

ST. CLAIR COUNTY EMPLOYEES RETIREMENT SYSTEM
FORTY-THIRD ANNUAL ACTUARIAL VALUATION OF
THE BASIC RETIREMENT BENEFITS
DECEMBER 31, 2008

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October 1, 2009

The Retirement Board
St. Clair County Employees
Retirement System
Port Huron, Michigan

Dear Board Members:

Submitted in this report are the results of the Forty-Third Annual Actuarial Valuation of the **basic retirement benefits** provided by the St. Clair County Employees Retirement System. The results of the valuation of the **retiree health benefits** are the subject of a separate report.

The date of the valuation was December 31, 2008.

An executive summary is included as Section A.

Valuation results and comments are contained in Section B.

The valuation was based upon information, furnished by your Secretary, regarding Retirement System benefits, financial transactions, and individual members, terminated members, retirees and beneficiaries. Data was checked for internal and year-to-year consistency, but was not otherwise audited. This information is summarized in Section C.

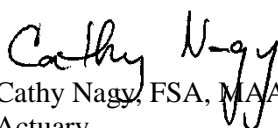
Actuarial cost methods and assumptions are summarized in Section D.

Financial disclosures required by Statement No. 25 of the Governmental Accounting Standards Board is provided in Section E.

The valuation was performed by or under the supervision of a Member of the American Academy of Actuaries with substantial experience valuing public employee retirement plans. The valuation uses generally accepted actuarial principles and is in accordance with the standards of practice prescribed by the Actuarial Standards Board. To the best of our knowledge, this report is complete and accurate and the methods and assumptions employed produce results that are reasonable.

The actuaries submitting this report are Members of the American Academy of Actuaries (MAAA) as indicated, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,


Cathy Nagy, FSA, MAAA
Actuary


W. James Koss, ASA, MAAA
Actuary

CN/WJK:lr

SECTION A

EXECUTIVE SUMMARY

BASIC RETIREMENT BENEFITS

1. Required Employer Contributions - Fiscal Year Beginning January 1, 2010

The computed County contribution rates are shown in the following table:

<u>Division</u>	<u>Employer Contribution</u>	<u>Contribution Dollars</u>
General County*	11.33%	\$3,784,458
Mental Health	8.60%	965,477
Road Commission	14.36%	796,632
Total	11.05%	<u>\$5,546,567</u>

* General County includes the Sheriff division starting with the December 31, 2008 valuation.

The required contribution is equal to the normal cost (long term cost of the benefits) plus the amortization of the unfunded accrued liability.

2. Contribution Rate Comparison

The required contribution rates have changed as follows:

<u>Division</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
General County*	11.33%	N/A**
Mental Health	8.60%	8.08%
Road Commission	14.36%	11.01%
Total	11.05%	9.38%

* General County includes the Sheriff division starting with the December 31, 2008 valuation.

** A combined rate for the General County and the Sheriff's Department was not calculated previously. The employer contribution rate from the December 31, 2007 valuation was 8.63% for General County and 11.56% for Sheriff.

3. Reasons for Change

There are three general reasons why contribution rates change from one valuation to the next. The first is a change in the benefits or eligibility conditions of the plan. The second is a change in the valuation assumptions used to predict future occurrences. The third is the difference during the year between the plan's actual experience and what the assumptions predicted.

The FAC period was changed from 5 years to 3 years for certain General County groups. Lump sums were also included in the final average compensation calculation for certain General County and Road Commission groups.

4. 2008 Plan Experience

Plan experience was unfavorable during 2008 resulting in a loss from all causes of \$11,249,398. This represents 6.2% of the 2007 accrued liabilities. The loss development is shown below.

Investment income for total System assets on a smoothed basis was less than the 7.5% assumed rate for 2008, resulting in an investment loss of \$14,578,065 for pension and health assets combined. The portion of the investment loss attributable to basic retirement benefit, is \$11,936,684. There was a gain from all other sources amounting to \$687,286.

Investment gain/(loss)	\$(11,936,684)
Gain/(loss) from all other sources	<u>687,286</u>
Gain/(loss) from all causes	\$(11,249,398)

5. 2008 Funding Position

This year valuation assets represent 91.4% of total accrued liabilities; last year the ratio was 97.3%. The funded value decreased primarily as a result of unfavorable investment performance.

