaries currently receiving benefits	\$ 941,664	\$ 525,441
Vested former members not yet receiving benefits	28,442	41,211
Nonvested terminated employees (pending refunds of accumulated member contributions)	9,065	17,801
Current employees		
Accumulated employee contributions, including allocated investment income	622,622	509,802
Employer financed	4,734,849	3,679,071
Total Actuarial Accrued Liability	6,336,642	4,773,326
Net assets available for benefits at actuarial value (\$4,561,771 and \$3,363,679 at market value for December 31, 2006, and 2005, respectively)	4,498,837	3,454,714
Unfunded actuarial accrued liability	\$ 1,837,805	\$ 1,318,612

Three-Year Trend Information Schedule of Employer Contributions

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2005	\$ 259,500	100%	-
December 31, 2006	451,164	100	-
December 31, 2007	541,572	100	-

Changes in Accounting Principles

GASB Statement No. 50, Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27, more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information by pension plans and by employers that provide pension benefits. The requirements of this statement will be implemented in the financial statements for fiscal year 2008.

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, which 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 for valuing the fair value of real estate. Other investments that do not have established markets are recorded at an estimated fair value.

Capital Assets

Office furniture, equipment, and software with a value of \$5,000 or more are carried at cost, less accumulated depreciation. The capital assets are depreciated using the straight-line method over the estimated useful lives of the related assets varying from three- to five-year spans. The table below is a schedule of the capital asset account balances as of December 31, 2006, and December 31, 2007, and changes to those account balances during the year ended December 31, 2007.

Capital Assets

Capital Assets	Office Building	Office Furniture and Equipment	Software	Total Capital Assets
Balances December 31, 2006	\$ 199,905	\$ 1,975,138	\$ 16,997,060	\$ 19,172,103
Additions		665,464	1,101,798	1,767,262
Deletions and Transfers	(179,453)	(94,544)		(273,996)
Balances December 31, 2007	20,452	2,546,058	18,098,858	20,665,368
Accumulated Depreciation				
Balances December 31, 2006	-	1,626,046	10,904,953	12,530,999
Depreciation Expense		271,284	1,403,565	1,674,849
Deletions and Transfers		(94,544)		(94,544)
Balances December 31, 2007	-	1,802,786	12,308,518	14,111,304
Net Capital Assets December 31, 2007	\$ 20,452	\$ 743,272	\$ 5,790,340	\$ 6,554,064

Total Columns on Statements

“Total” columns on the “Statement of Plan Net Assets” and “Statement of Changes in Plan Net Assets” 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 the U.S. GAAP nor is such data comparable to a consolidation. Transactions between the Defined Benefit plan, Defined Contribution plan, Health Care Savings Program, Retiree Health Funding Vehicle and Investment Services Program have not been eliminated from the “Total” columns.

3. Contributions and Reserves

Contributions

Contribution funding requirements are actuarially determined using the Entry Age Normal actuarial cost method and are based upon the benefit plan adopted by the municipality. Some municipalities fund their entire pension obligations solely from employer contributions. Other municipalities jointly fund pension obligations from employee and employer contributions. 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 credited with interest annually. Pursuant to Board resolution adopted November 9, 2005, the interest rate for each year beginning in 2005 is the one year T-bill rate as of December 1 each year for the ensuing December 31st employee interest calculation. It is also for interest calculations for the subsequent year for those employees requesting a refund of their contributions. The employee contribution rates vary from 0% to 22.34% according to the benefit plan adopted. See “Schedule of Employer Contributions” (page 41).

Reserves

Three reserves have been established pursuant to the MERS Plan Document for the Defined Benefit plan. See “Schedule of Changes in Reserves” (pages 90-91).

- Reserve for Employee Contributions: Employee contributions and interest are credited to this reserve. Also credited to the reserve are monies received from the purchase of service credit and monies received in repayment of previously refunded contributions. The reserve is reduced by amounts paid to employees who terminate employment and request refunds, and by amounts transferred into the “Reserve for Employer Contributions and Benefit Payments” upon an employee’s retirement. Interest is credited to each employee’s account, as provided in the Board’s November 9, 2005 Resolution. The reserve’s balance at year end December 31, 2007, was \$584,969,263. The “Reserve for Employee Contributions” was fully funded as of the December 31, 2006 MERS Consolidated 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 Income.” At retirement, an employee’s accumulated contributions, if any, including interest, are transferred into this reserve from the “Reserve for Employee Contributions.” Monthly benefits paid to retirees reduce this reserve. The December 31, 2007 balance is \$5,481,367,722. The unfunded liability was \$1,693,983,211 (based on the actuarial value of assets) as of the December 31, 2006 MERS Consolidated 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 from this reserve to the “Reserve for Employer Contributions and Benefit Payments” are at allocation rates determined by the Retirement Board. In 2007, the Retirement Board allocated 100% from the “Reserve for Expenses and Undistributed Investment Income” to the “Reserve for Employer Contributions and Benefit Payments,” leaving a zero balance at year end.

4. Investments

Investments

The Retirement Board has the fiduciary responsibility and authority to oversee 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 Systems Investment Act, 1965 PA 314, as amended, and the investment policy guidelines established by the Retirement Board. Michigan law allows diverse investment in stocks, corporate and government bonds, mortgages, real estate, alternative investments, and other investments. The Act sets forth prudent standards and requires that the assets of a retirement system be invested solely in the interest of the participants and beneficiaries. Under Plan Document Section 55(6), and 1965 PA 314, and Section 401(a)(2) of the Internal Revenue Code, the investments shall be made for the exclusive purpose of providing benefits to the participants and their 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, 2007, all securities held met the required statutory provisions and Retirement Board policy. As of the same dates, no investments were in default or subject to bankruptcy proceedings that had not been previously written down.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to MERS. Credit risk exposure is dictated by each investment manager’s agreement. Other criteria for active managers based on MERS Retirement Board investment policy, includes that if a security is downgraded below investment grade after purchase, a review with a written explanation shall be forwarded to the investment staff. Board policy also allows that when calculating the average rating of the portfolio, the manager may utilize the highest rating of the major rating agencies to calculate the average. Board policy in regards to global fixed income securities is that no more than 10% of the portfolio may be invested in corporate bonds or sovereign bonds rated below investment grade, as defined by Moody’s and Standard & Poors. Board policy for global fixed income securities is that the average weighted credit of the portfolio will be a minimum of A-. When calculating the average rating of the global portfolio, the manager may utilize the highest rating of the major agencies to calculate the average. Board policy in regards to global non-investment grade fixed income securities includes criteria that credit quality must maintain a minimum of 10% of the portfolio in investment grade fixed income with at least two ratings of BBB-/Baa3 or higher (as assigned by Standard & Poors or Moody’s). Each portfolio is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual security quality rating tiers, and/or the average credit quality of the overall portfolio.

Financial Section

As of December 31, 2007, the domestic fixed income portfolio consisted of the following fixed income investments with respective quality ratings, excluding those obligations of the U.S. government. Investments issued by or explicitly guaranteed by the U.S. government are not considered to have credit risk. The Plan's exposure to credit risk as of December 31, 2007, is presented below, by investment category as rated by Standard & Pools.

Credit Ratings Summary – December 31, 2007

Quality Rating	Corporate Bonds	Bond Index Fund	Mortgages	Asset Backed	U.S. Agency Bonds	Foreign Government	Municipals	Global Fixed Income	Total	% of Portfolio
AAA	\$ 9,451,888	\$ 267,365,275	\$ 96,955,658	\$ 50,736,795	\$ 55,514,430	\$ 654,263	\$ 7,578,658	\$ 171,152,670	\$ 659,409,637	46%
AA+	8,190,920							1,970,783	10,161,702	1%
AA	15,651,442	25,022,368	203,319					19,336,050	60,213,179	4%
AA-	25,505,489							3,365,299	28,870,788	2%
A+	12,630,493					590,657		13,314,546	26,535,695	2%
A	19,200,434	35,082,159		124,547		178,023	7,868,921	2,003,541	64,457,626	5%
A-	15,075,980					3,103,969		4,426,521	22,606,470	2%
BBB+	35,264,155					16,627,667		2,952,301	54,844,123	4%
BBB	24,830,011	35,699,547		278,657		217,360		960,150	61,985,725	4%
BBB-	18,368,452					3,446,699		1,148,623	22,963,774	2%
BB+	12,583,170			95,517		16,434,759		2,163,762	31,277,208	2%
BB	13,275,211		170,335			2,138,211		1,458,395	17,042,152	1%
BB-	9,215,513					19,237,692		2,759,024	31,212,230	2%
B+	8,138,519					6,106,194			14,244,714	1%
B	20,394,769							4,936,612	25,331,382	2%
B-	12,662,670			796,472		3,251,657		1,594,951	18,305,750	1%
CCC+	15,514,845								15,514,845	1%
CCC	3,683,904		3,947						3,687,852	0%
CCC-									-	0%
CC									-	0%
C									-	0%
D								609,774	609,774	0%
NR	153,740,298		20,792,397	1,659,458	11,342,605	1,269,739		65,358,725	254,163,222	18%
Totals	433,378,164	363,169,349	118,125,656	53,691,446	66,857,035	73,256,891.44	15,447,579	299,511,726	1,423,437,846	100%
Govt & Agencies Explicit*					194,201,389				194,201,389	
Agencies Implicit**					289,274,163				289,274,163	
Total Fixed Income	\$ 433,378,164	\$ 363,169,349	\$ 118,125,656	\$ 53,691,446	\$ 550,332,587	\$ 73,256,891	\$ 15,447,579	\$ 299,511,726	\$ 1,906,913,398	

* Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government (GNMA) are not considered to have credit risk.

** Implicit Agencies are not a direct U.S. government obligation, although it is considered that the government would not permit a default on a FNMA or FHLMC.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. Interest rate risk is controlled through diversification of portfolio management styles. Some investments' sensitivity to changing interest rates may derive from prepayment options embedded in an investment. MERS Retirement Board investment policy in regards to interest rate risk is that the effective duration of the domestic portfolio shall be (+/-) 20% of the Lehman Brothers Aggregate Index or the Lehman Universal Bond Index. MERS Retirement Board investment policy in regards to interest rate risk is that the effective duration of the global fixed income portfolio shall be (+/-) 20% of the Lehman Brothers Global Aggregate Index. Board policy in regards to global non-investment grade fixed income securities is that the portfolio's duration is (+/-) 2 years of the benchmark duration. The benchmark for global non-investment grade fixed income securities is 1/3 Lehman Brothers U.S. Treasury Inflation Protected Securities Index, 1/3 Citigroup High Yield Market Index and 1/3 JP Morgan Emerging Markets Global Bond Index. As of December 31, 2007, the Defined Benefit plan exposure to interest rate risk as measured by the segmented time distribution maturity summary is listed below by investment class.

Segmented Time Distribution – December 31, 2007

Investment Type	Market Value	Less than 1 Year	1 to 6 Years	6 to 10 Years	10+ Years	Maturity not Determined
Asset Backed Securities	\$ 53,691,446	\$ 454,312	\$ 39,021,814	\$ 1,476,978	\$ 12,738,342	
Corporate Bonds	433,378,164	9,419,413	120,102,852	127,186,155	68,784,159	\$ 107,885,586
Foreign Government	73,256,891		6,609,636	17,823,286	48,823,969	
Government Bonds/Agencies	550,332,587	13,534,530	91,813,213	118,200,224	233,412,832	93,371,789
Global Fixed Income	299,511,726	9,606,265	183,246,522	62,823,171	43,356,946	478,821
Mortgages	118,125,656		2,587,285	1,563,423	113,974,948	
Municipal Bonds	15,447,579			8,483,984	6,963,595	
Bond Index*	363,169,349					
Total	\$ 1,906,913,398	\$ 33,014,520	\$ 443,381,322	\$ 337,557,220	\$ 528,054,792	\$ 201,736,196

* The Bond Index information on the segmented time distribution was unavailable. The effective duration in years for the Bond Index was 4.61 years. Effective duration is a measure of the price sensitivity of a debt investment to changes in interest rates. It is calculated based on the weighted average of the present value for all cash flows.

Concentration of Credit Risk Debt Securities

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's exposure in a single issuer. MERS Retirement Board investment policy states securities representing debt and equity of any one company shall not exceed 5% of the fair value of the Plan's portfolio. MERS did not hold a single organization's securities that exceeded 5% of the Plan's net assets available for benefits other than those issued or explicitly guaranteed by the U.S. government as of December 31, 2007.

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, MERS will not be able to recover the value of investments or collateral securities that are in the possession of an outside third party. As of December 31, 2007, MERS had deposits of \$11,053,602 that were exposed to credit risk with The Northern Trust that were uninsured and uncollateralized. MERS also had investment securities and other investments of \$35,641,711 where the exposure to custodial credit risk was not determined.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. MERS currency risk exposure, or exchange rate risk, is primarily derived from its holdings in foreign currency denominated equities, and fixed income investments. MERS Retirement Board investment policy for the global non-investment grade fixed income portfolio allows currency hedging to mitigate currency exposure. Hedging the non-U.S. dollar currency exposure of the portfolio is permitted. The portfolio will be limited to the maximum net currency exposure of 25% at any given time.

MERS exposure to foreign currency risk in U.S. dollars as of December 31, 2007 is summarized below:

Foreign Currency Risk – December 31, 2007

Currency	Equities	Fixed Income	Cash	Total
Australian dollar	\$ 56,828,982	\$ 32,847,903	\$ 284,143	\$ 89,961,028
Brazilian real	157,584	12,431,185	46,879	12,635,648
British pound sterling	91,517,748	47,816,801	411,759	139,746,308
Canadian dollar	2,849,574	19,839,159	2,626	22,691,359
Danish krone	5,861,323	32,953,117	9,944	38,824,384
Egyptian Pound		682,194		682,194
Euro	175,500,414	54,165,566	2,548,613	232,214,593
Hong Kong dollar	19,869,332	9,876,334	75,744	29,821,410
Hungarian forint	98,125		35	98,160
Indonesian rupiah	522,509	2,707,996		3,230,505
Japanese yen	108,343,678		1,000,913	109,344,591
Malaysian ringgit	858,054		726	858,780
Mexican peso	635,881	11,391,784	487,148	12,514,813
New Israeli shekel	661,015		4,316	665,331
New Taiwan dollar	2,716,803		2,719	2,719,522
New Zealand dollar	2,924,185	15,919,242	18,969	18,862,396
Norwegian krone	4,154,826	16,715,173		20,869,999
Singapore dollar	15,212,729		39,903	15,252,632
South African rand	346,202		31	346,233
South Korean won	5,554,827	9,778,441	26	15,333,294
Swedish krona	2,312,904	32,386,831	429	34,700,164
Swiss franc	13,760,089		1,700	13,761,789
Thai baht	764,238		5,249	769,487
Turkish lira	739,413			739,413
Total subject to foreign currency risk	512,190,435	299,511,726	4,941,872	816,644,033
Investments in International Securities payable in United States dollars	520,569,293	73,256,891		593,826,184
Total International Investment Securities	\$ 1,032,759,728	\$ 372,768,617	\$ 4,941,872	\$ 1,410,470,217

Securities Lending

MERS policy authorizes participation in a securities lending program administered by its global custodian, The Northern Trust Company. MERS receives income as the owner of securities, as well as income from the lending of those securities. There are no dividends or coupon payments owing on the securities on loan. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month. The securities loans are open contracts and, therefore, could be terminated at anytime by either party.

The borrower collateralizes the loan with either cash or securities of 102% of market value plus accrued interest on domestic securities and 105% of market value plus accrued interest on international securities loaned. Cash open collateral is invested in a short-term investment pool, the Core Collateral Section, which had an average weighted maturity of 22 days as of December 31, 2007. Due to the nature of the program's collateralization of U.S. fixed income securities loans at 102% plus accrued interest, we believe that there is no credit risk per GASB 40 since the lender owes the borrower more than the borrower owes the lender. 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. 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 loaned 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 three commingled 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 number of days that MERS securities were borrowed was approximately 187 days as of December 31, 2007, producing a net income of \$3,363,352 in 2007.

Collateral Held and Fair Value of Securities on Loan as of December 31, 2007

Fair Value of Securities on Loan	Nature of Collateral	Collateral Held
\$ 693,703	Cash	\$ 709,449
-	Non-Cash	-
\$ 693,703		\$ 709,449

Derivatives and Structured Financial Instruments

Derivatives are complex financial instruments that MERS employs to gain exposure to commodities and international currency markets and to invest in the S&P 500.

MERS does not use derivatives for speculation, nor are they used to leverage the investment portfolio. The Retirement System does not use stock options, interest rate caps/floors, or floating rate securities that are priced from underlying collateral. All derivatives are presented at fair value as of December 31, 2007 in the financial statements. Derivative values fluctuate on a daily basis.

In accordance with the Board Investment Guidelines, our international managers may, when deemed prudent, enter into forward foreign currency transactions to hedge currency risk or take advantage of favorable market conditions. As of December 31, 2007, the following forward foreign exchange transactions were in place:

Forward Foreign Exchange Transactions – December 31, 2007

Type	Currency Exchange	Cost	Market Value	Gain/(Loss)
Sell	GBP vs. USD	(16,933,139)	(16,419,373)	513,766
Sell	EUR vs. USD	(2,016,044)	(2,070,855)	(54,811)
Sell	GBP vs. USD	(17,248,791)	(16,783,370)	465,421
Sell	CAD vs. USD	(13,435,000)	(13,559,472)	(124,472)
Buy	JPY vs. AUD	15,732,378	16,116,406	384,028
Sell	USD vs. NZD	(16,330,254)	(16,583,201)	(252,947)
Buy	NZD vs. USD	435,159	426,284	(8,875)
Sell	USD vs. AUD	(17,585,139)	(17,782,370)	(197,231)
Buy	JPY vs. GBP	31,842,459	32,839,981	997,522
Sell	USD vs. EUR	(16,875,000)	(17,013,254)	(138,254)

MERS uses S&P 500 futures contracts to equitize cash allocated to private equity markets that are awaiting investment. A futures contract is an agreement to buy or sell a specific amount of a commodity, currency, or financial instrument at a specified future date. Futures are exchange traded and the exchange assumes the risk of nonperformance by the counterparty. MERS is required to pledge to the broker cash or U.S. government securities (the initial margin) equal to a certain percentage of the contract amount. The fair value of cash collateral was \$0 as of December 31, 2007. Subsequent payments, known as “variation margin,” are made or received by MERS each day, depending on the daily fluctuations in the value of the underlying security. Such variation margin is recorded as realized gain or loss in the financial statements. The fair value of the futures contract was \$0 as of December 31, 2007. MERS was transitioning to a new custodial bank at year end and had closed out all futures contracts.

5. Commitments and Contingencies

In the normal course of business, benefit claims by members or employers are in various stages of determination through established administrative procedures with the Retirement Board making the final decision, which may be subject to judicial review thereafter. MERS does not anticipate any material loss as a result of these claims. Furthermore, the cost of successful benefit claims is ultimately the responsibility of the affected municipality and becomes its funding obligation. MERS maintains insurance for Workers Compensation, owned and leased vehicles, blanket property, fiduciary, fidelity, and faithful performance to cover other risk of loss such as personal injury to employees or others, property damage, or other liability.

6. Defined Contribution Plan

Plan Description

MERS Defined Contribution plan became operative July 8, 1997, under Section 401(a) of the Internal Revenue Code. It is on this date that the MERS Plan Document of 1996 was first determined by the Internal Revenue Service Letter of Favorable Determination to meet qualifications as a “governmental plan” trust under Code Section 401(a), and tax exempt under Section 501(a). MERS has contracted with International City/County Management Association - Retirement Corporation (ICMA-RC) to serve as the third-party administrator for the plan. The plan is available to all MERS participating municipalities and may be adopted on a division-by-division basis. Plan provisions and requirements are specified in the MERS Plan Document.

Contributions to the Defined Contribution plan are remitted directly to ICMA-RC by the participating municipalities and are separate from contributions made to the MERS Defined Benefit plan. Both employer contributions and employee voluntary contributions are governed by the percentages allowable under the Internal Revenue Code. Employees electing to be in the Defined Contribution plan may not change their contribution as a percent of payroll after enrollment. Participating municipalities may upon adoption of a Defined Contribution resolution for new hires, offer current Defined Benefit plan employees an opportunity to opt into the Defined Contribution plan. MERS then transfers the actuarial present value of the employee’s accrued benefit in the Defined Benefit plan into the employee’s account in the Defined Contribution plan (at a stipulated funded ratio that shall not exceed 100%). Employees 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. As of December 31, 2007, there were 146 plans that had adopted the Defined Contribution plan with 7,443 member accounts totaling \$230.6 million.

The MERS Defined Contribution plan with ICMA-RC offers a variety of investment opportunities, including the MERS Total Market Fund, (the same diversified fund utilized for its Defined Benefit portfolio) for the Defined Contribution plan participants. In addition, there are other funds offered from selected mutual fund families including the Vantage Trust Funds, which include nine actively managed funds, five index funds, and five model portfolio funds. The Mutual Fund Series includes 14 segregated accounts, each with a different investment strategy.

Significant Accounting Policies

The Defined Contribution plan financial statements are prepared using a cash basis of accounting (which approximates the accrual basis of accounting). Plan investments are presented at fair value. Plan participants select from 35 investment options.

Reserve for Defined Contribution Plan

All additions to and deductions from the Defined Contribution plan are recorded in this reserve. ICMA-RC maintains the individual employee account records.

7. MERS Health Trust Programs

On January 13, 2004, MERS received a Private Letter Ruling allowing establishment of an Internal Revenue Code Section 115 “Integral Governmental Trust.” MERS created two programs from this Trust, the Health Care Savings Program and the Retiree Health Funding Vehicle.

A. Health Care Savings Program

Plan Description

The MERS Health Care Savings Program is available to all municipalities in Michigan and became operational in June of 2004. The employer sponsored program provides medical reimbursement accounts to the participating employees for reimbursement of their medical expenses, as defined in Code Section 213, once they terminate employment, are on medical leave for six months or longer, or are on disability from any public pension plan. There are four types of contributions that may be used in the program: 1. Basic Employer (tax-favored), 2. Mandatory Salary Reductions (tax-favored), 3. Mandatory Leave Conversions (tax-favored), and 4. Voluntary Employee Contributions (post-tax). As a result of the Private Letter Ruling, Code Section 213, reimbursements are tax-exempt for the employee, their spouse, and/or Code Section 152 dependent(s). The Health Care Savings Program accounts are invested in the MERS Total Market Fund portfolio and earnings are tax exempt as a result of the MERS Private Letter Ruling. Plan provisions and requirements are specified in the MERS Health Care Savings Program and Retiree Health Funding Vehicle Plan Document and Trust.

