

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

# a new vision for tomorrow

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2008 comprehensive annual financial report | for the fiscal year ended 12.31.2008



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MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

a new vision  
for tomorrow

2008

Comprehensive Annual

Financial Report for the

fiscal year ended

12.31.2008

**Anne M. Wagner**

Chief Executive Officer

**Luke Huelskamp**

Chief Financial Officer

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MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

# INTRODUCTION

a vision  
of confidence

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Even the biggest tree begins as a tiny seed...MERS roots  
are still growing strong after 63 years.

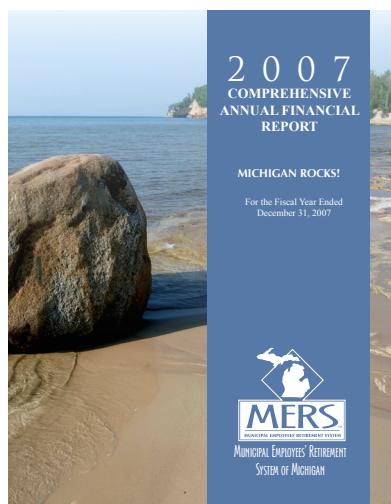




# Achievements



*MERS received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the December 31, 2007 Comprehensive Annual Financial Report. This marks the 20th consecutive year MERS has received this honor.*



*MERS also received the Public Pension Coordinating Council (PPCC), Public Pension Standards Award in 2008, 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 30, 2009*

Dear Board Members:

It is a pleasure to present the 62nd *Comprehensive Annual Financial Report* (CAFR) of the Municipal Employees' Retirement System of Michigan (MERS) for the fiscal year ended December 31, 2008. This report provides all of the required information on the financial status of our Retirement System and includes comments from the actuary and auditor of the system.

The MERS objective is to protect the financial future of current and former member employees. With the collapse of the world economic financial markets in 2008, this objective was challenged in a manner not witnessed since the beginning of MERS. The portfolio returned a negative 25% at the close of the year. On a relative scale, this performance was better than many of our peers in the public pension fund community. The portfolio responded to the market price decline in the way it was designed, mainly to provide protection in a negative market. This was achieved by imposing prudent discipline on the portfolio, monitoring risk, and continually evaluating day-to-day operations.

MERS has a long-term view of the market. The investment strategy is focused on providing the protection and stability our members need. In addition, the Retirement Board has selected three major objectives as the outcome our members should expect, namely: accurate information regarding their benefit provisions, 2) excellent service, and 3) cost-effective administration of their plan. More than ever before, we are focused on the path of excellence to ensure these goals are met.

### *Report Structure and Contents*

This CAFR is designed in compliance with the reporting requirements as stipulated by Michigan Complied Laws and is the responsibility of the management of MERS. There are sufficient internal accounting controls in existence to provide reasonable assurance regarding the safekeeping of assets and fair presentation of financial statements, supporting schedules, and statistical tables.

The Introductory Section includes this Letter of Transmittal, which complements the Management Discussion and Analysis (MD&A) found after the independent auditor's report on page 19, a letter from the Chairperson of the Retirement Board, and the GFOA Certificate of Achievement award.

Independent auditing firm, Andrews, Hooper and Pavlik P.L.C. has audited the financial statements included in this report. Their opinion letter, as well as the MD&A provides a narrative introduction and financial statement overview, and is presented in the Financial Section. These statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are applied on a consistent basis as promulgated by the Governmental Accounting Standards Board (GASB).

Additional important sections include: the Investment Section, which provides a summary of investment activity, an explanation of investment policy, and includes various investment schedules with portfolio performance information; the Statistical Section, which contains a variety of statistical facts and charts gleaned from the system's data.

### *Profile of MERS*

MERS is a statewide voluntary organization created in 1945 by the state legislature and is governed by the laws of the state of Michigan. In 1996, the system was granted independence by a vote of the Michigan Legislature and MERS member employers. At that time, the system was comprised of approximately 500 employer municipalities. MERS is growing strong and as of 2008, we have over 1000 Michigan member plans.

MERS administers retirement and health care benefit programs for municipalities across the state of Michigan. MERS Retirement Board annually approves the expense budget for the Administrative and Investment Divisions. MERS governance policy requires additional authorization from the Board if expenses are expected to exceed the budgeted amounts, or if events occur in staffing that were not approved by the Board at the beginning of the fiscal year.

MERS 2009 theme is "*Think About Tomorrow Today.*" This theme is strongly threaded throughout MERS. It is reflected in our vision statement "*Our Present is Your Future.*" This vision emphasizes our belief that what we do each day is important for the stability and protection of our members and their future. It means working together toward a successful retirement for all participants. Our commitment remains squarely focused on the importance of planning for retirement.

Michigan leads the country with the highest unemployment rate. Budget problems at both the state and local level continue to plague Michigan communities. MERS is committed to work with our members to assist them in arriving at economically feasible retirement solutions. MERS provides economies of scale by keeping both investment and administrative fees low, giving a consistent level of service to the members, and dealing with issues in a positive solution framework. We are firmly dedicated to improving the health and economic welfare of our members.

### *Defined Benefit, Defined Contribution, Hybrid*

Last year we added 11 new municipalities to the Defined Benefit (DB) Plan with assets totaling \$75 million. The Defined Contribution (DC) Plan grew by 15 employer groups and \$16.7 million in assets. The Hybrid Plan grew by four new initial groups. Hybrid combines the features of both the Defined Benefit and Defined Contribution Plans. The DB component is all employer contributions while the DC component is a combination of employee and employer contributions.

### *MERS Administration Pension System (MAPS)*

After four years of designing, programming, and testing, the new MERS Administration Pension System, better known as MAPS, successfully rolled into production on July 1, 2008. This was a fixed bid, customized software project designed to help manage the complexity of the system. MERS manages over 2,000 Defined Benefit divisions within the 696 member municipalities. Subject to collective bargaining, MERS administers the pension benefits within the bargaining agreements. The new MAPS software is designed to handle with ease the myriad of calculations and benefit designs selected by our members. This project was a joint effort between MERS actuary Gabriel, Roeder, Smith's technology staff and the MERS staff. Long in the planning and design, the finished effort is a "Cadillac" product. Workflow is embedded in the software making it easier to follow member requests for refunds, retirement applications,

disability, and beneficiary changes. The monthly retirement payroll is accomplished in less than one hour compared to the two days it took previously. The GRS staff members, as well as MERS staffers in both the Office of Employee and Retiree Services and IT, are to be commended for working so diligently to bring this project to fruition. The resulting software affords MERS with improved data integrity, ease of use for the end-users, and the ability to build a member portal.

### *Cost Effectiveness Measurement*

Customer service is always on the minds of MERS staff and is a critical element in all our performance objectives. Excellent service is a major objective behind our strategic thinking on all future projects. Understanding member expectations and working to deliver on those expectations is key to meeting this objective. In order to continuously improve on the services we deliver, we survey our members to measure their service experience.

To help us better understand where we need to improve, we participate in a benchmarking service through the Cost Effectiveness Measurement Inc. (CEM). The Comprehensive Benchmarking Analysis allows us to evaluate how we compare to our peers in the public fund community. Last year, CEM evaluated over 70 leading pension systems across the United States, Canada, Australia, and the Netherlands. In the U.S. public pension plans, 12 were identified in our peer group. MERS is one of the smaller plans in this group regarding both participants and assets. The final report provided us with valuable information regarding cost comparing measures and possible applications MERS may consider using. MERS is one of the more expensive plans to administer but has a substantially greater volume of transactions per participant than those in the peer group. We are working on many of the report suggestions regarding benefit estimates, member counseling and member contacts.

### *Investments – Defined Benefit Portfolio*

Strong returns in cash and underweighting the equity portfolio resulted in MERS declining by 25% at fiscal year-end rather than taking the full brunt of the equity market decline. The S&P 500 Index lost 37% of its value, the All Country World Index ex-US lost 45%, and Barclay's Capital U.S. Aggregate Bond Index gained 5.24%. What started as a subprime housing decline in 2007, rapidly expanded during the year to all housing markets. California, Arizona, Nevada, Florida and Michigan suffered the major impact of the decline in housing price and sales. The Federal Reserve Board responded by pumping billions of dollars into the economy via a TARP program designed to strengthen the banks. The Bush administration proposed a stimulus package, which was quickly picked up by the new Obama administration with Congressional approval. The collapse of Lehman Brothers in September led to more financial bad news in the European markets as the U.S. dollar declined, sending those markets into a major slump. The first full week in the fourth quarter was the worst in the 112-year history of the Dow Jones Industrial Average with a 22% price drop in an eight-day period. Both equity and bond markets continued their treacherous losses with the markets practically slowing to a standstill.

Even though the MERS Defined Benefit (DB) portfolio suffered a 25% loss in 2008, the portfolio maintained above median peer ranking for the three, five and ten year periods as measured according to State Street Public Fund Universe for Defined Benefit plans greater than \$1 billion in assets under management. The portfolio outperformed the internal policy benchmark by 132 basis points gross of fees for the year. For the fiscal year-end, the portfolio gross return was -24.8% for the one-year period and 3.8% for the ten-year-period. These returns demonstrate the importance of maintaining a well-diversified portfolio with the necessary liquidity to meet the needs of the system during disastrous markets. The goal is to meet our actuarial assumption rate of 8% and a real rate of return of +3.5% over 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. This policy is disciplined regarding the selection of the percentages allocated to the diversified asset class mix 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. Over the course of the year, the allocations to private equity and cash rewarded the portfolio with returns of 7% and 7% respectively. The Board's Investment Committee retains oversight and approval authority for any tactical recommendations by the MERS Investment staff.

## *Group Health Solutions*

### *Group Life and Disability Insurance Program*

MERS initiated the Group Life and Disability insurance program in 2003. It has grown to over 131 member municipalities in 2008. This program allows the members to collectively purchase various life and disability insurance products through MERS using The Standard Insurance Company of Portland, Oregon.

### *Health Care Savings Program & Retiree Health Funding Vehicle*

MERS created the Health Care Savings Program (HCSP) and Retiree Health Funding Vehicle (RHFV) in response to the GASB requirement to disclose funding liabilities on Other Post-Employment Benefits (OPEB). These programs have continued to grow over the past year: HCSP with 111 municipalities and asset growth with a total of \$14.5 million in assets. RHFV grew to 89 employer groups with \$118.4 million at the year-end compared to 68 employers and \$113.3 million at the end of fiscal year 2007.

### *MERS Premier Health*

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 57 groups covering 1,662 lives.

## *2009 Initiatives*

### *Education*

Educational opportunities for all MERS members and staff continued to evolve. The Learning Division concentrated their efforts in the early part of the year to develop a comprehensive educational plan for all members.

The Learning Division spent the first half of the year identifying topics of major importance by member category and the most promising delivery sources. The group determined to use MERS Web site to fuller advantage by developing 10-minute training videos featuring topics geared to MERS members. The first training video entitled "Understanding Your Annual Actuarial Valuation" was scripted and taped before the year-end with the final rollout scheduled for January 2009.

One part of the plan included reaching out to our elected officials with pertinent information regarding MERS. Information packets were developed, including a letter to each legislator with facts regarding MERS membership within their district. All packets were delivered to each legislator's office by either MERS staff or a Retirement Board member. Following the delivery,

MERS held its first-time legislative reception to meet and greet our elected officials. The objective of this initiative was to increase the knowledge regarding MERS as an organization. Since independence in 1996, we have only successfully requested legislation once. However, we are very concerned and interested in the topic of retirement and any potential efforts the Legislature may have in that regard.

Many educational meetings continued throughout the year with Retirement Process seminars, municipality meetings and the Successful Retirement Seminars. These meetings provide opportunities for members to access knowledge about their specific retirement plan, as well as the overall picture of their retirement needs. The Defined Benefit Retirement Process is specifically geared toward understanding MERS benefits and how they are applicable to specific situations. This is a half-day seminar and is very beneficial for members who are planning to retire within the near future. The Successful Retirement Seminars are intended for members contemplating retirement in the next three to five years. The seminars are a full-day and cover the broader aspects of retirement including financial planning, Social Security, and health care.

### *Web Enhancements*

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

### *Summary of Financial Information*

The basic financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) applied on a consistent basis as promulgated by the Governmental Accounting Standards Board and its predecessor, the National Council on Governmental Accounting. The 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 following schedule is a comparative summary of the system's funds' additions and deductions for the years ending December 2007 and December 2008.

### *Summary Statement of Changes in Plan Net Assets for the Year Ended December 31, 2008*

	Year Ended Dec. 31, 2008	Year Ended Dec. 31, 2007
Total Additions	\$ (1,185,511,300)	\$ 984,577,828
Total Deductions	415,343,936	381,999,289
Net Increase/Decrease	(1,600,855,235)	602,578,539
Net Assets Held in Trust for Pension and Health Benefits and Investment Accounts Held for Others		
Balance Beginning of Fiscal Period	6,464,925,898	5,862,347,359
Balance End of Fiscal Period	\$4,864,070,662	\$6,464,925,898

## *Retirement System's Financial Condition*

The overall funding objective of MERS pension trust funds is to meet the long-term benefit promises of our employer member groups through combined contributions, (employer and employee) as a level percentage of employer payroll over longer periods of time. Historical information regarding the funding progress is presented on pages 55.

## *Actuarial Overview*

### *Funding*

The December 31, 2007 Actuarial Valuation reports the consolidated funding to be an increase from 76.4% in 2006 to 77.3% in 2007. The increase was attributable to investment experience, new municipalities and limited 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.

### *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, 2007. This was the 20th 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 is the result of the combined efforts of the MERS staff and advisors functioning under your leadership. It is intended to provide complete and reliable information to facilitate the management making decision process, serve as a means for determining compliance of legal requirements, and allow for the accurate evaluation of responsible stewardship of the entire system. As in the past, MERS received an unqualified opinion from the independent auditors on the financial statements in this report, which may be found on page 17 in this report. Copies of this report are provided to the Governor, State Auditor, and all members of the Michigan Legislature.

My deep appreciation goes to the MERS staff for their unrelenting efforts to assure the successful operation of the system. And to you, the members of the Retirement Board, for your wise guidance in overseeing the system. In addition, I would like to thank the many organizations, advisors and individuals who work in partnership to assist our efforts in managing the system.

Respectfully submitted,

*Anne M. Wagner*  
*Chief Executive Officer*



## *Letter From the Chairperson*

*June 30, 2009*

Dear Board Members:

On behalf of the MERS Retirement Board, it is a 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, 2008. This financial report provides information on the status of our retirement system.

At the close of the calendar year, two of MERS Board members decided to retire. Ms. Sue Stahl, Board member from the city of Bad Axe, retired as the city clerk leaving an employee delegate vacancy. Mr. Dennis Murphy, Board-appointed member who has served for nine years, decided to retire as well. The Retirement Board extends their gratitude to both of these fine individuals for their excellent service to Board and the retirement system, with every best wish for a successful retirement.

The Retirement Board appointed Ms. Lori Newberg, employee services coordinator for Ingham County, to fill the employee vacancy created by Ms. Stahls until the next Annual Meeting in September 2009. At that time, there will be an election to fill the vacant Board position for a full, three-year term. The Retirement Board appointed Mr. Jim Wiersma to fill the Board-appointed vacancy left by Mr. Murphy. Mr. Wiersma resides in Holland where he is president of Family Investment and Resource Management LLC, the family office of Haworth Inc. The Board elected Mr. Larry Opelt, retiree Board member, as the Board chairperson and Ms. Sally Dreves to serve as vice chairperson.

MERS nine-member Retirement Board is comprised of three employer members and three employee members elected by the membership; two expert consultants and one retiree member appointed by the 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.

Annually the Board reviews the investment policy with a steadfast goal of preserving the system's assets and maximizing the long-term growth of those assets. While every year is an important period, it was particularly important last year to make informed decisions regarding the asset allocation of the portfolio. The dramatic decline of the world financial markets led to volatility unlike any experienced in our lifetime. MERS is doing everything possible to ensure the long-term goals of the system are met, and that member's contributions are not dramatically increased.

Three major Ends Policies selected by the Board drive the strategic initiatives of the system: accurate information, excellent service, and cost-effective administration are provided to every MERS member. The MERS staff works diligently to ensure that these goals are achieved.



In closing, I wish to express my appreciation to MERS Board members and the staff for their continued high level of commitment to the system's participants. All members can be extremely proud that last year in a very difficult financial environment, the system held steady. This was due in no small part to the focus and efforts of the staff and Board. The MERS system has been in existence for over 60 years. We fully intend it will be around long into the future. MERS continues to provide security and service to our members while growing and developing as a healthy, well-funded retirement system. Our vision statement "*Our Present is Your Future*" reflects how important what we do every day is for the future of all of our members. It is a pleasure to serve as MERS chairperson.

Sincerely,

*Larry Opelt, Chairperson  
MERS Board of Trustees*



*MERS Retirement Board and Chief Executive Officer – 2008/2009*

*Back row: Ms. Sally Dreves, Ms. Beverly Crumley, Mr. Bruce Johnson, Mr. James Wiersma, Mr. Michael Brown, Mr. John Ogden, and Ms. Lori Newberg. Front row: Mr. Larry Opelt, Ms. Anne Wagner, and Mr. Randy Girard.*

**Officer Members:** John Ogden, Michael Brown, Randy Girard

**Employee Members:** Sally Dreves, Beverly Crumley, Lori Newberg

**Public Members:** Bruce Johnson, James Wiersma

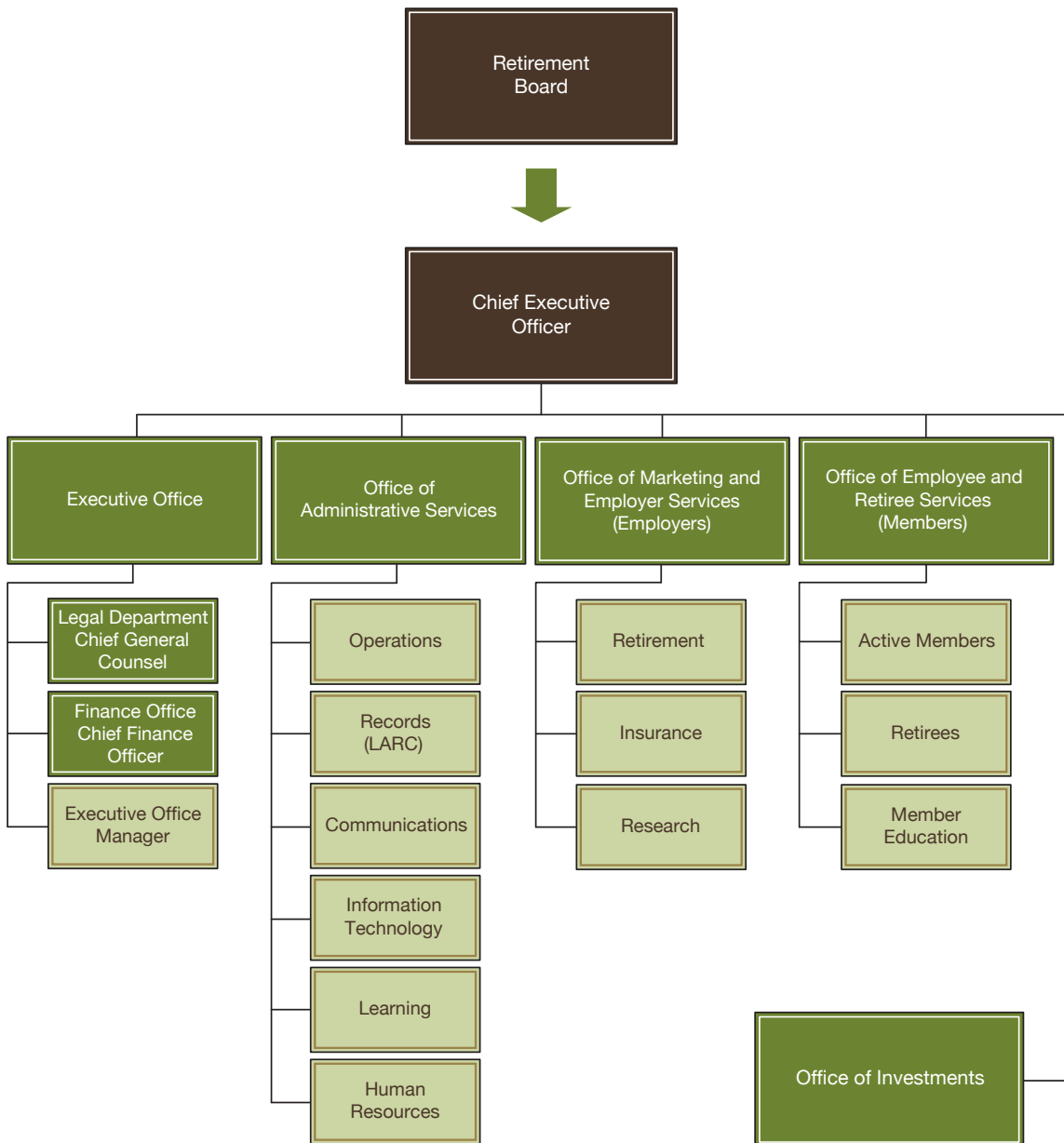
**Retiree Member:** Larry Opelt, Chairperson



*MERS Officers – 2008*

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

# Organizational Chart 2008



# 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*

State Street Bank and Trust Company

### *Investment Stewardship*

CEFEX

### *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*

State Street Bank and Trust Company

### *Systems Implementation and Maintenance*

Tegrit Financial Group

Oracle/People Soft

### *Third-Party Administrators*

Tegrit Plan Administrators

## **Investment Managers**

### *Domestic Equity*

BRC Investment Management

C.S. McKee Investment Managers

Delaware Investment

Kennedy Capital Management

Johnson Investments Counsel

LSV Asset Management

Wellington Management

### *International Equity*

Acadian Asset Management

Barclays Global Investors

Mondrian Investment Advisors

### *Fixed Income*

Barclays Global Investors

C.S. McKee Investment Managers

Credit Suisse-CSFB

Evergreen Investment Advisors

Reams Asset Management

### *High Yield*

Stone Harbor

Stone Tower

### *Real Estate*

The Townsend Group

AMB Institutional Alliance

ARA Fund Management

Blackstone Real Estate Partners

CB Richard Ellis Investors

Colony Investors

FIA Timber Partners

Guggenheim Structured Real Estate

IL & FS Investment Managers

J.P. Morgan

LaSalle Investment Management

Prudential Real Estate Investors

Square Mile Capital Management

Starwood Capital

UBS Realty Investors

Hancock Timber

Urdang Capital Management

### *Private Equity*

Credit Suisse-CSFB

Mesirow Capital Partners

### *Commodities*

Cargill Risk Management

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

# FINANCIAL

a vision  
of security

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Growing to great heights doesn't happen overnight.  
We create solutions to simplify your financial life and  
keep your money working for you well into the future.