6. Retiree Reserve Balance

This year the retiree accrued liability is larger than the reported retiree reserve balance. See Comment B in Section B.

7. Comment on the Investment Markets

Investment markets have been very volatile, both preceding the December 31, 2008 valuation date and since that date. The actuarial value of assets (funding value), used to determine both the funded status and the required employer contribution, is based on a 5-year smoothed value of assets. This reduces the volatility of the valuation results.

As of December 31, 2008 the actuarial value of assets was 141% of market value. This means that meeting the actuarial assumption in the next few years will require average future market returns that exceed the 7.50% investment return assumption.

If the December 31, 2008 valuation results were based on market value instead of smoothed funding value, the funded percent of the plan would be 64.7% (instead of 91.4%), and the total employer contribution requirement would be 17.82% of payroll (instead of 11.05%). If the investment markets do not turn around, the funded percent and employer contribution requirement can be expected to head in that direction.

SECTION B

VALUATION RESULTS AND COMMENTS

FINANCIAL OBJECTIVE

The financial objective of the Retirement System is to establish and receive contributions, expressed as a percentage of active member payroll, which will remain approximately level from year to year and will not have to be increased for future generations of citizens.

Your annual actuarial valuations determine how well the objective is being met. This report covers the portion of the valuation dealing with basic retirement benefits.

The Board of Trustees of the St. Clair County Employees Retirement System confirms that the System provides for payment of the required employer contribution as described in Section 20m of Michigan Public Act No. 728.

CONTRIBUTION RATES

The Retirement System basic retirement benefits are supported by contributions from the County and active members and by the investment income earned on system assets. All members contribute 5% of their pay and the County provides an actuarially determined contribution, the remainder needed to meet the financial objective.

Member and County contributions cover both (i) normal cost, and (ii) the financing of the unfunded accrued liability over a period of future years. The normal cost is the portion of system costs allocated to the current year by the valuation method described in Section D. The unfunded accrued liability is the portion of system costs, if any, not covered by present system assets and future normal costs.

The contribution requirements for basic retirement benefits for the fiscal year beginning January 1, 2010 are presented on page B-2. We have developed and shown in a separate report the cost of the retiree health care benefits.

**CONTRIBUTIONS TO PROVIDE BASIC RETIREMENT BENEFITS
MEMBER PORTION AND EMPLOYER PORTION
FISCAL YEAR BEGINNING JANUARY 1, 2010**

Contributions for	% of Active Payroll			
	General County*	Mental Health	Road Commission	Total
Normal cost of benefits:				
Age & service	12.32%	11.12%	13.84%	12.22%
Disability	0.54%	0.48%	0.68%	0.54%
Death before retirement	0.50%	0.41%	0.67%	0.50%
Total	<u>13.36%</u>	<u>12.01%</u>	<u>15.19%</u>	<u>13.26%</u>
Member contributions:				
Total	5.00%	5.00%	5.00%	5.00%
Future refunds	0.41%	0.47%	0.19%	0.40%
Available for pensions	4.59%	4.53%	4.81%	4.60%
Expense allowance	0.20%	0.20%	0.20%	0.20%
Employer normal cost	8.97%	7.68%	10.58%	8.86%
Amortization charges	2.36%	0.92%	3.78%	2.19%
COMPUTED EMPLOYER RATE	<u><u>11.33%</u></u>	<u><u>8.60%</u></u>	<u><u>14.36%</u></u>	<u><u>11.05%</u></u>

* General County includes the Sheriff division starting with the December 31, 2008 valuation.

All liabilities were amortized over a closed 21 year period. The amortization period will reduce by one year each valuation until 20 years have been reached and then will start rolling at 20 years.

The procedure for determining dollar contribution amounts is shown on page B-3.

Page B-4 displays the unfunded accrued liability (or excess assets) that is amortized by the contribution rate shown above.

CONVERTING CONTRIBUTION RATES TO DOLLAR AMOUNTS

For any period of time, the percent-of-payroll contribution rate needs to be converted to dollar amounts. We recommend one of the following procedures.