Significant Accounting Policies

The Health Care Savings Program financial statements are prepared using a modified cash basis of accounting (which approximates the accrual basis of accounting). Plan investments are presented at fair value. Contributions are pooled on a commingled basis subject to the Public Employee Retirement System Investment Act (“PERSIA”), 1965 PA 314, and pursuant to the Public Employee Health Care Fund Investment Act, 1999 PA 149.

Reserve for Health Care Savings Program

All additions to and deductions from the Health Care Savings Program are recorded in this reserve. MERS maintains the separate individual member account records.

B. Retiree Health Funding Vehicle**Plan Description**

The MERS Retiree Health Funding Vehicle is available to all municipalities in Michigan and became operational in the fall of 2004. Participating municipalities can contribute monies to the Trust and no contribution method other than “pay as you go” cash funding is required or imposed on the participating employer. These funds constitute a health care fund, which enable municipalities to accumulate funds to provide or subsidize health benefits for retirees and beneficiaries as defined by Code Section 213. The Retiree Health Funding Vehicle accounts are invested in the MERS Total Market Fund portfolio and earnings are tax exempt as a result of the MERS Private Letter Ruling. Plan provisions and requirements are specified in the MERS Health Care Savings Program and Retiree Health Funding Vehicle Plan Document and Trust.

Significant Accounting Policies

The Retiree Health Funding Vehicle financial statements are prepared using a modified cash basis of accounting (which approximates the accrual basis of accounting). Plan investments are presented at fair value. Contributions are pooled on a commingled basis subject to 1965 PA 314, and 1999 PA 149.

Reserve for Retiree Health Funding Vehicle

All additions to and deductions from the Retiree Health Funding Vehicle are recorded in this reserve. MERS maintains the separate municipality employer account records.

8. Investment Services Program**Plan Description**

The Investment Services Program (ISP) is an investment trust fund that is available to all municipalities to invest funds through the MERS portfolio while maintaining administrative functions at the municipal level. Assets are pooled with the existing \$6 billion currently in MERS fund, resulting in reduced costs and increased investment return opportunities for municipalities. The program was established by MERS Board in March 2006 and began operations in June of 2006. MERS offers to any “municipality” (Plan Section 2b(4); MCL 38.1502B(2) pension, “ancillary benefits, health and welfare benefits, and other post employment benefit programs” (Plan Section 36(2)(a); MCL 38.1536(2)(a)). The Investment Services Program trust fund complies with all the requirements imposed by the Public Employee Retirement System Investment Act, 1965 Public Act 314. Participation in the Investment Services Program does not qualify as membership in MERS pension plans, and the participating employer is not able to vote at the MERS Annual Meeting.

Significant Accounting Policies

The Investment Services Program financial statements are prepared using a modified cash basis of accounting (which approximates the accrual basis of accounting). Plan investments are presented at fair value. Contributions are pooled on a commingled basis subject to 1965 PA 314.

Reserve for Investment Services Program

All additions to and deductions from the Investment Services Program are recorded in this reserve. MERS maintains the separate municipality employer account records.

9. Interfund Receivables and Payables

The Defined Benefit Plan, Retiree Health Funding Vehicle, Investment Services Program, and the Health Care Savings Program are separate trusts with their own general ledgers and financial statements. Interfund receivables and payables have been created as an avenue for the Defined Benefit Plan to handle all transactions for the various funds.

As of December 31, 2007, interfund receivables and payables were as follows:

Interfund Receivables and Payables – December 31, 2007

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Defined Benefit Plan	\$ 941,456	
Health Care Savings Program		690,170
Investment Services Program		74,507
Retiree Health Funding Vehicle		176,779
Totals	<u><u>\$ 941,456</u></u>	<u><u>\$ 941,456</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress (Dollars in Millions)

Actuarial Valuation December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2000	\$ 3,787.2	\$ 4,397.0	\$ 609.8	86.10%	\$ 1,226.0	49.7%
2001	4,034.4	4,783.9	749.5	84.30	1,271.6	58.9
2002	4,133.0	5,181.2	1,048.2	79.80	1,327.4	79.0
2003	4,459.5	5,667.7	1,208.2	78.70	1,381.2	87.5
2004	4,731.4	6,164.8	1,433.4	76.70	1,437.2	99.7
2005	5,026.1	6,609.1	1,583.0	76.05	1,462.4	108.2
2006	5,493.7	7,187.7	1,694.0	76.43	1,545.9	109.6

Schedule of Employer Contributions (Dollars in Millions)

Fiscal Year*	Annual Required Contribution	Accelerated Funding Credit	Percentage Contributed Before Credit	Percentage Contributed After Credit
2002	\$ 125	\$ 8	102%	109%
2003	133	5	121	125
2004	156	2	108	109
2005	170	-	108	108
2006	199	-	107	107
2007	258	-	92	92

* See Note 1 in the Notes to the Schedules of Required Supplementary Information on the following page.

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 each municipality's unique fiscal year that commences after the following calendar year end. For example, the contribution requirements for fiscal years that began in 2007 were determined by Actuarial Valuations as of December 31, 2005.

Approximately 78% of the participating municipalities have fiscal years that begin January 1 or July 1.

The annual required contribution and accelerated funding credit shown in the preceding schedule represent 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 Credits (AFC) program was first established by the Retirement Board in 1984, and has been modified several times. The program reduced required contribution rates of municipalities with funded percentages in excess of 100%. The program was discontinued beginning with the fiscal year 2005 but is useful for the reader for the Schedule of Employer Contributions.
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 as follows:

<i>Valuation Date</i>	December 31, 2006
<i>Actuarial Cost Method</i>	Entry Age Normal
<i>Amortization Method</i>	Level Percent of Payroll, Open
<i>Remaining Amortization Period</i>	29 years for positive unfunded liabilities and 10 years for negative unfunded liabilities. The 29-year period will decline by one year in each of the next four annual valuations. For divisions that are closed to new hires, the amortization period for positive unfunded liabilities is decreased annually by 2 years until the period reaches 5 years.

Asset Valuation Method

10-Year Smoothed Market Asset Valuation Method was adopted December 31, 2005 with prospective application. Prior to 2006, a five year smoothed method was used. (For 2003, the Retirement Board adopted a one-time ad hoc adjustment to aggregate the yet unrecognized market gains and losses from 1999-2002 with the 2003 market gain. No gain or loss was recognized for 2003. The aggregate loss amount of \$388,778,035 was recognized in four equal dollar installments in 2004-2007.)

Actuarial Assumptions

Investment Rate of Return	8%
Projected Salary Increases	4.5% for base inflation, plus 0.0% to 8.4% per year attributable to merit and longevity.
Post Retirement Benefit	2.5% annual post retirement benefit adjustments if adopted by individual municipality.

Schedule of Administrative Expenses for the Year Ended December 31, 2007

Administrative Expenses

Personnel Services

Salaries	\$ 5,094,628
Social Security	369,320
Retirement	635,902
Insurance	860,117
Total Personnel Services	<u>6,959,967</u>

Professional Services

Actuarial Services	899,922
Audit Services	60,000
Commercial Banking	91,839
Computer Maintenance	22,252
Consultants	65,519
Legal Services	122,515
Medical Services	56,052
Third Party Administrators	80,297
Total Professional Services	<u>1,398,396</u>

Communication

Advertising	6,306
Annual Meeting	242,777
Library and Records Storage	84,124
Postage / Shipping	137,966
Printing and Copying Services	112,858
Promotional Supplies	17,328
Telephone / Communications	122,293
Travel and Meetings*	332,168
Total Communication	<u>1,055,820</u>

Rentals

Equipment Rental	121,869
Office Rental	704,500
Total Rentals	<u>826,369</u>

Miscellaneous

Depreciation	1,654,509
Equipment Purchases	146,816
Insurance	237,161
Maintenance	322,690
Office Supplies	100,327
Operating Expenses	912,902
Payroll Processing	13,474
Professional Development & Tuition	496,613
Software Purchases and Maintenance	690,285
Service Fees	(407,207)
Total Miscellaneous	<u>4,167,570</u>

Total Administrative Expenses \$ 14,408,122

* MERS Board members serve without compensation and are only reimbursed for their travel expenses.

Schedule of Investment Expenses for the Year Ended December 31, 2007

Investment Expenses

Personnel Services	
Salaries	\$ 603,156
Social Security	39,086
Retirement	71,889
Insurance	72,261
Total Personnel Services	<u>786,392</u>
Professional Services	
Commercial Banking	542,660
Investment Managers	19,543,961
Investment Performance	79,500
Other Consultants	27,250
Total Professional Services	<u>20,193,371</u>
Communication	
Travel	47,143
Total Communication	<u>47,143</u>
Miscellaneous	
Depreciation	20,340
Operating Expenses	3,040
Software Purchases/Maintenance	218,193
Total Miscellaneous	<u>241,573</u>
Total Investment Expenses	<u><u>\$ 21,268,479</u></u>

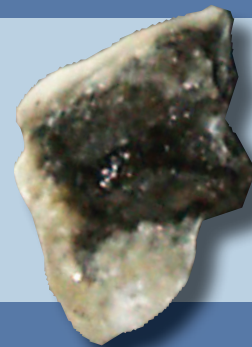
Schedule of Payments to Consultants for the Year Ended December 31, 2007

Firm	Nature of Service	Amount
Gabriel, Roeder, Smith & Company	Actuary and System Implementation	\$ 1,567,589
Robbins-Gioia, LLC	FileNet System Implementation	655,120
Oracle (PeopleSoft) Corporation	System Implementation and Maintenance	491,923
Ice Miller	Legal Counsel	77,003
Logicallis	Server Hardware Maintenance	64,750
Andrews Hooper & Pavlick P.L.C.	Auditor	59,600
SunGard Availabilty Services	Disaster Recovery	57,980
Innovative Communications	Video/Audio Systems	56,356
Consulting Physicians, PC	Medical Advisors	55,425
New London Management	Human Resource and Career Advisors	51,955
CEM Benchmarking, Inc.	Benchmark Data Production	35,000
Karoub Associates	Legislative Advisors	30,000
Service Express	Hardware Maintenance	29,049
IRSS	Investment Class Action Monitor Service	25,000
Matt Wesaw	Tribal Government Consultant	19,500
Zephyr Associates	eVestment Analytics System	19,500
Total Payments to Consultants		\$ 3,295,750

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

INVESTMENT SECTION

MICHIGAN ROCKS!



GYPSUM

Gypsum deposits are found in lakes and sea water, as well as hot springs from volcanic vapors. Usually colorless and transparent, gypsum can also have a pearl-like luster and have shades of red, brown, and yellow. Michigan ranks first in the United States in the production of gypsum. Large quantities are found in the sedimentary rocks of the Michigan Basin. Gypsum was first discovered in 1827 near Plaster Creek in Kent County.

REPORT ON INVESTMENT ACTIVITY - JEB BURNS, CHIEF INVESTMENT OFFICER

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, a Defined Contribution plan and was in the development stage of a Hybrid plan in 2007. The first portion of the investment section is devoted to the Defined Benefit plan and the second portion to the Defined Contribution plan, with a short commentary on the MERS Hybrid plan.

A. Defined Benefit Plan

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 with 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 returns relative to the market by employing active management strategies where appropriate. Every effort is made to minimize the costs to the portfolio by utilizing skilled internal and external resources without negatively affecting the performance of the portfolio.

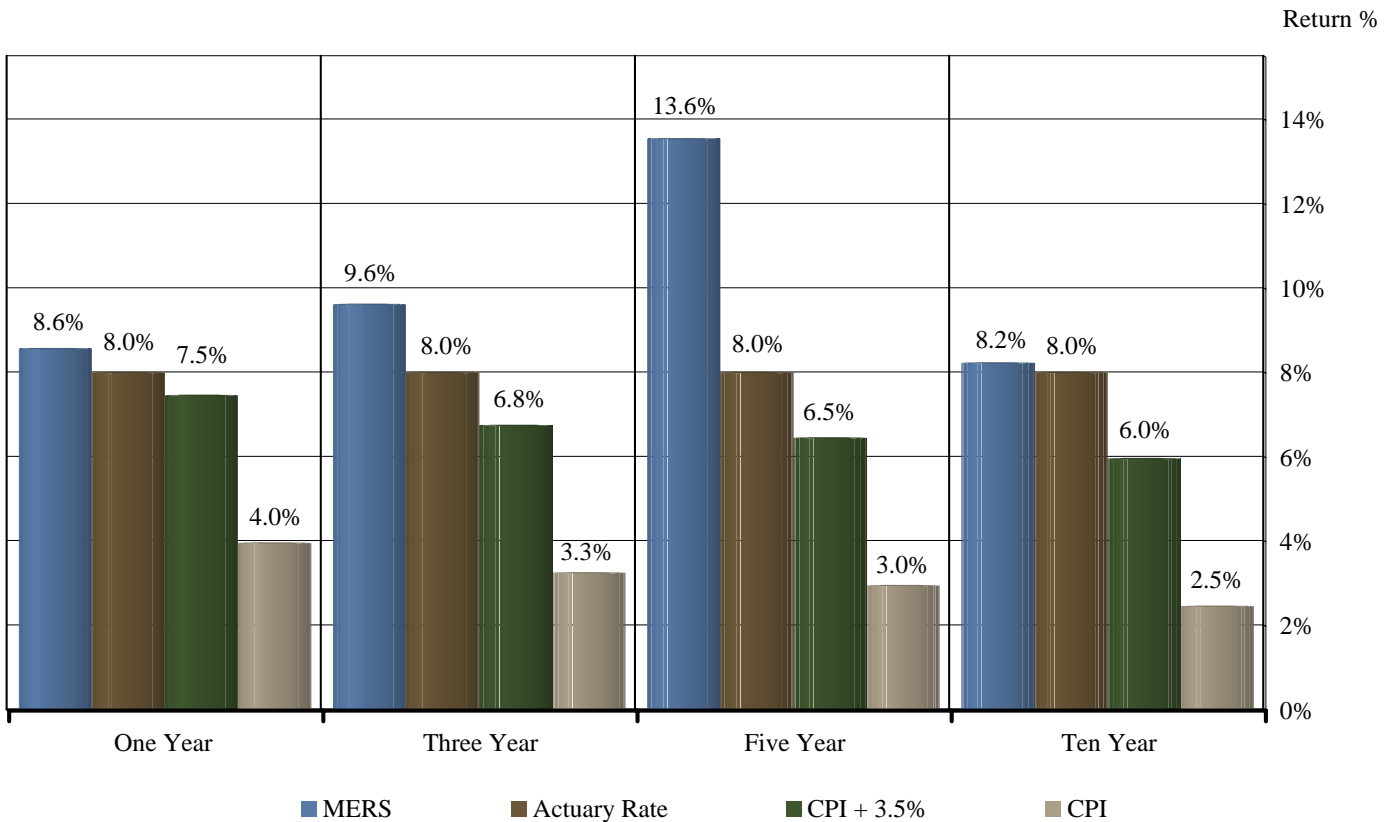
The long-term objectives for the investment assets are:

- Achieve a real rate of return of at least 3.5% annually over the rate of inflation
- To exceed the actuarial assumption rate of 8%
- Outperform the MERS policy benchmark

Investment Section

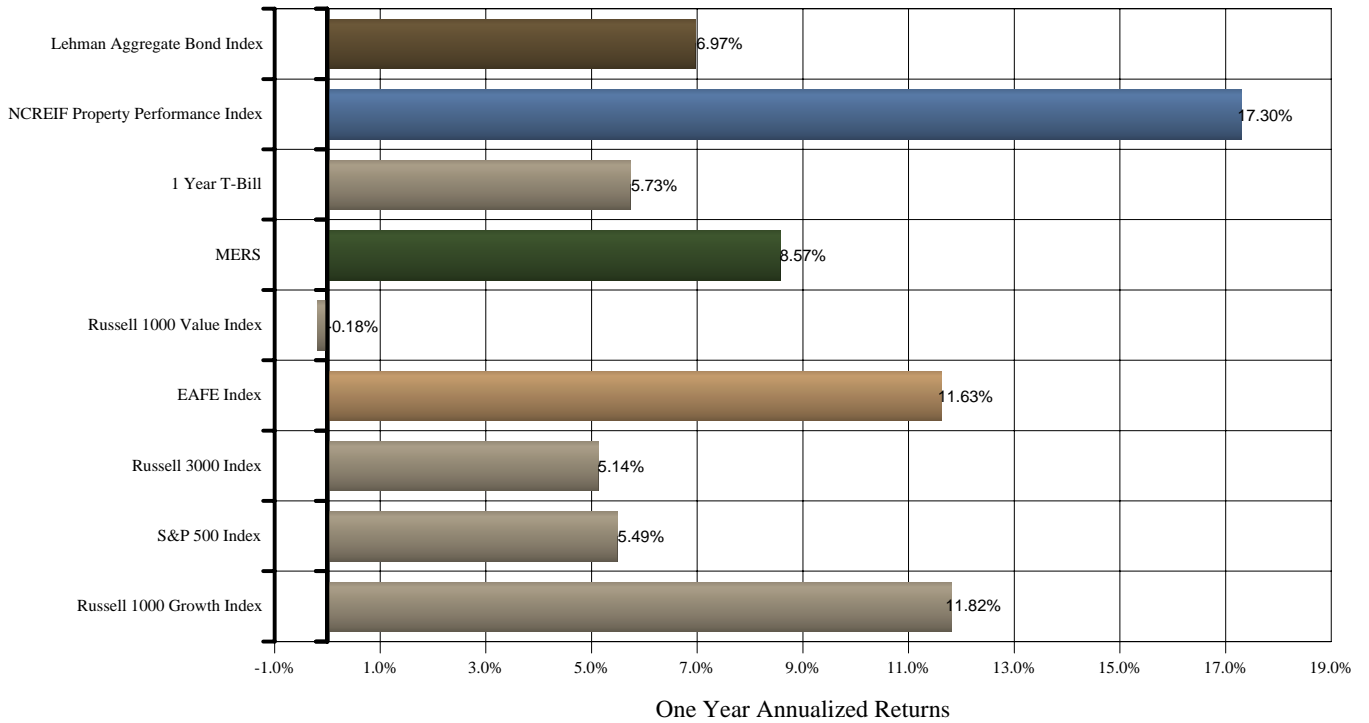
The real rate of return is defined as the rate at which the long-term total return on the Retirement System's assets exceeds the long-term inflation rate. The graph below illustrates that MERS has achieved returns greater than the Consumer Price Index (CPI) plus 3.5% and the actuarial assumption rate of 8% over 10 years.

MERS Actual Returns versus Goals



The portfolio is constructed to reduce volatility in down markets, yet still participate significantly when the equity markets run. The chart below, comparing MERS to the major market indices, demonstrates the value of diversification and MERS ability to quickly rebound in up market conditions.

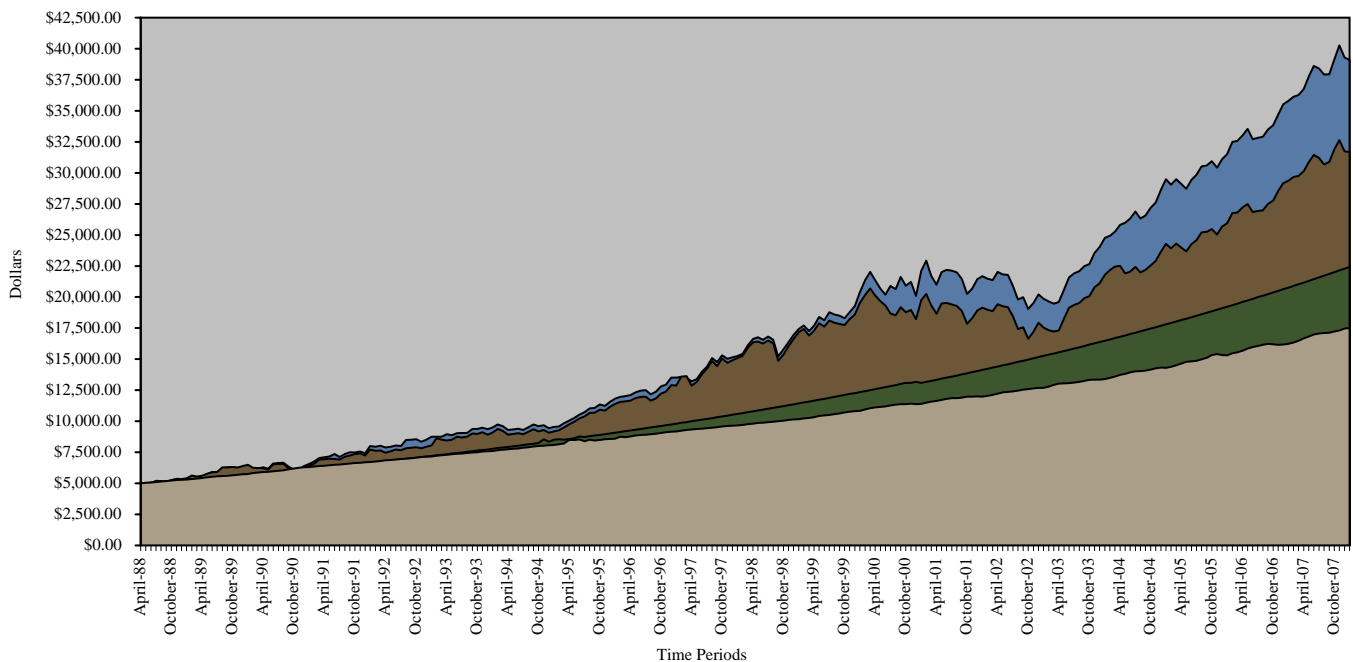
MERS Compared to Market Indices for 2007



Investment Section

The portfolio has enjoyed its fifth consecutive positive year of performance. MERS Defined Benefit portfolio had a one-year return of 8.57%, allowing MERS to exceed its actuarial assumption rate of return for the ten-year, five-year, three-year, two-year, and one-year periods. The 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 \$5,000 for over 15 years. It compares the fund to its various benchmarks and demonstrates the value added from active portfolio management.