# Independent Auditors Report



## 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, 2008, 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 2007 financial statements and, in our report dated June 26, 2008, 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 the 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, 2008, 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 29, 2009 on our consideration of the Municipal Employees' Retirement System of Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts 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 19 through 27 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 29, 2009



## Management's Discussion and Analysis

*This narrative overview and analysis of MERS financial condition for fiscal year ended December 31, 2008, 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 (page 28)
2. Statement of Changes in Plan Net Assets (page 30)
3. Notes to Basic Financial Statements (page 32)
4. Comparison Statement of Plan Net Assets (page 23)
5. Comparison Statement of Changes in Plan Net Assets (page 24)

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. The current financial statements alone do not provide the total perspective to properly assess the 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 696 individual municipal Defined Benefit Plans, 161 individual municipal Defined Contribution Plans, 111 Health Care Savings Programs, 89 Retiree Health Funding Vehicle Programs, 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 provides a comparative summary of the financial condition of the system as a whole.

## Required Supplemental Information

1. Schedule of Funding Progress (page 55)
2. Schedule of Employer Contributions (page 55)
3. Notes to the Schedules of Required Supplementary Information (page 56)

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 58)
2. Schedule of Investment Expenses (page 59)
3. Schedule of Payments to Consultants (page 60)

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, 2008:*

- Total plan net assets for the Defined Benefit Plan, Defined Contribution Plan, Health Care Savings Program, Retiree Health Funding Vehicle and Investment Services Program decreased by \$1.6 billion during the 2008 fiscal year. This was primarily due to net losses in investments.
- Total pension benefits paid to retirees and beneficiaries increased \$33 million to a total of \$385 million. This exceeds the employee and employer contributions that came in during the year. This is normal cycling as the plan matures and is due in large part to baby boomers reaching retirement age and drawing benefits.
- Transfers from the Defined Benefit Plan to the Defined Contribution Plan decreased by \$1.6 million. This shift is due to fewer municipalities and members opting to change programs with the market declines. (See page 112)
- Total employer contributions decreased by 11% to \$385 million, but employee contributions increased 6% to \$72 million. The decrease is primarily due to the RHFV and ISP plans, which do not have required contributions, and with the increased municipal financial strain, fewer contributions were paid.
- Administrative expenses totaled \$18 million. Much of this increase was due to hiring additional staff, depreciation of software, computer servers, and office equipment.
- Investment expenses totaled \$18 million. This is a 17% decrease from 2007 primarily due to lower investment manager fees of \$4 million. This was not unexpected with the market decreases 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 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 28-31) provide financial information about the activities of the 1,060 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 system as a whole.*

The "Schedule of Funding Progress" (page 55) 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 55) presents historical trend information about the annual actuarially required contributions of employers and the actual contributions made by employers. 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 Dec 31, 2008	As of Dec 31, 2007	Increase (Decrease) Amount	Increase (Decrease) Percent
<b>Assets</b>				
Cash and Short-Term Investments	\$ 82,483,676	\$ 146,267,940	\$ (63,784,264)	-43.61%
Receivables	441,762,060	66,889,486	374,872,574	560.44%
Interfund Receivables	1,249,403	941,456	307,947	32.71%
Investments, at fair value	4,769,213,613	6,406,130,851	(1,636,917,238)	-25.55%
Invested Securities Lending Collateral	395,539,655	709,449	394,830,206	55653.08%
Other Assets/Prepays	251,429	259,216	(7,787)	-3.00%
Net Capital Assets	6,675,401	6,554,063	121,338	1.85%
<b>Total Assets</b>	<b>5,697,175,237</b>	<b>6,627,752,461</b>	<b>(930,577,224)</b>	<b>-14.04%</b>
<b>Liabilities</b>				
Purchase of Investments	392,138,665	146,851,175	245,287,490	167.03%
Securities Lending Collateral	427,740,299	709,449	427,030,850	60191.90%
Administrative and Investment Costs	11,953,905	14,295,008	(2,341,103)	-16.38%
Interfund Payables	1,249,403	941,456	307,947	32.71%
Other Accounts Payable	22,302	29,475	(7,173)	-24.34%
<b>Total Liabilities</b>	<b>833,104,574</b>	<b>162,826,563</b>	<b>670,278,011</b>	<b>411.65%</b>
<b>Net Assets Held in Trust for Pension and Health Benefits and Investment Accounts Held for Others</b>				
	<b>\$4,864,070,663</b>	<b>\$6,464,925,898</b>	<b>\$(1,600,855,235)</b>	<b>-24.76%</b>

### Comparison Statement of Changes in Plan Net Assets

	Year ended Dec 31, 2008	Year ended Dec 31, 2007	Increase (Decrease) Amount	Increase (Decrease) Percent
<b>Additions</b>				
Contributions	\$ 456,961,857	\$502,497,000	\$ (45,535,143)	-9.06%
Transfers from Defined Benefit Plan	101,542	1,725,549	(1,624,007)	-94.12%
Transfers from Other Plans and Other Items	1,122,171	1,184,321	(62,150)	-5.25%
Investment Net Income(Loss) Investing Activities	(1,652,958,169)	474,740,239	(2,127,298,408)	-448.10%
Investment Net Income (Loss)-Securities Lending	8,548,421	3,363,352	5,185,069	154.16%
Miscellaneous Income	712,879	1,067,367	(354,488)	-33.21%
<b>Total Additions</b>	<b>(1,185,511,299)</b>	<b>984,577,828</b>	<b>(2,170,089,127)</b>	<b>-220.41%</b>
<b>Deductions</b>				
Benefits	384,760,858	352,221,202	32,539,656	9.24%
Refunds of Contributions	6,944,841	6,288,216	656,625	10.44%
Special Expenses and Fees	570,520	1,171,617	(601,097)	-51.30%
Transfers to Defined Contribution Plan	101,542	1,725,549	(1,624,007)	-94.12%
Medical Disbursements Paid to Members	462,448	328,172	134,276	40.92%
Disbursements Paid to Municipalities	4,607,234	5,827,116	(1,219,882)	-20.93%
Forfeited Employer Contributions	57,716	29,295	28,421	97.02%
Administrative Expense	17,838,777	14,408,122	3,430,655	23.81%
<b>Total Deductions</b>	<b>415,343,936</b>	<b>381,999,289</b>	<b>33,344,647</b>	<b>8.73%</b>
Net Increase/Decrease	(1,600,855,235)	602,578,539	(2,203,433,774)	-365.67%
Net Assets Held in Trust for Pension and Health Benefits and Investment Accounts Held for Others				
Balance Beginning of Year	6,464,925,898	5,862,347,359	602,578,539	10.28%
<b>Balance End of Year</b>	<b>\$4,864,070,663</b>	<b>\$6,464,925,898</b>	<b>\$(1,600,855,235)</b>	<b>-24.76%</b>

## Analysis of Plan Net Assets

Combined plan net assets decreased by \$1.6 billion over the previous fiscal year. Looking at additions to and deductions from plan net assets, the decrease in net assets was primarily attributable to economic conditions (the stock market decrease). Deductions from plan net assets were attributable to a 9% increase in pension benefit payouts due to a greater number of retirees and post-retirement cost-of-living increases.

Employer and employee contributions decreased \$45.5 million due chiefly to fewer municipalities joining MERS in 2008 than in 2007. Some municipalities had fluctuations due to changes in required actuarial contribution rates resulting from salary adjustments, benefit enhancements, plan modifications, and the number of employees.

MERS actuary used a ten-year smoothing method to determine contribution rates through 2008. The market gains and losses used to calculate valuation assets reduce the volatility of employer contribution rates. This will temper some of the effects of the market losses of 2008 over the next ten years. Market gains and losses will also be spread out in the years to come, resulting in the stabilization of employer contribution rates. Employers are also shifting more of the responsibility for contribution requirements on to employees to pay for higher cost benefit options.

MERS has capital assets of approximately \$7 million, mostly comprised of software and computer servers needed to run the 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 2009, and accrued administrative and investment expenses.

## Investment Activities

The total fund investment performance was negative for the year. The gross return of -24.8% was below the 8% actuarial return assumption target for the year. On both a five and ten year basis, the gross returns of 2.6% and 3.8% respectively, compared unfavorably to the actuarial return assumption. The total fund investment performance for the year (on a comparative basis to the benchmarks) was slightly favorable. Net investment losses (net decrease in fair value, less investment administrative expenses, plus securities lending income) were negative \$1.6 billion for the year. A further detailed analysis of investment returns may be found in the Investment Section.

MERS investments are managed to control the extent of downside risk to which assets are exposed while maximizing long-term gain potential. This positions the 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 system. The “prudent person rule” states that fiduciaries shall discharge their duties solely in the interest of the system participants and beneficiaries 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 MERS as of December 31, 2008, is found on page 14 of this report. A summary of the total system’s assets, excluding the Defined Contribution Plan, can be found on page 76.

### 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 55). 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 over a ten-year period. The funded ratio increased from 76.4% to 77.3% for the 2007 valuation. The actuarial assumptions used in the most recent valuation are identified in the “Notes to the Schedules of Required Supplementary Information” (page 56-57).

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 55). This schedule indicates that employers are meeting their actuarially required contribution payments.

MERS overall financial condition declined in 2008 due to market losses. The plan continues to remain stable and viable for the years to come. Public pension plans are long term investors and the market downturns and upturns are historically considered to be part of the market cycle 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 that a retirement system has achieved progress 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.

The MERS Retirement Board has adopted a funding methodology for the system in order 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 benefit security;
- To produce investment earnings and interest on accumulated assets to help meet future benefit costs;
- To estimate the long-term actuarial cost of proposed amendments to system provisions; and
- To assist in maintaining the 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 85. 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, 2008

	Defined Benefit*	Defined Contribution	Health Care Savings Program
<b>Assets</b>			
Cash and Short-Term Investments	\$45,851,495	\$36,161,191	\$51,566
Receivables			
Employer Contributions	27,586,625		
Plan Member Contributions	4,856,915		
Sale of Investments	388,046,585		
Investment Income	18,902,831		
Loans		2,158,313	
Interfund Receivables	1,093,417		
Other	210,766		25
Total Receivables	440,697,139	2,158,313	25
Investments, at fair value			
Fixed Income	1,584,245,795	46,859,916	5,442,765
Equities	2,498,185,030	11,510,735	8,582,654
Balanced Funds		86,922,621	
Real Estate	372,803,866		1,280,788
Total Investments	4,455,234,691	145,293,272	15,306,207
Invested Securities Lending Collateral	395,539,655		
Prepaid Expenses	251,429		
Capital Assets, at cost, net of accumulated depreciation	6,675,401		
<b>Total Assets</b>	<b>5,344,249,810</b>	<b>183,612,776</b>	<b>15,357,798</b>
<b>Liabilities</b>			
Purchase of Investments	392,138,665		
Securities Lending Collateral	427,740,299		
Administrative and Investment Costs	11,953,905		
Interfund Payables	155,986		867,381
Other Accounts Payable			21,630
<b>Total Liabilities</b>	<b>831,988,855</b>	<b>0</b>	<b>889,011</b>
<b>Net Assets Held in Trust for Pension and Health Benefits and Investment Accounts Held for Others</b>	<b>\$4,512,260,955</b>	<b>\$183,612,776</b>	<b>\$14,468,787</b>

\*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

Retiree Health Funding Vehicle	Investment Services Program	Year Ended Dec 31, 2008	Year Ended Dec 31, 2007
\$108,018	\$311,406	\$82,483,676	\$146,267,940
		27,586,625	26,560,636
		4,856,915	5,454,768
		388,046,585	14,394,206
		18,902,831	17,971,933
		2,158,313	2,012,723
155,986		1,249,403	941,456
		210,791	495,220
155,986	0	443,011,463	67,830,942
42,013,710	12,526,792	1,691,088,978	1,970,674,058
66,251,097	19,753,403	2,604,282,919	3,903,867,958
		86,922,621	108,989,750
9,886,643	2,947,798	386,919,095	422,599,085
118,151,450	35,227,993	4,769,213,613	6,406,130,851
		395,539,655	709,449
		251,429	259,216
		6,675,401	6,554,063
118,415,454	35,539,399	5,697,175,237	6,627,752,461
		392,138,665	146,851,175
		427,740,299	709,449
		11,953,905	14,295,008
	226,036	1,249,403	941,456
672		22,302	29,475
672	226,036	833,104,574	162,826,563
\$118,414,782	\$35,313,363	\$4,864,070,663	\$6,464,925,898

Statement of Changes in Plan Net Assets for the Year Ended  
December 31, 2008

	Defined Benefit*	Defined Contribution	Health Care Savings Program
<b>Additions</b>			
Contributions and Transfers In			
Employer Contributions and Other	\$310,716,723	\$18,939,820	\$10,127,358
Plan Member Contributions	64,870,909	6,961,409	
Employer Transfers In		84,819	
Plan Member Transfers In		16,723	
Transfers from Other Plans and Other Items		1,122,171	
Total Contributions and Transfers In	375,587,632	27,124,942	10,127,358
<b>Investment Income</b>			
Net Appreciation/Depreciation in Fair Value	(1,675,541,933)		(4,603,920)
Interest Income	91,663,858		
Dividend Income	59,671,701		
DC Plan Investment Income/Loss		(61,678,689)	
	(1,524,206,374)	(61,678,689)	(4,603,920)
Less Investment Expense	17,725,760		
Net Investment Income Before Securities Lending Activities	(1,541,932,134)	(61,678,689)	(4,603,920)
Security Lending Activities			
Security Lending Income	26,026,659		
Security Lending Expenses			
Borrower Rebates	15,341,192		
Management Fees	2,137,046		
Total Securities Lending Expenses	17,478,238	-	-
Net Income from Security Lending Activities	8,548,421	-	-
Total Net Investment Income/Loss	(1,533,383,713)	(61,678,689)	(4,603,920)
Miscellaneous Income	56,587		161,587
<b>Total Additions</b>	<b>(1,157,739,494)</b>	<b>(34,553,747)</b>	<b>5,685,025</b>
<b>Deductions</b>			
Benefits	372,354,833	12,406,025	
Refunds of Contributions			
Employer	1,364,491		
Plan Member	5,580,350		
Special Expenses and Fees	570,520		
Transfers to Defined Contribution Plan			
Employer	84,819		
Plan Member	16,723		
Medical Disbursements Paid to Members			462,448
Disbursements Paid to Municipalities			
Forfeited Employer Contributions			57,716
Administrative Expenses	16,364,800		514,348
<b>Total Deductions</b>	<b>396,336,536</b>	<b>12,406,025</b>	<b>1,034,512</b>
Net Increase/Decrease	(1,554,076,030)	(46,959,772)	4,650,513
Net Assets Held in Trust for Pension and Health Benefits and Investment Accounts Held for Others			
Balance Beginning of Fiscal Period	6,066,336,985	230,572,548	9,818,274
<b>Balance End of Fiscal Period</b>	<b>\$4,512,260,955</b>	<b>\$183,612,776</b>	<b>\$14,468,787</b>

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

Retiree Health Funding Vehicle	Investment Services Program	Year Ended Dec 31, 2008	Year Ended Dec 31, 2007
\$42,376,883	\$2,968,755	\$385,129,539	\$434,415,321
		71,832,318	68,081,679
		84,819	1,040,071
		16,723	685,478
		1,122,171	1,184,321
42,376,883	2,968,755	458,185,570	505,406,870
(33,136,301)	(11,607,125)	(1,724,889,279)	370,104,696
		91,663,858	64,095,023
		59,671,701	48,397,882
		(61,678,689)	13,411,117
(33,136,301)	(11,607,125)	(1,635,232,409)	496,008,718
		17,725,760	21,268,479
(33,136,301)	(11,607,125)	(1,652,958,169)	474,740,239
		26,026,659	44,450,377
		15,341,192	40,246,713
		2,137,046	840,312
-	-	17,478,238	41,087,025
-	-	8,548,421	3,363,352
(33,136,301)	(11,607,125)	(1,644,409,748)	478,103,591
494,705		712,879	1,067,367
9,735,287	(8,638,370)	(1,185,511,299)	984,577,828
		384,760,858	352,221,202
		1,364,491	1,230,274
		5,580,350	5,057,942
		570,520	1,171,617
		84,819	1,040,071
		16,723	685,478
		462,448	328,172
3,857,234	750,000	4,607,234	5,827,116
		57,716	29,295
806,100	153,529	17,838,777	14,408,122
4,663,334	903,529	415,343,936	381,999,289
5,071,953	(9,541,899)	(1,600,855,235)	602,578,539
113,342,829	44,855,262	6,464,925,898	5,862,347,359
\$118,414,782	\$35,313,363	\$4,864,070,663	\$6,464,925,898

## Notes to Basic Financial Statements

Year ended December 31, 2008

### 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 50). See Note 7 for the Health Care Savings Program and Retiree Health Funding Vehicle (page 51-52). See Note 8 for the Investment Services Program (page 53).

On August 15, 1996, pursuant to 1996 PA 220, MERS became an independent statutory public nonprofit 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 system, is appointed by the Retirement Board.

Three members of the system, who are officers of a participating municipality or of a participating court, who are elected as officer Board members by the delegates at the MERS Annual Meeting.

Three employee members of the system, who are not officers of a participating municipality or of a participating court, who are elected as employee Board members by the delegates at the MERS Annual Meeting.

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 system for their actual and necessary expenses incurred in the performance of their duties.

### *MERS Participating Municipalities as of December 31, 2008*

Counties	66
Cities and Villages	259
Townships	87
County Road Commissions	58
Authorities, Districts and Others	210
Closed Groups	16
<b>Total</b>	<b>696</b>

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, 2008*

<b>Retirees and Beneficiaries Currently Receiving Benefits</b>	
Retirement annuities	19,036
Survivor annuities	3,759
Disability annuities	1,200
<b>Total</b>	<b>23,995</b>
Vested former members	6,344
Current active employees	37,135
<b>Total Membership</b>	<b>67,474</b>

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 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. 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. Benefits 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 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. MERS also applied for an updated application for Letter of Favorable Determination on September 30, 2008 following Board approval at the September meeting. This updated application is part of the Internal Revenue Service’s Cycle C program for governmental plan Letters of Favorable Determination. 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 (\$230,000 for 2008 and increasing to \$245,000 in 2009) 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 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. The funding and accounting for each municipality is separate. The liabilities of each member municipality remain with that municipality and the assets of one municipality cannot be used to pay the liabilities of another municipality. Additionally, the assets are commingled for investment and administrative purposes but maintained separately for accounting purposes.

### 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 12.43% of compensation in 2008; employees contributed 2% of compensation in 2008.