- (1) Contribute dollar amounts for a period that are equal to the County's percent-of-payroll contribution requirement multiplied by the covered active member payroll for the period. Adjustments should be made as necessary to exclude items of pay that are not covered compensation for Retirement System benefits and to include non-payroll payments that are covered compensation.
- (2) Contribute \$5,546,567. This amount is based on the payroll information provided for the valuation adjusted for expected payroll growth from the valuation date to the fiscal year to which the contribution applies.

TIMING OF CONTRIBUTION PAYMENTS

The contribution requirements in this report anticipate regular payments throughout the year. Examples would be at each payroll date or in 12 monthly installments. If the employer contribution pattern is significantly different, an adjustment to the costs may be appropriate. For example, a lump sum contribution at the beginning of the year is available for investment throughout the year and, therefore, ought to be somewhat smaller than 12 monthly payments. Similarly, a lump sum contribution at the end of the year will not generate any investment income.

**DETERMINATION OF UNFUNDED ACCRUED LIABILITY
BASIC RETIREMENT BENEFITS**

	<u>General County*</u>	<u>Mental Health</u>	<u>Road Commission</u>	<u>Total</u>
A. Accrued Liability				
1. For retirees and beneficiaries	\$ 64,778,335	\$ 9,430,082	\$23,563,712	\$ 97,772,129
2. For vested terminated members	3,898,601	1,915,853	483,705	6,298,159
3. For present active members				
a. Value of expected future benefit payments	102,774,654	28,074,281	20,787,866	151,636,801
b. Value of future normal costs	<u>43,160,186</u>	<u>12,988,644</u>	<u>7,919,888</u>	<u>64,068,718</u>
c. Active member liability: (a) - (b)	59,614,468	15,085,637	12,867,978	87,568,083
4. Total	128,291,404	26,431,572	36,915,395	191,638,371
B. Valuation Assets	<u>116,451,290</u>	<u>24,877,175</u>	<u>33,762,757</u>	<u>175,091,222</u>
C. Unfunded Accrued Liability (Excess Assets):				
(A.4) - (B)	11,840,114	1,554,397	3,152,638	16,547,149
D. Funded Ratio: (B) ÷ (A.4)	<u>90.8%</u>	<u>94.1%</u>	<u>91.5%</u>	<u>91.4%</u>

* General County includes the Sheriff division starting with the December 31, 2008 valuation.

COMMENTS

COMMENT A: As requested by the Board and the County beginning with the December 31, 2005 actuarial valuation, we calculated the contribution rates separately for the following divisions: General, Mental Health, Road Commission and Sheriff. Beginning with the December 31, 2008 actuarial valuation, the contribution rate for the General County and the Sheriff are calculated jointly. Our calculations were based on the demographics of each group and the benefit provisions of each group. Starting with the December 31, 2008 actuarial valuation we are segregating the assets for purposes of calculating the contribution rates. The assets remain commingled for investment purposes.

COMMENT B: In each valuation, we develop the value of anticipated future benefit payments to retired members and their beneficiaries. We then compare this accrued liability to the reported balance of the Retirement Reserve Fund. The amounts of liability and the reported reserves are shown below.

Retiree Accrued Liability	\$97,772,129
Retiree Reserve	<u>88,714,487</u>
Unfunded Accrued Liability	\$ 9,057,642

The unfunded amount was assumed to be covered by a transfer from the Retirement System's employer reserves for future benefits, effective January 1, 2009.

COMMENT C: The cost of retiree health benefits is the subject of a separate valuation report. This report deals only with the basic retirement benefits provided by the Retirement System.

COMMENT D: The development of the experience loss for the basic retirement benefit portion of the Retirement System is shown following these Comments. During the year 2008 there was an aggregate loss of \$11,249,398.

**DEVELOPMENT OF EXPERIENCE GAIN (LOSS)
BASIC RETIREMENT BENEFITS
YEAR ENDED DECEMBER 31, 2008**

Actual experience will never (except by coincidence) exactly match assumed experience. It is hoped that gains and losses will cancel each other over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the experience gain (loss) is shown below.