Growth of \$5,000 Period Ending December 31, 2007



■ MERS TOTAL

■ MERS Policy Benchmark = 23% Russell 1000, 11.5% Russell 2000, 6% S&P 400 Midcap, 17.5% MS ACWI (Ex-U.S.), 25% LB Agg, 5% ML HY Master II, 7% MERS RE Blend, 3% 90 Day T-Bill, 2% GSCI Total Return

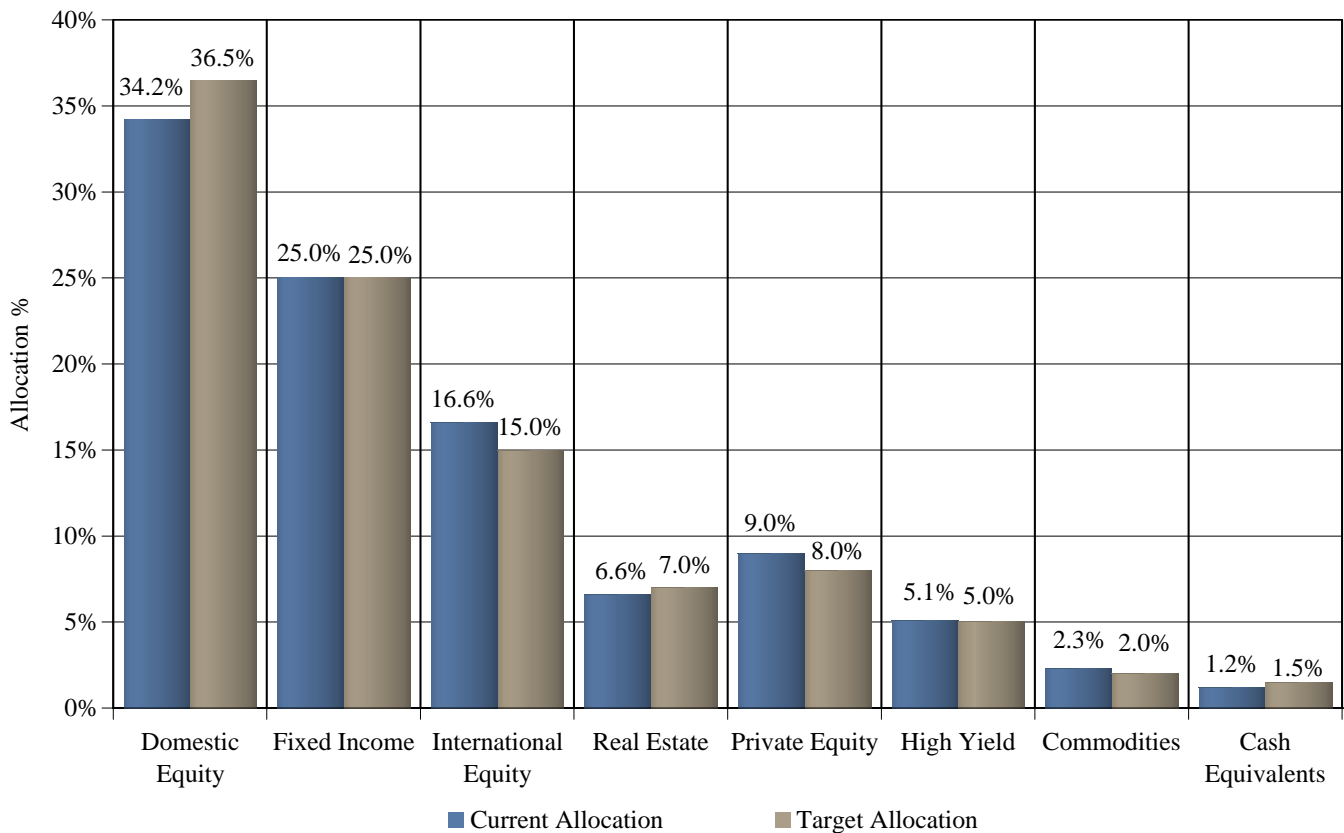
■ Actuarial Assp. 8.0%

■ CPI PLUS 3.5%

Asset Allocation

With long-term investment objectives as the central focus, the Retirement Board conducts a periodic asset allocation study to select a strategic asset allocation plan. A study was completed in 2005, resulting in the modification of MERS asset allocation mix. Commodities were added as a stand alone asset class and the fund's exposure to international and alternative investments were increased while reducing the overall risk of the portfolio. The 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 for various asset categories are carefully projected. The result is a portfolio that is broadly diversified in domestic and international stocks, domestic and global fixed income securities, high-yield bonds, real estate, private equity, commodities, 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 the actual allocation to differ from that of the target as is demonstrated in the following bar chart.

Current Asset Allocation versus Target Allocation



Total Fund Investment Results

The investment portfolio produced a total gross return for the fiscal year of 8.57%. Total equity contributed significantly to the portfolio's performance in 2007, with MERS equity portfolio outperforming by 214 basis points. MERS exposure to commodities significantly helped performance by returning 34.48%. Domestic mid and large cap managers produced positive, strong returns for 2007. International small cap stocks also produced a strong performance of almost 600 basis points. MERS fixed income portfolio returned 8.01%. High yield bonds continued to add value, yielding 7.67%. Real estate and cash positions also added positive returns to the overall portfolio. The technology heavy NASDAQ Index returned 10.81% for the year. The Dow Jones Industrial Average and the Russell 3000 Index returned 8.88% and 5.14%, respectively, in 2007. MERS manages 12.1% of its assets internally. Additionally, MERS Office of Investments actively manages all external managers' residual cash. The average yearly balance of this pool of assets was approximately \$300 million.

The MERS portfolio was ranked in the 48th percentile within The Northern Trust (TNT) Public Fund Universe for the fiscal year ending December 31, 2007. MERS was ranked 58th and 38th for the three and five-year periods, respectively. The TNT Universe is comprised of 42 public plans with a total market value of \$380 billion. The plans range in size from \$22.5 million to \$41.7 billion, with a median market value of \$4.1 billion and an average market value of \$8.8 billion. The portfolio returned 9.6% and 13.6% for the three and five-year periods, respectively, versus its policy benchmark at 9.3% and 12.6%. The policy portfolio benchmark reflects the return that would have been achieved had MERS invested exclusively in passively managed index funds. It should be noted that high yield bonds and private equity do not have investable indices and their use in the policy benchmark is for comparative purposes only and do not reflect a real investment alternative to active management. MERS continues to achieve returns that outpace both inflation and the funds actuarial rate of 8%. The returns of the portfolio are calculated using a time-weighted rate of return. The following table shows the annualized returns gross of fees for fiscal year ending December 31, 2007.

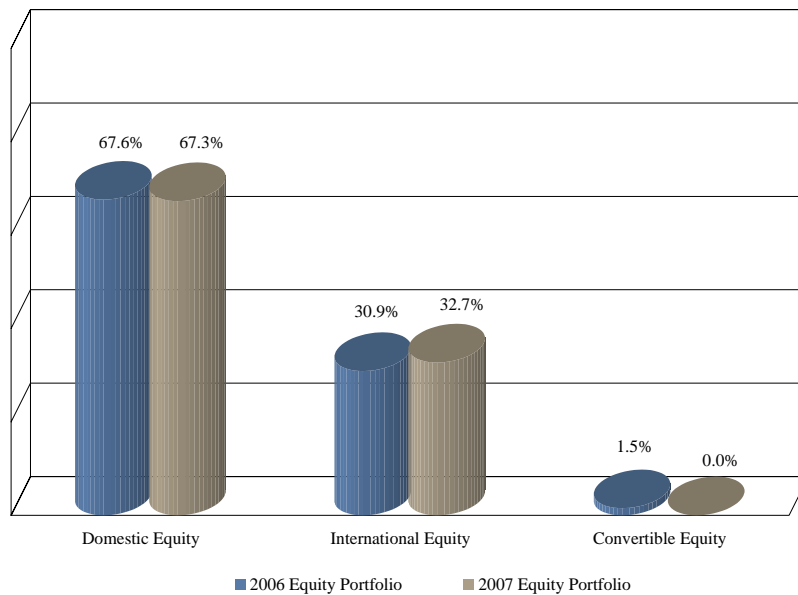
Schedule of Investment Results Gross of Fees

	One Year Annualized	Three Year Annualized	Five Year Annualized
MERS Total Fund	8.6%	9.6%	13.6%
Policy Portfolio	8.0	9.3	12.6
* Median Public Plan	8.5	9.7	13.3
Domestic Stocks	4.9	7.5	14.9
Russell 3000 Index	5.1	8.9	13.6
International Stocks	12.5	20.0	24.2
MSCI ACWI ex USA	17.1	20.4	24.5
Fixed Income	8.0	5.1	5.7
Lehman Aggregate Bond Index	7.0	4.6	4.4
High Yield Bond	7.7	7.8	12.2
Merrill Lynch High Yield Master II	6.6	6.4	10.0
Real Estate	7.5	15.1	15.7
NCREIF Property Performance	9.9	16.2	16.3

* The Median Public Plan returns are shown Gross of Fees

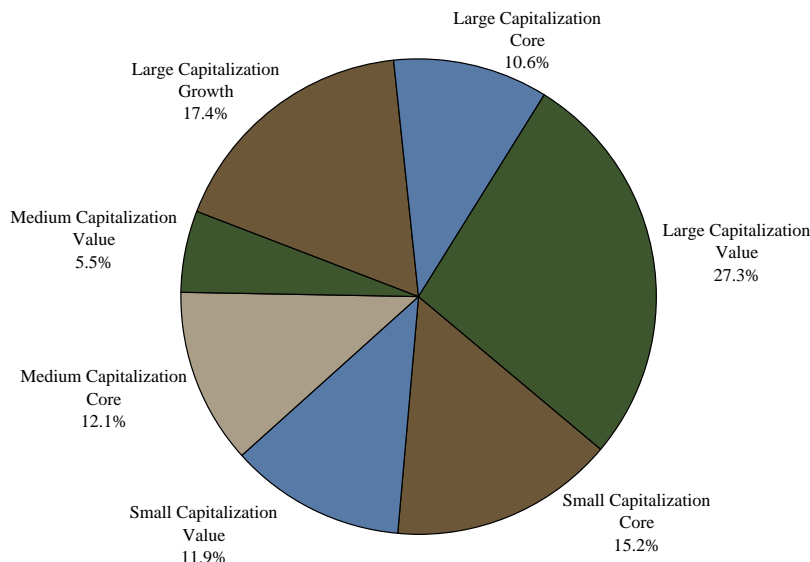
Total Equities – The total equity portfolio includes U.S. common stocks and international stocks, representing 50.8% of the total portfolio as of December 31, 2007. The year-end composition of the equity portfolio is shown and is compared to the 2006 equity allocation.

Total Equity Portfolio Comparison 2006 versus 2007



Domestic Equities – As of December 31, 2007, the U.S. stock portfolio had a market value of \$2.125 billion and represented 34.2% 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 long-term real rate of return objective.

Total Domestic Equity Portfolio 2007



Note: Convertible bonds are categorized as equities in the portfolio, but are not included in this chart.

Investment Section

The returns for this asset class were positive in 2007 as the economy continued to grow but at slower pace; with year over year GDP growth of 2.5% in the fourth quarter. During this period, the domestic common stock portfolio returned 4.88% versus the Russell 3000 Index with a return of 5.14%. MERS small cap portfolio returned 1.67% versus the Russell 2000 Index at -1.57%. Growth managers fared better than value managers on the whole, but all sectors of the equity markets produced positive returns.

Passive management accounts for 22.1% 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. MERS began managing an S&P 500 Index internally in 2003, the S&P 400 in 2004, and added the S&P 600 in 2005. An external manager currently provides the management of the Russell 1000 Enhanced Index. Enhanced or risk controlled indexes closely track the performance of the index, seeking to capture small amounts of alpha with a similar risk profile.

The U.S. equity asset class is diversified by capitalization using small, mid, and large companies and by style using value and growth. The stocks within the portfolio can be classified by style as follows: 10.6% large cap core, 17.4% large cap growth, 27.3% large cap value, 12.1% mid cap core, 5.6% mid cap value, 11.9% small cap value, and 15.2% small cap core.

Top Ten Equity Holdings as of December 31, 2007

Asset Description	Shares	Market Value	Percentage of Total Market Value
Exxon Mobil	340,700	\$ 31,920,183	0.51%
AT&T	666,784	27,711,543	0.45
ConocoPhillips	288,055	25,435,257	0.41
Chevron	269,700	25,171,101	0.40
Microsoft	610,200	21,723,120	0.35
General Electric	543,600	20,319,768	0.33
Pfizer	840,000	19,093,200	0.31
Intel	673,120	17,945,379	0.29
IBM	163,460	17,670,026	0.28
Abbott Lab	300,140	16,852,861	0.27

International Equities - The allocation to non-U.S. stocks comprises 16.6% of the total portfolio. Of this, 7.6% is passively managed in the Barclays EAFE Index Fund, with the remaining actively managed in three separate active strategies. Mondrian Investment Partners Limited large cap value, Acadian Asset Management's small cap, and BGI's Active International Equity large cap portfolios were added to the portfolio in 2003. 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 during bear market conditions. This year, the international portfolio outperformed the domestic market by 7.63%.

The benchmark for the international equity portfolio is the MSCI ACWI Free ex-U.S. index for large cap mandates and the MSCI EAFE Small for small cap mandates, both computed by Morgan Stanley Capital International. The international portfolio returned 12.51% for the one-year period ending December 31, 2007; the portfolio returned 19.98% and 24.23% for three and five years, respectively.

Domestic Fixed Income - The U.S. fixed income markets provided additional diversification and outperformed relative to equities. Bonds are traditionally regarded as a hedge in a disinflationary or deflationary environment. They generally lag equities when the economy rebounds and low interest rates push yields lower. The fixed income portfolio is 30% of the total portfolio, including high yield bonds that are discussed below. It 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 5.05% and 5.70% for the three and five-year periods, respectively; all are actively managed. The fixed income portfolio was further diversified in 2007 with the addition of a dedicated global infrastructure portfolio. The sub asset class seeks to take advantage of government project financing needs throughout the world.

Top Ten Fixed Income Holdings as of December 31, 2007

Asset Description	Market Value	Percentage of Total Market Value
FNMA Single Family Mortgage Bond 5%	\$ 52,830,094	0.85%
FNMA 30 Year Pass-Through Bond 6.5%	29,107,636	0.47
Swedish Government Bond 5.5% 10/8/12	20,425,466	0.33
United States Treasury 4.25% 09/30/2012	18,825,789	0.30
United States Treasury 2.375% 01/15/2017	17,888,415	0.29
Norwegian Government Bond 4.25% 05/19/2017	17,171,774	0.28
Danish Government Bond 4.0% 11/15/2017	16,542,064	0.27
Dutch Government Bond 4% 01/15/2037	16,540,590	0.27
United States Treasury 5% 05/15/2037	16,188,628	0.26
Brazilian Treasury Note 10% 01/01/17	13,130,623	0.21

Investment Section

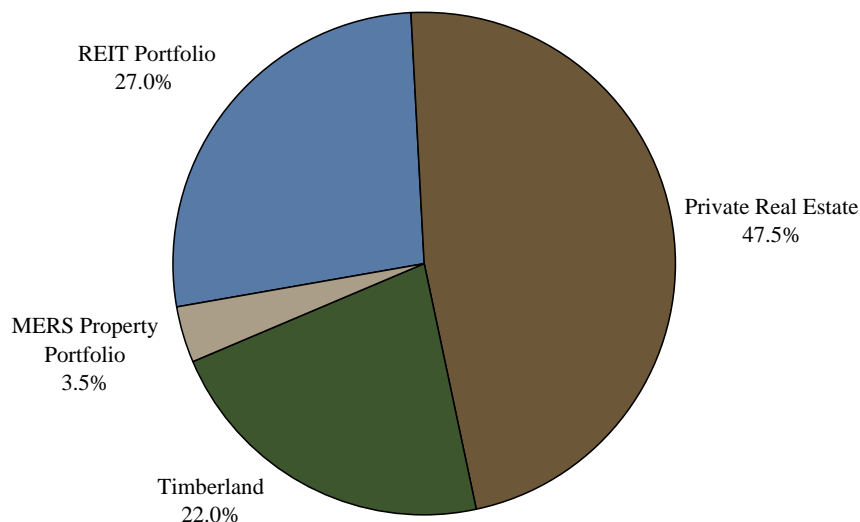
High Yield Bonds - The MERS Board adopted a new asset allocation structure in 2001 adding high yield bonds as a distinct asset class with a 5% allocation target within the portfolio. The portfolio seeks to invest in lower grade fixed income investments that provide higher returns than traditional core fixed income assets within the risk budget approved by the Board. The portfolio returned 7.67% versus its benchmark, the Merrill Lynch High Yield Master II Index, at 6.58%. High Yield Bonds contributed positively to the performance of the overall portfolio.

Real Estate Portfolio - MERS real estate investments represented 6.6% of the total portfolio at year-end. The portfolio has an overall target allocation of 3% to Private Real Estate, 2% Public Real Estate, and 2% to Timberland. The total portfolio returned 7.48% for the year against the blended benchmark at 9.92%. The benchmark consists of 42.86% of the NCREIF (National Council of Real Estate Investment Fiduciaries) Property Index, 28.57% of the NCREIF Timberland Index, and 28.57% of the EPRA (European Public Real Estate Association) NAREIT (North American Real Estate Investment Trust) Index. For the three and five year periods, the portfolio returned 15.12% and 15.74%, respectively.

Private Real Estate and Timberland had a combined return of 13.14% versus the NCREIF Property Index at 17.3% and the NCREIF Timberland Index at 15.3%. Private Real Estate is diversified by property type, geographic region, and risk category. There is a target split of 40% core and 60% non-core.

The return for the public securities portion of the portfolio was -5.68% versus the EPRA NAREIT Index at -6.94%. Public Real Estate is comprised of Real Estate Investment Trusts (REIT). The historically domestic portfolio transitioned to a global portfolio at the beginning of the year. This change resulted in significantly reduced losses as the global portfolio dramatically outperformed the domestic REIT market on a relative basis in 2007. The performance differential was due primarily to the credit crunch and its grip on the overall housing market.

Real Estate Investments



Private Equity - The MERS Board adopted a new asset allocation structure in 2005, adding private equity as a distinct asset class with an 8% allocation target. 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, Mesirov II and Mesirov VII. In 2002, MERS hired Credit Suisse's Customized Fund Investment Group to invest the remaining capital and to serve as the consultant over all future private equity investments. The portfolio is broadly diversified with investments in the U.S., Europe, and Asia. The portfolio has a value of \$561 million and has committed \$862.5 million in future investments. Additional commitments will be made on an on-going basis to ensure that the fund is fully invested at the target level established by the Board. In 2004, a co-investment fund was added to the program. This allowed MERS to take larger positions in individual companies in the pursuit of higher returns. Cash awaiting deployment is invested in short-term cash instruments, S&P 500 futures contracts, and a global macro total return fund.

Commodities - MERS added a dedicated commodities allocation of 2% in 2005. The portfolio seeks to take advantage of global growth and add further diversification from its low correlation to other asset classes. Also, it seeks to outperform the Goldman Sachs Commodities Index through the use of an enhanced swap and active management of the cash collateral pool.

Cash Management - All cash in the portfolio is actively managed within MERS. All residual cash is invested daily in commercial paper. In addition, MERS employs a dedicated cash portfolio with a target allocation of 1.5%. The portfolio is designed to maintain adequate liquidity for the total fund's use while earning maximum short-term returns with a reasonable degree of principal risk.