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)
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
2007	5,681,887	7,312,780	1,630,893	77.70	5,879,341	27.74

*Actuarial Accrued Liability from December 31, 2007 and December 31, 2006 Actuarial Valuations*

	2007	2006
Retirees and beneficiaries currently receiving benefits	\$ 936,242	\$ 941,664
Vested former members not yet receiving benefits	191,225	28,442
Nonvested terminated employees (pending refunds of accumulated member contributions)	13,855	9,065
Current employees		
Accumulated employee contributions, including allocated investment income	699,514	622,622
Employer financed	5,471,944	4,734,849
<b>Total Actuarial Accrued Liability</b>	<b>7,312,780</b>	<b>6,336,642</b>
Net assets available for benefits at actuarial value (\$5,748,169 and \$4,561,771 at market value for December 31, 2007, and 2006, respectively)	5,681,887	4,498,837
<b>Unfunded Actuarial Accrued Liability</b>	<b>\$1,630,893</b>	<b>\$1,837,805</b>

*Three-Year Trend Information Schedule of Employer Contributions*

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2006	\$451,164	100%	-
December 31, 2007	541,572	100	-
December 31, 2008	668,016	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 post-employment benefits. This enhances information disclosed in notes to financial statements or presented as required supplementary information by pension plans and employers. The requirements of this statement have been implemented in the financial statements for fiscal year 2008 for pension disclosures. MERS Retiree Health Funding Vehicle is designed to be an investment choice for municipalities rather than a plan for other post-employment benefits. The actual other post-employment benefit plan remains with the municipalities for their administration, and thus implementation of GASB Statement 50 will reside with them.

## 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, 2007 and December 31, 2008.

### Capital Assets

	Office Building	Office Furniture and Equipment	Software	Total Capital Assets
Balances December 31, 2007	\$ 20,452	\$ 2,546,058	\$ 18,098,858	\$ 20,665,368
Additions		525,794	1,597,725	2,123,519
Deletions and Transfers	(19,647)			(19,647)
<b>Balances December 31, 2008</b>	<b>805</b>	<b>3,071,852</b>	<b>19,696,583</b>	<b>22,769,240</b>
Accumulated Depreciation				
Balances December 31, 2007	\$-	\$ 1,802,787	\$ 12,308,518	\$ 14,111,305
Depreciation Expense		393,317	1,589,217	1,982,534
Deletions and Transfers				-
<b>Balances December 31, 2008</b>	<b>-</b>	<b>2,196,104</b>	<b>13,897,735</b>	<b>16,093,839</b>
<b>Net Capital Assets</b>				
<b>December 31, 2008</b>	<b>\$ 805</b>	<b>\$ 875,748</b>	<b>\$ 5,798,848</b>	<b>\$ 6,675,401</b>

## 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 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 31 employee interest calculation. It is also used 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 55).

#### Reserves

Three reserves have been established pursuant to the MERS Plan Document for the Defined Benefit Plan. See “Schedule of Changes in Reserves” (pages 114-115).

- 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, 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 was \$595,548,678. The "Reserve for Employee Contributions" was fully funded as of the December 31, 2007 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, 2008 balance was \$3,916,712,277. The unfunded liability was \$1,750,916,918 (based on the actuarial value of assets) as of the December 31, 2007 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 2008, 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

The Retirement Board has the fiduciary responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to manage the 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 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, 2008, 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 financial risk that an issuer or other counterparty will not fulfill its obligations to MERS. Credit risk exposure is dictated by each investment manager's agreement. Other criteria based on MERS Retirement Board's 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 & Pooors. 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 & Pooors 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.

As of December 31, 2008, 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, 2008, is presented on the following pages, by investment category as rated by Standard & Pooors.

## Credit Ratings Summary – December 31, 2008

Quality Rating	Corporate Bonds	Mortgages	Asset Backed	U.S. Agency Bonds
AAA	\$ 71,551,424	\$ 158,795,557	\$ 14,199,002	\$ 191,976,728
AA+	7,441,194			
AA	15,248,078	488,718	3,403,012	4,969,640
AA-	11,749,208			
A+	17,857,065		3,083,554	36,636,276
A	38,766,003	955,759	5,839,898	822,736
A-	31,957,801	1,104,146	635,568	
BBB+	36,513,001		1,538,616	4,073,610
BBB	30,911,220	689,011	915,800	9,625,467
BBB-	16,384,998	37,006	5,409,911	11,029,525
BB+	9,896,914	54,071	997,697	3,007,860
BB	15,066,923		225,946	1,252,921
BB-	15,247,808		1,940,396	10,494,187
B+	6,802,230			
B	6,752,634	1,981,251	1,079,625	1,148,862
B-	8,192,010		142,643	2,168,859
CCC+	14,588,969			156,307
CCC	2,991,308		728,191	
CCC-	537,400			
CC	1,206,342		61,994	
C	537,075			
D	5,140,342			557,543
NR	28,030,626	18,679,797	3,480,731	27,322,852
<b>Totals</b>	<b>393,370,573</b>	<b>182,785,316</b>	<b>43,682,584</b>	<b>305,243,373</b>

\*Commingled fixed income has \$457,633,974 invested with Barclays Global Investors and represents the Lehman Aggregate Bond Index.

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



Commingled Limited Partnership*	Other	Short- Term	Total	% of Portfolio
			\$ 436,522,711	29%
			7,441,194	0%
			24,109,448	2%
			11,749,208	1%
			57,576,895	4%
\$ 236,133			46,620,529	3%
			33,697,515	2%
16,507			42,141,734	3%
288,607			42,430,105	3%
734,635			33,596,075	2%
5,229,905			19,186,447	1%
10,136,220			26,682,010	2%
15,068,773			42,751,164	3%
28,135,773			34,938,003	2%
10,538,521			21,500,893	1%
3,996,767			14,500,279	1%
3,673,177			18,418,453	1%
2,072,722			5,792,221	0%
1,635,438			2,172,838	0%
481,012			1,749,348	0%
			537,075	0%
			5,697,885	0%
457,927,160	\$ 21,281,967	\$ 35,540,284	592,263,417	39%
540,171,350	21,281,967	35,540,284	1,522,075,447	100%
		U.S. Treasury	94,039,825	
			<u>\$1,616,115,272</u>	

## Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is controlled through diversification of portfolio management styles. Duration is a measure of interest rate risk. The greater the duration of a bond, or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice-versa. Some investments' sensitivity to changing interest rates may derive from prepayment options embedded in an investment. The Board policy, in regards to interest rate risk, is that the effective duration of the domestic portfolio shall be (+/-) 20% of the Barclays Capital Aggregate Index or the Barclays Universal Bond Index. The Board policy, in regards to interest rate risk, is that the effective duration of the global fixed income portfolio shall be (+/-) 20% of the Barclays Capital 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 Barclays Capital 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, 2008, the plan's exposure to interest rate risk (as measured by the effective duration method summary) is listed below by investment type:

### *Effective Duration – December 31, 2008*

Investment Type	Market Value	Weighted Effective Duration
Agency	\$79,632,404	2.42
Asset Backed	29,208,793	4.87
CMBS	101,843,935	4.83
CMO	45,537,508	7.76
Corporate	275,190,257	4.41
Mortgage Pass through	63,964,679	1.04
US Treasury	95,004,696	5.05
International Bonds in U.S. \$	77,604,621	6.88
International Bonds	237,774,001	6.08
Private Placement / Misc.	6,173,858	7.30
<b>Total</b>	<b>\$1,011,934,752</b>	

### 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. The 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 other than those issued or explicitly guaranteed by the U.S. government as of December 31, 2008.

### Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of a 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, 2008, MERS had deposits of \$19,877,000 that were exposed to credit risk with State Street that were uninsured and uncollateralized. MERS also had investment securities and other investments of \$82,537,376 in comingled limited partnerships 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, 2008 is summarized below:

### *Foreign Currency Risk in U.S. Dollar Denominations – December 31, 2008*

Currency	Equities	Fixed Income	Cash	Real Estate	Total
Australian dollar	\$ 18,942,952	\$ 32,010,344	\$ 270,424		\$ 51,223,720
Brazilian real	378,176	3,749,008	2,121		4,129,305
British pound sterling	37,877,857	36,884,762	2,064,911	\$ 744,627	77,572,157
Canadian dollar	3,529,297	8,501,458	168,474		12,199,229
Colombian Peso	805,393				805,393
Danish krone	1,859,607		40,214		1,899,821
Euro	84,321,964	80,398,522	3,373,927	32,627	168,127,040
Hong Kong dollar	9,993,954		31,781	132,229	10,157,964
Hungarian forint	135,154	236,166	107		371,427
Indonesian rupiah	169,901	979,618	4,619		1,154,138
Israeli shekel	36,049		45		36,094
Japanese yen	87,355,011		1,022,288		88,377,299
Malaysian ringgit	636,508	10,192,176	16,592		10,845,276
Mexican peso	496,827	9,365,482	426,490		10,288,799
New Taiwan dollar	982,973		89		983,062
New Zealand dollar	1,244,752	13,396,083	386,028		15,026,863
Norwegian krone	2,210,953	14,831,472	151		17,042,576
Philippine peso	19,819				19,819
Polish zloty	33,301	822,736	169		856,206
Singapore dollar	8,290,113	8,501,894	49,214		16,841,221
South African rand	287,443	267,463	18,127		573,033
South Korean won	1,878,671	8,699,728	2,349		10,580,748
Swedish krona	934,350	14,062,182	280		14,996,812
Swiss franc	8,800,217		69		8,800,286
Thai baht	422,514		17,369		439,883
Turkish lira	410,087	439,884	58,441		908,412
<b>Total International Investment Securities</b>	<b>\$272,053,843</b>	<b>\$243,338,978</b>	<b>\$7,954,279</b>	<b>\$909,483</b>	<b>\$524,256,583</b>

## Securities Lending

MERS policy authorizes participation in a securities lending program administered by its global custodian, State Street Bank and 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 MERS and other participating clients on approximately the fifteenth day of the following month. The securities loans are open contracts and, therefore, could be terminated at any time by either party.

The borrower collateralizes the loan with either cash or securities of 102% of market value plus accrued interest on domestic securities and 105% of market value plus accrued interest on international securities loaned. 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 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. In 2008, the fair market value of fixed income securities invested in the cash collateral pool dropped below the original cost of the fixed income securities, resulting in an unrealized loss of \$32,200,645 that is reflected in the financial statements. Security lending produced net income of \$8,548,521 in 2008.

### *Collateral Held and Fair Value of Securities on Loan as of December 31, 2008*

Fair Value of Securities on Loan	Nature of Collateral	Collateral Held
\$428,597,221	Cash	\$427,740,299
-	Non-Cash	-
<u>\$428,597,221</u>		<u>\$427,740,299</u>

## Derivatives

Derivative instruments are financial contracts whose value depends on the values of underlying assets, reference rates, or financial indexes. They include futures contracts, swap contracts, credit-linked notes (CLN) and forward foreign currency exchange. While the Board has no formal policy specific to derivatives, MERS holds investments in futures contracts, swap contracts, and forward foreign currency exchange. MERS enters into these derivative contracts primarily to enhance the performance and reduce the volatility of its portfolio. It enters swaps and futures contracts to gain or hedge exposure to certain markets and to manage interest rate risk and forward foreign exchange contracts primarily to hedge foreign currency exposure. The following tables summarize the various contracts in the portfolio as of December 31, 2008. The notional value associated with these derivative instruments are generally not recorded on the financial statements; however, the amounts for the exposure (unrealized gains/losses) on these instruments are recorded. Interest rate risks associated with these investments are included in the table on page 44. MERS does not anticipate additional significant market risk from the swap arrangements.

### *Futures Contracts – December 31, 2008*

Futures Contract	Expiration Date	Long/Short	Notional Value	Market Value
Euro-Bond Long-Term	3/06/09	Long	\$ 9,639,307	\$10,585,945
Euro-Bond Medium-Term	3/06/09	Long	5,138,576	5,654,023
US 30-Yr Treasury Bond	3/20/09	Long	2,886,290	3,037,034
US 5-Yr Treasury Note	3/31/09	Long	4,714,680	4,762,200
US 10-Yr Treasury Note	3/20/09	Short	22,928,444	23,515,250
US 30-Yr Treasury Bond	3/20/09	Short	5,047,388	5,245,786
US 5-Yr Treasury Note	3/31/09	Short	6,237,570	6,309,915

### *Swap Contracts and Structured Notes Contracts – December 31, 2008*

Index	Maturity Date	Position	Notional	Exposure*	Counterparty
Russell 1000 Growth	4/07/09	Long	\$ 70,000,000	\$ (23,930,445)	Barclays
GSCI Total Return Index	5/29/09	Long	96,698,178	(11,502,240)	Cargill
LCD x10 Index	6/20/13	Short	(880,308)	199,553	JP Morgan
LCD x10 Index	6/20/13	Short	(1,685,160)	382,001	Goldman Sachs
Int. Rate Swap (GBP)	9/24/12	Received Fixed	6,750,000	865,792	Citigroup
CMBX Index	7/24/18	Short	(6,700,000)	(2,015,312)	Citigroup
CDX N. American Index	6/20/13	Short	(13,078,400)	(308,955)	Barclays
CLN Indonesia Govt.	9/15/11	Long	616,949	520,129	JP Morgan
CLN Indonesia Govt.	2/20/10	Long	125,119	107,615	JP Morgan
CLN Indonesia Govt.	6/15/21	Long	444,061	364,214	JP Morgan

\*Swap contracts are governed by International Swaps and Derivatives Association Master Agreements between MERS and counterparties. These agreements require collateral to be posted by either party when exposure exceeds the amount specified in the agreement (usually \$250,000 to \$5,000,000).

### Foreign Currency Forward Contracts

Pending Receivable	\$232,307,558
Pending Payable	(231,147,436)
<b>Foreign Currency Forward Contract Asset (Liability)</b>	<b>1,160,122</b>

MERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. MERS and its investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. MERS anticipates that the counterparties will be able to satisfy their obligations under the contracts. Investments in limited partnerships and commingled funds may include derivatives that are not shown in the derivatives totals.

### Private Equity and Capital Calls

MERS Board has approved \$862,866,742 for investment in Private Equity securities. As of December 31, 2008, \$609,185,382 was invested in Private Equity leaving \$253,681,360 available for future investments.

### 5. Commitments and Contingencies

In the normal course of business, benefit claims are in various states of development. Determinations are made through established administrative procedures. The Retirement Board is responsible for making the final judgment but may be subject to judicial review. 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 worker's 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 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, 2008, there were 161 plans that had adopted the Defined Contribution Plan with 9,749 member accounts totaling \$183.6 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 actively managed funds, index funds, and model portfolio funds.

### 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 a wide range of 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. Medical expenses are reimbursed, as defined in Code Section 213, once employees 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.

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 \$4.5 billion currently in MERS DB Plan, 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, 2008, interfund receivables and payables were as follows:

*Interfund Receivables and Payables – December 31, 2008*

	Interfund Receivables	Interfund Payables
Defined Benefit Plan	\$1,093,417	\$155,986
Health Care Savings Program		867,381
Investment Services Program		226,036
Retiree Health Funding Vehicle	155,986	
<b>Totals</b>	<b>\$1,249,403</b>	<b>\$1,249,403</b>

## Required Supplementary Information

### Schedule of Funding Progress – (Dollars in Millions)

Actuarial Valuation Dec 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)
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
2007	5,973.0	7,723.9	1,750.9	77.33	1,581.6	110.7

### Schedule of Employer Contributions – (Dollars in Millions)

Fiscal Year*	Annual Required Contribution	Accelerated Funding Credit	Percentage Contributed Before Credit	Percentage Contributed After Credit
2003	\$ 133	\$ 5	121 %	125 %
2004	156	2	108	109
2005	170	-	108	108
2006	199	-	107	107
2007	258	-	92	92
2008	224	-	110	110

\* 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 2008 were determined by Actuarial Valuations as of December 31, 2006.

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 when reviewing 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:

Valuation Date	December 31, 2007
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	There are 28 years for positive unfunded liabilities and 10 years for negative unfunded liabilities. The 28-year period will decline by one year in each of the next Annual Valuations until it reaches 20 years. At the March 11, 2009 meeting, the MERS Board voted to hold the 28 year amortization period for unfunded accrued liabilities in effect for the 2007 valuations, constant for the 2008 and 2009 valuations; then, to let it decline by one year each year with the 2010 and beyond valuations. The amortization for unfunded accrued liabilities will reach 20 years with the December 31, 2017 valuation. 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	A 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	A 4.5% for base inflation, plus 0.0% to 8.4% per year attributable to merit and longevity.
Post-Retirement Benefit	A 2.5% annual post-retirement benefit adjustments if adopted by individual municipality.

## Schedule of Administrative Expenses for the Year Ended December 31, 2008

<b>Administrative Expenses</b>	
<b>Personnel Services</b>	
Salaries	\$ 5,602,434
Social Security	410,666
Retirement	713,984
Insurance	1,123,631
<b>Total Personnel Services</b>	<b>7,850,715</b>
<b>Professional Services</b>	
Actuarial Services	1,059,639
Audit Services	60,600
Commercial Banking	89,528
Computer Maintenance	10,488
Consultants	94,693
Legal Services	115,290
Medical Services	55,175
Third Party Administrators	35,764
<b>Total Professional Services</b>	<b>1,521,177</b>
<b>Communication</b>	
Advertising / Promotional Supplies	5,995
Annual Meeting	148,408
Library and Records Storage	83,487
Postage / Shipping	121,459
Printing and Copying Services	82,356
Telephone / Communications	124,826
Travel and Meetings*	320,090
<b>Total Communication</b>	<b>886,621</b>
<b>Rentals</b>	
Equipment Rental	112,790
Office Rental	859,500
<b>Total Rentals</b>	<b>972,290</b>
<b>Miscellaneous</b>	
Depreciation	1,972,588
Equipment Purchases	129,275
Insurance	226,052
Building / Equipment Maintenance	325,573
Office Supplies	101,016
Operating Expenses	1,131,241
Payroll Processing	14,018
Personnel Support	294,881
Professional Development & Tuition	409,574
Software Purchases and Maintenance	841,311
Subscriptions / Memberships	61,956
Service Fees	(373,488)
<b>Total Miscellaneous</b>	<b>5,133,997</b>
<b>Total Administrative Expenses</b>	<b>\$16,364,800</b>

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



*Schedule of Investment Expenses for the Year Ended December 31, 2008*

<b>Investment Expenses</b>	
Personnel Services	
Salaries	\$ 751,377
Social Security	42,118
Retirement	86,457
Insurance	77,082
<b>Total Personnel Services</b>	<b>957,034</b>
Professional Services	
Commercial Banking	778,120
Investment Managers	15,505,262
Investment Performance	114,313
Other Consultants	78,466
<b>Total Professional Services</b>	<b>16,476,161</b>
Communication	
Travel	41,653
<b>Total Communication</b>	<b>41,653</b>
Miscellaneous	
Depreciation	9,946
Operating Expenses	8,826
Software Purchases/Maintenance	232,140
<b>Total Miscellaneous</b>	<b>250,912</b>
<b>Total Investment Expenses</b>	<b>\$17,725,760</b>

## Schedule of Payments to Consultants for 2008

Firm	Nature of Service	Amount
Gabriel, Roeder, Smith & Company	Actuary and System Implementation	\$1,278,445
Tegrit Financial Group	MAPS Software Support	602,385
Oracle, USA Inc.	PeopleSoft Software Support	458,709
Robbins-Gioia, LLC	FileNet System Implementation	185,351
Logicalis	Server Hardware Support	99,753
Bloomberg Finance LLP	Bloomberg Access Support	89,258
Barra, Inc	BarraOne Support	83,200
Sungard Availability Services	Business Continuation Services	61,178
Effusion Consulting, LLC	Server Upgrade Software	60,000
Andrews, Hooper, & Pavlik, P.L.C.	Auditors	58,000
Consulting Physicians, PC	Medical Advisors	55,175
Karoub Associates	Legislative Advisors	45,000
Thomson Financial	Investment Financial Data Service	44,101
GaveKal Capital Management LTD	Investment Strategy Study	40,000
McLagan Partners, Inc	Investment Salary Study	38,466
Curry & Associates	Administrative Salary Study	37,800
CEM Benchmarking, Inc.	Benchmark Data Production	35,000
New London Management	Human Resource and Career Advisors	33,125
Service Express, Inc.	Server Hardware Maintenance	28,752
Such Video	Audio/Video Production Services	28,309
IBM Corporation	FileNet Software Support	23,232
Pace and Partner, Inc.	Rebranding Initiative	22,469
eVestment Alliance, LLC	eVestment Analytics System Support	22,000
Zephyr Associates	Style Advisor Support	22,000
Blue Granite	Oracle Software Support	19,358
Miller Canfield	Legal Counsel	18,807
Matt Wesaw	Tribal Government Consultant	18,000
Dell Marketing, LP	Oracle Integration Software Support	12,642
Ice Miller	Legal Counsel	10,201
<b>Total Payments to Consultants</b>		<b>\$3,530,716</b>

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

# INVESTMENTS

a vision  
of stability

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Branching out to diversify risk is a key component to adding value. More than 70,000 members put their trust in MERS...a responsibility not taken lightly.