	<u>2007</u>	<u>2008</u>
(1) UAAL* at start of year	\$5,848,207	\$ 4,811,063
(2) Normal cost from last year	6,123,606	6,257,797
(3) Actual contributions	6,478,435	6,801,781
(4) Interest accrual	425,470	340,676
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	5,918,848	4,607,755
(6) Change from benefit increases	363,077	689,996
(7) Assumption and method changes	0	0
(8) Expected UAAL after changes: (5) + (6) + (7)	6,281,925	5,297,751
(9) Actual UAAL at end of year	4,811,063	16,547,149
(10) Gain (Loss): (8) - (9)	1,470,862	(11,249,398)
(11) Gain (Loss) as percent of actuarial accrued liabilities at start of year	0.86%	(6.20)%

* *Unfunded actuarial accrued liabilities.*

DEVELOPMENT OF VALUATION INVESTMENT GAIN (LOSS) YEAR ENDED DECEMBER 31, 2008

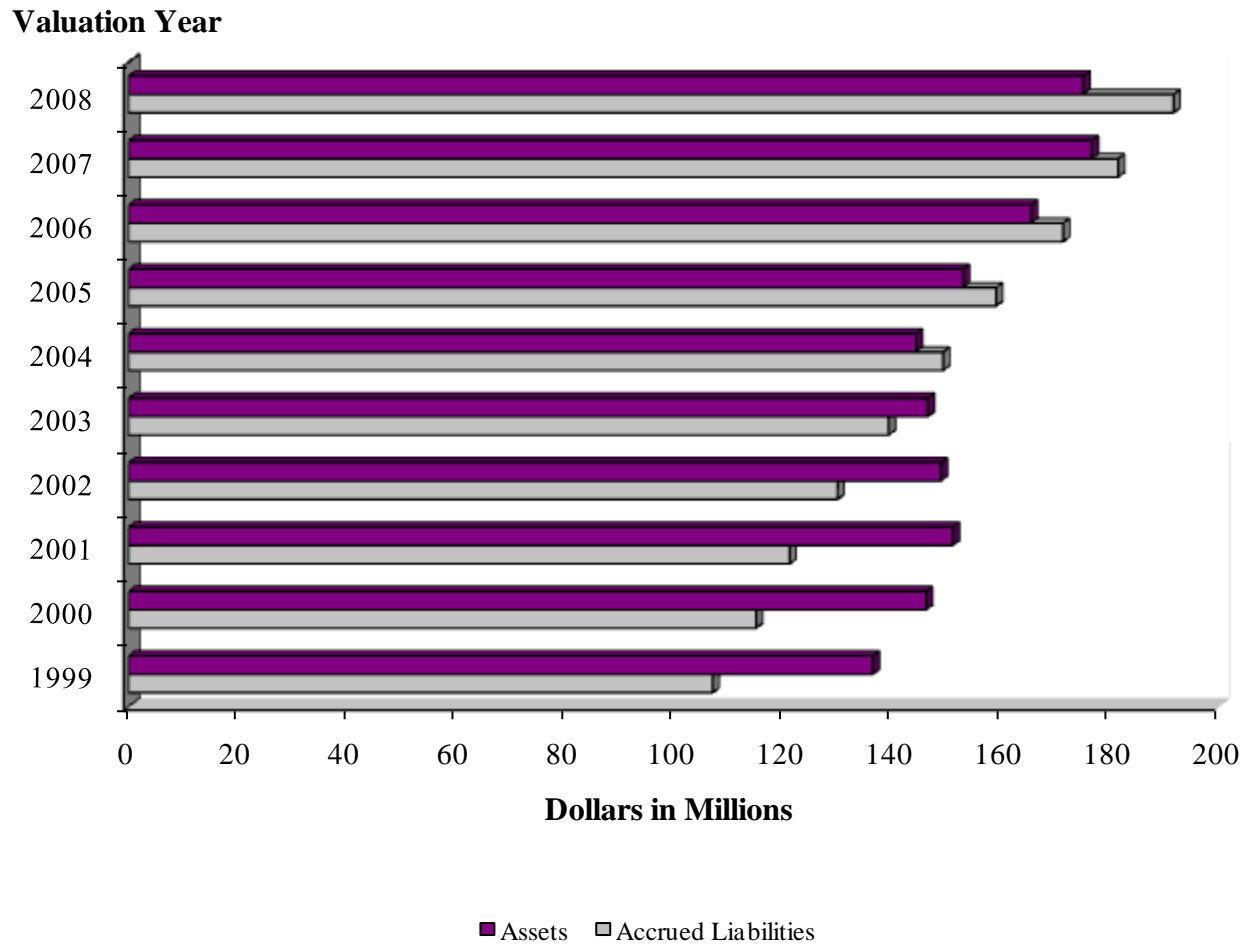
The valuation assumes an average 7.5% return on valuation assets. Net investment return in excess of 7.5% represents a gain. If net investment return falls short of 7.5%, this represents a loss.