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

Investment Section

Investment Summary for Defined Benefit Plan as of December 31, 2007

Type of Investment	Market Value	Percent of Market Value
Domestic Fixed Income		
US Government Bonds	\$ 171,169,030	2.76%
Corporate Bonds	433,378,164	6.98
Bond Index Funds	363,169,349	5.85
Asset Backed	53,691,446	0.86
Municipals	15,447,579	0.25
Mortgages	118,125,656	1.90
US Agency Bonds	379,163,557	6.11
Sub Total Domestic Fixed Income	1,534,144,781	24.71
Global Fixed Income	372,768,617	6.00
Total Fixed Income	1,906,913,398	30.71
Equities		
Domestic Stock	1,578,492,360	25.42
Domestic Index Funds	469,711,556	5.76
Sub Total Domestic Equities	2,048,203,916	32.99
International Equities		
International Stock	829,103,270	13.35
International Index Funds	203,656,459	3.28
Sub Total International Equities	1,032,759,729	16.63
Total Equities	3,080,963,645	49.62
Venture Capital & Partnerships		
Hedge Funds	130,707,867	2.11
Private Equity	508,619,098	8.19
Total Venture Capital & Partnerships	639,326,965	10.30
Real Estate		
Private Securities	299,755,593	4.83
Public Securities Index Fund	111,370,697	1.79
Total Real Estate	411,126,290	6.62
Sub Total Investments	6,038,330,298	97.25
Cash Equivalents		
Commercial Paper	257,753,606	4.15
Short Term Investments/Cash	27,755,062	0.45
Total Cash Equivalents	285,508,668	4.60
Sub Total Investments & Cash		
Payables - Purchases of Investments	(146,851,175)	-2.36
Receivables - Sale of Investments & Interest	32,366,139	0.52
Total Investments	\$ 6,209,353,930	100.00%

Note: Includes receivables and payables for sales and purchases of securities with settlement dates after December 31, 2007

Schedule of Investment Fees - Year Ended December 31, 2007

Investment Managers	Average Assets Under Management	Annual Fee	Average Basis Points
Acadian Asset Management	\$ 237,853,881	\$ 1,041,825	43.80
Ariel Capital Management	123,688,571	489,221	39.55
Barclays Global Investors- AIE	267,548,292	3,362,454	125.68
Barclays Global Investors- EAFE	200,884,190	102,252	5.09
Barclays Global Investors- Core	407,551,446	269,677	6.62
Blackstone Real Estate	3,908,765	61,418	157.13
Credit Suisse Customized Infrastructure	51,615,507	576,882	111.77
Credit Suisse Private Equity Fund	426,807,796	4,779,451	111.98
C.S. McKee	45,528,574	131,881	28.97
Delaware Investment Advisors	245,744,916	618,617	25.17
Evergreen Investments	318,548,080	731,746	22.97
Johnson Investment Counsel	20,234,564	712	0.35
Kennedy Capital Management	267,968,994	882,477	32.93
LSV Asset Management	360,751,450	541,128	15.00
Mondrian International	328,481,637	765,327	23.30
Reams Asset Management	323,799,720	423,334	13.07
Stone Harbor	292,655,834	722,535	24.69
Trust Company of the West	NA	5,745	NA
Urdang Investment Management	120,768,955	537,294	44.49
Wasatch Advisors	137,078,286	1,186,538	86.56
Wellington Management	350,887,267	877,218	25.00
Wellington Management- Mid Cap	127,474,258	742,181	58.22
Western Asset Management	318,998,981	522,895	16.39
The Townsend Group	207,801,315	349,086	16.80
Total Investment Manager Fees	\$ 5,186,581,279	\$ 19,721,894	38.02

Investment Custodian

The Northern Trust Company	542,660
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Investment Performance Measurement Consultant

The Northern Trust Company	79,500
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Securities Lending Agent

The Northern Trust Company	840,312
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Total Investment Fees

\$ 21,184,366

Schedule of Investment Commissions

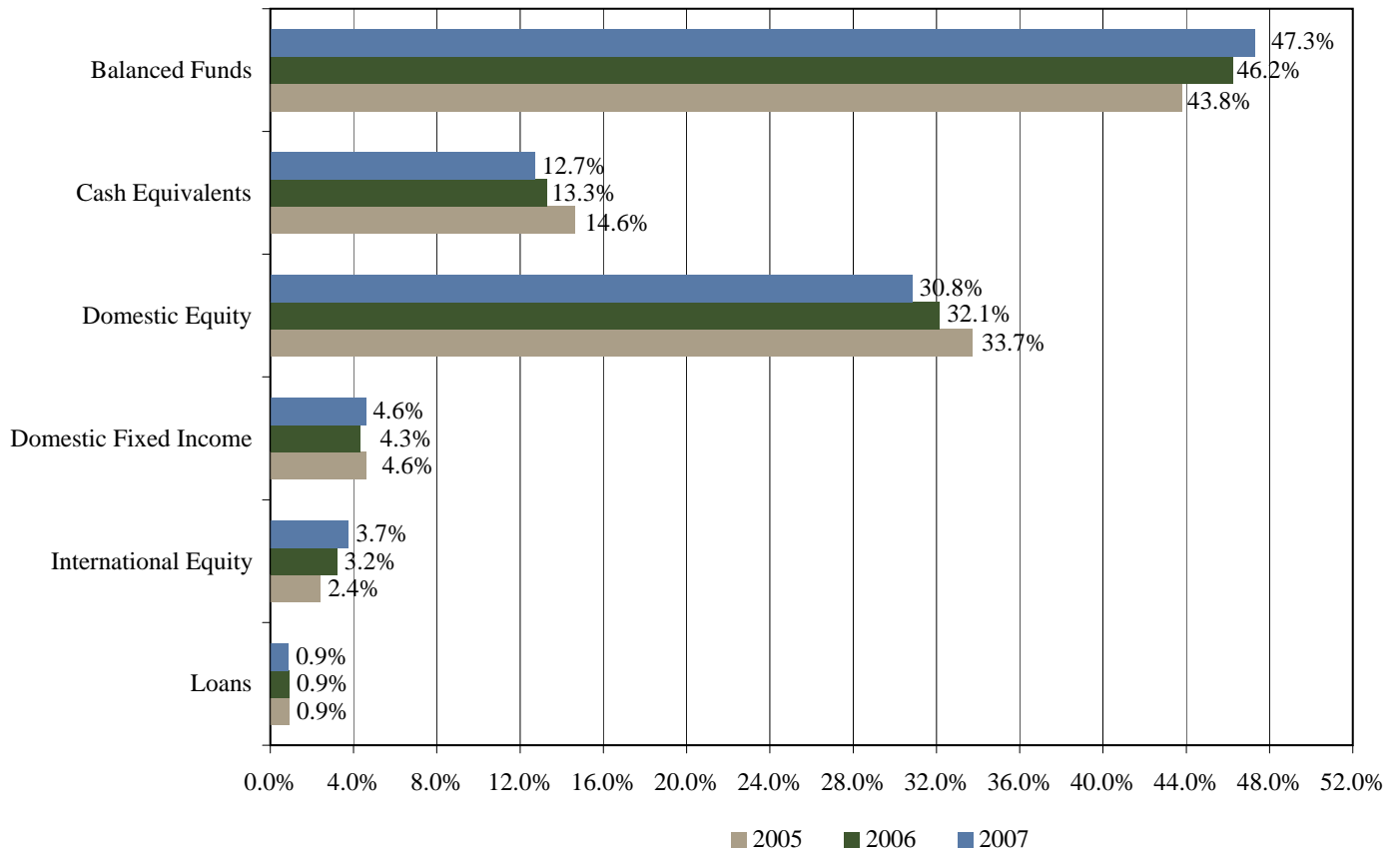
Brokerage Firm	Shares Traded	Total Dollars	Commission/Share
Instinet	15,281,541	\$ 182,106	\$ 0.01
Investment Technology Group Inc.	3,267,181	64,347	0.02
Goldman Sachs Money Market LP	3,247,694	58,509	0.02
Cantor Fitzgerald & Company	3,000,698	106,601	0.04
Credit Suisse First Boston Corporation	2,870,620	100,614	0.04
Direct Trading Institutional Inc.	2,779,403	30,485	0.01
Liquidnet Inc.	2,635,920	66,067	0.03
Citigroup Global Mkts Inc/Smith Barney	2,488,904	56,053	0.02
Knight Securities L.P.	2,426,956	70,687	0.03
Morgan Stanley & Co Inc. New York	2,073,073	50,212	0.02
Lehman Brothers Inc New York	2,058,063	75,051	0.04
UBS Warburg LLC	1,525,470	47,253	0.03
Banc America Security Montgomery Div.	1,477,271	52,922	0.04
Abel Noser Corporation	1,391,958	55,888	0.04
Merrill Professional Clearing Corp.	1,341,383	41,704	0.03
Lynch Jones & Ryan	1,175,283	44,577	0.04
PCS Dunbar Securities	1,097,746	37,475	0.03
GunnAllen Financial	1,057,200	36,654	0.03
Jefferies & Company	918,145	21,108	0.02
Bear Stearns 57080	912,192	35,896	0.04
Midwood Securities	848,642	41,051	0.05
J. P. Morgan Securities	809,611	37,740	0.05
Thomas Weisel Partners 227	629,087	24,445	0.04
Morgan Keegan & Company	601,382	25,335	0.04
CIBC World Markets Corp. New York	582,398	23,876	0.04
Subtotal (25 Largest)	56,497,821	1,386,656	0.02
Remaining Total	18,249,984	1,122,578	0.06
Total Commissions	74,747,805	\$ 2,509,234	\$ 0.03

B. MERS Defined Contribution Plan

Investment Activity

The MERS Defined Contribution plan became operative on July 8, 1997, under Section 401(a) of the Internal Revenue Code. This plan is available for adoption by all of MERS member municipalities. It is an alternative option to MERS Defined Benefit plan. As of December 31, 2007, the Defined Contribution plan had net assets of \$230.6 million and 7,443 members. Each member is responsible for directing the investment of his or her accumulated account balance. Members receive investment performance information from MERS third-party administrator, International City/County Management Association – Retirement Corporation (ICMA-RC). MERS allowed its Defined Contribution participants to invest in the Defined Benefit portfolio (Total Market Fund) beginning November of 2006. The Total Market Fund was added as a menu option under Balanced Funds.

Asset Allocation of Defined Contribution Plan



Investment Options

ICMA-RC offers the following investment options:

Plus Fund and Money Market – 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. The Cash Management Money Market offers a liquid position that seeks to maintain principal while earning a short-term yield.

Bond Funds – These funds offer investments into various bond types: Inflation Protected Securities Fund offers investment into Government Securities; PIMCO Total Return Fund and the Core Bond Index Fund offer diversified fixed income holdings; and the PIMCO High Yield fund offers lower grade but higher yielding fixed income positions.

Equity Funds – These actively managed funds invest in both domestic and international equities. Included in this category are the Aggressive Opportunities Fund, International Fund, Growth Fund, Growth and Income Fund, Equity Income Fund, Fidelity Diversified International Fund, American Century Value Fund, Lord Abbett Large Company Value Fund, Legg Mason Value Fund, Calvert Social Investment Fund, Fidelity ContraFund, Fidelity Magellan Fund, Goldman Sachs Mid Cap Value Fund, Third Avenue Value Fund, Rainier Small/Mid Cap Equity Fund, T. Rowe Price Small Cap Stock Fund, Royce Premier Fund, Fidelity Small Cap Retirement Fund, and the American Century Real Estate Investment Trust.

Equity Index Funds – These funds are comprised of the Overseas Equity Index Fund, Mid/Small Company Index Fund, Broad Market Index Fund, and the 500 Stock Index Fund.

Balanced Funds – These funds are comprised of managed allocation styles of Stocks, Bonds, Cash, and/or other Asset Classes, so that the fund manager decides when and to what proportion to move between them. Included in these are Fidelity Puritan Fund, the Asset Allocation Fund, and the MERS Total Market Fund.

Model Portfolio Funds – These five funds invest in actively managed funds, 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 the All-Equity Growth Fund, Long-Term Growth Fund, Traditional Growth Fund, Conservative Growth Fund, and Savings Oriented Fund.

Lifestyle Investing – Allows investors the opportunity to select one fully diversified fund that is designed to meet their individual time horizons and risk tolerance. This strategy can be accomplished through either the allocation of individual stocks, bonds and cash, or it can be done by combining existing mutual funds, creating a “fund of funds.” Once the asset mix is established, it will automatically be rebalanced at a predetermined future date based upon a presumed age.

C. MERS Hybrid Plan

This is a new Pension Plan Option for Members: it includes both a Defined Benefit and a Defined Contribution component. The Defined Benefit Component (Part I) is only employer funded, with benefit multipliers of 1.0%, 1.25%, and 1.5%. The Defined Contribution Component (Part II) is a combination of employer and employee contributions that are invested into the Mutual Funds selected by the individual participant.

ACTUARIAL SECTION

MICHIGAN ROCKS!



HEMATITE

Hematite is the major ore used to produce iron. It has a hexagonal structure and is usually black, silver-gray, brown or red. Although there are many forms of hematite, they all have a rust-red streak. Quality specimens of hematite can be found in the Champion Mine in Marquette County.

ACTUARY CERTIFICATION LETTER



Gabriel Roeder Smith & Company
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August 10, 2007

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 financial obligations of MERS to present and future retirees and beneficiaries.

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 29 years). The latest completed actuarial valuations were based upon population data, asset data, and plan provision data as of December 31, 2006. These valuations determine the contribution rates for the fiscal years beginning in 2008.

The actuarial valuations are based upon financial data, plan provision data, and participant data which are prepared by retirement system staff. The data is reviewed by us for internal and year-to-year consistency as well as general reasonableness, but is not otherwise audited by us. It is also summarized and tabulated for the purpose of analyzing trends.

Actuarial valuations are based on assumptions regarding future rates of investment return and inflation, rates of retirement, withdrawal, death, disability, and pay increase among MERS members and their beneficiaries. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions and methods utilized in this valuation comply with the requirements of Governmental Accounting Standards Board Statement No. 25. The demographic assumptions were adopted by the Retirement Board and were based upon actual experience of MERS during the years 1998 to 2003. The economic assumptions were adopted by the Board in 1998.

Assets are valued on a market related basis that fully recognizes expected investment return and averages unanticipated market return over a 10-year period.

Retirement Board
August 10, 2007
Page 2

Based on the actuarial valuations, MERS staff prepared and we reviewed the following supporting schedules in the Comprehensive Annual Financial Report:

Financial Section

- Schedule of Funding Progress
- Schedule of Employer Contributions (Annual Required Contribution)

Actuarial Section

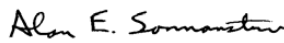
- Summary of Actuarial Assumptions and Methods
- Probabilities of Retirement
- Rates of Withdrawal (Excluding Death)
- Rates of Withdrawal Due to Disability
- Annual Percentage Increase in Salary
- Schedule of Active Member Valuation Data
- Mortality Tables
- Schedule of Retirees and Beneficiaries Added To and Removed From Rolls
- Solvency Test
- Summary of Plan Document Provisions

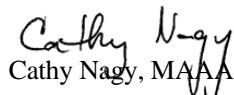
Statistical Section

- Schedule of Retired Members by Type of Benefit
- Schedule of Retired Members by Type of Option Selected
- Active Members Per Pension Recipient
- Benefits as Percent of Active Member Pay

To the best of our knowledge, the actuarial valuations are complete and accurate and are made in accordance with generally recognized actuarial methods, in compliance with Act No. 220 of the Public Acts of 1996, as amended, and the MERS plan document, as revised. All of the undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. **Based upon the valuation results, it is our opinion that the Municipal Employees' Retirement System of Michigan is meeting its basic financial objective and 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

AES/CN/WJK:lr

Gabriel Roeder Smith & Company

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

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 translated to an assumed real rate of return of 3.5% in excess of inflation. Adopted 1998.

Valuation assets (cash and investments) were valued for each municipality using a ten-year smoothed market value method. For the 2006 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 ten years. Adopted 2006.

The Actuarial Valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA). The Retirement Board adopted the assumptions used in the Actuarial Valuations after consulting with the actuary.

The mortality table used to project the mortality experience of plan members is a 50% male - 50% female blend of the 1994 Group Annuity Mortality Table. For disabled retirees, the ages in the regular mortality table have been adjusted forward by ten years to reflect the higher expected mortality rates of disabled members. Adopted 2005.

Sample probabilities of retirement with an age and service allowance are shown on page 67. Adopted 2000 and 2005.

Sample probabilities of separation from service before retirement due to disability or other causes are shown on page 69. Adopted 2000.

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 70. Adopted 1998 and 2005.

Total active member payroll is assumed to increase 4.5% plus a percentage based on an age-related scale to reflect merit, longevity and promotional increases. Sample rates are shown on page 70. Adopted 1998 and 2005.

An individual entry age actuarial cost method of valuation was used to determine actuarial accrued liabilities and normal cost. Adopted 1994. The standard amortization period for financing positive unfunded liabilities is 30 years, beginning with the 2005 valuation. This period is scheduled to be reduced by one year in each of the following five valuations. The period will be reestablished at 25 years for each subsequent valuation, beginning with the 2011 valuation. The standard amortization period for negative unfunded liabilities is 10 years, with the 10-year period reestablished each year. Adopted 2006.

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.

The most recent experience study for the Retirement System was completed in March 2005 and covered the period January 1, 1999, through December 31, 2003. All assumptions and method changes adopted in 2005 are based on the results of that study.

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.

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.

There have been no changes in the actuarial assumptions or methods that have had a material impact on the December 31, 2006 Actuarial Valuation results.

The Retirement System's administrative staff has furnished the data about persons now covered and present assets. Although examined for general reasonableness, the actuary has not audited the data.

Probabilities of Retirement for Members Eligible to Retire

Percent of Eligible Active Members Retiring Within the 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		15	14
57		10	16
58		15	18
59		20	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

Percent of Eligible Active Members Retiring Within the Next Year

Age		Age		Age	
40	22%	51	22%	61	24%
41	22	52	22	62	24
42	22	53	22	63	24
43	22	54	24	64	27
44	22	55	18	65	30
45	22	56	14	66	30
46	22	57	16	67	30
47	22	58	18	68	30
48	22	59	18	69	30
49	22	60	20	70	100
50	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

Retirement Ages	Percent of Eligible Active Members Retiring Within Next Year
50	2%
51	2
52	3
53	5
54	8
55	4
56	4
57	4
58	6
59	8

Rates of Withdrawal (Excluding Death or Disability) from Active Employment Before Retirement

Sample Ages	Years of Service	Percent of Active Members Withdrawing Within Next Year
	0	18%
	1	18
	2	16
	3	12
	4	10
20	5 and over	9
25		9
30		9
35		7
40		5
45		4
50		4
55		3
60		3
65		2
70		0

Rates of Withdrawal Due to Disability* Percent Becoming Disabled Within Next Year

Sample Ages	Percent of Active Members Becoming Disabled Within Next Year
20	0.02%
25	0.02
30	0.02
35	0.06
40	0.06
45	0.11
50	0.24
55	0.41
60	0.41
65	0.41

* 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

Sample Ages	Base Inflation	Merit and Longevity	Total Percentage Increase in Salary
20	4.50%	8.40%	12.90%
25	4.50	5.33	9.83
30	4.50	3.26	7.76
35	4.50	2.05	6.55
40	4.50	1.30	5.80
45	4.50	0.81	5.31
50	4.50	0.52	5.02
55	4.50	0.30	4.80
60	4.50	0.00	4.50

Schedule of Active Member Valuation Data

Valuation Dec 31	Participating Municipalities	Active Members	Active Members Annual Payroll	Annual Average Pay	Percent Increase in Average Pay	Persons on Deferred Status
1997	529	36,547	\$ 1,068,597,733	\$ 29,239	3.0%	3,752
1998	541	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
2002	575	37,043	1,327,360,448	35,833	3.1	5,510
2003	594	37,159	1,381,197,725	37,170	3.7	5,575
2004	615	36,766	1,437,211,517	39,091	5.2	5,804
2005	644	36,467	1,462,411,810	40,102	2.6	6,126
2006	668	36,846	1,545,886,480	41,955	4.6	6,235

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 a 50% male – 50% female blend of the 1994 Group Annuity Mortality Table. For disabled retirees, the ages in the regular mortality table is used with a 10-year set forward in ages 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:

Non-Disabled

Age	Expected Years of Life Remaining	Mortality Rates
20	61.55	0.04%
25	56.68	0.05
30	51.82	0.06
35	46.97	0.07
40	42.13	0.09
45	37.34	0.13
50	32.60	0.20
55	27.98	0.34
60	23.53	0.62
65	19.40	1.16
70	15.66	1.87
75	12.24	2.99
80	9.25	5.07

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

Disabled

Age	Expected Years of Life Remaining	Mortality Rates
20	51.82	0.06%
25	46.97	0.07
30	42.13	0.09
35	37.34	0.13
40	32.60	0.20
45	27.98	0.34
50	23.53	0.62
55	19.40	1.16
60	15.66	1.87
65	12.24	2.99
70	9.25	5.07
75	6.81	8.25
80	4.85	13.46

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

Valuation Dec 31	Added to Rolls		Removed From Rolls		End-of-Year Rolls	
	Retirees/ Beneficiaries Number	Annual Allowance	Retirees/ Beneficiaries Number	Annual Allowance	Retirees/ Beneficiaries Number	Annual Allowance
1997	1,504	\$ 16,305,680	531	\$ 3,033,941	14,236	\$ 123,112,929
1998	1,122	19,230,034	568	3,642,223	14,790	138,700,740
1999	1,312	19,663,240	777	5,592,269	15,325	152,771,711
2000	1,319	23,588,044	369	2,810,133	16,275	173,549,622
2001	1,238	22,971,336	608	4,735,312	16,905	191,785,646
2002	1,275	25,079,342	642	5,882,066	17,538	210,982,922
2003	1,577	31,229,077	672	5,623,367	18,443	236,588,632
2004	1,553	32,303,049	725	6,669,694	19,271	262,221,987
2005	1,666	32,839,907	782	7,000,257	20,155	288,061,637
2006	2,071	38,752,141	762	4,291,133	21,464	322,522,645

Valuation Dec 31	End-of-Year Rolls		% Increase in Annual Allowance	Average Annual Allowance
	Retirees/ Beneficiaries Number	Annual Allowance		
1997	14,236	\$ 123,112,929	12.1%	\$ 8,648
1998	14,790	138,700,740	12.7	9,378
1999	15,325	152,771,711	10.1	9,969
2000	16,275	173,549,622	13.6	10,664
2001	16,905	191,785,646	10.5	11,345
2002	17,538	210,982,922	10.0	12,030
2003	18,443	236,588,632	12.1	12,828
2004	19,271	262,221,987	10.8	13,607
2005	20,155	288,061,637	9.9	14,292
2006	21,464	322,522,645	12.0	15,026

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 obligation of the Retirement System and reflects the MERS policy of following the discipline of level percent payroll financing. The solvency of the system remains sound. The previous years market downturn has affected the funding level of the system somewhat; however, many municipalities have adopted richer benefits in recent years that have dampened the funding level of the system. The system as a whole remains on track for meeting its obligations.

Solvency Test (Dollars in Millions)

Valuation Date Dec 31	Aggregate Accrued Liabilities			Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets		
	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (Employer- Financed Portion)		(1)	(2)	(3)
1997	* \$ 277.5	\$ 1,174.7	\$ 1,833.0	\$ 2,692.7	100%	100%	67.7%
1998	291.9	1,316.2	1,983.9	3,030.4	100	100	71.7
1999	305.5	1,463.2	2,066.9	3,464.9	100	100	82.1
2000	318.4	1,744.6	2,334.0	3,787.2	100	100	73.9
2001	336.5	1,944.6	2,502.8	4,034.4	100	100	70.1
2002	359.2	2,159.1	2,662.8	4,133.0	100	100	60.6
2003	396.7	2,435.2	2,835.8	4,459.5	100	100	57.4
2004	422.5	2,696.6	3,045.7	4,732.2	100	100	53.0
2005	463.0	2,966.2	3,179.9	5,026.1	100	100	50.2
2006	518.0	3,314.5	3,355.2	5,493.8	100	100	49.5

* 1997 had revised economic assumptions.

SUMMARY OF PLAN DOCUMENT PROVISIONS

The benefits summarized in this section are intended only as general information regarding the Municipal Employees' Retirement System. They are not a substitute for Act No. 220 of the Public Acts of 1996 and the MERS Plan Document, as revised. If any conflict occurs between the information in this summary and Act No. 220 of the Public Acts of 1996 or the MERS Plan Document, as revised, the provision of Act No. 220 and the MERS Plan Document govern.