## Report on Investment Activity

### Jeb Burns, Chief Investment Officer

*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 numerous benefit programs including: Defined Benefit Plan, Defined Contribution Plan, Investment Services Program, Health Care Savings Program, Retiree Health Funding Vehicle, and a Hybrid Plan. 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

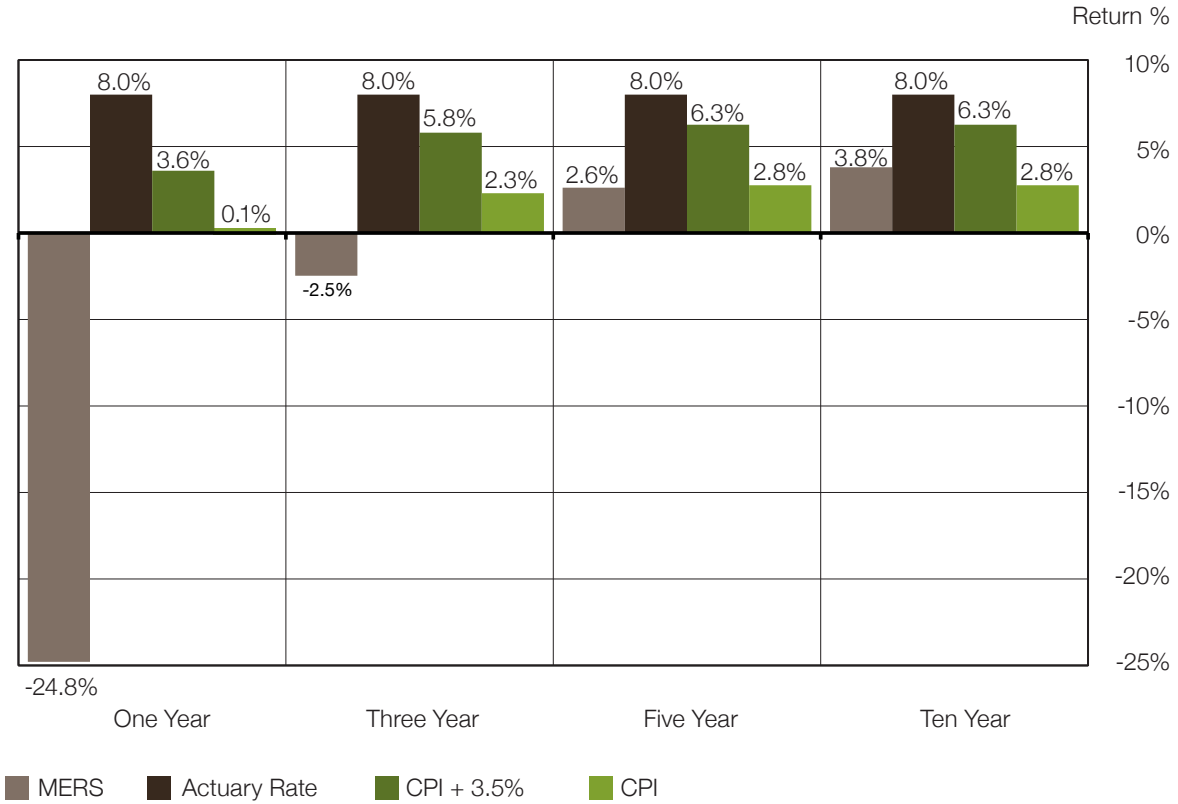
The primary investment objective is to maximize the long-term total rate of return on investments with a high degree of prudence and sufficient diversification to eliminate inordinate risks with conformity with the Michigan Public Employee Retirement System's Investment Act, 1965 PA 314, as amended. 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

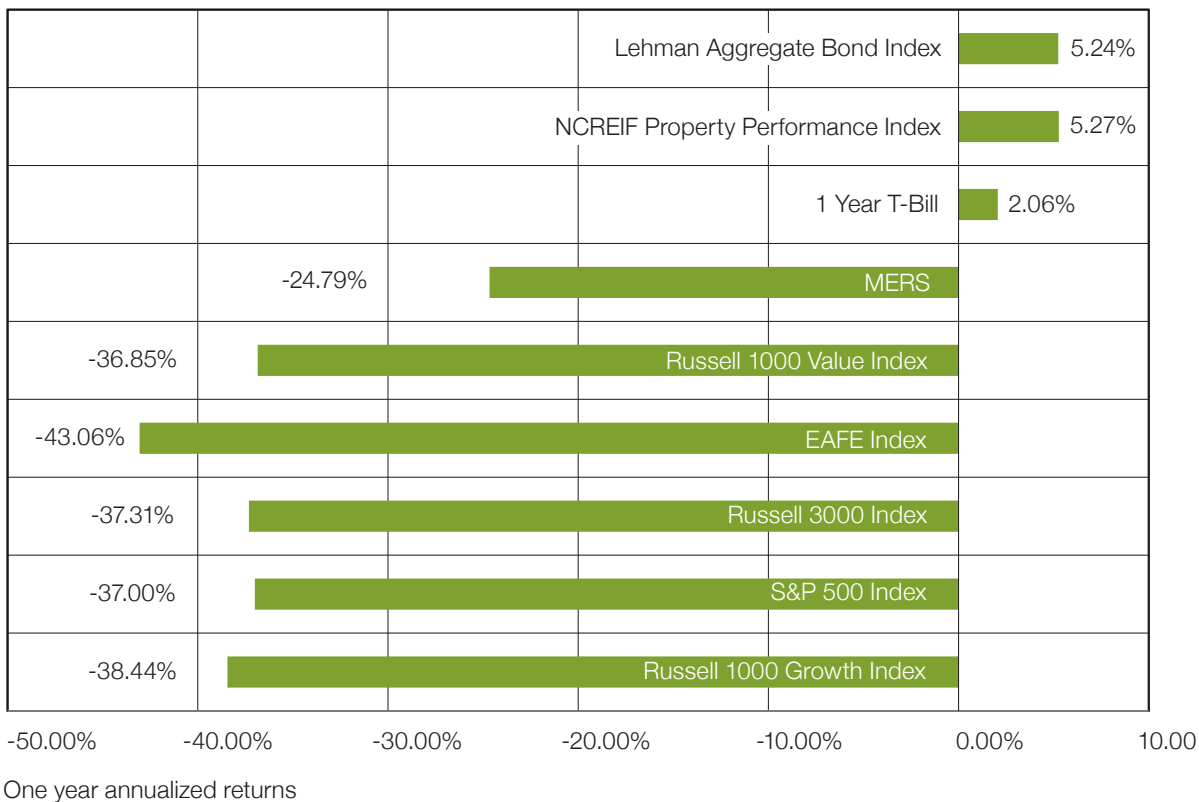
The real rate of return is defined as the rate at which the long-term total return on the system's assets exceeds the long-term inflation rate. The graph below illustrates MERS returns compared with the Consumer Price Index (CPI) plus 3.5% and the actuarial assumption rate of 8% over 10 years.

*MERS Actual Returns versus Goals*



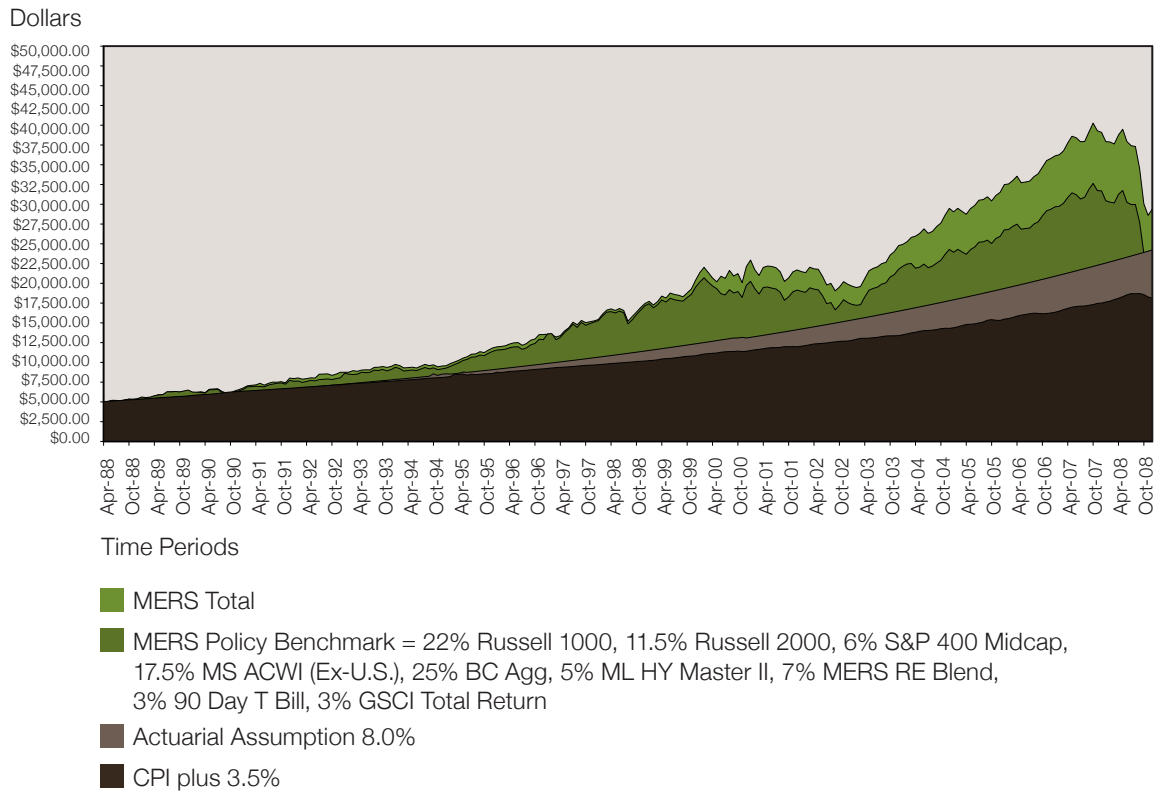
The portfolio is constructed to reduce volatility in down markets, yet still participate significantly when the equity markets run. The chart below, comparing MERS to the major market indices, demonstrates the value of diversification and MERS ability to quickly rebound in up market conditions.

*MERS Compared to Market Indices for 2008*



MERS Defined Benefit portfolio is specifically designed to provide protection in turbulent financial markets. In 2008, the world saw a global financial crisis attack all asset classes. The fund was down -24.79% for the year, outperforming its policy benchmark 132 basis points, providing downside protection while shielding the plan from additional market losses. The combination of passive and active management, diversification across asset classes, and its disciplined adherence to asset allocation has allowed MERS to provide value through multiple market cycles. The chart below illustrates the growth of \$5,000 for over 20 years. It compares the fund to its various benchmarks and demonstrates the value added from active portfolio management.

*Growth of \$5,000 - Period Ended December 31, 2008*

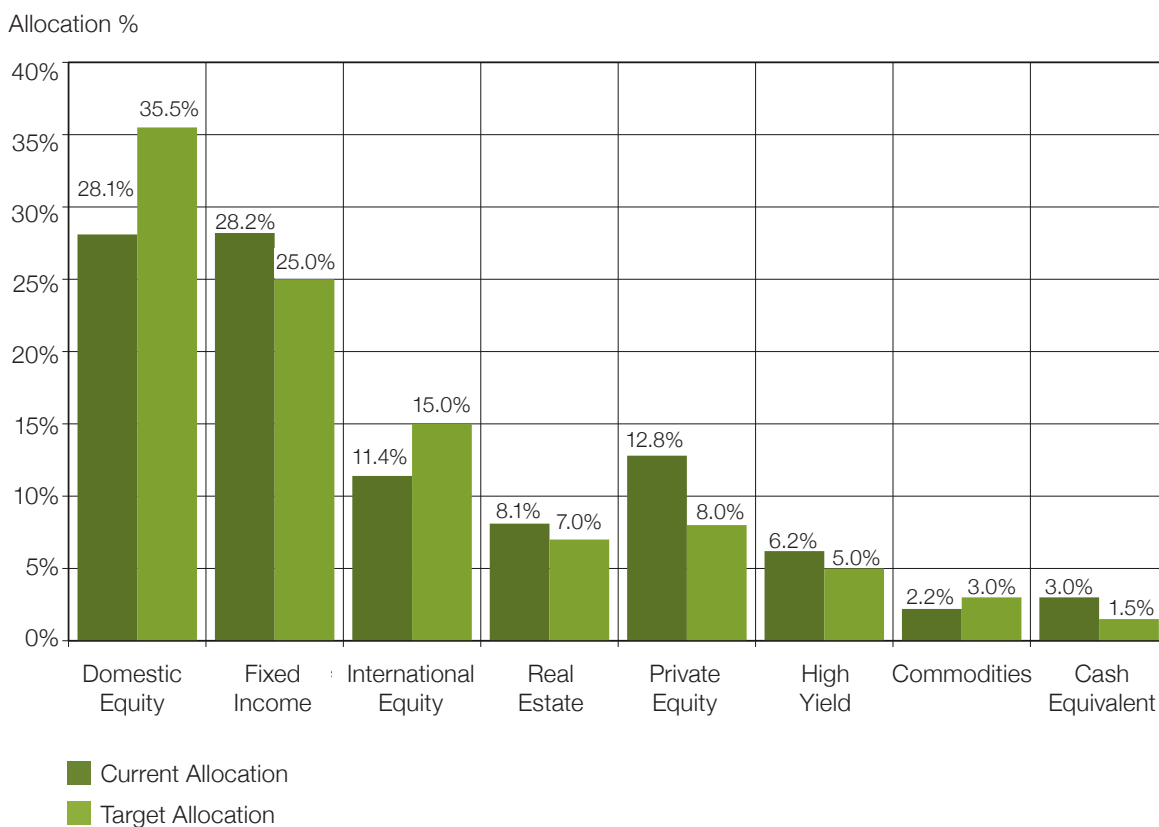




## Asset Allocation

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. The fund's exposure to international and alternative investments were increased while reducing the overall risk of the portfolio. The Board approved increasing the commodity allocation to 5% by the end of 2009. 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 -24.79%. Total equity contributed significantly to the portfolio's performance in 2008, with MERS equity portfolio outperforming by 132 basis points. The portfolio's relative success was due to the diverse nature of the asset allocation. Private equity, real estate, and cash allocations were relative positive contributors. Several tactical decisions significantly benefited the fund in 2008; specifically the underweight to equities held throughout the year and the decision to remove the overweight to MERS commodities position in June. These decisions added over \$100 million in relative savings to the fund, which would have otherwise been lost to the marketplace.

## Universe of Public Fund Plans Greater than One Billion

The MERS portfolio was ranked in the 33rd percentile within The State Street Extended Universe of Public Funds exceeding \$1 billion in assets for the fiscal year ending December 31, 2008. MERS was ranked 47th and 36th percentiles for the three and five-year periods, respectively. The State Street Extended Universe was comprised of 48 public fund plans exceeding \$1 billion in assets for the full year period ended December 31, 2008. The total market value was \$789.4 billion as of December 31, 2008. The plans ranged in size from \$1.0 billion to \$183.3 billion, with a median market value of \$3.8 billion and an average market value of \$15.5 billion.

## Universe of Public Fund Plans

The MERS portfolio was ranked in the 53rd percentile within The State Street Extended Universe of Public Funds for the fiscal year ending December 31, 2008. MERS was ranked 53rd and 36th percentiles for the three and five-year periods, respectively. The State Street Extended Universe was comprised of 133 public fund plans for the full year period ended December 31, 2008. The total market value was \$811.2 billion as of December 31, 2008. The plans ranged in size from \$2.1 million to \$183.3 billion, with a median market value of \$385.1 million and an average market value of \$5.9 billion.

The portfolio returned -2.47% and 2.62% for the three and five-year periods, respectively, versus its policy benchmark at -3.33% and 1.47%. 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. 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, 2008. MERS active approach to portfolio investing has added value for all time periods.

### Schedule of Investment Results Gross of Fees

	One Year Annualized	Three Year Annualized	Five Year Annualized
MERS Total Fund	-24.79%	-2.47%	2.62%
Policy Portfolio	-26.11%	-3.33%	-1.47%
* Median Public Plan	-25.89%	-2.63%	2.24%
<b>Domestic Stocks</b>	<b>-39.17%</b>	<b>-10.05%</b>	<b>-2.35%</b>
Russell 3000 Index	-37.31%	-8.63%	-1.95%
<b>International Stocks</b>	<b>-45.65%</b>	<b>-7.68%</b>	<b>3.40%</b>
MSCI ACWI ex USA	-45.24%	-6.57%	3.00%
<b>Fixed Income</b>	<b>-1.60%</b>	<b>3.73%</b>	<b>4.16%</b>
BC Bond Index	5.24%	5.51%	4.65%
<b>High Yield Bond</b>	<b>-38.32%</b>	<b>-10.03%</b>	<b>-3.42%</b>
Merrill Lynch High Yield Master II	-26.39%	-5.62%	-0.86%
<b>Real Estate</b>	<b>-12.03%</b>	<b>4.77%</b>	<b>9.54%</b>
NCREIF Property Performance	5.27%	13.24%	14.24%

\* The Median Public Plan returns are shown gross of fees

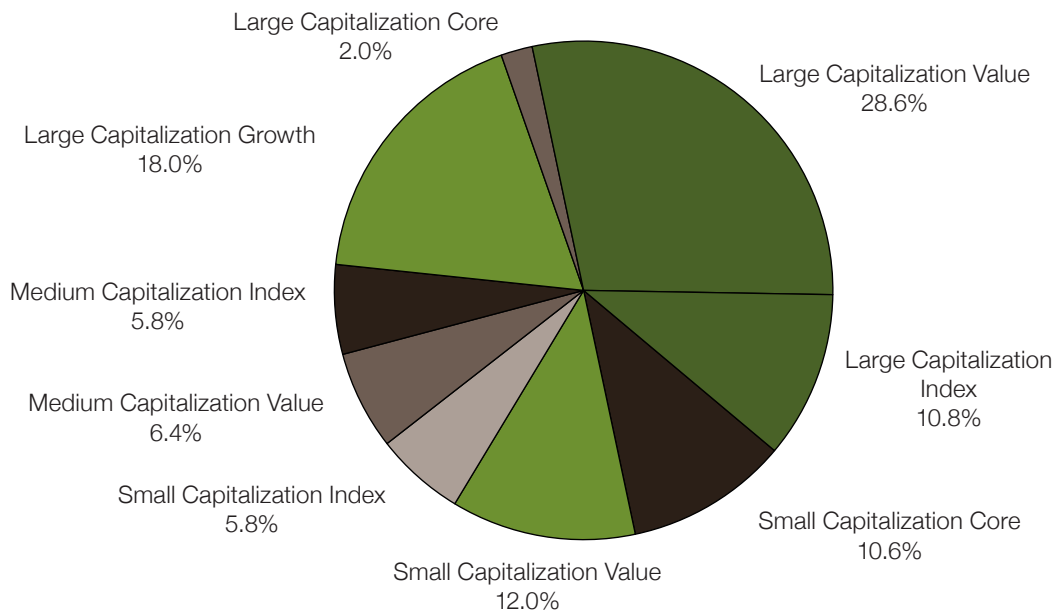
## Total Equities

The total equity portfolio includes U.S. common stocks and international stocks, representing 39.4% of the total portfolio as of December 31, 2008. The year-end composition of the equity portfolio is shown and is compared to the 2007 equity allocation.

### Total Equity Portfolio Comparison 2007 Versus 2008



### Total Domestic Equity Portfolio 2008



The returns for this asset class were negative in 2008 as the economy was ground to a halt; with year over year GDP growth of 1.2% in the fourth quarter. During this period, the domestic common stock portfolio returned -39.17% versus the Russell 3000 Index with a return of -37.31%. MERS small cap portfolio returned -37.80% versus the Russell 2000 Index at -33.79%. Value managers fared better than growth managers did overall during the fourth quarter when active management once again began to assert itself. However, all sectors of the equity markets produced negative returns.

Passive management accounts for 22.4% 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 non-passive management accounts are 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: 2.0% large cap core, 18.0% large cap growth, 28.6% large cap value, 6.4% mid cap value, 12.0% small cap value, and 10.6% small cap core.

### *Top Ten Equity Holdings as of December 31, 2008*

Asset Description	Market Value	Percentage of Total Market Value
Exxon Mobil Corporation	\$24,819,147	0.53%
AT&T, Inc.	17,447,045	0.37%
Chevron Corporation	17,220,216	0.37%
Pfizer, Inc.	14,097,160	0.30%
Wyeth	12,266,145	0.26%
Verizon Communications, Inc.	12,190,440	0.26%
ConocoPhillips	11,983,153	0.26%
Johnson & Johnson	11,918,136	0.25%
Microsoft Corporation	11,712,017	0.25%
International Business Machines Corporation	11,313,629	0.24%

## International Equities

The allocation to non-U.S. stocks comprises 11.4% of the total portfolio. Of this, 2.2% 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 underperformed the domestic market by 6.48%.

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 -45.65% for the one-year period ending December 31, 2008; the portfolio returned -7.68% and 3.40% for three and five years, respectively.