(1) Total 2008 valuation investment income	\$ 1,474,747
(2) Average Valuation Assets (Pension & Health)	214,037,491
(3) Expected investment income: $(.075) \times (2)$	16,052,812
(4) Gain (Loss): $(1) - (3)$	(14,578,065)
(5) Portion of System assets for pension benefits	0.818811
(6) Gain (loss) attributable to pension benefit assets: $(4) \times (5)$	(11,936,684)
(7) Valuation rate of return for 2008: $(1) / (2)$	0.69%

Please note that this analysis uses asset values and investment income as defined for the actuarial valuation. It is not, therefore, appropriate as a measure of manager performance.

During 2008 the approximate market value rate of return was (29.58)%.

ASSETS & ACCRUED LIABILITIES BASIC RETIREMENT BENEFITS



1999 assets equaled 127.4% of accrued liabilities

2008 assets equaled 91.4% of accrued liabilities

COMPUTED EMPLOYER CONTRIBUTIONS COMPARATIVE STATEMENT

Valuation Date December 31	Active Members				Retirees & Beneficiaries		Employer Contributions As Payroll Percents				
	No.	Valuation Payroll			No.	Annual Benefits	General**	Mental Health	Sheriff	Road Commission	Total
		Total	Average	% Incr.							
1989	758	\$20,024,381	\$26,417	4.9 %	305	\$1,589,728					7.62%
1990 @	765	21,049,322	27,515	4.2 %	312	1,654,318					7.33%
1991 #@	763	21,859,213	28,649	4.1 %	317	1,770,315					5.90%
1992	723	22,118,037	30,592	6.8 %	325	1,885,964					5.17%
1993	732	23,711,156	32,392	5.9 %	335	2,023,097					5.25%
1994 #	747	24,769,097	33,158	2.4 %	347	2,293,940					5.69%
1995 #	766	25,861,302	33,761	1.8 %	361	2,579,427					5.37%
1996 #@	783	27,934,157	35,676	5.7 %	375	2,773,904					5.62%
1997 #	791	28,402,628	35,907	0.6 %	376	3,147,564					4.70%
1998 #	798	29,161,115	36,543	1.8 %	394	3,536,917					2.49%
1999 @	827	31,051,407	37,547	2.7 %	406	3,903,154					-0.26%
2000 #@	825	32,044,333 *	38,842	3.4 %	410	4,262,752					(0.57%)
2001 #	833	32,744,255	39,309	1.2 %	426	4,811,025					(0.06%)
2002 #	883	35,716,619	40,449	2.9 %	435	5,120,757					3.52%
2003 #	914	38,047,803	41,628	2.9 %	455	5,741,297					6.67%
2004 #	924	39,609,752	42,868	3.0 %	462	6,393,450					9.50%
2005 #@	996	42,622,922	42,794	(0.2)%	482^	7,165,942^	8.38%	8.20%	11.28%	11.49%	9.33%
2006 #	985	44,015,666	44,686	4.4 %	507^	7,847,109^	8.77%	8.10%	11.59%	11.01%	9.48%
2007 #	986	44,600,186	45,233	1.2 %	537^	8,738,382^	8.63%	8.08%	11.56%	11.01%	9.38%
2008 #	986	45,511,253	46,157	2.0 %	555^	9,362,207^	11.33%	8.60%		14.36%	11.05%

Retirement System amended.