The December 31, 2006 Actuarial Valuation was based upon the provisions of the MERS Plan Document summarized below. This information is related to the MERS Defined Benefit plan.

Monthly retirement payments are made over the lifetime of the retiree 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.

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 of 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, 2006, 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, 2006, Actuarial Valuation.



FELDSPAR

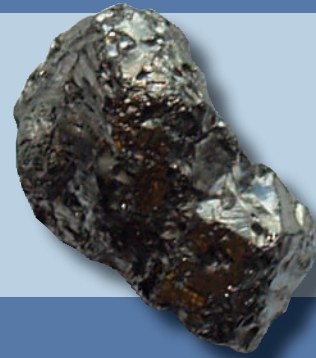
Feldspar is the name of a group of rock-forming minerals. They are composed of potassium, sodium, calcium and occasionally barium.

They appear as small glassy crystals or crystalline rocks.

Feldspar is one of the most abundant minerals; about 60 percent of the earth's outer crust is composed of it. Some noteworthy specimens come from glacial debris in Michigan near Randville in Dickinson County. It can also be found on northern Lake Michigan and southern Lake Superior.

STATISTICAL SECTION

MICHIGAN ROCKS!

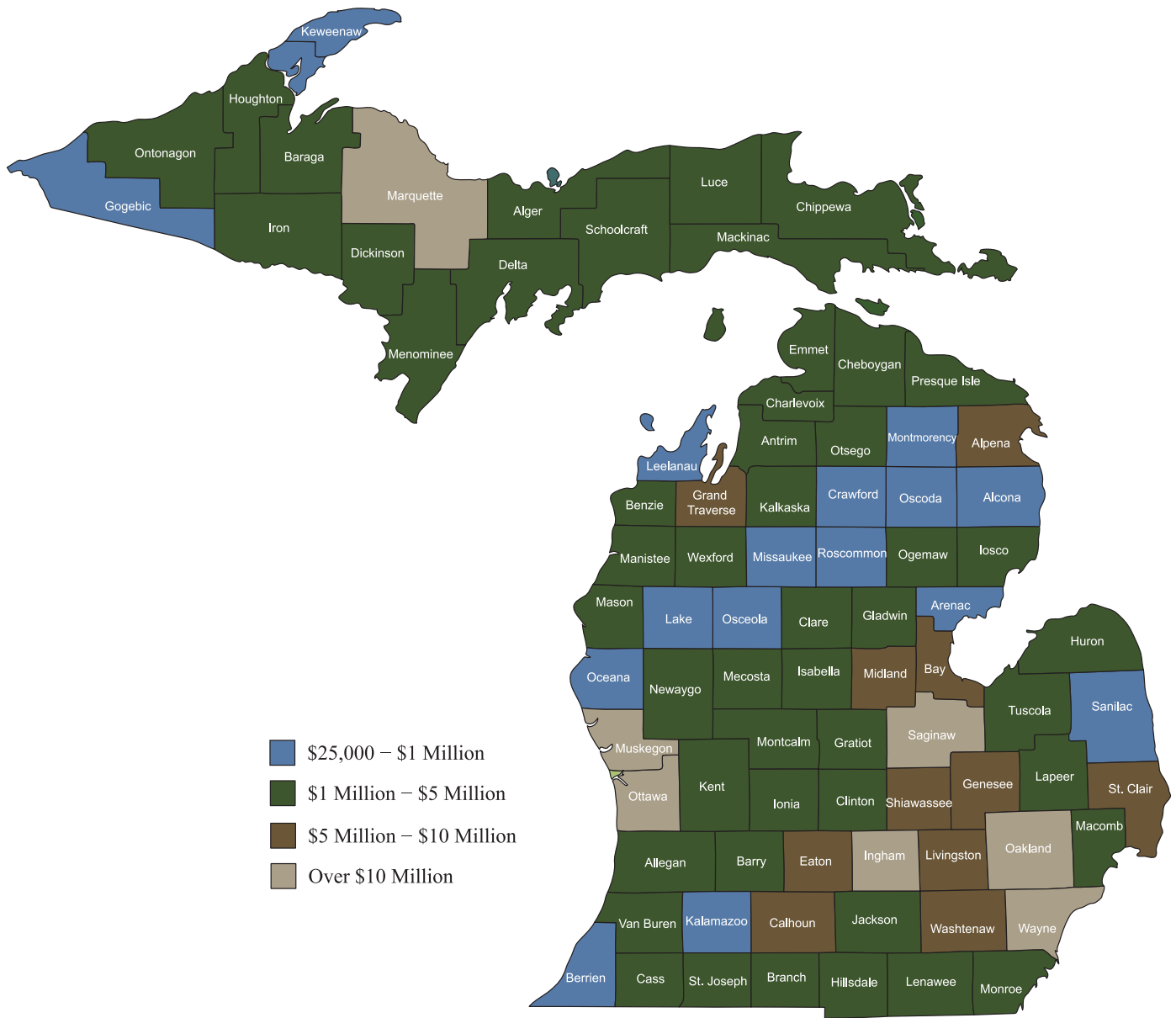


PYRITE

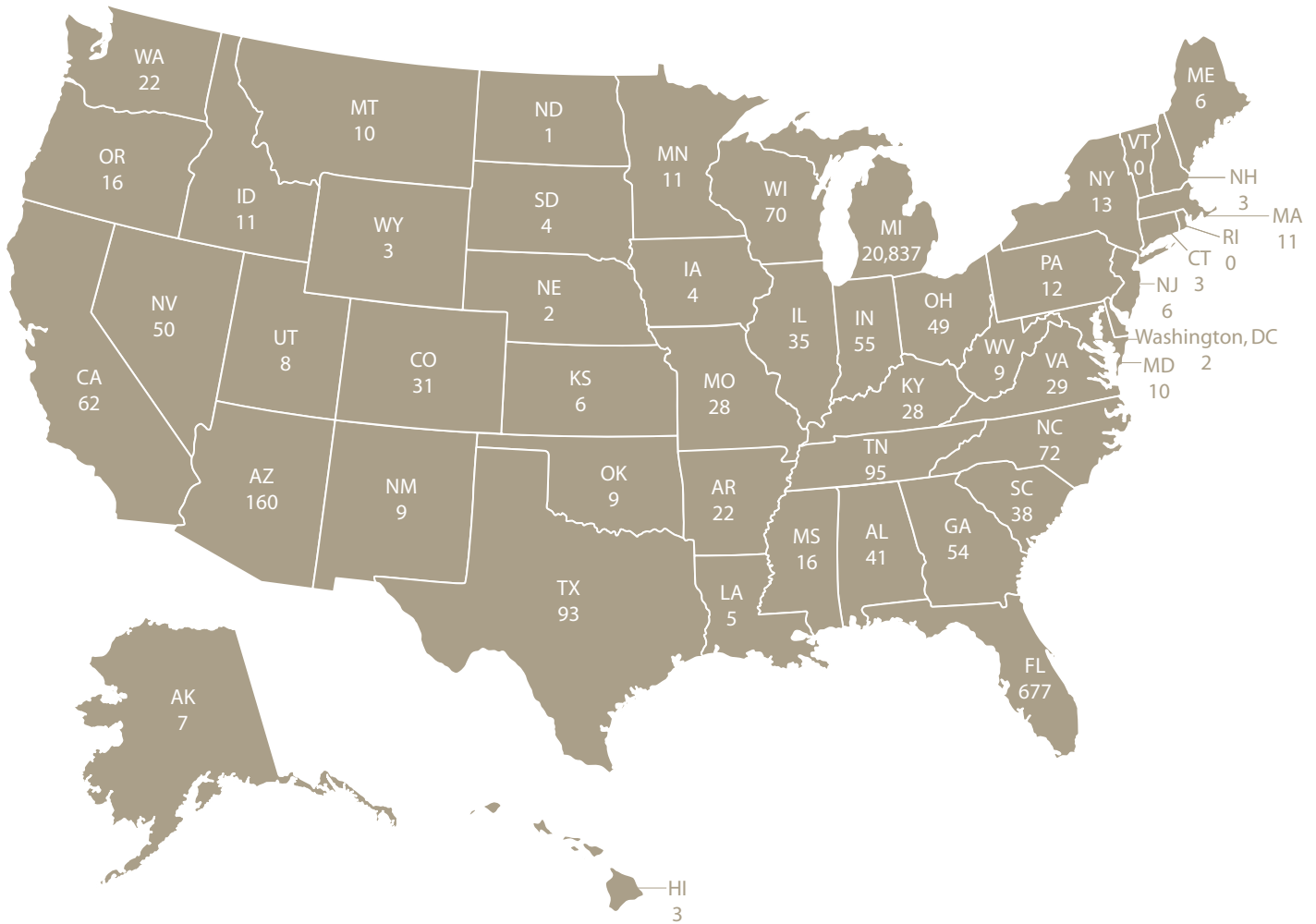
Pyrite is a mineral with a metallic pale yellow color. It is sometimes called "fool's gold" because it looks like gold. The name is derived from the Greek *purites*, meaning "of fire" or "in fire." Pyrite is commonly found in the Eastern and Central Upper Peninsula.

Retirees in Michigan

Of the 22,737 retirees and beneficiaries in the MERS system, 20,811 (92 percent) remain Michigan residents. Benefit payments approaching \$339 million this year are distributed throughout the state's communities and businesses, representing MERS impact on the state's economy.



Distribution of Benefit Recipients by Location



Recipients Outside United States

Nova Scotia, Canada	1
Ontario, Canada	6
Ireland	2
Israel	1

Schedule of Additions to Plan Net Assets – Defined Benefit Plan

(Thousands of Dollars)

Fiscal Year Ended	Member Contributions	Employer Contributions			Investment and Misc. Income	Total
		Dollars	% of Annual Covered Payroll			
Dec. 31, 1998	\$ 27,633	\$ 115,956	9.9%	\$ 416,705	\$ 560,294	
Dec. 31, 1999	27,977	132,557	11.2	562,567	723,101	
Dec. 31, 2000	30,823	131,881	9.5	(122,407)	40,297	
Dec. 31, 2001	32,164	121,940	10.1	(87,510)	66,594	
Dec. 31, 2002	39,625	127,802	11.6	(317,923)	(150,496)	
Dec. 31, 2003	62,422	161,029	11.7	800,189	1,023,640	
Dec. 31, 2004	55,409	167,943	11.4	587,519	810,871	
Dec. 31, 2005	71,325	207,124	13.3	299,780	578,229	
Dec. 31, 2006	84,124	286,227	17.7	634,950	1,005,301	
Dec. 31, 2007	61,772	320,203	19.2	456,281	838,256	

Statistical Section

Changes in Plan Net Assets – Last Ten Years Ended December 31, 2007

Year	1998	1999	2000	2001
Defined Benefit Plan				
Additions:				
Plan Member Contributions	\$ 27,632,698	\$ 27,977,055	\$ 30,823,197	\$ 32,163,587
Employer Contributions	115,955,693	132,556,567	131,880,680	121,939,889
Net Investment Gain (Loss)	416,174,409	561,188,970	(122,882,440)	(88,579,398)
Miscellaneous Income	530,350	1,378,150	475,066	1,070,240
Total Additions to Plan Net Assets	560,293,150	723,100,742	40,296,503	66,594,318
Deductions:				
Benefits	131,689,850	147,833,013	162,826,949	182,272,551
Plan Member Refunds	3,743,077	4,432,671	3,963,890	5,199,393
Employer Refunds	4,026,046	3,839,610	5,029,725	214,305
Administrative Expenses	4,871,240	5,484,487	6,488,045	5,756,722
Special Expenses & Fees	-	437,000	392,652	412,989
Plan Member Transfers to Defined Contribution	633,845	2,544,049	946,716	881,912
Employer Transfers to Defined Contribution	7,668,089	27,853,789	13,626,706	12,922,048
Total Deductions from Plan Net Assets	152,632,147	192,424,619	193,274,683	207,659,920
Net Increase (Decrease)	407,661,003	530,676,123	(152,978,180)	(141,065,602)
Net Assets Held in Trust				
Balance Beginning of Fiscal Period	3,003,527,525	3,411,188,528	3,941,864,651	3,788,886,471
Balance End of Fiscal Period	\$ 3,411,188,528	\$ 3,941,864,651	\$ 3,788,886,471	\$ 3,647,820,869
Defined Contribution Plan				
Additions:				
Plan Member Contributions	\$ 266,761	\$ 926,598	\$ 1,653,367	\$ 2,551,143
Employer Contributions	1,413,483	3,009,387	5,686,133	8,794,329
Plan Member Transfers from Defined Benefit	633,845	2,544,049	946,716	881,912
Employer Transfers from Defined Benefit	7,668,089	27,853,789	13,626,706	12,922,048
Transfers from Other Plans	2,405,641	437,422	3,776,905	826,992
Defined Contribution Income	612,726	4,922,822	(2,253,865)	(4,154,015)
Total Additions to Plan Net Assets	13,000,545	39,694,067	23,435,962	21,822,409
Deductions:				
Benefits	149,580	3,467,245	5,403,617	5,625,222
Total Deductions from Plan Net Assets	149,580	3,467,245	5,403,617	5,625,222
Net Increase (Decrease)	12,850,965	36,226,822	18,032,345	16,197,187
Net Assets Held in Trust				
Balance Beginning of Fiscal Period	-	12,850,965	49,077,787	67,110,132
Balance End of Fiscal Period	\$ 12,850,965	\$ 49,077,787	\$ 67,110,132	\$ 83,307,319

continued

	2002	2003	2004	2005	2006	2007
\$	39,625,328	\$ 62,421,750	\$ 55,408,705	\$ 71,324,903	\$ 84,124,396	\$ 61,771,740
	127,802,230	161,028,643	167,942,936	207,123,552	286,227,456	320,203,718
	(319,009,400)	799,367,113	586,700,343	293,760,014	634,158,937	455,213,391
	1,085,887	822,347	819,466	6,020,448	790,789	1,067,367
	(150,495,955)	1,023,639,853	810,871,450	578,228,917	1,005,301,578	838,256,216
	200,793,802	221,137,612	247,454,263	274,146,709	304,172,625	339,456,920
	3,366,464	3,542,264	3,525,082	4,157,567	4,711,038	5,057,942
	-	-	1,727,570	-	-	1,230,274
	7,002,946	8,049,500	9,957,057	11,557,044	12,540,010	13,903,553
	366,273	378,334	387,031	398,690	526,047	587,685
	53,056	106,727	1,284	964	104,407	685,478
	438,040	3,732,569	320,682	21,609	646,754	1,040,071
	212,020,581	236,947,006	263,372,969	290,282,583	322,700,881	361,961,923
	(362,516,536)	786,692,847	547,498,481	287,946,334	682,600,697	476,294,293
	3,647,820,869	3,285,304,333	4,071,997,180	4,619,495,661	4,907,441,995	5,590,042,692
\$	3,285,304,333	\$ 4,071,997,180	\$ 4,619,495,661	\$ 4,907,441,995	\$ 5,590,042,692	\$ 6,066,336,985
\$	3,509,260	\$ 3,842,038	\$ 4,301,952	\$ 4,732,864	\$ 5,527,984	\$ 6,309,939
	10,241,672	11,358,936	12,664,264	14,244,769	15,911,238	17,590,799
	53,056	106,727	1,284	964	104,407	685,478
	438,040	3,732,569	320,682	21,609	646,754	1,040,071
	3,557,813	199,702	5,356,930	2,084,281	8,207,389	1,184,321
	(10,798,653)	17,570,152	10,410,317	8,427,281	19,195,848	13,411,117
	7,001,188	36,810,124	33,055,429	29,511,768	49,593,620	40,221,725
	5,547,637	4,089,817	6,453,035	9,482,481	10,591,376	12,764,282
	5,547,637	4,089,817	6,453,035	9,482,481	10,591,376	12,764,282
	1,453,551	32,720,307	26,602,394	20,029,287	39,002,244	27,457,443
	83,307,319	84,760,870	117,481,177	144,083,571	164,112,858	203,115,105
\$	84,760,870	\$ 117,481,177	\$ 144,083,571	\$ 164,112,858	\$ 203,115,102	\$ 230,572,548

Statistical Section

Changes in Plan Net Assets – Last Ten Years Ended December 31, 2007

Year	1998	1999	2000	2001
Health Care Savings Plan*				
Additions:				
Plan member Contributions	\$ -	\$ -	\$ -	\$ -
Employer Contributions	-	-	-	-
Net Investment Gain (Loss)	-	-	-	-
Miscellaneous Income	-	-	-	-
Total Additions to Plan Net Assets	-	-	-	-
Deductions:				
Special Expenses & Fees	-	-	-	-
Medical Disbursements Paid to Members	-	-	-	-
Forfeited Employer Contributions	-	-	-	-
Administrative Expenses	-	-	-	-
Total Deductions from Plan Net Assets	-	-	-	-
Net increase (Decrease)	-	-	-	-
Net Assets Held in Trust				
Balance Beginning of Fiscal Period	-	-	-	-
Balance End of Fiscal Period	\$ -	\$ -	\$ -	\$ -
Retiree Health Funding Vehicle*				
Additions:				
Employer Contributions	\$ -	\$ -	\$ -	\$ -
Net Investment Gain (Loss)	-	-	-	-
Miscellaneous Income	-	-	-	-
Total Additions to Plan Net Assets	-	-	-	-
Deductions:				
Special Expenses & Fees	-	-	-	-
Disbursements Paid to Municipalities	-	-	-	-
Administrative Expenses	-	-	-	-
Total Deductions from Plan Net Assets	-	-	-	-
Net Increase (Decrease)	-	-	-	-
Net Assets Held in Trust				
Balance Beginning of Fiscal Period	-	-	-	-
Balance End of Fiscal Period	\$ -	\$ -	\$ -	\$ -
Investment Services Program**				
Additions:				
Employer Contributions	\$ -	\$ -	\$ -	\$ -
Net Investment Gain (Loss)	-	-	-	-
Total Additions to Plan Net Assets	-	-	-	-
Deductions:				
Special Expenses and Fees	-	-	-	-
Administrative Expenses	-	-	-	-
Total Deductions from Plan Net Assets	-	-	-	-
Net Increase (Decrease)	-	-	-	-
Net Assets Held in Trust				
Balance Beginning of Fiscal Period	-	-	-	-
Balance End of Fiscal Period	\$ -	\$ -	\$ -	\$ -

* Health Care Savings Plan and Retiree Health Funding Vehicle commenced operations in 2004.

**Investment Services Program commenced operations in 2006.

	2003	2004	2005	2006	2007	
	- \$	- \$	88,884 \$	14,995 \$	- \$	-
	-	-	1,300,103	2,856,908	2,301,297	2,927,102
	-	-	128,680	165,081	752,559	719,462
	-	-	7,329	8,078	91,818	96,313
	-	-	1,524,996	3,045,062	3,145,674	3,742,877
	-	-	-	-	59,046	89,102
	-	-	11,484	51,832	144,699	328,172
	-	-	-	-	44,723	29,295
	-	-	181,438	250,436	197,200	243,953
	-	-	192,922	302,268	445,668	690,522
	-	-	1,332,074	2,742,794	2,700,006	3,052,355
	-	-	-	1,323,119	4,065,913	6,765,919
	- \$	- \$	1,332,074 \$	4,065,913 \$	6,765,919 \$	9,818,274
	- \$	- \$	1,312,526 \$	11,947,714 \$	29,366,165 \$	67,013,503
	-	-	108,716	448,190	4,359,685	6,144,495
	-	-	-	-	103,298	341,804
	-	-	1,421,242	12,395,904	33,829,148	73,499,802
	-	-	-	225	89,055	332,016
	-	-	-	95,470	1,109,386	5,827,116
	-	-	2,590	25,925	136,376	185,108
	-	-	2,590	121,620	1,334,817	6,344,240
	-	-	1,418,652	12,274,284	32,494,331	67,155,562
	-	-	-	1,418,652	13,692,936	46,187,267
	- \$	- \$	1,418,652 \$	13,692,936 \$	46,187,267 \$	113,342,829
	- \$	- \$	- \$	- \$	15,527,136 \$	26,680,199
	-	-	-	-	726,136	2,177,009
	-	-	-	-	16,253,272	28,857,208
	-	-	-	-	16,895	162,814
	-	-	-	-	-	75,508
	-	-	-	-	16,895	238,322
	-	-	-	-	16,236,376	28,618,886
	-	-	-	-	-	16,236,376
	- \$	- \$	- \$	- \$	16,236,376 \$	44,855,262

Schedule of Deductions from Plan Net Assets – Defined Benefit Plan

(Thousands of Dollars)

Fiscal Year Ended	Benefit Payments	Administrative and Special Expenses	Employer & Employee Refunds	Transfers to MERS DC Program	Total
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
Dec. 31, 2003	221,137	8,428	3,542	3,840	236,947
Dec. 31, 2004*	247,454	10,344	5,253	322	263,373
Dec. 31, 2005	274,147	11,956	4,157	23	290,283
Dec. 31, 2006	304,173	13,066	4,711	751	322,701
Dec. 31, 2007**	339,457	14,491	6,288	1,726	361,962

* Refunds for 2004 includes \$1,727,570 in employer refunds.