## 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 targeted fixed income portfolio is 30% of the total portfolio, including high yield bonds. It serves to diversify the equity risk component within the fund, providing asset protection during market downturns. Fixed income usually serves as a liquidity source for the fund. This function was somewhat impaired due to the nature of the global crisis which was a result of server dislocations in the credit market.

The 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 3.73% and 4.16% 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. This sub asset class seeks to take advantage of government project financing needs throughout the world.

### Top Ten Fixed Income Holdings as of December 31, 2008

Asset Description	Market Value	Percentage of Total Market Value
French Government Bond	\$15,530,197	0.33%
Norwegian Government Bond	15,209,329	0.32%
Federal Home Loan Bank	14,022,951	0.30%
Federal Home Loan Mortgage Corp	10,744,919	0.23%
United States Treasury 2% 01/15/2014	10,168,552	0.22%
Malaysian Government Bond	9,565,688	0.20%
Korean Treasury Bond	8,815,487	0.19%
Singapore Government Bond	8,599,671	0.18%
Canadian Government Bond	8,557,444	0.18%
Swedish Government Bond	8,496,436	0.18%

### 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. These provide higher returns than traditional core fixed income assets within the risk budget approved by the Board. The portfolio returned -38.32% versus its benchmark, the Merrill Lynch High Yield Master II Index, at -26.39%. High yield bonds contributed positively to the performance of the overall portfolio.

### Real Estate Portfolio

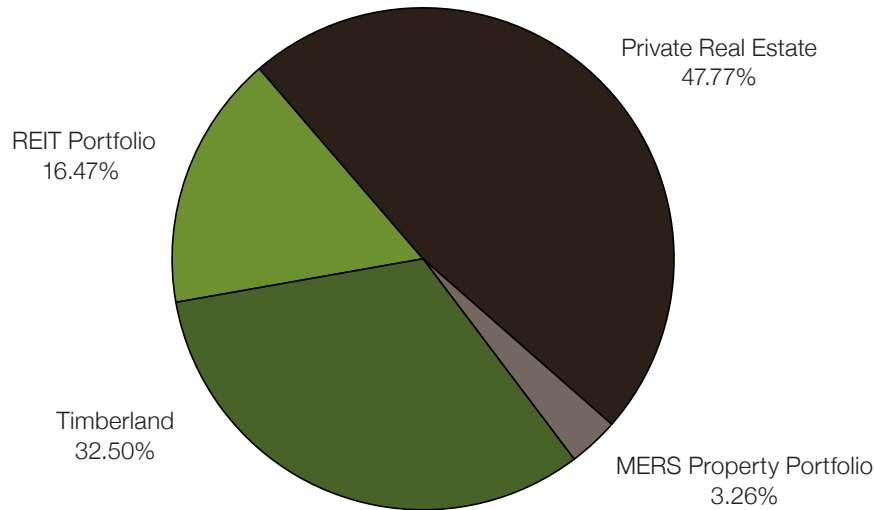
MERS real estate investments represented 8.1% of the total portfolio at year-end. The portfolio has an overall target allocation of 3% to private real estate, 2% to public real estate, and 2% to timberland. The total portfolio returned -12.03% for the year against the MERS blended real estate benchmark at -9.61%. 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 4.77% and 9.54%, respectively.

Private real estate and timberland had a combined return of -0.56% versus the NCREIF Property Index at 5.27% and the NCREIF Timberland Index at 16.60%. 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 -43.80% versus the EPRA NAREIT Index at -47.72%. 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, Mesirow II and Mesirow 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 \$602 million. 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 (3% in 2008). 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.

*Investment Summary for Defined Benefit Plan, Retiree Health Funding Vehicle, Health Care Savings, and Investment Services Programs as of December 31, 2008*

Type of Investment	Market Value
<b>Fixed Income</b>	
US Government Bonds	\$ 94,039,825
Corporate Bonds	393,370,573
Commingled Limited Partnership	82,537,376
Asset Backed	43,682,584
Bond Index	457,633,974
Short Term/Other	56,822,251
Mortgages	182,785,316
US Agency Bonds	305,243,373
<b>Total Fixed Income</b>	<b>1,616,115,272</b>
<b>Equities</b>	
Domestic Stock	1,320,905,248
International Stock	530,327,558
<b>Total Equities</b>	<b>1,851,232,806</b>
<b>Private Equity &amp; Commodities</b>	
Commodities	105,031,584
Private Equity	601,947,655
<b>Total Private Equity &amp; Commodities</b>	<b>706,979,239</b>
<b>Real Estate</b>	
Private Securities	380,171,998
<b>Total Real Estate</b>	<b>380,171,998</b>
<b>Sub Total Investments</b>	<b>4,554,499,315</b>
<b>Cash Equivalents</b>	
Commercial Paper	138,591,024
<b>Total Cash Equivalents</b>	<b>138,591,024</b>
<b>Sub Total Investments &amp; Cash</b>	<b>4,693,090,339</b>
Payables - Purchases of Investments	(392,138,665)
Receivables - Sale of Investments & Interest	406,949,416
<b>Total Investments</b>	<b>\$4,707,901,090</b>

*Note: Includes receivables and payables for sales and purchases of securities with settlement dates after December 31, 2008.*

## Schedule of Investment Commissions – December 31, 2008

Brokerage Firm	Shares Traded	Total Dollars	Commission/Share
SG Securities	28,407,594	\$ 26,171	\$ 0.00
Morgan Stanley	27,319,091	105,678	0.00
Credit Suisse Securities	19,507,404	150,189	0.01
Merrill Lynch	12,678,149	73,646	0.01
Goldman Sachs & Company	12,640,060	92,510	0.01
ABM Amro	10,297,759	6,059	0.00
Citi Group Global Markets	9,703,242	99,246	0.01
Lehman Brothers	8,308,690	78,833	0.01
Direct Trading Institutional Inc.	7,253,353	110,197	0.02
Weeden & Company	6,790,570	110,913	0.02
Pershing	6,556,385	4,547	0.00
Cantor Fitzgerald & Company	6,349,786	201,921	0.03
Instinet	5,744,723	111,324	0.02
JP Morgan	4,530,321	68,106	0.02
UBS	4,038,528	29,689	0.01
Knight Securities	4,028,298	101,051	0.03
Ridge Clearing & Outsourcing Solutions	3,242,355	58,119	0.02
Deutsche Bank	3,157,311	42,362	0.01
Abel Noser Corporation	3,152,664	67,435	0.02
Societe Generale	2,611,449	6,186	0.00
Bank of America Securities LLC	2,204,950	61,530	0.03
Pulse Trading LLC	2,103,029	58,647	0.03
Nomura International	1,791,424	6,686	0.00
BNY Brokerage Inc.	1,785,175	55,971	0.03
Investment Technology Group	1,691,138	17,996	0.01
Subtotal (25 Largest)	195,893,448	1,745,012	0.01
Remaining Total	44,282,496	1,156,156	0.03
<b>Total Commissions</b>	<b>240,175,944</b>	<b>\$2,901,168</b>	<b>\$0.01</b>

Schedule of Investment Fees – December 31, 2008

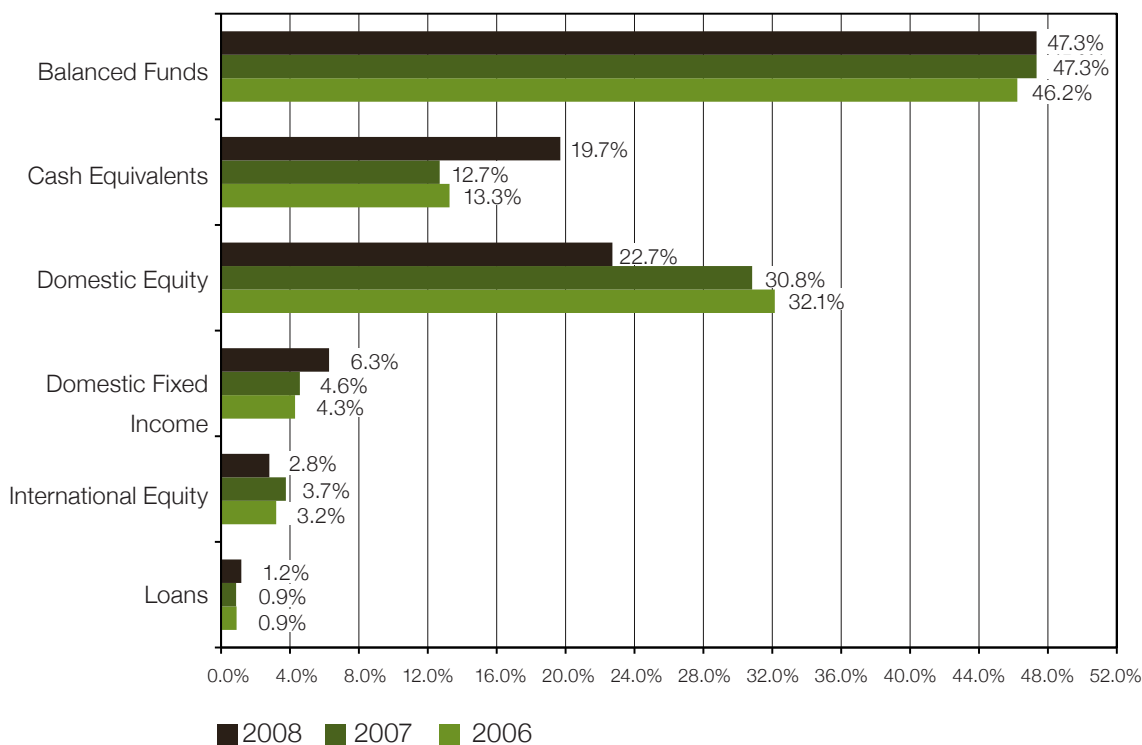
Investment Managers	Average Assets Under Management	Annual Fee	"Average Basis Points"
Acadian Asset Management	\$ 159,527,150	\$ 806,380	50.55
Ariel Capital Management	106,735,938	259,079	24.27
Barclays Global Investors- AIE	190,886,313	245,511	12.86
Barclays Global Investors- EAFE	96,123,004	20,321	2.11
Barclays Global Investors- Efficient Frontiers	58,778,355	102,618	17.46
Barclays Global Investors- Global Ascent	6,007,865	4,471	7.44
BRC Investment Management	6,585,468	1,432	2.17
Credit Suisse Customized Infrastructure	73,993,737	1,190,090	160.84
Credit Suisse Private Equity Fund	508,726,850	5,030,719	98.89
C.S. McKee	158,241,393	712,453	45.02
C.S. McKee- Fixed Income	54,761,164	53,820	9.83
Delaware Investment Advisors	187,199,247	530,921	28.36
Delaware Strategic Advisors	22,602,660	34,043	15.06
Evergreen Investments	334,416,771	777,320	23.24
Johnson Investment Counsel	15,420,937	15,425	10.00
Kennedy Capital Management	203,748,451	819,507	40.22
LSV Asset Management	272,081,754	408,194	15.00
Mondrian International	249,570,684	607,841	24.36
Reams Asset Management	316,244,976	424,560	13.43
Stone Harbor	275,698,836	707,385	25.66
Urdang Investment Management	88,666,073	520,727	58.73
Wellington Management	310,366,130	776,363	25.01
Wellington Management- Mid Cap	110,077,424	680,785	61.85
Western Asset Management	241,598,021	458,046	18.96
The Townsend Group	198,502,438	317,251	15.98
<b>Total Investment Manager Fees</b>	<b>\$4,246,561,639</b>	<b>\$15,505,262</b>	<b>36.51</b>
<b>Investment Custodian</b>			
State Street Bank and Trust		778,120	
<b>Investment Performance Measurement Consultant</b>			
State Street Bank and Trust		114,313	
<b>Securities Lending Agent</b>			
State Street Bank and Trust		2,137,045	
<b>Total Investment Fees</b>		<b>\$18,534,740</b>	

## 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, 2008, the Defined Contribution Plan had net assets of \$183.6 million and 9,749 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

MERS offers the following investment options through our Third Party Administrator (ICMA-RC) on the DC Plan:

### 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: The recently added MERS Short-Term Managed Income Fund offers the short-term managed cash returns from the MERS Defined Benefit portfolio; the recently added MERS Diversified Bond Fund that offers a global bond portfolio from the MERS Defined Benefit pension fund; 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, Ave Maria 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, the MERS Established Market 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

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.





MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

# ACTUARIAL

a vision  
of reliability

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Deep roots create an unshakable foundation.

Our commitment to excellence, integrity, and  
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## Actuary Certification Letter



Gabriel Roeder Smith & Company  
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September 10, 2008

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 28 years). The latest completed actuarial valuations were based upon population data, asset data, and plan provision data as of December 31, 2007. These valuations determine the contribution rates for the fiscal years beginning in 2009.

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  
September 10, 2008  
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 or Disability)
- 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

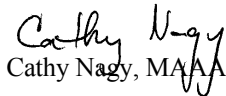
Statistical Section

- 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 (MAAA) 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 89. Adopted 2000 and 2005.

Sample probabilities of separation from service before retirement due to disability or other causes are shown on page 91. Adopted 2000.

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 92. 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 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 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, 2007 Actuarial Valuation results.

The 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	Percent	Age	Percent	Age	Percent
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
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
2007	683	36,518	1,581,597,937	43,310	3.2	6,438

## Mortality Tables

To estimate the amount of reserves required at retirement to pay a member's benefit for the remainder of their lifetime, an assumption must be made 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 and 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

### 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
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
2007	2,030	36,947,384	894	5,928,199	22,600	353,541,830

Valuation Dec 31	End-of-Year Rolls		% Increase in Annual Allowance	Average Allowance
	Retirees/ Beneficiaries Number	Annual Allowance		
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
2007	22,600	353,541,830	9.6	15,643

## 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, in the absence of benefit provision increases, the funded portion (of present value 3) will increase over time.

The Solvency Test illustrates the history of the obligation of the system and reflects the MERS policy of following the discipline of level percent payroll financing. The solvency of the system remains sound. 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 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)
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
2007	565.9	3,627.6	3,530.4	5,973.0	100	100	50.4

## 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, 2007 Actuarial Valuation was based upon the provisions of the MERS Plan Document. This information is related to the MERS Defined Benefit Plan.

Monthly retirement payments are made over the lifetime of the retirant and/or over the lifetime of the beneficiary. Payments are based on the 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 a 36-month period. FAC-5 is over a 60-month period.

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 an employee leaves MERS covered employment after vesting, but before reaching the minimum retirement age. The member or beneficiary will become eligible for the deferred allowance once they reach the minimum retirement age. However, the member's contributions must 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. A reduced benefit to cover retirant and beneficiary as long as either live.
3. A reduced benefit 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, 2007, 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, 2007, Actuarial Valuation.



MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

# STATISTICAL

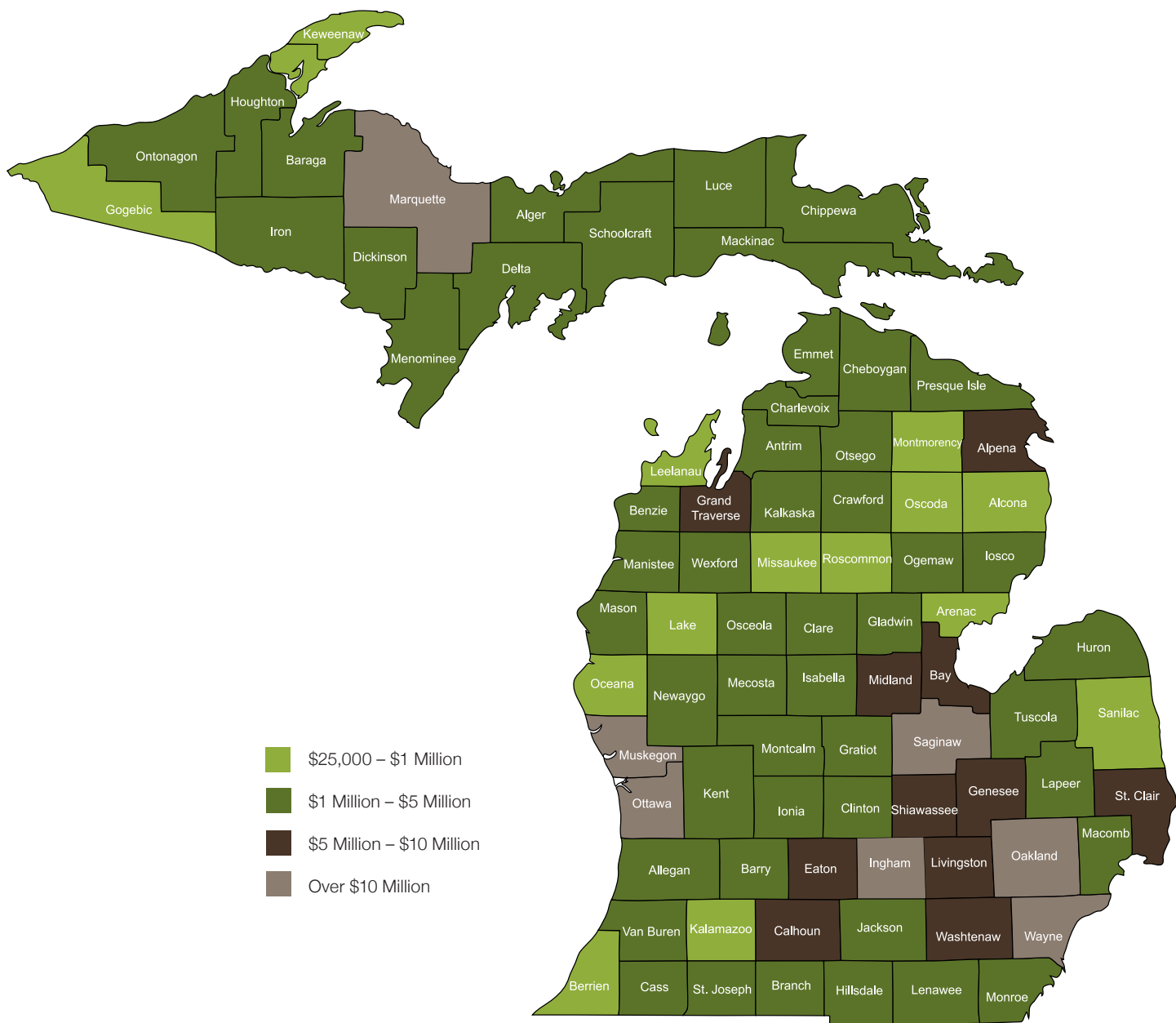
a vision  
of longevity

We are proud to stand tall and face the future with  
unflagging determination. Each day holds a new  
vision for tomorrow.