@ Revised actuarial assumptions or methods.

* Reduced for the effect of retroactive pay during 1996.

^ Includes DROP members.

** Starting with the December 31, 2008 valuation the General county includes the Sheriff division.

13TH CHECK EXCESS RESERVE FUND

Year	Assets Reserved for Retirees as of 12/31	Investment Return	Excess Return over 7.5%	Half of Excess Return	Amount Reserved for 13th Checks	Cumulative Reserve	Total Annual Pension for Retirees on the Rolls**	COLA Adjustment for Active Employees	13th Check Payment	Reserve after 13th Check Payment is Made
2006	\$42,437,356	8.83%	1.33%	0.665%	\$282,208	\$282,208	\$ 4,596,239	2.00%	\$ 91,925	\$ 190,283
2007	45,410,509	8.25%	0.75%	0.375%	170,289	360,572	4,912,172	2.00%	98,243	262,329
2008	50,260,629 *	0.69%	0.00%	0.000%	0	262,329	5,382,468	2.00%	107,649	154,680
2009						154,680				

* This is the reserve for the 385 members who have retired at least 5 years ago as of December 31, 2008.

** These are the annual pensions for retirees on the rolls as of December 31 who have been retired at least 5 years as of December 31.

SECTION C

**SUMMARY OF BENEFIT PROVISIONS AND
VALUATION DATA**

**BRIEF SUMMARY OF BASIC RETIREMENT BENEFITS
(DECEMBER 31, 2008)**

Eligibility	Amount										
REGULAR RETIREMENT (no reduction factor for age)											
Sheriffs - 25 years of service regardless of age. Others - Age 55 with 25 years of service. All - Age 60 with 8 years of service. - When age plus service equals 80 and service is at least 25 years.	Modified plan members: Final Average Compensation (FAC) multiplied by: <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Years of Service</u></th> <th style="text-align: center;"><u>Annual Multiplier</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1-10</td> <td style="text-align: center;">1.75%</td> </tr> <tr> <td style="text-align: center;">11-19</td> <td style="text-align: center;">2.00</td> </tr> <tr> <td style="text-align: center;">20-24</td> <td style="text-align: center;">2.00</td> </tr> <tr> <td style="text-align: center;">25-29</td> <td style="text-align: center;">2.40 (2.50 for Sheriff Department Supervisors)</td> </tr> </tbody> </table>	<u>Years of Service</u>	<u>Annual Multiplier</u>	1-10	1.75%	11-19	2.00	20-24	2.00	25-29	2.40 (2.50 for Sheriff Department Supervisors)
<u>Years of Service</u>	<u>Annual Multiplier</u>										
1-10	1.75%										
11-19	2.00										
20-24	2.00										
25-29	2.40 (2.50 for Sheriff Department Supervisors)										

Before 20 years of service, separate multipliers are used for the first 10 years of service and service over 10 years.

After 20 years of service, the multiplier will apply to all years of service. Maximum benefit: See Appendix

Original plan members: Total service times 2.0% of FAC. Maximum benefit: See Appendix

Type of FAC - Highest 5 years out of last 10 (highest 3 years out of last ten for Sheriff's, Deputies, and Supervisors and certain General County employees). Base pay only for certain General County and Sheriff's Department members.

DEFERRED RETIREMENT

8 or more years of service, benefit begins at age 60. With 25 or more years of service, benefit begins at age 55.	Computed as a regular retirement but based upon service and final average compensation at termination date.
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DEATH IN SERVICE

10 or more years of service.	Computed as a regular retirement but actuarially reduced in accordance with a 100% joint and survivor election. Payable to the spouse for life. If no eligible spouse, unmarried children under 18 receive equal shares of 50% of the benefit.
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**BRIEF SUMMARY OF BASIC RETIREMENT BENEFITS
(DECEMBER 31, 2008)**

Eligibility

Amount

NON-DUTY DISABILITY

10 or more years of service.

Computed as a regular retirement. Offsets apply.

DUTY DISABILITY

Sheriff's Department - 10 or more years of service.

50% of compensation at the time of disability. Offsets apply.

Others - No age or service requirements. Must be in receipt of Worker's Compensation payments.