** Refunds for 2007 includes \$1,040,171 in employer refunds.

Schedule of Benefit Expenses by Type – Defined Benefit Plan

(Thousands of Dollars)

Fiscal Year Ended	Regular Benefits	Disability Benefits	Employee Refunds	Total
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
Dec. 31, 2003	212,612	8,526	3,542	224,680
Dec. 31, 2004	237,916	9,538	3,525	250,979
Dec. 31, 2005	263,839	10,308	4,158	278,305
Dec. 31, 2006	293,138	11,035	4,711	308,884
Dec. 31, 2007	326,666	12,791	5,058	344,515

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

Schedule of Retired Members by Type of Benefit – Defined Benefit Plan

December 31, 2006
Tabulated by Optional Form of Benefit Being Paid

Monthly Benefit	All Retired Members	Type of Annuity					
		1	2	3	4	5	6
\$ 0-199	1,769	1,131	38	25	479	95	1
200-399	3,059	2,056	109	59	676	146	13
400-599	2,704	1,856	147	52	526	109	14
600-799	2,127	1,560	111	37	322	87	10
800-999	1,788	1,369	98	44	200	70	7
1,000-1,199	1,502	1,184	88	21	155	49	5
1,200-1,399	1,221	977	69	20	128	25	2
1,400-1,599	1,090	931	35	13	87	23	1
1,600-1,799	907	786	32	14	55	18	2
1,800-1,999	847	764	16	5	47	13	2
2,000 & over	4,450	4,239	55	17	95	41	3
Totals	21,464	16,853	798	307	2,770	676	60
Total Monthly Benefit	\$ 26,876,887	\$ 23,493,174	\$ 733,748	\$ 256,437	\$ 1,823,138	\$ 520,748	\$ 49,642

Type of Annuity

1. Normal Retirement for age and service
2. Non-Duty Disability*
3. Duty Disability*
4. Beneficiaries
5. Non-Duty Death
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, 2006

Tabulated by Optional Form of Benefit Being Paid

Monthly Benefit	All Retired Members	Form of Annuity			
		1	2	3	4
\$ 0 - 199	1,769	566	13	0	233
200 - 399	3,059	859	18	1	375
400 - 599	2,704	762	57	1	341
600 - 799	2,127	601	39	0	297
800 - 999	1,788	457	45	0	305
1,000 - 1,199	1,502	465	70	5	254
1,200 - 1,399	1,221	379	56	1	226
1,400 - 1,599	1,090	345	47	0	244
1,600 - 1,799	907	298	63	3	179
1,800 - 1,999	847	261	58	0	181
2,000 & over	4,450	1,348	479	5	1,052
Totals	21,464	6,341	945	16	3,687
Total Monthly Benefit	\$ 26,876,887	\$ 8,052,699	\$ 2,041,311	\$ 25,278	\$ 5,597,264

Type of Annuity

1. Beneficiary draws 100% of retirees' benefit
2. Beneficiary draws 75% of retirees' benefit
3. Beneficiary draws 60% of retirees' benefit
4. Beneficiary draws 50% of retirees' benefit
5. Equated option (changing at Social Security age)
6. 5 year certain and life
7. 10 year certain and life
8. 15 year certain and life
9. 20 year certain and life
10. Straight life allowance

Form of Annuity

5	6	7	8	9	10
59	15	10	12	13	848
95	20	32	18	22	1,619
62	28	26	14	30	1,383
45	32	36	10	22	1,045
23	38	37	9	17	857
20	18	29	9	13	619
10	12	11	4	13	509
6	14	14	6	7	407
9	10	10	3	10	322
7	7	8	2	5	318
34	39	52	25	42	1,374
370	233	265	112	194	9,301
\$ 290,992	\$ 282,872	\$ 330,100	\$ 138,767	\$ 239,523	\$ 9,878,081

Schedule of Average Benefit Payments – Defined Benefit Plan

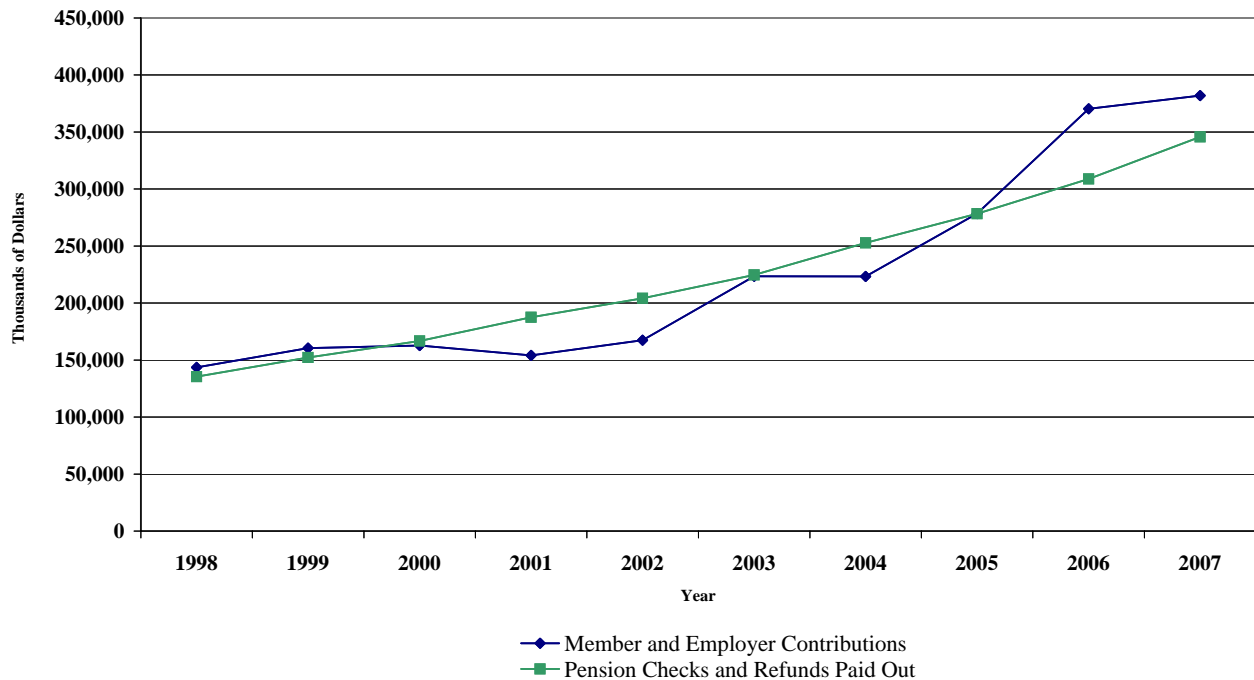
Valuation Date December 31	Number of Retirees and Beneficiaries	Average Yearly Benefit
1997	14,192	\$ 8,770
1998	14,790	9,378
1999	15,325	9,975
2000	16,275	10,664
2001	16,905	11,345
2002	17,538	12,030
2003	18,443	12,828
2004	19,271	13,607
2005	20,155	14,292
2006	21,464	15,026

Defined Contribution Plan Participants and Total MERS Participants

	Number of Participants Total	Defined Benefit	% of Total	Defined Contribution	% of Total
December 31, 1998	52,778	51,961	98.5%	817	1.5%
December 31, 1999	58,275	56,591	97.1	1,684	2.9
December 31, 2000	61,595	58,151	94.4	3,444	5.6
December 31, 2001	63,714	59,287	93.1	4,427	6.9
December 31, 2002	64,086	59,343	92.6	4,743	7.4
December 31, 2003	65,756	60,569	92.1	5,187	7.9
December 31, 2004	67,100	61,841	91.4	5,299	8.6
December 31, 2005	70,787	62,748	89.6	6,167	8.8
December 31, 2006	71,572	64,545	90.2	7,027	9.8
December 31, 2007	73,879	66,436	89.9	7,443	10.1

Although Defined Contribution plan 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 plan benefits for future new employees. Existing Defined Benefit plan active members in those divisions were offered the choice of plans. The table above shows recent trends in Defined Contribution plan participation and overall MERS participants.

Comparisons of Member and Employer Contributions vs. Pension Checks and Refunds Paid Out for the Defined Benefit Plan



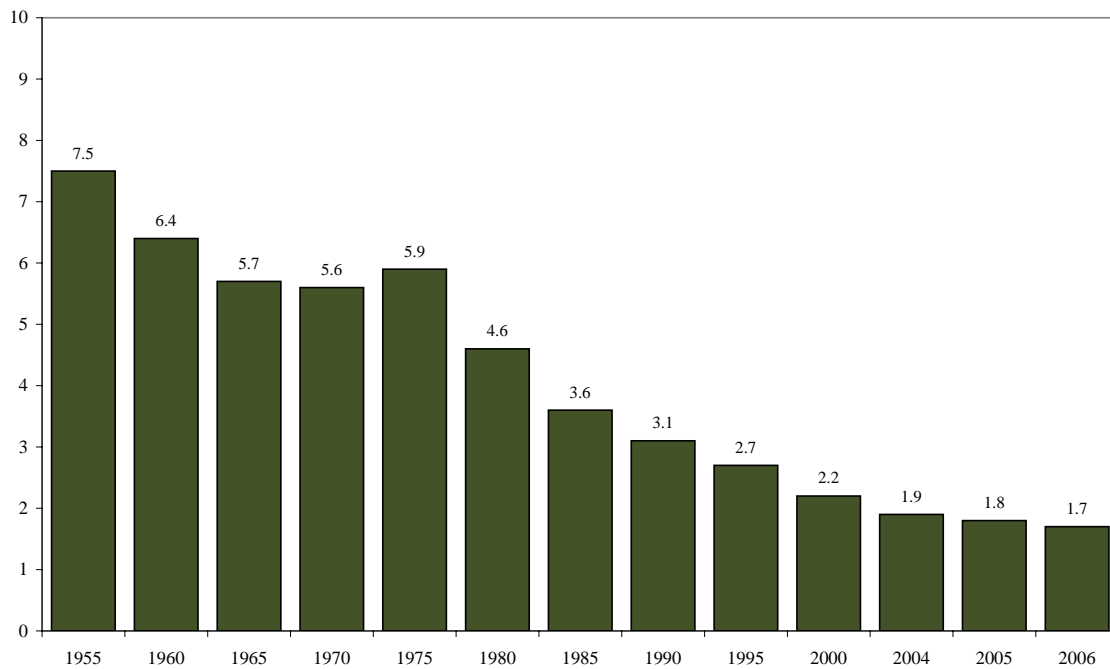
The graph above shows the maturation of MERS for the Defined Benefit plan. In past years, an aging population and an increase in employees retiring has resulted in more pension funds paid out than MERS received in employee/employer contributions. This is considered normal cycling for a mature retirement system. In 2007, however, MERS received \$381,975,458 from employer/employee contributions, which surpassed the distributions paid out totaling \$345,745,136 (\$339,456,920 in pension payments and \$6,288,216 in employee refunds) due to \$52,368,457 of the contributions coming from new municipalities.

Schedule of Changes in Reserves for the Fiscal Year Ended December 31, 2007

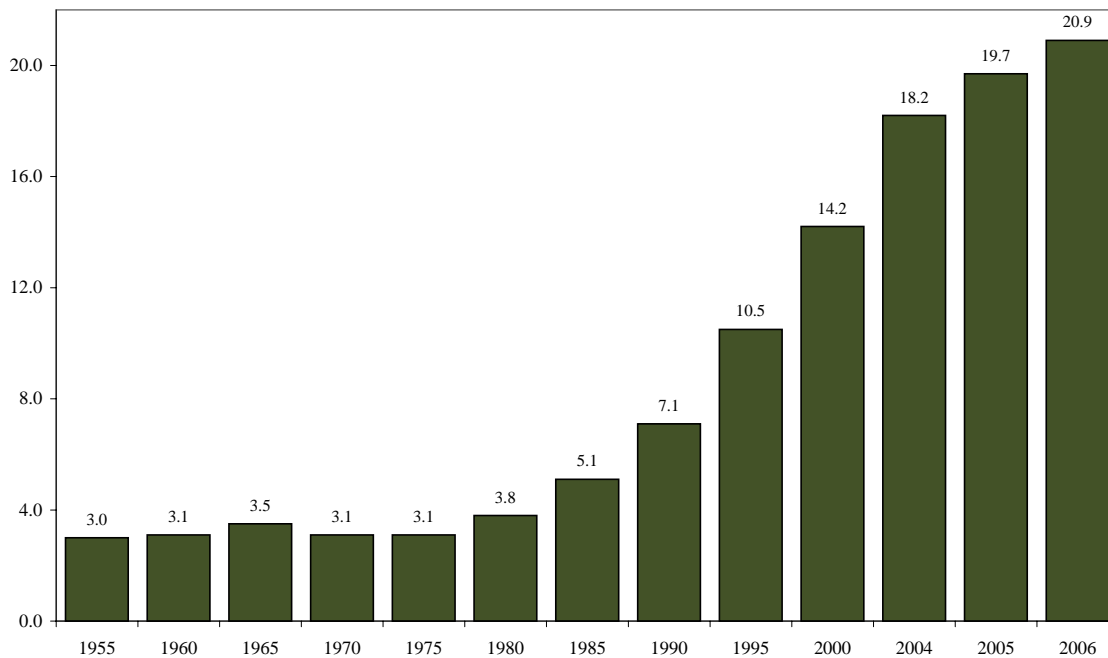
	Reserve for Employee Contributions	Reserve for Employer Contributions and Benefit Payments	Reserve for Expenses and Undistributed Investment Income	Total Reserve for Defined Benefit Plan
Additions				
Member Contributions				
Regular	\$ 56,164,013			\$ 56,164,013
Purchase of Service Credit	5,607,727			5,607,727
Employer Contributions				
Regular		\$ 319,786,540		319,786,540
Purchase of Service Credit		417,178		417,178
Net Investment Income			\$ 455,213,391	455,213,391
Miscellaneous Income			1,067,367	1,067,367
Transfers from Defined Benefit Plan				
Transfers from Other Plans				
Total Additions	61,771,740	320,203,718	456,280,758	838,256,216
Deductions				
Retirement Benefits		339,456,920		339,456,920
Medical Disbursements Paid to Members				
Disbursements Paid to Municipalities				
Forfeited Employer Contributions				
Refund of Contributions	5,057,942	1,230,274		6,288,216
Administrative Expense			13,903,553	13,903,553
Special Expenses and Fees		587,685		587,685
Transfers to DC Plan	685,478	1,040,071		1,725,549
Total Deductions	5,743,420	342,314,950	13,903,553	361,961,923
Net Increase (Decrease)	56,028,320	(22,111,232)	442,377,205	476,294,293
Other Changes in Reserves				
Investment Income Allocations	15,864,768	426,512,437	(442,377,205)	
Retirement and Unclaimed Transfers	(19,250,917)	19,250,917		
Total Other Changes in Reserves	(3,386,149)	445,763,354	(442,377,205)	-
Net Increase in Reserves After Other Changes	52,642,171	423,652,122		476,294,293
Reserve Balance Beginning of Year	532,327,092	5,057,715,600		5,590,042,692
Reserve Balance End of Year	\$ 584,969,263	\$ 5,481,367,722	\$ -	\$ 6,066,336,985

Reserve for Defined Contribution Plan	Reserve for Health Care Savings Program	Reserve for Retiree Health Funding Vehicle	Reserve for Investment Services Program	Total Reserve for Pension Trust Funds
\$ 6,309,939				\$ 62,473,952 5,607,727
17,590,799	\$ 2,927,102	\$ 67,013,503	\$ 26,680,199	433,998,143 417,178
13,411,117	719,462 96,313	6,144,495 341,804	2,177,009	477,665,474 1,505,484
1,725,549 1,184,321				1,725,549 1,184,321
40,221,725	3,742,877	73,499,802	28,857,208	984,577,828
12,764,282				352,221,202 328,172
	328,172			5,827,116 29,295
	29,295	5,827,116		6,288,216 14,992,054
	333,055	517,124	238,322	587,685 1,725,549
12,764,282	690,522	6,344,240	238,322	381,999,289
27,457,443	3,052,355	67,155,562	28,618,886	602,578,539
				-
				-
				-
27,457,443	3,052,355	67,155,562	28,618,886	602,578,539
203,115,105	6,765,919	46,187,267	16,236,376	5,862,347,359
\$ 230,572,548	\$ 9,818,274	\$ 113,342,829	\$ 44,855,262	\$ 6,464,925,898

Active Members Per Pension Recipients



Benefits as Percent of Active Member Pay



Charts 1 and 2 illustrate how MERS has matured over the years. Over time, the number of active members per retiree has declined from 7.5 to 1.7. The benefit payout as a percentage of active member payrolls has increased to over 20%.

Schedule of Participating Municipalities – Defined Benefit Plan for the Year Ended December 31, 2007

Defined Benefit Plan For The Year Ended December 31, 2007

Name	Balance Reserve for Employee Contributions	Balance Reserve for Employer Contributions	Total Reserves
Addison Fire Department	\$ -	\$ 63,515	\$ 63,515
Adrian, City of	4,693,649	36,267,076	40,960,725
Aitkin Memorial Library	2,020	47,296	49,316
Albion, City of	262,761	15,630,261	15,893,022
Alcona County	239,818	6,795,206	7,035,024
Alger County	133,814	5,999,915	6,133,729
Alger County Road Commission	871,395	5,999,361	6,870,756
Algonac, City of	828,222	2,738,672	3,566,894
Allegan County	2,774,489	35,654,240	38,428,729
Allegan County Road Commission	2,495,369	12,642,035	15,137,404
Allegan, City of	4,674	2,081,020	2,085,694
Alma, City of	2,646,255	14,685,184	17,331,439
Almont, Village of	247,215	990,236	1,237,451
Alpena County	335,806	11,084,270	11,420,076
Alpena County Road Commission	190,731	8,322,127	8,512,858
Alpena General Hospital	4,054,646	104,326,563	108,381,209
Alpena Senior Citizens Center	-	310,275	310,275
Alpha, Village of	-	34,346	34,346
Antrim County	966,325	20,712,064	21,678,389
Antrim County Road Commission	97,976	6,635,682	6,733,658
Arenac County	458,217	5,802,289	6,260,506
Arenac County Road Commission	24,943	2,860,762	2,885,705
Ash Township	44,350	189,026	233,376
Au Gres, City of	-	1,219,995	1,219,995
Auburn, City of	275,333	1,133,976	1,409,309
Bad Axe Area District Library	9,048	5,992	15,040
Bad Axe, City of	412,197	2,727,503	3,139,700
Bancroft, Village of	-	40,344	40,344
Bangor, City of	158,829	1,973,838	2,132,667
Baraga County	3,449	3,804,337	3,807,786
Baraga County Memorial Hospital	229,864	10,120,849	10,350,713
Baraga County Road Commission	3,935	4,362,083	4,366,018
Baraga, Village of	-	1,611,383	1,611,383
Baroda Township	28,122	45,293	73,415
Barry County	1,856,044	27,914,301	29,770,345
Barry County Community Mental Health Authority	173,757	2,237,198	2,410,955
Barry-Eaton District Health Department	1,099,298	9,498,643	10,597,941
Barton Hills, Village of	-	509,280	509,280
Bates Township	-	145,608	145,608
Bath Charter Township	578,929	2,158,602	2,737,531
Battle Creek, City of	7,011,638	77,650,107	84,661,745
Bay Area Transportation Authority	1,082,828	361,020	1,443,848
Bay City Housing Commission	192,087	4,601,822	4,793,909
Bay City, City of	2,161,545	39,752,896	41,914,441
Bay Metro Transit Authority	335,664	4,470,804	4,806,468
Bayliss Public Library	93,634	1,128,678	1,222,312
Beecher Metropolitan District Sewage & Water System	349,252	4,071,579	4,420,831
Belding, City of	183,427	621,009	804,436
Belleville, City of	195,528	3,404,283	3,599,811
Benzie County	195,762	7,167,687	7,363,449

Schedule of Participating Municipalities – Defined Benefit Plan for the Year Ended December 31, 2007

Name	Balance Reserve for Employee Contributions	Balance Reserve for Employer Contributions	Total Reserves
Benzie County Council on Aging	-	437,411	437,411
Benzie County Medical Care Facility (Maples)	371,946	4,954,681	5,326,627
Benzie County Road Commission	254,425	2,891,798	3,146,223
Benzie Shores District Library	16,428	114,337	130,765
Benzie-Leelanau District Health Department	-	374,789	374,789
Berkley, City of	1,252,012	14,359,989	15,612,001
Berrien Springs, Village of	87,187	2,537,776	2,624,963
Bessemer, City of	224,545	1,674,384	1,898,929
Beverly Hills, Village of	36,427	2,617,056	2,653,483
Big Rapids Housing Commission	59,833	736,414	796,247
Big Rapids, City of	509,232	8,041,402	8,550,634
Bingham Farms, Village of	-	83,154	83,154
Birch Run, Village of	235,018	318,985	554,003
Bishop International Airport Authority	698,682	2,952,157	3,650,839
Blackman Charter Township	1,248,036	1,976,435	3,224,471
Blissfield, Village of	334,387	2,064,214	2,398,601
Bloomfield Hills, City of	1,081,987	14,750,468	15,832,455
Blue Water Transportation Commission	43,172	2,680,625	2,723,797
Boyer City, City of	1,081,167	5,662,924	6,744,091
Branch County	176,397	598,417	774,814
Branch-Hillsdale-St.Joseph District Health Department	1,096,543	9,026,537	10,123,080
Brandon Township	2,023,327	1,662,902	3,686,229
Breckenridge, Village of	157,599	1,407,989	1,565,588
Bridgeport Charter Township	270,822	4,507,252	4,778,074
Bridgman, City of	329,412	198,771	528,183
Brighton Area Fire Authority	-	328,378	328,378
Brighton Township	285,765	1,046,129	1,331,894
Brighton, City of	344,554	7,970,021	8,314,575
Britton, Village of	70,607	195,971	266,578
Bronson, City of	89,277	193,012	282,289
Brooklyn, Village of	70,663	756,582	827,245
Buchanan District Library	54,847	57,240	112,087
Buchanan, City of	933,872	6,058,993	6,992,865
Buena Vista Charter Township	1,067,888	5,541,053	6,608,941
Burton, City of	1,843,879	15,124,569	16,968,448
Butman Township	-	127,149	127,149
Cadillac, City of	185,565	11,416,842	11,602,407
Cadillac-Wexford Transit Authority	36,867	730,725	767,592
Calhoun County	7,260,050	3,421,940	10,681,990
Calhoun County Road Commission	156,816	7,621,998	7,778,814
Canton Public Library	860,444	2,070,155	2,930,599
Canton Township	24,011,896	28,331,444	52,343,340
Capac, Village of	1,933	926,011	927,944
Capital Area District Library	975,912	1,541,197	2,517,109
Capital Region Airport Authority	190,030	8,401,385	8,591,415
Carleton, Village of	160,724	414,372	575,096
Carrollton Township	608,680	785,480	1,394,160
Cascade Charter Township	1,863,374	1,708,877	3,572,251
Caseville, Village of	277,079	648,894	925,973
Caspian, City of	-	587,000	587,000