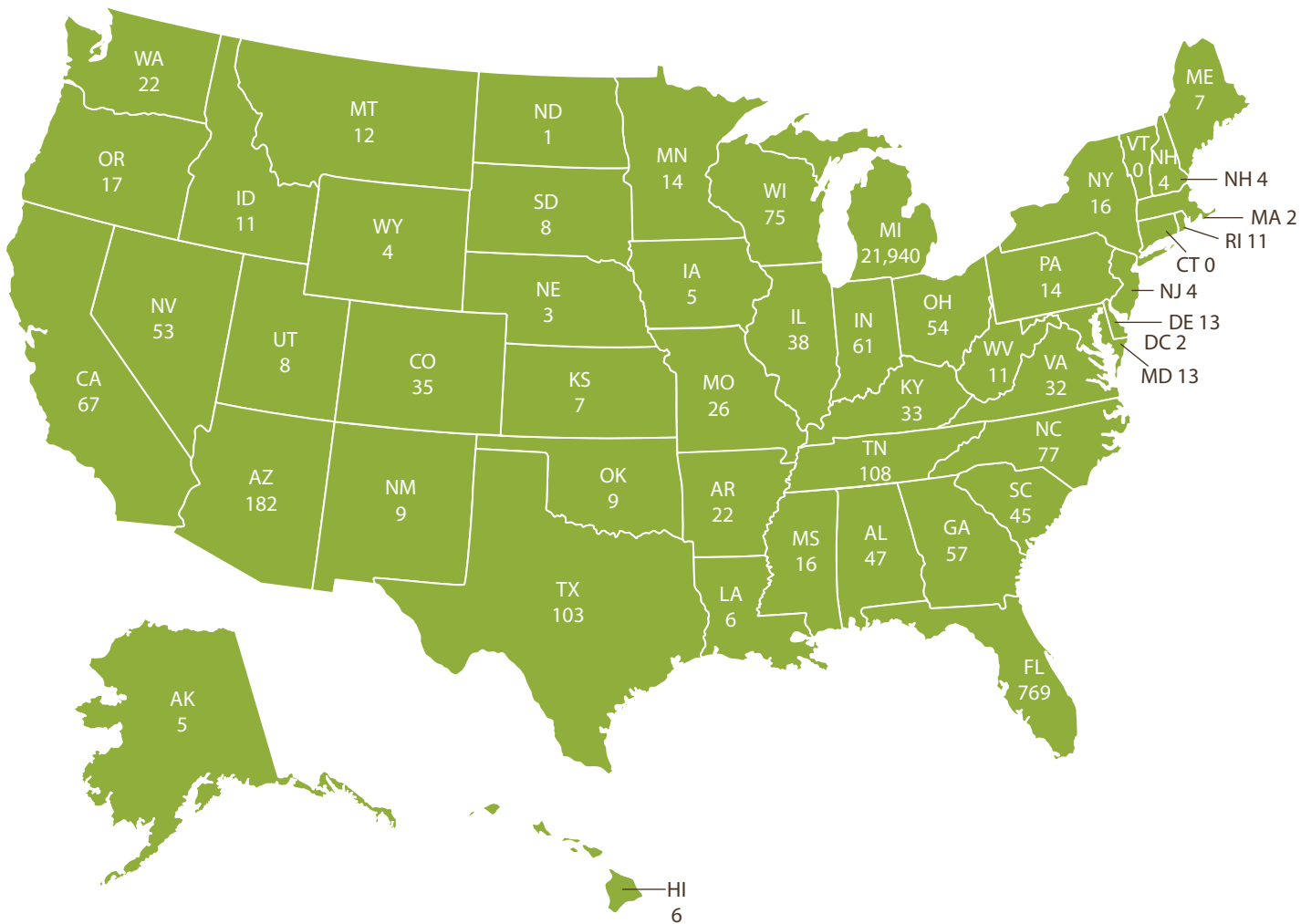


## Retirees in Michigan

*Of the 23,995 retirees and beneficiaries in the MERS system, 21,940 (92 percent) remain Michigan residents. Benefit payments amounting to \$343 million were 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**

Antigua and Barbuda	1
Costa Rica	1
Ireland	1
Israel	1
Japan	1
Nova Scotia, Canada	1
Ontario, Canada	8
Philippines	1
Switzerland	1
Thailand	1
United Kingdom	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, 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
Dec. 31, 2008	64,871	310,717	18.4	(1,533,327)	(1,157,739)

*Schedule of Average Benefit Payments – Defined Benefit Plan*

Valuation Date December 31	Number of Retirees and Beneficiaries	Average Yearly Benefit
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
2007	22,600	15,643

Changes in Plan Net Assets - Last Ten Years Ended December 31, 2008

Year	1999	2000	2001	2002
<b>Defined Benefit Plan</b>				
<b>Additions:</b>				
Plan Member Contributions	\$ 27,977,055	\$ 30,823,197	\$ 32,163,587	\$ 39,625,328
Employer Contributions	132,556,567	131,880,680	121,939,889	127,802,230
Net Investment Gain (Loss)	561,188,970	(122,882,440)	(88,579,398)	(319,009,400)
Miscellaneous Income	1,378,150	475,066	1,070,240	1,085,887
<b>Total Additions to Plan Net Assets</b>	<b>723,100,742</b>	<b>40,296,503</b>	<b>66,594,318</b>	<b>(150,495,955)</b>
<b>Deductions:</b>				
Benefits	147,833,013	162,826,949	182,272,551	200,793,802
Plan Member Refunds	4,432,671	3,963,890	5,199,393	3,366,464
Employer Refunds	3,839,610	5,029,725	214,305	-
Administrative Expenses	5,484,487	6,488,045	5,756,722	7,002,946
Special Expenses & Fees	437,000	392,652	412,989	366,273
Plan Member Transfers to Defined Contribution	2,544,049	946,716	881,912	53,056
Employer Transfers to Defined Contribution	27,853,789	13,626,706	12,922,048	438,040
<b>Total Deductions from Plan Net Assets</b>	<b>192,424,619</b>	<b>193,274,683</b>	<b>207,659,920</b>	<b>212,020,581</b>
Net Increase (Decrease) Net Assets Held in Trust	530,676,123	(152,978,180)	(141,065,602)	(362,516,536)
Balance Beginning of Fiscal Period	3,411,188,528	3,941,864,651	3,788,886,471	3,647,820,869
<b>Balance End of Fiscal Period</b>	<b>\$3,941,864,651</b>	<b>\$3,788,886,471</b>	<b>\$3,647,820,869</b>	<b>\$3,285,304,333</b>
<b>Defined Contribution Plan</b>				
<b>Additions:</b>				
Plan Member Contributions	\$926,598	\$1,653,367	\$2,551,143	\$3,509,260
Employer Contributions	3,009,387	5,686,133	8,794,329	10,241,672
Plan Member Transfers from Defined Benefit	2,544,049	946,716	881,912	53,056
Employer Transfers from Defined Benefit	27,853,789	13,626,706	12,922,048	438,040
Transfers from Other Plans	437,422	3,776,905	826,992	3,557,813
Defined Contribution Income	4,922,822	(2,253,865)	(4,154,015)	(10,798,653)
<b>Total Additions to Plan Net Assets</b>	<b>39,694,067</b>	<b>23,435,962</b>	<b>21,822,409</b>	<b>7,001,188</b>
<b>Deductions:</b>				
Benefits	3,467,245	5,403,617	5,625,222	5,547,637
<b>Total Deductions from Plan Net Assets</b>	<b>3,467,245</b>	<b>5,403,617</b>	<b>5,625,222</b>	<b>5,547,637</b>
Net Increase (Decrease) Net Assets Held in Trust	36,226,822	18,032,345	16,197,187	1,453,551
Balance Beginning of Fiscal Period	12,850,965	49,077,787	67,110,132	83,307,319
<b>Balance End of Fiscal Period</b>	<b>\$49,077,787</b>	<b>\$67,110,132</b>	<b>\$83,307,319</b>	<b>\$84,760,870</b>

	2003	2004	2005	2006	2007	2008
	\$ 62,421,750	\$ 55,408,705	\$ 71,324,903	\$ 84,124,396	\$ 61,771,740	\$ 64,870,909
	161,028,643	167,942,936	207,123,552	286,227,456	320,203,718	310,716,723
	799,367,113	586,700,343	293,760,014	634,158,937	455,213,391	(1,533,383,713)
	822,347	819,466	6,020,448	790,789	1,067,367	56,587
	<b>1,023,639,853</b>	<b>810,871,450</b>	<b>578,228,917</b>	<b>1,005,301,578</b>	<b>838,256,216</b>	<b>(1,157,739,494)</b>
	221,137,612	247,454,263	274,146,709	304,172,625	339,456,920	372,354,833
	3,542,264	3,525,082	4,157,567	4,711,038	5,057,942	5,580,350
	-	1,727,570	-	-	1,230,274	1,364,491
	8,049,500	9,957,057	11,557,044	12,540,010	13,903,553	16,364,800
	378,334	387,031	398,690	526,047	587,685	570,520
	106,727	1,284	964	104,407	685,478	16,723
	3,732,569	320,682	21,609	646,754	1,040,071	84,819
	<b>236,947,006</b>	<b>263,372,969</b>	<b>290,282,583</b>	<b>322,700,881</b>	<b>361,961,923</b>	<b>396,336,536</b>
	786,692,847	547,498,481	287,946,334	682,600,697	476,294,293	(1,554,076,030)
	3,285,304,333	4,071,997,180	4,619,495,661	4,907,441,995	5,590,042,692	6,066,336,985
	<b>\$4,071,997,180</b>	<b>\$4,619,495,661</b>	<b>\$4,907,441,995</b>	<b>\$5,590,042,692</b>	<b>\$6,066,336,985</b>	<b>\$4,512,260,955</b>
	\$3,842,038	\$4,301,952	\$4,732,864	\$5,527,984	\$6,309,939	\$6,961,409
	11,358,936	12,664,264	14,244,769	15,911,238	17,590,799	18,939,820
	106,727	1,284	964	104,407	685,478	16,723
	3,732,569	320,682	21,609	646,754	1,040,071	84,819
	199,702	5,356,930	2,084,281	8,207,389	1,184,321	1,122,171
	17,570,152	10,410,317	8,427,281	19,195,848	13,411,117	(61,678,689)
	<b>36,810,124</b>	<b>33,055,429</b>	<b>29,511,768</b>	<b>49,593,620</b>	<b>40,221,725</b>	<b>(34,553,747)</b>
	4,089,817	6,453,035	9,482,481	10,591,376	12,764,282	12,406,025
	<b>4,089,817</b>	<b>6,453,035</b>	<b>9,482,481</b>	<b>10,591,376</b>	<b>12,764,282</b>	<b>12,406,025</b>
	32,720,307	26,602,394	20,029,287	39,002,244	27,457,443	(46,959,772)
	84,760,870	117,481,177	144,083,571	164,112,858	203,115,105	230,572,548
	<b>\$117,481,177</b>	<b>\$144,083,571</b>	<b>\$164,112,858</b>	<b>\$203,115,102</b>	<b>\$230,572,548</b>	<b>\$183,612,776</b>

Changes in Plan Net Assets - Last Ten Years Ended December 31, 2008

Year	1999	2000	2001	2002
<b>Health Care Savings Plan*</b>				
<b>Additions:</b>				
Plan member Contributions	\$-	\$-	\$-	\$-
Employer Contributions	-	-	-	-
Net Investment Gain (Loss)	-	-	-	-
Miscellaneous Income	-	-	-	-
<b>Total Additions to Plan Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deductions:</b>				
Special Expenses & Fees	-	-	-	-
Medical Disbursements Paid to Members	-	-	-	-
Forfeited Employer Contributions	-	-	-	-
Administrative Expenses	-	-	-	-
<b>Total Deductions from Plan Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net increase (Decrease)	-	-	-	-
Net Assets Held in Trust				
Balance Beginning of Fiscal Period	-	-	-	-
<b>Balance End of Fiscal Period</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>
<b>Retiree Health Funding Vehicle*</b>				
<b>Additions:</b>				
Employer Contributions	\$-	\$-	\$-	\$-
Net Investment Gain (Loss)	-	-	-	-
Miscellaneous Income	-	-	-	-
<b>Total Additions to Plan Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deductions:</b>				
Special Expenses & Fees	-	-	-	-
Disbursements Paid to Municipalities	-	-	-	-
Administrative Expenses	-	-	-	-
<b>Total Deductions from Plan Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Increase (Decrease)	-	-	-	-
Net Assets Held in Trust				
Balance Beginning of Fiscal Period	-	-	-	-
<b>Balance End of Fiscal Period</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>
<b>Investment Services Program**</b>				
<b>Additions:</b>				
Employer Contributions	\$-	\$-	\$-	\$-
Net Investment Gain (Loss)	-	-	-	-
<b>Total Additions to Plan Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deductions:</b>				
Special Expenses and Fees	-	-	-	-
Disbursements Paid to Municipalities	-	-	-	-
Administrative Expenses	-	-	-	-
<b>Total Deductions from Plan Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Increase (Decrease)	-	-	-	-
Net Assets Held in Trust				
Balance Beginning of Fiscal Period	-	-	-	-
<b>Balance End of Fiscal Period</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>

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

\*\*Investment Services Program commenced operations in 2006.



2003	2004	2005	2006	2007	2008
\$-	\$88,884	\$14,995	\$-	\$-	\$-
-	1,300,103	2,856,908	2,301,297	2,927,102	10,127,358
-	128,680	165,081	752,559	719,462	(4,603,920)
-	7,329	8,078	91,818	96,313	161,587
-	1,524,996	3,045,062	3,145,674	3,742,877	5,685,025
-	-	-	59,046	89,102	-
-	11,484	51,832	144,699	328,172	462,448
-	-	-	44,723	29,295	57,716
-	181,438	250,436	197,200	243,953	514,348
-	192,922	302,268	445,668	690,522	1,034,512
-	1,332,074	2,742,794	2,700,006	3,052,355	4,650,513
-	-	1,323,119	4,065,913	6,765,919	9,818,274
<b>\$-</b>	<b>\$1,332,074</b>	<b>\$4,065,913</b>	<b>\$6,765,919</b>	<b>\$9,818,274</b>	<b>\$14,468,787</b>
\$-	\$1,312,526	\$11,947,714	\$29,366,165	\$67,013,503	\$42,376,883
-	108,716	448,190	4,359,685	6,144,495	(33,136,301)
-	-	-	103,298	341,804	494,705
-	1,421,242	12,395,904	33,829,148	73,499,802	9,735,287
-	-	225	89,055	332,016	-
-	-	95,470	1,109,386	5,827,116	3,857,234
-	2,590	25,925	136,376	185,108	806,100
-	2,590	121,620	1,334,817	6,344,240	4,663,334
-	1,418,652	12,274,284	32,494,331	67,155,562	5,071,953
-	-	1,418,652	13,692,936	46,187,267	113,342,829
<b>\$-</b>	<b>\$1,418,652</b>	<b>\$13,692,936</b>	<b>\$46,187,267</b>	<b>\$113,342,829</b>	<b>\$118,414,782</b>
\$-	\$-	\$-	\$15,527,136	\$26,680,199	\$2,968,755
-	-	-	726,136	2,177,009	(11,607,125)
-	-	-	16,253,272	28,857,208	(8,638,370)
-	-	-	16,895	162,814	-
-	-	-	-	-	750,000
-	-	-	-	75,508	153,529
-	-	-	16,895	238,322	903,529
-	-	-	16,236,376	28,618,886	(9,541,899)
-	-	-	-	16,236,376	44,855,262
<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$16,236,376</b>	<b>\$44,855,262</b>	<b>\$35,313,363</b>

*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, 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
Dec. 31, 2008***	372,355	16,935	6,945	102	396,337

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

\*\*Refunds for 2007 includes \$1,230,274 in employer refunds.

\*\*\*Refunds for 2008 include 1,364,491 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, 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
Dec. 31, 2008	355,626	16,729	5,580	377,935

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

December 31, 2007, Tabulated by Optional Form of Benefit Being Paid

Monthly Benefit	All Retired Members	Form of Annuity					
		1	2	3	4	5	6
\$ 0-199	1,747	1,122	37	23	472	93	0
200-399	3,044	2,058	100	59	671	144	12
400-599	2,744	1,897	137	49	539	107	15
600-799	2,232	1,637	118	45	332	90	10
800-999	1,885	1,444	103	44	215	72	7
1,000-1,199	1,576	1,230	93	29	169	49	6
1,200-1,399	1,302	1,035	75	24	137	29	2
1,400-1,599	1,173	996	39	14	98	25	1
1,600-1,799	985	836	41	20	68	18	2
1,800-1,999	904	805	19	9	54	15	2
2,000 & over	5,008	4,772	57	23	107	44	5
<b>Totals</b>	<b>22,600</b>	<b>17,832</b>	<b>819</b>	<b>339</b>	<b>2,862</b>	<b>686</b>	<b>62</b>
<b>Total Monthly Benefit</b>	<b>\$29,461,820</b>	<b>\$25,809,561</b>	<b>\$782,167</b>	<b>\$309,944</b>	<b>\$1,960,396</b>	<b>\$543,820</b>	<b>\$55,932</b>

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  
Tabulated by Optional Form of Benefit Being Paid December 31, 2007*

Monthly Benefit	All Retired Members	Form of Annuity			
		1	2	3	4
\$ 0 - 199	1,747	561	16	0	226
200 - 399	3,044	851	20	1	361
400 - 599	2,744	768	67	1	354
600 - 799	2,232	627	49	0	299
800 - 999	1,885	498	58	0	298
1,000 - 1,199	1,576	491	85	5	272
1,200 - 1,399	1,302	398	65	1	240
1,400 - 1,599	1,173	375	61	0	245
1,600 - 1,799	985	323	77	2	191
1,800 - 1,999	904	288	68	0	176
2,000 & over	5,008	1,543	589	5	1,159
<b>Totals</b>	<b>22,600</b>	<b>6,723</b>	<b>1,155</b>	<b>15</b>	<b>3,821</b>
<b>Total Monthly Benefit</b>	<b>\$29,461,820</b>	<b>\$8,956,937</b>	<b>\$2,527,790</b>	<b>\$23,745</b>	<b>\$6,006,913</b>

**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

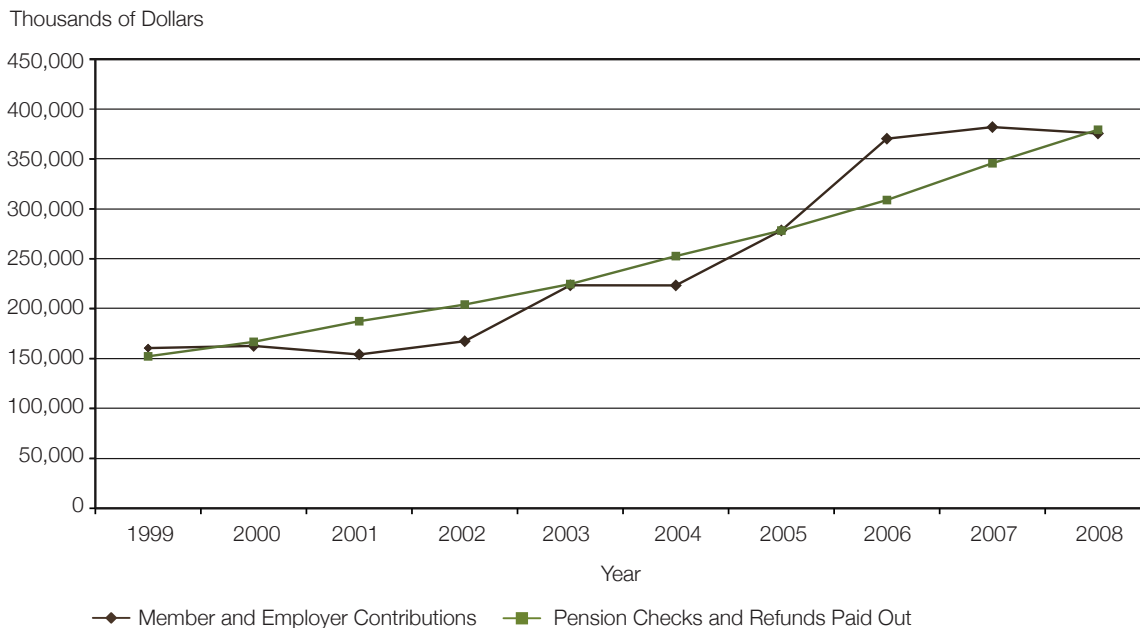
Form of Annuity					
5	6	7	8	9	10
55	15	15	15	14	830
93	20	39	21	25	1,613
59	26	27	19	32	1,391
47	29	35	10	23	1,113
22	38	43	10	18	900
22	19	29	10	17	626
10	15	16	5	15	537
6	15	14	4	8	445
8	10	11	5	11	347
7	7	10	1	6	341
33	44	55	29	49	1,502
362	238	294	129	218	9,645
\$286,601	\$305,863	\$354,577	\$159,789	\$278,719	\$10,560,886

*Defined Contribution Plan Participants and Total MERS Participants*

	<b>Number of Participants Total</b>	<b>Defined Benefit</b>	<b>% of Total</b>	<b>Defined Contribution</b>	<b>% of Total</b>
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	72,999	65,556	89.8	7,443	10.2
December 31, 2008	77,223	67,474	87.4	9,749	12.6

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. 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. MERS received \$375,587,632 from employer/employee contributions, which was lower than the distributions paid out totaling \$379,299,674 (\$372,354,833 in pension payments and \$6,944,841 in employee refunds). Of the employer and employee contributions coming in, \$75,022,863 of the contributions came from new municipality assets.