Computed as a regular retirement. Upon termination of Worker's Compensation payments, additional service credit is granted and benefit is recomputed. Offsets apply.

MEMBER CONTRIBUTIONS

All members.

5% of annual compensation.

COUNTY CONTRIBUTIONS

Actuarially determined amounts which, together with member contributions, are sufficient to cover both (i) normal costs of the plan, and (ii) financing of unfunded accrued benefit values over a selected period of future years.

POST-RETIREMENT LIFE INSURANCE

The Retirement System provides \$3,500 of life insurance to retirees.

SUPPLEMENTAL PAYMENTS TO RETIREES AGE 65 AND OLDER

If a retiree had less than 20 years of service at retirement, an annual payment of \$14.00 per month will be made for the life of the retiree. For members with 20 or more years of service at retirement, an annual payment of \$16.00 per month.

RETIREMENTS DURING 2008*
GENERAL COUNTY
TABULATED BY AGE NEAREST BIRTHDAY AT RETIREMENT

Ages	Age & Service		Disability		Survivor		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
52	1	\$ 25,892					1	\$ 25,892
53	2	65,929					2	65,929
54	1	47,468					1	47,468
58	1	19,710					1	19,710
59	1	27,302					1	27,302
60	6	72,935					6	72,935
61	2	32,439					2	32,439
62	1	26,270					1	26,270
Total	15	\$317,945					15	\$317,945

* Includes DROP members and EDRO recipients.

RETIREMENTS DURING 2008
MENTAL HEALTH AUTHORITY
TABULATED BY AGE NEAREST BIRTHDAY AT RETIREMENT

Ages	Age & Service		Disability		Survivor		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
53	1	\$ 18,917					1	\$ 18,917
55	1	40,118					1	40,118
61	1	9,897					1	9,897
62	1	7,752					1	7,752
63	1	42,261					1	42,261
Total	5	\$118,945					5	\$118,945

RETIREMENTS DURING 2008*
SHERIFF'S DEPARTMENT
TABULATED BY AGE NEAREST BIRTHDAY AT RETIREMENT

Ages	Age & Service		Disability		Survivor		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
51	2	\$ 99,237					2	\$ 99,237
59	1	42,723					1	42,723
62	1	42,177					1	42,177
63	1	50,142					1	50,142
Total	5	\$234,279					5	\$234,279

* Includes DROP members and EDRO recipients.

RETIREMENTS DURING 2008
ROAD COMMISSION
TABULATED BY AGE NEAREST BIRTHDAY AT RETIREMENT

Ages	Age & Service		Disability		Survivor		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
56			1	\$ 13,037			1	\$ 13,037
59	1	\$ 28,678					1	28,678
60	2	43,235					2	43,235
61	2	46,679					2	46,679
63	1	30,580					1	30,580
64	1	24,015					1	24,015
Total	7	\$173,187	1	\$13,037			8	\$186,224

RETIREMENTS DURING 2008*
GENERAL COUNTY
TABULATED BY ANNUAL AMOUNT OF BENEFIT

Annual Amount	Age & Service	Disability	Survivor	Total
Under \$8,000	1			1
8,000 - 9,999	2			2
10,000 - 11,999	1			1
12,000 - 13,999	2			2
18,000 - 19,999	2			2
24,000 - 25,999	2			2
26,000 - 27,999	2			2
32,000 -33,999	2			2
Over \$40,000	1			1
Total	15			15

* Includes DROP member and EDRO recipients.

RETIREMENTS DURING 2008
MENTAL HEALTH AUTHORITY
TABULATED BY ANNUAL AMOUNT OF BENEFIT

Annual Amount	Age & Service	Disability	Survivor	Total
Under \$8,000	1			1
8,000 - 9,999	1			1
18,000 - 19,999	1			1
Over \$40,000	2			2
Total	5			5

RETIREMENTS DURING 2008*
SHERIFF'S DEPARTMENT
TABULATED BY ANNUAL AMOUNT OF BENEFIT

Annual Amount	Age & Service	Disability	Survivor	Total
Over \$40,000	5			5
Total	5			5