**Schedule of Participating Municipalities – Defined Benefit Plan
for the Year Ended December 31, 2007**

Name	Balance Reserve for Employee Contributions	Balance Reserve for Employer Contributions	Total Reserves
Cass County	3,084,813	11,713,544	14,798,357
Cass County Medical Care Facility	1,191,035	3,451,068	4,642,103
Cass District Library	85,622	631,737	717,359
Cedar Springs, City of	384,988	1,759,879	2,144,867
Center Line, City of	607,854	5,668,757	6,276,611
Central Dispatch of Muskegon County	529,846	3,361,763	3,891,609
Central Lake, Village of	-	16,913	16,913
Central Michigan District Health Department	1,083,115	10,510,513	11,593,628
Central Wayne County Sanitation Authority	39,248	3,346,808	3,386,056
Charlevoix County	538,378	21,764,113	22,302,491
Charlevoix County Road Commission	156,834	4,688,367	4,845,201
Charlevoix, City of	913,025	6,457,049	7,370,074
Charlotte District Library	22,964	314,915	337,879
Charlotte, City of	916,133	11,158,680	12,074,813
Cheboygan County	2,128,988	11,145,068	13,274,056
Cheboygan County Road Commission	746,856	9,121,106	9,867,962
Cheboygan, City of	1,112,382	5,589,437	6,701,819
Chelsea Area Fire Authority	-	5,525	5,525
Chelsea, City of	16,895	5,800,244	5,817,139
Chesaning, Village of	-	560,952	560,952
Chesterfield Charter Township	5,832,258	3,131,760	8,964,018
Chesterfield Township Library	247,333	310,905	558,238
Chikaming Township	545,269	165,791	711,060
Chippewa County	1,943,241	22,753,319	24,696,560
Chippewa County Road Commission	45,639	10,937,685	10,983,324
Chippewa River District Library	364,643	1,405,871	1,770,514
Clare County	2,451,613	10,284,609	12,736,222
Clare County Road Commission	763,654	7,435,225	8,198,879
Clare County Transit Authority	41,846	5,217	47,063
Clare, City of	650,005	3,916,391	4,566,396
Clawson, City of	232,092	11,769,642	12,001,734
Clay Township	825,245	2,875,152	3,700,397
Clearwater Township	-	45,525	45,525
Clinton County	925,465	26,095,206	27,020,671
Clinton County Road Commission	1,373,932	10,255,568	11,629,500
Clinton Township	6,477,370	34,140,316	40,617,686
Clinton, Village of	214,919	3,250,028	3,464,947
Clinton-Eaton-Ingham Mental Health	8,041,460	69,519,719	77,561,179
Clio, City of	237,564	253,785	491,349
Coldwater Board of Public Utilities	602,726	7,122,542	7,725,268
Coldwater, City of	1,604,510	12,353,728	13,958,238
Coleman, City of	177,089	979,623	1,156,712
Coloma Township	92,159	94,644	186,803
Columbiaville, Village of	72,072	167,974	240,046
Community Mental Health for Central Michigan	1,479,856	36,603,689	38,083,545
Coopersville, City of	347,511	1,393,364	1,740,875
Corunna, City of	26,505	2,865,018	2,891,523
Corwith Township	22,057	1,120	23,177
Crawford County	665,003	9,042,985	9,707,988
Crawford County Road Commission	416,427	2,604,444	3,020,871

Schedule of Participating Municipalities – Defined Benefit Plan for the Year Ended December 31, 2007

Name	Balance Reserve for Employee Contributions	Balance Reserve for Employer Contributions	Total Reserves
Crawford County Transportation Authority	260,712	2,855,655	3,116,367
Croswell, City of	238,194	4,277,693	4,515,887
Crystal Falls Community Hospital	39,365	4,109,409	4,148,774
Crystal Falls, City of	10,112	5,909,979	5,920,091
Davison Richfield Senior Citizens Authority	46,382	55,663	102,045
Davison Township	1,807,580	2,795,662	4,603,242
Davison, City of	336,818	3,729,395	4,066,213
Deerfield, Village of	53,829	969,142	1,022,971
Delta Charter Township	1,601,722	4,969,246	6,570,968
Delta County	315,637	18,849,827	19,165,464
Delta County Road Commission	-	4,040,251	4,040,251
Delta-Menominee District Health Department	420,259	6,105,972	6,526,231
DeTour, Village of	-	217,373	217,373
Detroit Housing Commission	-	2,134,184	2,134,184
Dewitt Charter Township	567,881	1,337,176	1,905,057
Dewitt, City of	114,912	1,678,511	1,793,423
Dexter Area Fire Department	38,362	308,645	347,007
Dexter Township	142,371	314,876	457,247
Dexter, Village of	375,063	1,694,940	2,070,003
Dickinson County	1,202,806	14,966,471	16,169,277
Dickinson County Road Commission	160,848	5,886,461	6,047,309
Dickinson-Iron District Health Department	230,015	5,288,968	5,518,983
Dimondale, Village of	-	492,189	492,189
District Health Department Number Four	1,398,207	9,319,334	10,717,541
District Health Department Number Ten	257,292	14,084,263	14,341,555
District Health Department Number Two	333,482	4,504,039	4,837,521
Douglas, Village of	724	1,419,946	1,420,670
Dowagiac District Library	16,249	15,154	31,403
Dowagiac Housing Commission	2,429	115,607	118,036
Dowagiac, City of	1,755,186	6,894,714	8,649,900
Drummond Island Township	625	39,856	40,481
Dryden, Village of	37,261	303,844	341,105
Dundee, Village of	796,616	1,892,638	2,689,254
Durand, City of	108,212	3,182,527	3,290,739
East China, Township of	596,153	3,956,065	4,552,218
East Grand Rapids, City of	461,855	12,475,572	12,937,427
East Jordan, City of	294,409	2,588,528	2,882,937
East Lansing, City of	2,707,131	97,822,108	100,529,239
Eastern Upper Peninsula Transportation Authority	4,814	4,919,563	4,924,377
Eastpointe Housing Commission	171,569	128,667	300,236
Eaton County	15,964,215	47,518,712	63,482,927
Eaton County Medical Care Facility	965,514	4,202,450	5,167,964
Eaton Rapids, City of	643,826	5,518,278	6,162,104
Eau Claire, Village of	35,873	207,790	243,663
Ecorse, City of	150,446	26,178,219	26,328,665
Elderly Housing Commission	301,293	1,547,269	1,848,562
Elkton, Village of	151,641	361,130	512,771
Elsie, Village of	41,158	141,492	182,650
Emmett County Road Commission	113,469	8,325,115	8,438,584
Emmett, Charter Township of	640,797	1,495,589	2,136,386

Schedule of Participating Municipalities – Defined Benefit Plan for the Year Ended December 31, 2007

Name	Balance Reserve for Employee Contributions	Balance Reserve for Employer Contributions	Total Reserves
Escanaba, City of	199,080	19,599,127	19,798,207
Essexville, City of	670,103	4,383,397	5,053,500
Evert Local Development Finance Authority	51,880	194,602	246,482
Evert, City of	25,014	1,057,110	1,082,124
Farmington Community Library	532,198	6,212,496	6,744,694
Farwell, Village of	105,080	64,877	169,957
Fenton, City of	318,230	8,098,946	8,417,176
Ferrysburg, City of	233,483	607,775	841,258
Flat Rock, City of	2,453,347	8,849,950	11,303,297
Flint Charter Township	3,982,089	10,273,766	14,255,855
Flint Public Library	-	575,643	575,643
Flushing, Charter Township of	669,702	1,956,621	2,626,323
Flushing, City of	159,085	8,428,661	8,587,746
Forsyth Township	664,612	2,006,013	2,670,625
Forty-One B District Court	811,185	4,611,502	5,422,687
Fowler, Village of	-	242,641	242,641
Fowlerville District Library	36,549	110,820	147,369
Fowlerville, Village of	340,353	2,542,992	2,883,345
Frankenmuth, City of	895,918	8,046,779	8,942,697
Frankfort, City of	109,021	1,610,736	1,719,757
Franklin, Village of	202,891	2,663,372	2,866,263
Fraser, City of	93,795	218,570	312,365
Fremont Area District Library	7,795	654,099	661,894
Fremont, City of	2,490	5,873,992	5,876,482
Gaastra, City of	-	98,887	98,887
Gaylord, City of	362,697	5,473,055	5,835,752
Genesee Charter Township	581,953	6,626,643	7,208,596
Genoa Township	1,834	51,259	53,093
Gladstone, City of	63,041	5,732,549	5,795,590
Gladwin City Housing Commission	397,591	886,125	1,283,716
Gladwin County	1,567,002	9,035,946	10,602,948
Gladwin County District Library	116,586	527,638	644,224
Gladwin County Road Commission	981,683	8,148,409	9,130,092
Gladwin, City of	234,693	279,585	514,278
Gogebic-Iron Wastewater Authority	250,357	922,069	1,172,426
Grand Blanc Charter Township	1,545,701	4,933,593	6,479,294
Grand Blanc, City of	2,311,350	3,770,004	6,081,354
Grand Haven, City of	4,418,987	62,488,973	66,907,960
Grand Ledge Emergency Services	90,224	321,862	412,086
Grand Ledge, City of	864,185	12,198	876,383
Grand Rapids Housing Commission	108,878	690,319	799,197
Grand Traverse County	290,168	38,645,837	38,936,005
Grand Traverse County Road Commission	51,671	7,801,397	7,853,068
Grand Traverse Pavilions	1,115,676	11,446,028	12,561,704
Grandville, City of	353,919	10,267,099	10,621,018
Gratiot County	181,269	15,605,074	15,786,343
Gratiot County Road Commission	1,005,280	9,961,693	10,966,973
Grayling, City of	-	2,681,232	2,681,232
Green Oak Township	250,596	1,049,501	1,300,097
Greenville, City of	582,569	2,989,864	3,572,433

Schedule of Participating Municipalities – Defined Benefit Plan for the Year Ended December 31, 2007

Name	Balance Reserve for Employee Contributions	Balance Reserve for Employer Contributions	Total Reserves
Grosse Ile Township	217,524	15,158,983	15,376,507
Grosse Pointe Park, City of	4,000,503	20,580,731	24,581,234
Grosse Pointe-Clinton Refuse Disposal Authority	111,088	3,042,271	3,153,359
Groveland Township	470,605	494,736	965,341
Hackley Public Library	-	39,514	39,514
Hamburg Township	174,696	833,021	1,007,717
Hamtramck, City of	5,187,998	56,877,368	62,065,366
Hancock, City of	550,840	596,422	1,147,262
Harbor Beach, City of	988,580	4,116,313	5,104,893
Harbor Springs, City of	1,366,242	736,175	2,102,417
Harrison, City of	253,409	1,625,459	1,878,868
Hartland Deerfield Tyrone Fire Authority	-	114,724	114,724
Hastings, City of	315,335	9,009,170	9,324,505
Hazel Park, City of	6,523,528	35,504,525	42,028,053
Health Source of Saginaw	1,109,189	28,760,178	29,869,367
Helen Newberry Joy Hospital	1,046,041	10,793,008	11,839,049
Henika District Library	607	326,104	326,711
Herrick District Library	40,233	4,356,091	4,396,324
Hiawatha Community Mental Health Authority	629,655	10,681,510	11,311,165
Highland Park, City of	1,602,694	827,161	2,429,855
Hillsdale County	1,043,730	1,160,245	2,203,975
Hillsdale County Road Commission	1,026,532	3,970,269	4,996,801
Hillsdale, City of	2,718,025	14,406,197	17,124,222
Holland Hospital	24,554	2,936,818	2,961,372
Holland Swimming Pool Authority	79,633	152,729	232,362
Holland, City of	2,806,910	79,133,035	81,939,945
Holly, Village of	340,411	7,263,254	7,603,665
Homer, Village of	34,869	1,061,193	1,096,062
Houghton County	875,696	12,259,779	13,135,475
Houghton County Road Commission	-	2,761,252	2,761,252
Houghton Lake Public Library	-	313,070	313,070
Howard City, Village of	-	609,845	609,845
Howard Township	-	39,395	39,395
Howell Area Fire Authority	43,437	311,292	354,729
Howell Carnegie District Library	2,866	767,653	770,519
Howell, City of	1,282,705	9,835,453	11,118,158
Hudsonville, City of	70,039	1,271,549	1,341,588
Huntington Woods, City of	1,230,497	10,552,886	11,783,383
Hurley Medical Center	2,799,063	18,772,597	21,571,660
Huron Charter Township	1,826,410	5,803,832	7,630,242
Huron County	8,955,720	48,156,046	57,111,766
Huron County Road Commission	2,061,989	16,390,391	18,452,380
Imlay City, City of	7,295	3,683,272	3,690,567
Independence Township	872,705	3,334,229	4,206,934
Indianfields Township	-	57,919	57,919
Ingham County	35,919,632	168,617,078	204,536,710
Ingham County Road Commission	734,707	22,954,784	23,689,491
Interurban Transit Authority	12,473	792,746	805,219
Ionia Community Library	-	227,720	227,720
Ionia County	860,029	2,773,918	3,633,947

Schedule of Participating Municipalities – Defined Benefit Plan for the Year Ended December 31, 2007

Name	Balance Reserve for Employee Contributions	Balance Reserve for Employer Contributions	Total Reserves
Ionia County Road Commission	555,306	4,038,886	4,594,192
Ionia Housing Commission	45,637	651,099	696,736
Ionia, City of	208,012	6,271,305	6,479,317
Iosco County	405,455	14,253,868	14,659,323
Iosco County Road Commission	1,066,308	4,350,248	5,416,556
Iron County	1,865,060	16,351,729	18,216,789
Iron County Housing Commission	-	309,963	309,963
Iron County Road Commission	-	5,686,884	5,686,884
Iron Mountain, City of	768,049	5,963,173	6,731,222
Iron Mountain-Kingsford Sewage Treatment	191,717	235,479	427,196
Iron River, City of	250,330	5,023,472	5,273,802
Isabella County	665,460	28,498,891	29,164,351
Isabella County Road Commission	1,099,111	7,130,412	8,229,523
Isabella County Transportation Commission	446,527	505,598	952,125
Ishpeming Area Joint Wastewater Treatment Facility	164,500	438,235	602,735
Ishpeming Township	353,862	308,108	661,970
Ishpeming, City of	1,167,627	6,763,491	7,931,118
Ithaca, City of	377,399	2,567,215	2,944,614
Jackson District Library	745,810	4,855,929	5,601,739
Jackson Transportation Authority	668,376	2,488,036	3,156,412
Jordan Valley District Library	-	144,280	144,280
Kalamazoo Lake Sewer & Water Authority	5,494	769,644	775,138
Kalamazoo Public Library	56,268	2,128,972	2,185,240
Kalkaska County	541,235	11,175,451	11,716,686
Kalkaska County Road Commission	731	5,004,303	5,005,034
Kalkaska Public Transit Authority	64,805	1,425,945	1,490,750
Kalkaska, Village of	240,068	2,528,751	2,768,819
Keego Harbor, City of	173,219	1,958,422	2,131,641
Kent County Road Commission	-	474,379	474,379
Keweenaw County	131,160	1,169,755	1,300,915
Keweenaw County Road Commission	20,573	4,281,982	4,302,555
Kinde, Village of	4,957	83,831	88,788
Kingsford, City of	714,404	3,892,656	4,607,060
Laingsburg, City of	54,109	142,361	196,470
Lake County	471,786	6,098,287	6,570,073
Lake County Road Commission	278,031	5,355,312	5,633,343
Lake Linden, Village of	-	660,796	660,796
Lake Odessa, Village of	-	70,008	70,008
Lake Orion, Village of	295,354	2,949,709	3,245,063
Lakeland Library Cooperative	155,116	572,476	727,592
Lakeshore Coordinating Council	-	820,718	820,718
L'Anse, Village of	328,736	2,560,340	2,889,076
Lansing Charter Township	2,904,752	179,234	3,083,986
Lansing Housing Commission	16,003	7,212,296	7,228,299
Lapeer County	2,169,665	59,867,435	62,037,100
Lapeer County Road Commission	2,038,151	6,053,171	8,091,322
Lapeer District Library	256,066	2,286,073	2,542,139
Lapeer, City of	213,086	11,945,926	12,159,012
Lathrup Village, City of	612,591	4,902,450	5,515,041
Laurium, Village of	-	1,020,855	1,020,855

Schedule of Participating Municipalities – Defined Benefit Plan for the Year Ended December 31, 2007

Name	Balance Reserve for Employee Contributions	Balance Reserve for Employer Contributions	Total Reserves
Lawrence, Village of	-	153,915	153,915
Leelanau County	339,757	11,046,727	11,386,484
Leelanau County Road Commission	664,464	1,691,225	2,355,689
Leoni Township	1,424,436	3,166,097	4,590,533
Leslie Township	93,496	34,316	127,812
Leslie, City of	168,292	845,393	1,013,685
Lexington, Village of	186,183	907,579	1,093,762
Library Network	865,627	4,209,288	5,074,915
Lima Township	85,993	156,869	242,862
Litchfield, City of	245,855	253,851	499,706
Livingston County	613,730	62,458,637	63,072,367
Livingston County Community Mental Health Authority	592,762	10,022,062	10,614,824
Livingston County Road Commission	762,965	13,760,237	14,523,202
Looking Glass Regional Fire Authority	-	60,138	60,138
Loutit District Library	112,763	826,433	939,196
Lowell, City of	1,797,334	5,856,281	7,653,615
Luce County	91,635	2,798,681	2,890,316
Luce County Road Commission	1,203	4,606,508	4,607,711
Luce-Mackinac-Alger-Schoolcraft District Health Department	2,965	7,745,858	7,748,823
Ludington, City of	18,469	12,714,078	12,732,547
Ludington-Mason District Library	6,094	1,245,583	1,251,677
Luna Pier, City of	179,210	2,563,718	2,742,928
Lyons, Village of	18,568	44,291	62,859
Mackinac County	111,957	8,990,943	9,102,900
Mackinac County Road Commission	9,258	4,125,978	4,135,236
Mackinac County Housing Commission	339	232,429	232,768
Mackinac Straits Hospital & Health Center	1,345,977	9,678,451	11,024,428
Mackinaw City, Village of	279,954	160,069	440,023
Madison Heights, City of	1,112,008	25,738,817	26,850,825
Madison Township	224,262	315,710	539,972
Manistee County	1,353,976	22,860,282	24,214,258
Manistee County Road Commission	(2,040)	4,628,286	4,626,246
Manistee Housing Commission	105,994	245,116	351,110
Manistee, City of	2,709,498	11,962,010	14,671,508
Manistique, City of	27,743	5,511,950	5,539,693
Manlius Township	51,233	119,974	171,207
Manton, City of	156,621	512,009	668,630
Marenisco Township	-	96,763	96,763
Marine City, City of	-	58,891	58,891
Marion, Village of	60,761	309,536	370,297
Marlette, City of	581,492	182,980	764,472
Marquette Board of Light & Power	2,774,837	21,945,125	24,719,962
Marquette Charter Township	426,732	332,346	759,078
Marquette County	4,147,196	46,471,770	50,618,966
Marquette County Airport	46,449	1,483,179	1,529,628
Marquette County Road Commission	1,499,165	9,593,991	11,093,156
Marquette County Transit Authority	353,185	1,677,148	2,030,333
Marquette Waste Management	276,896	648,432	925,328
Marquette, City of	3,704,301	25,042,034	28,746,335
Marshall Area Fire/Ambulance Authority	68,318	46,369	114,687

Schedule of Participating Municipalities – Defined Benefit Plan for the Year Ended December 31, 2007

Name	Balance Reserve for Employee Contributions	Balance Reserve for Employer Contributions	Total Reserves
Marshall District Library	-	247,662	247,662
Marshall, City of	3,480,009	20,280,307	23,760,316
Mason County	64,783	32,874,519	32,939,302
Mason County Road Commission	523,265	2,508,535	3,031,800
Mason, City of	2,030,403	8,419,038	10,449,441
Mason-Oceana 911 Central Dispatch	179,443	655,610	835,053
Mastodon Township	-	52,027	52,027
MBS International Airport	117,715	5,609,725	5,727,440
Meceola Central Dispatch	5,390	1,025,421	1,030,811
Mecosta County	597,537	24,325,385	24,922,922
Mecosta County Medical Center	321,320	8,857,905	9,179,225
Mecosta County Road Commission	1,462,856	6,383,118	7,845,974
Melvindale Housing Commission	8,092	519,495	527,587
Melvindale, City of	2,366,393	15,260,220	17,626,613
Menominee County	583,135	10,908,614	11,491,749
Menominee County Road Commission	5,239	2,527,877	2,533,116
Menominee, City of	219,806	6,793,267	7,013,073
Meridian Charter Township	2,841,373	18,768,742	21,610,115
Metamora Township	90,462	289,817	380,279
Michigan Grand River Watershed	-	11,366	11,366
Michigan Municipal Risk Management Authority	181,031	138,632	319,663
Michigan South Central Power Agency	265,357	6,497,227	6,762,584
Mid Michigan District Health Department	542,905	5,532,819	6,075,724
Mid Peninsula Library Cooperative	5,910	298,826	304,736
Middleville, Village of	178,093	766,323	944,416
Midland Authority for Central Dispatch	293,648	852,113	1,145,761
Midland County Road Commission	1,330,188	7,610,634	8,940,822
Midland, City of	3,215,768	77,383,110	80,598,878
Mid-Michigan Library League	4,212	559,609	563,821
Milan Library	-	223,072	223,072
Milan, City of	19,475	6,547,799	6,567,274
Milford, Village of	185,053	6,708,805	6,893,858
Millington, Village of	198,041	1,003,979	1,202,020
Missaukee County	191,651	2,254,582	2,446,233
Monroe Housing Commission, City of	175,462	817,469	992,931
Montague, City of	575,974	1,775,221	2,351,195
Montcalm County Road Commission	780,968	8,509,445	9,290,413
Montmorency County	48,659	5,282,050	5,330,709
Montmorency-Oscoda-Alpena Solid Waste Management	-	593,204	593,204
Montrose, City of	43,623	429,171	472,794
Mt. Morris, Township of	601,571	13,841,088	14,442,659
Mt. Pleasant, City of	2,606,833	14,620,570	17,227,403
Muir, Village of	30,089	231,262	261,351
Mundy, Charter Township	1,290,706	1,408,250	2,698,956
Municipal Employees' Retirement System of Michigan	773,258	4,974,915	5,748,173
Munising, City of	22,114	5,168,396	5,190,510
Muskegon County	7,950,087	155,025,405	162,975,492
Muskegon County Road Commission	319,569	17,115,102	17,434,671
Muskegon Heights Housing Commission	202,252	605,481	807,733
Muskegon Heights, City of	2,539,740	25,366,395	27,906,135