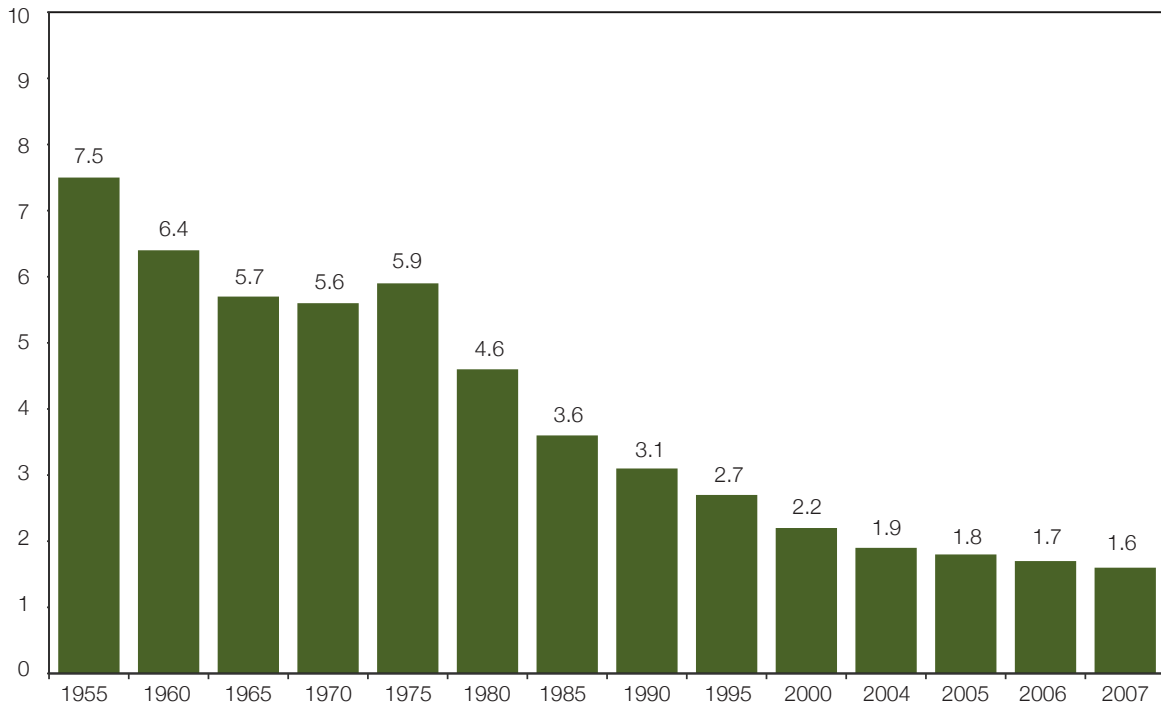
*Schedule of Changes in Reserves for the Fiscal Year Ended  
December 31, 2008*

	Reserve for Employee Contributions	Reserve for Employer Contributions and Benefit Payments	Reserve for Expenses and Undistributed Investment Income	Total Reserve for Defined Benefit Plan
<b>Additions</b>				
Member Contributions				
Regular	\$ 60,866,094			\$ 60,866,094
Purchase of Service Credit	4,004,815			4,004,815
Employer Contributions				
Regular		\$ 310,181,189		310,181,189
Purchase of Service Credit		535,534		535,534
Net Investment Income (Loss)			\$ (1,533,383,713)	(1,533,383,713)
Miscellaneous Income			56,587	56,587
Transfers from Defined Benefit Plan				
Transfers from Other Plans				
<b>Total Additions</b>	<b>64,870,909</b>	<b>310,716,723</b>	<b>(1,533,327,126)</b>	<b>(1,157,739,494)</b>
<b>Deductions</b>				
Retirement Benefits		372,354,833		372,354,833
Medical Disbursements Paid to Members				
Disbursements Paid to Municipalities				
Forfeited Employer Contributions				
Refund of Contributions	5,580,350	1,364,491		6,944,841
Administrative Expense			16,364,800	16,364,800
Special Expenses and Fees		570,520		570,520
Transfers to DC Plan	16,723	84,819		101,542
<b>Total Deductions</b>	<b>5,597,073</b>	<b>374,374,663</b>	<b>16,364,800</b>	<b>396,336,536</b>
Net Increase (Decrease)	59,273,836	(63,657,940)	(1,549,691,926)	(1,554,076,030)
Other Changes in Reserves				
Investment Income Allocations	4,471,698	(1,554,163,624)	1,549,691,926	
Retirement and Unclaimed Transfers	(53,166,119)	53,166,119		
<b>Total Other Changes in Reserves</b>	<b>(48,694,421)</b>	<b>(1,500,997,505)</b>	<b>1,549,691,926</b>	<b>-</b>
Net Increase (Decrease) in Reserves After Other Changes	10,579,415	(1,564,655,445)		(1,554,076,030)
Reserve Balance Beginning of Year	584,969,263	5,481,367,722		6,066,336,985
<b>Reserve Balance End of Year</b>	<b>\$595,548,678</b>	<b>\$3,916,712,277</b>	<b>\$ -</b>	<b>\$4,512,260,955</b>

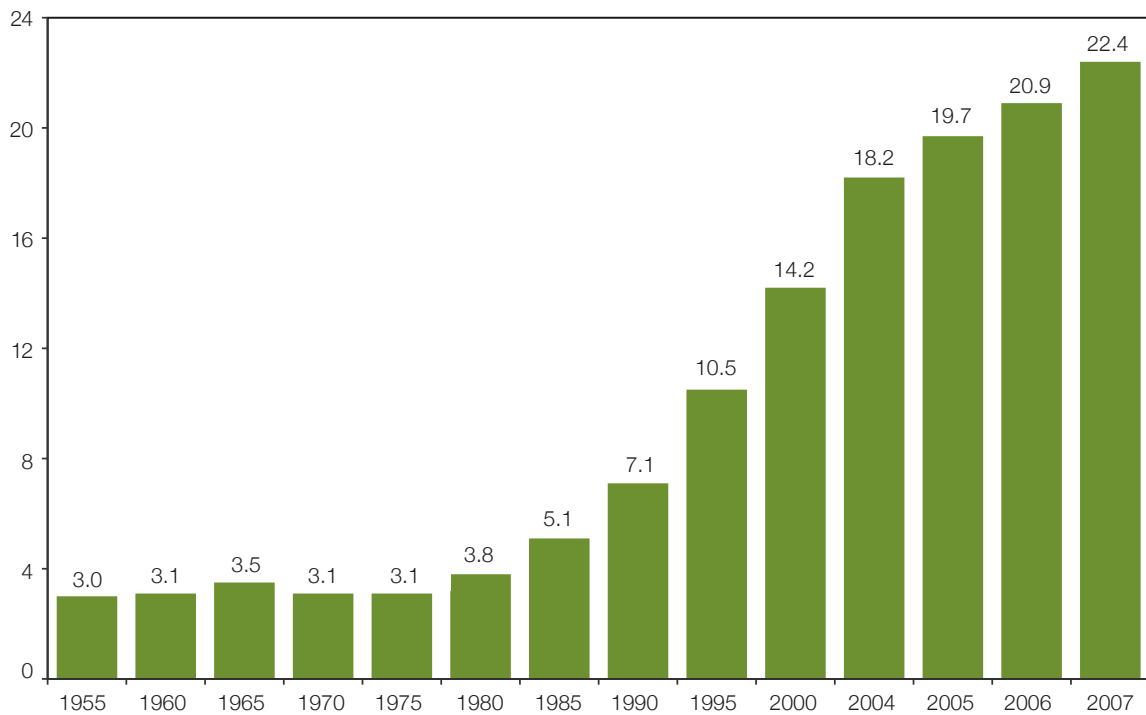


Reserve for Defined Contribution Plan	Reserve for Health Care Savings Program	Reserve for Retiree Health Funding Vehicle	Reserve for Investment Services Program	Total Reserve for Pension Trust Funds
\$ 6,961,409				\$67,827,503
				4,004,815
18,939,820	\$10,127,358	\$42,376,883	\$2,968,755	384,594,005
(61,678,689)	(4,603,920)	(33,136,301)	(11,607,125)	(1,644,409,748)
	161,587	494,705		712,879
101,542				101,542
1,122,171				1,122,171
(34,553,747)	5,685,025	9,735,287	(8,638,370)	(1,185,511,299)
12,406,025				384,760,858
	462,448			462,448
		3,857,234	750,000	4,607,234
	57,716			57,716
				6,944,841
	514,348	806,100	153,529	17,838,777
				570,520
				101,542
12,406,025	1,034,512	4,663,334	903,529	415,343,936
(46,959,772)	4,650,513	5,071,953	(9,541,899)	(1,600,855,235)
				-
				-
				-
(46,959,772)	4,650,513	5,071,953	(9,541,899)	(1,600,855,235)
230,572,548	9,818,274	113,342,829	44,855,262	6,464,925,898
\$183,612,776	\$14,468,787	\$118,414,782	\$35,313,363	\$4,864,070,663

*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 1.6. 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, 2008*

Name	Total Reserves
Addison Fire Department	\$61,503
Adrian, City of	29,409,816
Aitkin Memorial Library	40,577
Albion, City of	11,157,233
Alcona County	5,230,150
Alger County	4,570,633
Alger County Road Commission	4,821,609
Algonac, City of	2,705,988
Allegan County	27,948,903
Allegan County Road Commission	10,866,940
Allegan, City of	1,646,740
Alma, City of	12,373,333
Almont, Village of	956,145
Alpena County	8,361,583
Alpena County Road Commission	6,057,841
Alpena General Hospital	78,676,610
Alpena Senior Citizens Center	201,388
Alpha, Village of	26,988
Antrim County	16,204,789
Antrim County Road Commission	4,652,042
Arenac County	4,707,816
Arenac County Road Commission	2,043,281
Ash Township	196,514
Au Gres, City of	919,090
Auburn, City of	1,059,218
Bad Axe Area District Library	16,345
Bad Axe, City of	2,383,347
Bancroft, Village of	27,755
Bangor, City of	1,534,297
Baraga County	2,771,488
Baraga County Memorial Hospital	7,606,251
Baraga County Road Commission	3,059,509
Baraga, Village of	1,202,711
Baroda Township	69,134
Barry County	22,753,338
Barry County Community Mental Health Authority	1,991,181
Barry-Eaton District Health Department	7,855,813
Barton Hills, Village of	375,559
Bates Township	104,314
Bath Charter Township	2,133,867
Battle Creek, City of	61,631,379
Bay Area Transportation Authority	1,375,200
Bay City Housing Commission	3,492,890
Bay City, City of	30,973,715
Bay Metro Transit Authority	3,791,489
Bayliss Public Library	872,111
Beecher Metropolitan District Sewage & Water System	3,242,665
Belding, City of	608,702
Belleville, City of	2,703,428
Benzie County	5,614,955
Benzie County Council on Aging	343,986
Benzie County Medical Care Facility (Maples)	3,914,410
Benzie County Road Commission	2,216,866
Benzie Shores District Library	102,572
Benzie Transportation Authority	38,953
Benzie-Leelanau District Health Department	294,195
Berkley, City of	10,931,880
Berrien Springs, Village of	1,073,424
Bessemer, City of	1,313,641

*Schedule Of Participating Municipalities – Defined Benefit Plan  
For The Year Ended December 31, 2008*

Name	Total Reserves
Beverly Hills, Village of	1,959,537
Big Rapids Housing Commission	612,788
Big Rapids, City of	6,115,459
Bingham Farms, Village of	72,193
Birch Run, Village of	434,596
Bishop International Airport Authority	2,850,474
Blackman Charter Township	2,476,136
Blissfield, Village of	1,814,331
Bloomfield Hills, City of	11,247,826
Blue Water Transportation Commission	2,183,718
Boyne City, City of	4,891,440
Branch County	725,630
Branch-Hillsdale-St. Joseph District Health Department	7,440,931
Brandon Township	2,855,505
Breckenridge, Village of	1,086,962
Bridgeport Charter Township	3,474,679
Bridgman, City of	429,217
Brighton Area Fire Authority	242,316
Brighton Township	1,026,360
Brighton, City of	6,328,916
Britton, Village of	197,356
Bronson, City of	216,832
Brooklyn, Village of	590,234
Brownstown Charter Township	5,790,818
Buchanan District Library	89,513
Buchanan, City of	4,984,438
Buena Vista Charter Township	4,881,514
Burton, City of	12,804,567
Butman Township	97,859
Cadillac, City of	8,309,122
Cadillac-Wexford Transit Authority	611,199
Calhoun County	8,595,899
Calhoun County Road Commission	5,667,812
Canton Public Library	2,194,349
Canton Township	39,932,424
Capac, Village of	655,856
Capital Area District Library	2,276,184
Capital Region Airport Authority	6,185,389
Carleton, Village of	434,123
Carrollton Township	1,090,111
Cascade Charter Township	2,785,961
Caseville, Village of	740,259
Caspian, City of	444,054
Cass County	10,808,580
Cass County Medical Care Facility	3,396,445
Cass District Library	513,524
Cedar Springs, City of	1,595,284
Center Line, City of	4,336,264
Central Dispatch of Muskegon County	2,826,952
Central Lake, Village of	25,022
Central Michigan District Health Department	8,486,097
Central Wayne County Sanitation Authority	2,347,301
Charlevoix County	16,874,582
Charlevoix County Road Commission	3,435,156
Charlevoix, City of	5,440,157
Charlotte District Library	246,564
Charlotte, City of	8,737,227
Cheboygan County	9,841,071
Cheboygan County Road Commission	7,077,951

*Schedule Of Participating Municipalities – Defined Benefit Plan  
For The Year Ended December 31, 2008*

<b>Name</b>	<b>Total Reserves</b>
Cheboygan, City of	4,781,751
Chelsea Area Fire Authority	36,872
Chelsea, City of	4,358,255
Chesaning, Village of	435,171
Chesterfield Charter Township	9,017,669
Chesterfield Township Library	473,675
Chikaming Township	604,282
Chippewa County	18,185,646
Chippewa County Road Commission	7,692,181
Chippewa River District Library	1,356,236
Clare County	9,400,920
Clare County Road Commission	5,761,418
Clare County Transit Authority	58,628
Clare, City of	3,385,711
Clawson, City of	8,289,933
Clay Township	2,842,591
Clearwater Township	46,072
Clinton County	20,263,058
Clinton County Road Commission	8,414,843
Clinton Township	29,759,235
Clinton, Village of	2,650,621
Clinton-Eaton-Ingham Mental Health	58,240,466
Clio, City of	406,929
Coldwater Board of Public Utilities	5,463,685
Coldwater, City of	9,792,304
Coleman, City of	855,393
Coloma Township	751,783
Columbiaville, Village of	179,483
Community Mental Health for Central Michigan	28,818,804
Coopersville, City of	1,288,069
Corunna, City of	2,070,725
Corwith Township	22,459
Covert Township	270,459
Crawford County	7,371,021
Crawford County Road Commission	2,229,916
Crawford County Transportation Authority	2,310,691
Croswell, City of	3,342,583
Crystal Falls Community Hospital	2,907,364
Crystal Falls, City of	4,196,653
Davison Richfield Senior Citizens Authority	84,758
Davison Township	3,607,334
Davison, City of	3,203,527
Deerfield, Village of	741,266
Delta Charter Township	4,924,947
Delta County	14,883,645
Delta County Road Commission	2,973,078
Delta-Menominee District Health Department	4,909,719
De Tour, Village of	152,524
Detroit Housing Commission	4,775,893
Dewitt Charter Township	1,506,308
Dewitt, City of	1,570,329
Dexter Area Fire Department	267,074
Dexter Township	341,862
Dexter, Village of	1,583,667
Dickinson County	11,907,772
Dickinson County Road Commission	4,293,759
Dickinson-Iron District Health Department	3,934,355
Dimondale, Village of	376,098
District Health Department Number Four	7,872,655

*Schedule Of Participating Municipalities – Defined Benefit Plan  
For The Year Ended December 31, 2008*

Name	Total Reserves
District Health Department Number Ten	10,287,076
District Health Department Number Two	3,525,982
Douglas, Village of	1,061,160
Dowagiac District Library	25,532
Dowagiac Housing Commission	92,478
Dowagiac, City of	6,266,028
Drummond Island Township	37,352
Dryden, Village of	244,571
Dundee, Village of	1,992,290
Durand, City of	2,407,201
East China, Township of	3,326,296
East Grand Rapids, City of	8,853,703
East Jordan, City of	2,131,261
East Lansing, City of	71,500,474
Eastern Upper Peninsula Transportation Authority	3,571,205
Eastpointe Housing Commission	252,541
Eaton County	47,404,612
Eaton County Medical Care Facility	3,873,778
Eaton Rapids, City of	4,737,487
Eau Claire, Village of	172,476
Ecorse, City of	17,968,342
Elderly Housing Commission	1,367,712
Elkton, Village of	362,260
Elsie, Village of	131,364
Emmett County Road Commission	5,922,650
Emmett, Charter Township of	1,623,584
EUP Regional Planning & Development Commission	6,465
Escanaba, City of	14,197,067
Essexville, City of	3,695,450
Ewart Local Development Finance Authority	197,096
Ewart, City of	845,680
Farmington Community Library	4,850,665
Farwell, Village of	142,761
Fenton, City of	6,306,921
Ferrysburg, City of	663,066
Flat Rock, City of	8,212,301
Flint Charter Township	10,919,553
Flint Public Library	504,507
Flushing, Charter Township of	2,195,470
Flushing, City of	6,302,863
Forsyth Township	1,995,673
Forty-One B District Court	3,975,945
Fowler, Village of	168,989
Fowlerville District Library	118,948
Fowlerville, Village of	2,095,198
Frankenmuth, City of	6,502,014
Frankfort, City of	1,227,619
Franklin, Village of	2,158,502
Fraser, City of	218,685
Fremont Area District Library	488,355
Fremont, City of	4,307,240
Gaastra, City of	80,958
Gaylord, City of	4,407,688
Genesee Charter Township	5,505,962
Genoa Township	51,282
Gladstone, City of	4,448,506
Gladwin City Housing Commission	1,014,963
Gladwin County	7,958,181
Gladwin County District Library	488,562

*Schedule Of Participating Municipalities – Defined Benefit Plan  
For The Year Ended December 31, 2008*

<b>Name</b>	<b>Total Reserves</b>
Gladwin County Road Commission	6,427,907
Gladwin, City of	420,566
Gogebic-Iron Wastewater Authority	876,076
Grand Blanc Charter Township	5,145,698
Grand Blanc, City of	4,605,591
Grand Haven, City of	48,093,501
Grand Ledge Emergency Services	375,599
Grand Ledge, City of	758,409
Grand Rapids Housing Commission	657,219
Grand Traverse County	28,106,412
Grand Traverse County Road Commission	5,422,706
Grand Traverse Pavilions	9,901,836
Grandville, City of	8,215,888
Gratiot County	11,578,373
Gratiot County Road Commission	7,821,134
Grayling, City of	1,949,722
Green Oak Township	1,031,665
Greenville, City of	2,612,720
Grosse Ile Township	11,499,802
Grosse Pointe Park, City of	17,737,304
Grosse Pointe-Clinton Refuse Disposal Authority	2,173,955
Groveland Township	747,216
Hackley Public Library	37,860
Hamburg Township	886,470
Hamtramck, City of	43,514,988
Hancock, City of	910,570
Harbor Beach, City of	3,688,165
Harbor Springs Sewage Authority	238,964
Harbor Springs, City of	1,627,154
Harrison, City of	1,379,418
Hartland Deerfield Tyrone Fire Authority	108,121
Hastings, City of	6,679,323
Hazel Park, City of	30,626,157
Health Source of Saginaw	21,905,761
Helen Newberry Joy Hospital	8,468,842
Henika District Library	245,320
Herrick District Library	3,316,124
Hiawatha Community Mental Health Authority	8,306,221
Highland Park, City of	1,537,166
Hillsdale County	1,789,305
Hillsdale County Road Commission	3,710,767
Hillsdale, City of	12,501,177
Holland Hospital	1,983,067
Holland Swimming Pool Authority	233,928
Holland, City of	58,361,724
Holly, Village of	5,481,434
Homer, Village of	804,310
Houghton County	9,652,843
Houghton County Road Commission	1,946,915
Houghton Lake Public Library	251,774
Howard City, Village of	428,698
Howard Township	32,987
Howell Area Fire Authority	293,696
Howell Carnegie District Library	591,253
Howell, City of	8,185,986
Hudsonville, City of	958,386
Huntington Woods, City of	8,265,029
Hurley Medical Center	18,148,436
Huron Charter Township	6,074,218
Huron County	42,115,194

*Schedule Of Participating Municipalities – Defined Benefit Plan  
For The Year Ended December 31, 2008*

Name	Total Reserves
Huron County Road Commission	12,998,202
Imlay City, City of	2,766,383
Independence Township	3,357,228
Indianfields Township	38,358
Ingham County	150,982,263
Ingham County Road Commission	16,881,349
Interurban Transit Authority	608,679
Ionia Community Library	186,927
Ionia County	2,867,157
Ionia County Road Commission	3,321,001
Ionia Housing Commission	515,636
Ionia, City of	4,826,660
Iosco County	10,780,818
Iosco County Road Commission	3,980,762
Iron County	13,739,788
Iron County Housing Commission	237,933
Iron County Road Commission	3,969,594
Iron Mountain, City of	4,763,540
Iron Mountain-Kingsford Sewage Treatment	334,820
Iron River, City of	3,877,503
Isabella County	21,898,427
Isabella County Road Commission	5,905,760
Isabella County Transportation Commission	728,709
Ishpeming Area Joint Wastewater Treatment Facility	462,018
Ishpeming Township	501,186
Ishpeming, City of	5,699,214
Ithaca, City of	2,122,137
Jackson District Library	4,068,488
Jackson Transportation Authority	2,467,257
Jordan Valley District Library	107,903
Kalamazoo Lake Sewer & Water Authority	590,741
Kalamazoo Public Library	1,793,573
Kalkaska County	8,765,465
Kalkaska County Road Commission	3,469,803
Kalkaska Public Transit Authority	1,102,712
Kalkaska, Village of	2,022,342
Keego Harbor, City of	1,606,329
Kent County Road Commission	277,089
Keweenaw County	1,006,209
Keweenaw County Road Commission	3,037,004
Kinde, Village of	62,059
Kingsford, City of	3,395,111
Laingsburg, City of	162,662
Lake County	5,086,164
Lake County Road Commission	4,012,713
Lake Linden, Village of	486,120
Lake Odessa, Village of	104,797
Lake Orion, Village of	2,335,121
Lakeland Library Cooperative	559,332
Lakeshore Coordinating Council	630,880
L'Anse, Village of	2,103,440
Lansing Charter Township	2,560,031
Lansing Housing Commission	5,245,969
Lapeer County	46,629,579
Lapeer County Road Commission	5,878,954
Lapeer District Library	1,904,634
Lapeer, City of	9,049,510
Lathrup Village, City of	3,899,629
Laurium, Village of	746,841



*Schedule Of Participating Municipalities – Defined Benefit Plan  
For The Year Ended December 31, 2008*

Name	Total Reserves
Lawrence, Village of	108,957
Leelanau County	8,671,126
Leelanau County Road Commission	1,851,916
Leoni Township	3,390,446
Leslie Township	104,820
Leslie, City of	753,295
Lexington, Village of	849,359
Library Network	3,709,560
Lima Township	192,695
Litchfield, City of	601,468
Livingston County	47,181,939
Livingston County Community Mental Health Authority	8,692,292
Livingston County Road Commission	10,635,431
Looking Glass Regional Fire Authority	54,873
Loutit District Library	748,256
Lowell, City of	5,683,923
Luce County	2,218,311
Luce County Road Commission	3,285,788
Luce-Mackinac-Alger-Schoolcraft District Health Department	5,621,846
Ludington, City of	9,141,935
Ludington-Mason District Library	946,492
Luna Pier, City of	1,974,455
Lyons, Village of	55,529
Mackinac County	6,785,700
Mackinac County Housing Commission	160,926
Mackinac County Road Commission	2,992,865
Mackinac Straits Hospital & Health Center	8,924,536
Mackinaw City, Village of	353,274
Madison Heights, City of	19,141,117
Madison Township	420,728
Manistee County	18,225,714
Manistee County Road Commission	3,476,413
Manistee Housing Commission	268,320
Manistee, City of	10,457,129
Manistique, City of	4,091,208
Manlius Township	142,802
Manton, City of	486,984
Marenisco Township	85,842
Marine City, City of	40,254
Marion, Village of	275,774
Marlette, City of	617,144
Marquette Board of Light & Power	17,396,428
Marquette Charter Township	637,002
Marquette County	37,159,756
Marquette County Airport	1,125,193
Marquette County Road Commission	8,101,941
Marquette County Transit Authority	1,504,826
Marquette Waste Management	737,979
Marquette, City of	20,888,379
Marshall Area Fire/Ambulance Authority	115,676
Marshall District Library	164,889
Marshall, City of	16,955,339
Mason County	23,891,450
Mason County Road Commission	2,321,263
Mason, City of	7,635,277
Mason-Oceana 911 Central Dispatch	684,899
Mastodon Township	34,583
MBS International Airport	4,163,999
Meceola Central Dispatch	818,570

*Schedule Of Participating Municipalities – Defined Benefit Plan  
For The Year Ended December 31, 2008*

<b>Name</b>	<b>Total Reserves</b>
Mecosta County	18,236,118
Mecosta County Medical Center	6,606,651
Mecosta County Road Commission	5,676,413
Melvindale Housing Commission	413,763
Melvindale, City of	12,778,590
Menominee County	8,531,941
Menominee County Road Commission	1,841,709
Menominee, City of	5,108,462
Meridian Charter Township	16,705,010
Metamora Township	381,990
Michigan Grand River Watershed	6,089
Michigan Municipal Risk Management Authority	261,487
Michigan South Central Power Agency	5,127,708
Mid Michigan District Health Department	4,519,663
Mid Peninsula Library Cooperative	200,280
Middleville, Village of	714,778
Midland Authority for Central Dispatch	934,684
Midland County Road Commission	6,419,608
Midland, City of	57,625,025
Mid-Michigan Library League	417,298
Milan Library	166,590
Milan, City of	4,588,762
Milford, Village of	5,110,682
Millington, Village of	873,147
Missaukee County	1,888,517
Monroe Housing Commission, City of	701,731
Montague, City of	1,821,542
Montcalm County Road Commission	6,758,062
Montmorency County	3,937,199
Montmorency-Oscoda-Alpena Solid Waste Management	459,431
Montrose, City of	345,074
Mt. Morris, Township of	10,814,909
Mt. Pleasant, City of	12,566,826
Muir, Village of	192,658
Mundy, Charter Township	2,175,399
Municipal Employees' Retirement System of Michigan	5,098,808
Munising, City of	3,750,378
Muskegon Area District Library	655,392
Muskegon County	118,675,699
Muskegon County Road Commission	12,174,685
Muskegon Heights Housing Commission	569,089
Muskegon Heights, City of	19,649,165
Muskegon Housing Commission	262,453
Muskegon, Charter Township of	8,218,333
Muskegon, City of	62,471,689
Negaunee Township	108,535
Negaunee, City of	5,151,720
Network 180	13,239,791
New Buffalo, City of	749,717
Newaygo County	13,559,725
Newaygo County Mental Health	1,765,351
Newaygo County Road Commission	4,320,981
Newaygo Medical Care Facility	6,935,635
Newaygo Soil & Water Conservation District	62,207
Newberry, Village of	1,984,728
Niles District Library	431,020
North Houghton County Water & Sewage Authority	163,184
Northwest Michigan Community Health Agency	39,535
North Muskegon, City of	3,162,923

*Schedule Of Participating Municipalities – Defined Benefit Plan  
For The Year Ended December 31, 2008*

<b>Name</b>	<b>Total Reserves</b>
Northeast Ottawa District Library	145,980
Northern Lakes Community Mental Health	14,967,171
Northfield Township	440,340
Northpointe Behavioral Healthcare System	5,975,675
Northville Charter Township	7,597,337
Northville District Library	1,066,280
Northville, City of	8,157,110
Northwest Michigan Community Health	3,099,318
Northwestern Regional Airport Commission	2,139,961
Norton Shores, City of	14,175,553
Norway, City of	6,125,490
Novi, City of	31,738,222
Oceana County	15,957,199
Oceola Township	294,517
Ogemaw County	12,999,333
Ogemaw County EMS Authority	974,091
Ogemaw County Road Commission	3,537,504
Olive Township	194,868
Onaway, City of	371,734
Ontonagon County	4,202,335
Ontonagon County Economic Development Corporation	61,293
Ontonagon County Road Commission	6,421,007
Ontonagon, Village of	9,484,208
Orchard Lake, City of	2,478,260
Oronoko Charter Township	829,687
Osceola County	7,436,705
Osceola County Road Commission	3,929,401
Oscoda Charter Township	1,693,894
Oscoda County	4,372,573
Otisville, Village of	575,419
Otsego County	7,905,199
Otsego County Road Commission	4,738,536
Ottawa County	96,449,021
Ottawa County Central Dispatch Authority	1,168,522
Ottawa County Road Commission	23,331,097
Otter Lake, Village of	41,814
Owosso, City of	2,651,192
Oxford Fire Department	2,003,628
Oxford, Village of	1,310,888
Parchment, City of	1,700,627
Pathways	22,716,823
Paw Paw Lake Regional Joint Sewage Disposal Board	741,033
Paw Paw, Village of	4,290,179
Pellston, Village of	134,671
Pennfield Charter Township	824,632
Pentwater, Village of	856,856
Perrinton, Village of	29,547
Petersburg, City of	132,252
Petoskey, City of	11,653,112
Pewamo, Village of	72,873
Pigeon, Village of	525,008
Pinckney, Village of	1,111,086
Pinconning, City of	1,148,431
Pittsfield Charter Township	8,275,672
Pleasant Ridge, City of	1,966,177
Plymouth Charter Township	9,904,004
Plymouth District Library	2,159,614
Plymouth, City of	6,785,132
Port Austin Area Sewer & Water Authority	104,433

*Schedule Of Participating Municipalities – Defined Benefit Plan  
For The Year Ended December 31, 2008*

<b>Name</b>	<b>Total Reserves</b>
Port Austin, Village of	327,359
Port Huron Charter Township	1,242,101
Port Huron Housing Commission	2,675,555
Port Huron, City of	72,219,917
Port Sanilac, Village of	327,497
Port Sheldon Township	373,362
Portland, City of	5,023,748
Presque Isle County	5,194,086
Presque Isle County Road Commission	4,345,677
Pride Youth Programs	301,639
Ravenna, Village of	236,980
Reading, City of	171,692
Redford Township	24,430,201
Redford Township District Library	1,156,220
Reed City, City of	2,409,813
Richfield Township (Genesee County)	929,974
Richfield Township (Roscommon County)	1,122,057
Richland Township	1,340,706
Richmond, City of	672,002
Rochester, City of	10,282,868
Rockford, City of	2,758,352
Rockwood, City of	1,322,473
Rogers City, City of	4,490,038
Romeo District Library	1,100,793
Romeo, Village of	2,957,993
Romulus, City of	12,929,696
Roosevelt Park, City of	2,233,508
Roscommon County	10,308,424
Roscommon County Transit Authority	1,006,719
Rose City, City of	398,754
Rose Township	187,888
Royal Oak Township	3,302,552
Saginaw County	69,038,792
Saginaw County 911 Central Authority	5,125,992
Saginaw County Community Mental Health Authority	7,999,093
Saginaw County Road Commission	17,895,494
Saginaw Housing Commission	1,413,536
Saginaw Public Libraries	756,269
Saginaw Township	7,409,364
Saginaw Transit System Authority	832,102
Saginaw, City of	53,967,057
Saginaw-Midland Municipal Waste & Soil Commission	1,898,661
Saline, City of	9,007,855
Sandusky District Library	104,684
Sandusky, City of	1,240,288
Saranac Housing Commission	285,626
Saugatuck Township	490,056
Saugatuck, City of	841,355
Sault Ste. Marie Housing Commission	870,146
Sault Ste. Marie, City of	14,900,930
Schoolcraft County	12,812,532
Schoolcraft County Road Commission	4,937,732
Schoolcraft Memorial Hospital	10,152,091
Scio Township	672,131
Sebewaing, Village of	3,239,513
Shepherd, Village of	301,970
Shiawassee Council on Aging	370,538
Shiawassee County	41,070,492
Shiawassee County Community Mental Health Authority	6,108,279

*Schedule Of Participating Municipalities – Defined Benefit Plan  
For The Year Ended December 31, 2008*

<b>Name</b>	<b>Total Reserves</b>
Shiawassee County Road Commission	8,243,934
Shiawassee District Library	1,092,699
Sims-Whitney Utilities Authority	105,558
South Haven Emergency Services Authority	2,048,311
South Haven, City of	15,388,829
South Lyon, City of	4,780,973
Southeast Michigan Area Rapid Transit	106,684,200
Southeast Michigan Council of Governments	18,757,208
Southeast Oakland County Resource Recovery Authority	3,127,516
Southeast Oakland County Water Authority	3,689,419
Southern Clinton County Municipal Utilities Authority	1,713,562
Southwest Shiawassee Emergency Services Alliance	79,325
Sparta, Village of	1,448,933
Spring Lake District Library	675,392
Spring Lake, Village of	1,317,658
Springfield, City of	5,452,435
St. Charles, Village of	1,480,284
St. Clair Area Fire Authority	59,097
St. Clair Shores Housing Commission	818,302
St. Clair, City of	8,077,095
St. Ignace, City of	4,081,701
St. Johns, City of	6,921,838
St. Joseph County	20,864,851
St. Louis Housing Commission	265,310
St. Louis, City of	3,958,595
Stambaugh Township	46,936
Standish, City of	1,080,667
Stanton, City of	76,965
Stephenson, City of	98,405
Sterling, Village of	169,251
Stockbridge, Village of	218,819
Sturgis Housing Commission	4,800
Summit Township	4,781,836
Sumpster Township	1,922,380
Superior Charter Township	2,185,390
Superiorland Library Cooperative	560,202
Swan Creek Township	267,997
Swartz Creek, City of	5,501,495
Sylvan Lake, City of	1,187,860
Tawas Police Authority	384,014
Taylor Housing Commission	154,937
Thirty-Fifth District Court	2,134,370
Thirty-Fourth District Court	2,221,007
Three Rivers Hospital	6,594
Three Rivers, City of	7,714,264
Traverse Area District Library	2,307,188
Traverse City, City of	29,324,955
Trenton, City of	21,721,623
Tri-County Aging Consortium	4,490,076
Trio Council on Aging	218,436
Tuscarora Township	511,553
Tuscola County	15,975,253
Tuscola County Community Mental Health	7,304,346
Tuscola County Health Department	4,495,065
Tuscola County Medical Care Facility	7,597,793
Tuscola County Road Commission	1,988,292
Twenty-First Judicial District Court	788,162
Twenty-Sixth Judicial Circuit Court	2,044,637
Twenty-Third Judicial District Court	1,715,996

*Schedule Of Participating Municipalities – Defined Benefit Plan  
For The Year Ended December 31, 2008*

Name	Total Reserves
Twin Cities Public Safety Authority	77,683
Ubly, Village of	300,904
Utica, City of	1,881,037
Van Buren County	9,447,558
Van Buren District Library	706,373
Van Buren Township	4,042,105
Vassar, City of	3,286,858
Vevay Township	204,993
Vicksburg District Library	44,762
Vicksburg, Village of	1,073,652
Vienna Charter Township	490,988
Wakefield, City of	2,273,618
Walker, City of	6,938,421
Walled Lake, City of	3,021,583
Washtenaw County	23,660,899
Washtenaw County Road Commission	22,583,373
Wayland, City of	2,573,304
Wayne, City of	52,654,740
Webberville, Village of	110,589
West Branch, City of	2,240,171
West Iron County Sewer Authority	448,975
West Michigan Community Mental Health System	3,390,109
West Michigan Shoreline Regional Development Commission	2,703,792
Western Upper Peninsula Development Regional Community	629,304
Western Upper Peninsula District Health Department	5,841,303
Westland, City of	40,679,308
Westphalia, Village of	231,645
Wexford County	11,200,207
Wexford County Road Commission	4,968,914
White Cloud Community Library	199,733
White Cloud, City of	351,579
White Cloud/Sherman Utilities	73,967
White Lake Charter Township	10,088,636
White Pigeon, Village of	38,671
White Pine Library	85,800
Whitehall, City of	2,639,807
Willard Public Library	806,840
Williamston, City of	1,937,305
Wixom, City of	9,853,036
Wolverine Lake, Village of	882,628
Ypsilanti Community Utilities Authority	19,731,493
Ypsilanti Housing Commission	408,420
Ypsilanti, City of	12,600,611
Ypsilanti, Township of	9,200,059
<b>Total Reserves</b>	<b>\$4,512,260,955</b>
<b>Average Size Reserves</b>	<b>\$6,501,817</b>

*Schedule of Participating Municipalities – Defined Contribution Plan  
For The Year Ended December 31, 2008*

Name	Defined Contribution Plan Balance
Albion, City of	\$253,197
Albion District Library	37,261
Alcona, County of	453,428
Allegan County	7,575,403
Allegan County Community Mental Health	4,308,251
Allegan County Medical Care Facility	1,637,478
Allen Park, City of	149,406
Alma, City of	230,379
Alpena County	127,263
Alpena General Hospital	7,818,920
Arenac County	27,175
Au Gres, City of	56,214
Baraga County Memorial Hospital	1,056,659
Bay Area Transportation Authority	433,495
Bay City Housing Commission	836,695
Bay City, City of	8,351,317
Beaverton, City of	27,900
Beecher Metropolitan District	32,475
Belding, City of	35,133
Benzie-Leelanau District Health Department	879,731
Benzie Transportation Authority	4,934
Big Rapids Housing Commission	137,153
Big Rapids, City of	736,594
Bloomfield Hills, City of	7,812
Boyne City, City of	54,518
Brighton Area Fire Authority	17,747
Central Michigan District Health	69,090
Central Wayne Sanitation	1,264
Charlotte, City of	65,632
Chelsea Area Construction	51,755
Chelsea, City of	615,904
Clawson, City of	561,941
Clinton County	111,566
Clinton County Road Commission	12,764
Clinton-Eaton-Ingham Community Mental Health	897,111
Coldwater Board of Public Utilities	696,870
Coldwater Housing Commission	24,693
Coldwater, City of	2,518,431
Crawford County	7,939
Delta, County of	173,690
Detroit Wayne County Health Agency	73,150
Dewitt Charter Township	13,501
Dickinson-Iron District Health Department	31,214
District Health Department Number Four	392,884
District Health Department Number Ten	3,498,187
District Health Department Number Two	511,202
Douglas, Village of	11,508
Dowagiac, City of	7,065
Dowagiac District Library	1,542
East Grand Rapids, City of	5,219,806
East Lansing, City of	5,417,197
Elkton, Village of	88,121
Emmet County Road Commission	931,444
Escanaba, City of	469,650
Farmington Community Library	610,813
Fenton, City of	25,998
Flint, Charter Township of	903,986
Fowlerville, Village of	127,175

*Schedule of Participating Municipalities – Defined Contribution Plan  
For The Year Ended December 31, 2008*

Name	Defined Contribution Plan Balance
Genesee County Land Bank Authority	157,877
Gibraltar, City of	6,120
Gladstone, City of	731,512
Grand Rapids Housing Commission	1,573,257
Grand Traverse County	9,569,608
Grand Traverse County Road Commission	1,791,530
Grandville, City of	1,672,630
Gratiot County	1,503,783
Grayling, City of	146,176
Hamtramck, City of	48,277
Hartland Township	161,093
Hazel Park, City of	15,801
Helen Newberry Joy Hospital	549,489
Hiawatha Behavioral Health	453,245
Highland Park Housing Commission	260,264
Highland Park, City of	3,329,941
Holland Board of Public Works	1,127,179
Holland, City of	2,770,196
Howard City, Village of	41,212
Howell Area Fire Department	24,228
Howell Downtown Development Authority, City of	49,418
Howell, City of	54,189
Hudsonville, City of	666,975
Huntington Woods, City of	656,880
Huron County Economic Development Corporation	1,205
Ingham County Capital Area District Library	433,506
Iosco Steelworkers Number Ten	298,639
Iron, County of	94,828
Isabella County	510,467
Isabella County Medical Care Facility	187,158
Ithaca, City of	46,008
Jackson County	48,528
Lake Erie Transportation Commission	31,099
Lakeland Library Cooperative	57,754
Larkin Charter Township	248,173
Leslie, City of	4,752
Library Network	48,718
Litchfield, City of	6,008
Livingston County	753,912
Logan Township	728
Mackinac County	113,679
Mackinac County Road Commission	29,899
Madison Heights, City of	15,664
Manistee, City of	77,281
Marshall, City of	11,896
Marquette Board of Light And Power	696,726
Marquette County	3,537,741
Marquette County Health Department	892,461
Marquette County Transit Authority	14,917
Marquette, City of	647,815
Mecosta, County of	1,435,201
Melvindale, City of	33,487
Midland, City of	175,361
Mid-Michigan District Health Department	62,437
Milan, City of	482,464
Milford, Village of	832,106
Montcalm County	2,133,827
Montrose Township	132,069



*Schedule of Participating Municipalities – Defined Contribution Plan  
For The Year Ended December 31, 2008*

Name	Defined Contribution Plan Balance
Mundy, Charter Township of	90,005
Muskegon, City of	1,100,706
Muskegon County	211
Newaygo County	3,227,057
Newaygo County Mental Health Center	2,291,210
North Kent Sewer Authority	8,656
Northern Lakes Community Mental Health	4,998,990
Northpointe Behavioral Healthcare Systems	2,838
Northville, City of	778,651
Northwest Michigan Community Health	5,494,563
Novi, City of	349,163
Oak Park, City of	182,086
Oakview Medical Care Facility	585,395
Ogemaw, County of	56,946
Orchard Lake Village, City of	145,972
Ottawa County General Dispatch	518,483
Pathways	1,935,006
Paw Paw Housing, Village of	35,074
Plymouth, City of	7,142,871
Quincy, Village of	61,601
Rochester, City of	6,784
Rogers City, City of	17,666
Romeo District Library	98,709
Roscommon, Village of	140,588
Saginaw County	24,705,390
Saginaw County 911	375,108
Saginaw County Community Mental Health	6,876,648
Saginaw Housing Commission	229,044
Saginaw, City of	3,371,345
Saginaw-Midland Municipal Water Corporation	92,149
Sanilac, County of	62,687
Saugatuck, City of	17,687
Schoolcraft Memorial Hospital	3,185,225
Shiawassee County	71,387
Southfield Downtown Development Authority	142,676
Southwestern Michigan Commission	108,511
St. Johns, City of	34,984
St. Louis, City of	380,945
Standish, City of	110,765
Swartz Creek, City of	180,943
Twenty-Fifth District Court	25,886
West Michigan Community Health	11,188,077
Western Upper Peninsula District Health Department	59,523
Wixom, City of	9,982
Woodhaven, City of	2,227,563
<b>Total Balances</b>	<b>\$183,612,776</b>
<b>Average Size Balances</b>	<b>\$1,140,452</b>







1134 Municipal Way | Lansing, MI 48917 | (517) 703-9030 | (800) 767-6377  
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