Schedule of Participating Municipalities – Defined Benefit Plan for the Year Ended December 31, 2007

Name	Balance Reserve for Employee Contributions	Balance Reserve for Employer Contributions	Total Reserves
Muskegon Housing Commission	60,796	259,777	320,573
Muskegon, Charter Township of	1,880,447	9,186,579	11,067,026
Muskegon, City of	10,963,959	76,198,943	87,162,902
Negaunee Township	109,043	22,093	131,136
Negaunee, City of	56,180	7,161,748	7,217,928
Network 180	2,517,367	14,824,735	17,342,102
New Buffalo, City of	765,625	157,031	922,656
Newaygo County	331,768	18,635,715	18,967,483
Newaygo County Mental Health	841	2,429,442	2,430,283
Newaygo County Road Commission	323,925	5,466,373	5,790,298
Newaygo Medical Care Facility	1,253,992	8,399,746	9,653,738
Newaygo Soil & Water Conservation District	14,264	64,200	78,464
Newberry, Village of	16,470	2,793,643	2,810,113
Niles District Library	115,500	424,296	539,796
North Houghton County Water & Sewage Authority	-	204,676	204,676
North Michigan Community Health Agency	-	59,004	59,004
North Muskegon, City of	663,334	3,668,175	4,331,509
Northeast Ottawa District Library	8,804	185,338	194,142
Northern Lakes Community Mental Health	64,743	20,204,595	20,269,338
Northfield Township	482,533	27,500	510,033
Northpointe Behavioral Healthcare System	783,843	7,214,317	7,998,160
Northville Charter Township	3,279,105	6,182,788	9,461,893
Northville District Library	-	1,366,312	1,366,312
Northville, City of	102,141	11,320,585	11,422,726
Northwest Michigan Community Health	21,539	4,219,713	4,241,252
Northwestern Regional Airport Commission	50,133	2,764,816	2,814,949
Norton Shores, City of	109,110	19,564,174	19,673,284
Norway, City of	890,220	7,699,979	8,590,199
Novi, City of	3,688,864	38,797,095	42,485,959
Oceana County	3,328,174	17,745,231	21,073,405
Oceola Township	282,436	69,506	351,942
Ogemaw County	2,271,289	15,384,557	17,655,846
Ogemaw County EMS Authority	223,709	976,284	1,199,993
Ogemaw County Road Commission	924,745	4,036,656	4,961,401
Olive Township	53,672	208,138	261,810
Onaway, City of	25,456	452,181	477,637
Ontonagon County	22,879	5,670,866	5,693,745
Ontonagon County Economic Development Corporation	-	87,930	87,930
Ontonagon County Road Commission	-	8,747,871	8,747,871
Ontonagon, Village of	2,496,225	11,954,378	14,450,603
Orchard Lake, City of	111,165	3,177,082	3,288,247
Osceola County	214,055	9,590,646	9,804,701
Osceola County Road Commission	166,271	5,465,658	5,631,929
Oscoda Charter Township	478,901	1,761,884	2,240,785
Oscoda County	499,754	5,529,952	6,029,706
Otisville, Village of	35,207	749,253	784,460
Otsego County	608,373	10,008,443	10,616,816
Otsego County Road Commission	35,038	6,630,707	6,665,745
Ottawa County	8,688,459	119,897,868	128,586,327
Ottawa County Central Dispatch Authority	58,296	1,535,270	1,593,566

Schedule of Participating Municipalities – Defined Benefit Plan for the Year Ended December 31, 2007

Name	Balance Reserve for Employee Contributions	Balance Reserve for Employer Contributions	Total Reserves
Ottawa County Road Commission	1,432,405	31,412,056	32,844,461
Otter Lake, Village of	9,369	42,981	52,350
Owosso, City of	325,149	3,425,192	3,750,341
Oxford Fire Department	53,110	2,756,775	2,809,885
Oxford, Village of	21,746	1,767,185	1,788,931
Parchment, City of	495,101	1,848,114	2,343,215
Pathways	1,580,393	30,227,974	31,808,367
Paw Paw Lake Regional Joint Sewage Disposal Board	163,814	846,409	1,010,223
Paw Paw, Village of	840,460	5,108,970	5,949,430
Pellston, Village of	37,767	131,511	169,278
Pennfield Charter Township	311,197	757,420	1,068,617
Pentwater, Village of	186,901	972,966	1,159,867
Perrinton, Village of	10,917	23,441	34,358
Petersbury, City of	77,910	72,076	149,986
Petoskey, City of	94,239	15,765,524	15,859,763
Pewamo, Village of	12,294	75,243	87,537
Pigeon, Village of	118,681	633,996	752,677
Pinckney, Village of	249,124	1,213,002	1,462,126
Pinconning, City of	265,579	1,335,348	1,600,927
Pittsfield Charter Township	3,192,776	7,206,097	10,398,873
Pleasant Ridge, City of	4,097	2,776,753	2,780,850
Plymouth Charter Township	7,992,424	4,765,339	12,757,763
Plymouth District Library	199,449	2,675,144	2,874,593
Plymouth, City of	4,797	10,004,267	10,009,064
Port Austin Area Sewer & Water Authority	48,900	91,632	140,532
Port Austin, Village of	105,012	223,069	328,081
Port Huron Charter Township	1,000,328	602,996	1,603,324
Port Huron Housing Commission	2,593	3,642,216	3,644,809
Port Huron, City of	3,083,267	101,015,886	104,099,153
Port Sanilac, Village of	65,320	338,299	403,619
Portland, City of	256,107	6,780,674	7,036,781
Presque Isle County	969,603	6,124,217	7,093,820
Presque Isle County Road Commission	69,180	6,226,745	6,295,925
Pride Youth Programs	907	389,356	390,263
Ravenna, Village of	22,090	283,722	305,812
Reading, City of	-	227,107	227,107
Redford Township	1,005,718	32,929,317	33,935,035
Redford Township District Library	49,975	1,507,894	1,557,869
Reed City, City of	11,392	3,203,721	3,215,113
Richfield Township (Genesee County)	409,541	1,028,504	1,438,045
Richfield Township (Roscommon County)	163,217	1,111,555	1,274,772
Richland Township	59,600	1,685,017	1,744,617
Richmond, City of	555,988	280,302	836,290
Rochester, City of	2,116,521	12,036,482	14,153,003
Rockford, City of	55,709	3,540,143	3,595,852
Rockwood, City of	-	1,714,798	1,714,798
Rogers City, City of	610,487	5,711,901	6,322,388
Romeo District Library	173,570	1,299,618	1,473,188
Romeo, Village of	216,676	3,742,793	3,959,469
Romulus, City of	2,821,974	14,408,435	17,230,409

Schedule of Participating Municipalities – Defined Benefit Plan for the Year Ended December 31, 2007

Name	Balance Reserve for Employee Contributions	Balance Reserve for Employer Contributions	Total Reserves
Roosevelt Park, City of	38,031	3,064,978	3,103,009
Roscommon County	1,181,515	12,576,562	13,758,077
Roscommon County Transit Authority	4,614	1,303,434	1,308,048
Rose City, City of	84,378	470,020	554,398
Rose Township	17,427	238,417	255,844
Royal Oak Township	297,499	5,012,704	5,310,203
Saginaw County	5,091,079	92,272,179	97,363,258
Saginaw County 911 Central Authority	245,255	6,746,594	6,991,849
Saginaw County Community Mental Health Authority	171,886	11,264,823	11,436,709
Saginaw County Road Commission	2,254,785	22,827,599	25,082,384
Saginaw Housing Commission	491,002	1,471,100	1,962,102
Saginaw Public Libraries	182,689	717,994	900,683
Saginaw Township	883,473	9,153,749	10,037,222
Saginaw Transit System Authority	103,881	982,561	1,086,442
Saginaw, City of	6,589,584	70,763,088	77,352,672
Saginaw-Midland Municipal Waste & Soil Commission	288,897	2,319,762	2,608,659
Saline, City of	291,617	12,031,752	12,323,369
Sandusky District Library	38,256	93,697	131,953
Sandusky, City of	442,735	1,134,913	1,577,648
Saranac Housing Commission	166,252	210,132	376,384
Saugatuck Township	6,903	679,005	685,908
Saugatuck, City of	29,003	1,122,917	1,151,920
Sault Ste. Marie Housing Commission	264,096	949,548	1,213,644
Sault Ste. Marie, City of	3,553,508	17,085,951	20,639,459
Schoolcraft County	1,909,633	15,483,003	17,392,636
Schoolcraft County Road Commission	90,045	6,884,598	6,974,643
Schoolcraft Memorial Hospital	2,393,802	11,605,042	13,998,844
Scio Township	648,894	129,732	778,626
Sebewaing, Village of	690,449	3,875,918	4,566,367
Shepherd, Village of	39,078	383,442	422,520
Shiawassee Council on Aging	132,719	359,068	491,787
Shiawassee County	1,130,057	55,311,545	56,441,602
Shiawassee County Community Mental Health Authority	38,284	8,174,181	8,212,465
Shiawassee County Road Commission	1,337,595	10,334,950	11,672,545
Shiawassee District Library	365,426	1,163,037	1,528,463
Sims-Whitney Utilities Authority	-	132,880	132,880
South Haven Emergency Services Authority	887,621	1,803,761	2,691,382
South Haven, City of	2,436,282	19,157,364	21,593,646
South Lyon, City of	388,431	5,915,017	6,303,448
Southeast Michigan Area Rapid Transit	6,006,536	138,591,671	144,598,207
Southeast Michigan Council of Governments	28,216	26,228,795	26,257,011
Southeast Oakland County Resource Recovery Authority	48,063	4,469,118	4,517,181
Southeast Oakland County Water Authority	102,363	5,046,090	5,148,453
Southern Clinton County Municipal Utilities Authority	511,335	1,761,446	2,272,781
Southwest Shiawassee Emergency Services Alliance	7,032	33,097	40,129
Sparta, Village of	418,142	1,500,346	1,918,488
Spring Lake District Library	268,934	588,909	857,843
Spring Lake, Village of	882,460	822,421	1,704,881
Springfield, City of	647,563	7,146,207	7,793,770
St. Charles, Village of	213,759	1,807,591	2,021,350

Schedule of Participating Municipalities – Defined Benefit Plan for the Year Ended December 31, 2007

Name	Balance Reserve for Employee Contributions	Balance Reserve for Employer Contributions	Total Reserves
St. Clair Area Fire Authority	-	75,277	75,277
St. Clair Shores Housing Commission	231,809	897,202	1,129,011
St. Clair, City of	663,658	10,245,300	10,908,958
St. Ignace, City of	82,108	5,419,156	5,501,264
St. Johns, City of	179,806	9,471,301	9,651,107
St. Joseph County	2,092,444	26,200,309	28,292,753
St. Louis Housing Commission	-	321,715	321,715
St. Louis, City of	426,251	5,191,347	5,617,598
Stambaugh Township	13,300	50,953	64,253
Standish, City of	39,310	1,458,944	1,498,254
Stanton, City of	15,650	89,264	104,914
Stephenson, City of	-	113,992	113,992
Sterling, Village of	27,171	204,177	231,348
Stockbridge, Village of	65,066	196,917	261,983
Sturgis Housing Commission	-	3,348	3,348
Summit Township	154,774	6,333,335	6,488,109
Sumpter Township	1,324,495	888,644	2,213,139
Superior Charter Township	1,007,929	1,790,770	2,798,699
Superiorland Library Cooperative	143,500	596,922	740,422
Swan Creek Township	77,645	265,218	342,863
Swartz Creek, City of	370,837	7,210,045	7,580,882
Sylvan Lake, City of	303,861	1,342,057	1,645,918
Tawas Police Authority	197,075	279,465	476,540
Taylor Housing Commission	60,173	117,269	177,442
Thirty-Fifth District Court	1,350,000	1,451,736	2,801,736
Thirty-Fourth District Court	1,580,798	1,178,671	2,759,469
Three Rivers Hospital	-	12,205	12,205
Three Rivers, City of	1,095,009	9,507,416	10,602,425
Traverse Area District Library	120,974	2,764,817	2,885,791
Traverse City, City of	1,056,035	39,444,204	40,500,239
Trenton, City of	2,582,192	28,488,642	31,070,834
Tri-County Aging Consortium	24,390	6,097,175	6,121,565
Trio Council on Aging	-	310,133	310,133
Tuscarora Township	31,634	598,978	630,612
Tuscola County	3,204,957	18,592,856	21,797,813
Tuscola County Community Mental Health	2,245,181	7,536,659	9,781,840
Tuscola County Health Department	889,348	5,144,206	6,033,554
Tuscola County Medical Care Facility	2,490,278	8,020,175	10,510,453
Tuscola County Road Commission	354,112	2,164,287	2,518,399
Twenty-First Judicial District Court	209,727	811,582	1,021,309
Twenty-Sixth Judicial Circuit Court	26,255	2,740,058	2,766,313
Twenty-Third Judicial District Court	504,159	1,778,744	2,282,903
Twin Cities Public Safety Authority	38,064	68,082	106,146
Ubly, Village of	116,055	284,540	400,595
Utica, City of	707,449	1,766,452	2,473,901
Van Buren County	6,344,131	5,853,619	12,197,750
Van Buren District Library	393,554	435,311	828,865
Van Buren Township	2,732,894	1,902,505	4,635,399
Vassar, City of	643,283	3,861,162	4,504,445
Vevay Township	165,660	84,710	250,370

Statistical Section

Schedule of Participating Municipalities – Defined Benefit Plan for the Year Ended December 31, 2007

Name	Balance Reserve for Employee Contributions	Balance Reserve for Employer Contributions	Total Reserves
Vicksburg District Library	-	57,203	57,203
Vicksburg, Village of	-	1,454,630	1,454,630
Vienna Charter Township	359,648	235,982	595,630
Wakefield, City of	464,729	2,792,226	3,256,955
Walker, City of	421,516	9,142,816	9,564,332
Walled Lake, City of	1,210,757	2,663,544	3,874,301
Washtenaw County	10,406,683	18,428,173	28,834,856
Washtenaw County Road Commission	5,471,375	25,250,703	30,722,078
Wayland, City of	57,584	3,295,573	3,353,157
Webberville, Village of	67,508	45,094	112,602
West Branch, City of	620,840	2,347,666	2,968,506
West Iron County Sewer Authority	10,700	597,297	607,997
West Michigan Community Mental Health System	140,951	4,685,447	4,826,398
West Michigan Shoreline Regional Development Commission	19,507	3,670,288	3,689,795
Western Upper Peninsula Development Regional Community	410,151	438,845	848,996
Western Upper Peninsula District Health Department	3,606	7,940,867	7,944,473
Westland, City of	454,309	55,562,773	56,017,082
Westphalia, Village of	-	310,296	310,296
Wexford County	2,130,657	12,932,796	15,063,453
Wexford County Road Commission	320,220	6,607,600	6,927,820
White Cloud Community Library	21,811	247,009	268,820
White Cloud, City of	-	461,795	461,795
White Cloud/Sherman Utilities	55,123	28,607	83,730
White Lake Charter Township	3,912,719	9,126,072	13,038,791
White Pigeon, Village of	6,148	31,069	37,217
White Pine Library	22,032	97,208	119,240
Whitehall, City of	39	3,650,138	3,650,177
Willard Public Library	281,902	695,307	977,209
Williamston, City of	518,518	1,991,096	2,509,614
Wixom, City of	1,548,487	11,431,280	12,979,767
Wolverine Lake, Village of	459,025	678,117	1,137,142
Ypsilanti Community Utilities Authority	1,146,597	25,731,270	26,877,867
Ypsilanti Housing Commission	125,215	390,988	516,203
Ypsilanti, City of	1,062,675	16,595,648	17,658,323
Ypsilanti, Township of	2,279,437	10,272,521	12,551,958
Total Reserves	\$ 584,969,263	\$ 5,481,367,722	\$ 6,066,336,985
Average Size Reserves	\$ 853,970	\$ 8,001,997	\$ 8,855,966

**Schedule of Participating Municipalities – Defined Contribution Plan
for the Year Ended December 31, 2007**

Name	Defined Contribution Plan Balance
Albion, City of	\$ 346,346
Alcona, County of	546,032
Allegan County	10,180,784
Allegan County Community Mental Health	5,794,174
Allegan County Medical Care Facility	2,075,296
Allen Park, City of	88,214
Alma, City of	278,316
Alpena County	97,443
Alpena General Hospital	10,120,157
Arenac County	16,459
AuGres, City of	77,728
Baraga County Memorial Hospital	1,182,376
Bay Area Transportation Authority	454,407
Bay City Housing Commission	893,200
Bay City, City of	11,064,409
Beaverton, City of	24,036
Beecher Metropolitan District	32,622
Belding, City of	40,900
Benzie-Leelanau District Health Department	1,091,274
Big Rapids Housing Commission	181,711
Big Rapids, City of	882,573
Bloomfield Hills, City of	5,207
Boyer City, City of	49,292
Brighton Area Fire Authority	19,546
Central Michigan District Health	34,569
Central Wayne Sanitation	453
Charlotte, City of	92,297
Chelsea Area Construction	73,699
Chelsea, City of	741,640
Clawson, City of	632,433
Clinton County	99,971
Clinton-Eaton-Ingham Community Mental Health	1,032,863
Coldwater Board of Public Utilities	803,921
Coldwater Housing Commission	15,349
Coldwater, City of	3,145,242
Crawford County	6,506
Delta, County of	130,075
Dewitt Charter Township	15,574
Dickinson-Iron District Health Department	33,576
District Health Department Number Four	493,772
District Health Department Number Ten	4,693,924
District Health Department Number Two	621,882
East Grand Rapids, City of	7,585,876
East Lansing, City of	6,441,814
Elkton, Village of	117,779
Emmet County Road Commission	1,274,351
Escanaba, City of	496,770
Farmington Community Library	714,756
Fenton, City of	26,006
Flint, Charter Township of	1,103,553

Schedule of Participating Municipalities – Defined Contribution Plan for the Year Ended December 31, 2007

Name	Defined Contribution Plan Balance
Fowlerville, Village of	132,759
Genesee County Land Bank Authority	135,472
Gladstone, City of	1,074,670
Grand Rapids Housing Commission	1,975,550
Grand Traverse County	11,878,652
Grand Traverse County Road Commission	2,471,674
Grandville, City of	2,311,134
Gratiot County	1,810,225
Grayling, City of	171,707
Hamtramck, City of	46,916
Hartland Township	170,604
Hazel Park, City of	17,812
Helen Newberry Joy Hospital	567,326
Hiawatha Behavioral Health	482,078
Highland Park Housing Commission	345,019
Highland Park, City of	3,473,084
Holland Board of Public Works	1,275,479
Holland, City of	3,133,525
Howard City, Village of	247,093
Howell Area Fire Department	20,758
Howell Downtown Development Authority, City of	56,812
Howell, City of	60,988
Hudsonville, City of	889,802
Huntington Woods, City of	800,658
Huron County Economic Development Corporation	78
Ingham County Capital Area District Library	524,316
Iosco Steelworkers Number Ten	328,626
Iron, County of	73,893
Isabella County	500,126
Isabella County Medical Care Facility	191,069
Ithaca, City of	44,926
Lake Erie Transportation Commission	28,192
Lakeland Library Cooperative	86,353
Larkin Charter Township	305,797
Library Network	59,408
Litchfield, City of	7,033
Livingston County	866,491
Mackinac County	108,602
Mackinac County Road Commission	26,242
Madison Heights, City of	5,482
Manistee, City of	92,379
Marquette Board of Light And Power	645,062
Marquette County	4,913,225
Marquette County Health Department	1,293,828
Marquette County Transit Authority	25,045
Marquette, City of	1,057,548
Mecosta, County of	1,517,487
Melvindale, City of	12,255
Midland, City of	117,854
Mid-Michigan District Health Department	69,242

Schedule of Participating Municipalities – Defined Contribution Plan for the Year Ended December 31, 2007

Name	Defined Contribution Plan Balance
Milan, City of	579,863
Milford, Village of	986,527
Montcalm County	2,346,346
Montrose Township	169,024
Mundy, Charter Township of	121,051
Muskegon, City of	1,257,671
Newaygo County	4,328,930
Newaygo County Mental Health Center	2,765,717
Northern Lakes Community Mental Health	6,276,675
Northpointe Behavioral Healthcare Systems	2,714
Northville, City of	958,400
Northwest Michigan Community Health	7,390,993
Novi, City of	250,801
Oak Park, City of	133,740
Oakview Medical Care Facility	748,234
Ogemaw, County of	8,208
Orchard Lake Village, City of	152,181
Ottawa County General Dispatch	555,000
Pathways	2,336,530
Paw Paw Housing, Village of	9,193
Plymouth, City of	9,287,843
Quincy, Village of	66,136
Rogers City, City of	10,187
Romeo District Library	86,406
Roscommon, Village of	166,527
Saginaw County	31,054,016
Saginaw County 911	443,926
Saginaw County Community Mental Health	8,532,778
Saginaw Housing Commission	208,027
Saginaw, City of	3,835,400
Saginaw-Midland Municipal Water Corporation	107,577
Sanilac, County of	77,080
Saugatuck, City of	12,884
Schoolcraft Memorial Hospital	4,522,670
Shiawassee County	78,595
Southfield Downtown Development Authority	159,996
Southwestern Michigan Commission	125,668
St. Johns, City of	24,710
St. Louis, City of	470,367
Standish, City of	126,793
Swartz Creek, City of	237,086
Twenty-Fifth District Court	26,437
West Michigan Community Health	14,289,249
Western Upper Peninsula District Health Department	31,769
Wixom, City of	7,441
Woodhaven, City of	2,783,671
Total Balances	\$ 230,572,548
Average Size Balances	\$ 1,579,264