* *Includes DROP member and EDRO recipients.*

RETIREMENTS DURING 2008
ROAD COMMISSION
TABULATED BY ANNUAL AMOUNT OF BENEFIT

Annual Amount	Age & Service	Disability	Survivor	Total
Under \$14,000		1		1
16,000 - 17,999	1			1
18,000 - 19,999	1			1
24,000 - 25,999	2			2
28,000 - 29,999	2			2
30,000 -31,999	1			1
Total	7	1		8

**RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS
GENERAL COUNTY, SHERIFF'S DEPT. & ROAD COMMISSION
COMPARATIVE STATEMENT**

Year Ended Dec. 31	Added to Rolls@		Removed from Rolls		Rolls End of Year		% Incr. in Annual Pensions	Average Pension	Discounted Value of Pensions
	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions			
1989	17	\$ 135,759	10	\$ 34,999	305	\$1,589,728	6.8 %	\$ 5,212	\$15,359,587
1990	17	127,158	10	62,568	312	1,654,318	4.1 %	5,302	16,180,935
1991	18	176,569	13	60,572	317	1,770,315	7.0 %	5,585	17,932,086
1992	18	154,549	10	38,900	325	1,885,964	6.5 %	5,803	18,941,923
1993	20	167,008	10	29,876	335	2,023,096	7.3 %	6,039	20,221,782
1994	24	332,827	12	61,983	347	2,293,940	13.4 %	6,611	22,722,069
1995	33	403,798	19	118,311	361	2,579,427	12.4 %	7,145	25,646,941
1996	15	196,935	1	2,458	375	2,773,904	7.5 %	7,397	27,290,541
1997	30	526,598	29	152,938	376	3,147,564	13.5 %	8,371	31,918,402
1998	30	472,504	12	83,151	394	3,536,917	12.4 %	8,977	35,901,730
1999	28	519,307	16	153,070	406	3,903,156	10.4 %	9,614	39,614,504
2000	24	478,805	20	119,209	410	4,262,752	9.2 %	10,397	43,250,186
2001 #	29	532,778	29	219,904	410	4,575,626	7.3 %	11,160	45,164,629
2002	26	387,767	23	172,053	413	4,791,340	4.7 %	11,601	48,841,993
2003	35	767,072	16	177,315	432	5,381,097	12.3 %	12,456	55,100,488
2004	33	777,439	30	193,358	435	5,965,178	10.9 %	13,713	61,571,588
2005 ^	31	736,866	16	101,250	450	6,600,794	10.7 %	14,668	68,324,342
2006 ^	40	715,898	19	125,875	471	7,190,817	8.9 %	15,267	74,477,562
2007 ^	49	1,122,623	25	332,663	495	7,980,777	11.0 %	16,123	82,907,893
2008 ^	34	861,849	21	358,410	508	8,484,216	6.3 %	16,701	88,342,047

@ Includes survivors of deceased retirees and post-retirement increases.

General County and Mental Health Authority combined prior to 2001.

^ Includes DROP members.

**RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS
MENTAL HEALTH AUTHORITY
COMPARATIVE STATEMENT**

Year Ended Dec. 31	Added to Rolls@		Removed from Rolls		Rolls End of Year		% Incr. in Annual Pensions	Average Pension	Discounted Value of Pensions
	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions			
1989	17	\$135,759	10	\$ 34,999	305	\$1,589,728	6.8 %	\$ 5,212	\$15,359,587
1990	17	127,158	10	62,568	312	1,654,318	4.1 %	5,302	16,180,935
1991	18	176,569	13	60,572	317	1,770,315	7.0 %	5,585	17,932,086
1992	18	154,549	10	38,900	325	1,885,964	6.5 %	5,803	18,941,923
1993	20	167,008	10	29,876	335	2,023,096	7.3 %	6,039	20,221,782
1994	24	332,827	12	61,983	347	2,293,940	13.4 %	6,611	22,722,069
1995	33	403,798	19	118,311	361	2,579,427	12.4 %	7,145	25,646,941
1996	15	196,935	1	2,458	375	2,773,904	7.5 %	7,397	27,290,541
1997	30	526,598	29	152,938	376	3,147,564	13.5 %	8,371	31,918,402
1998	30	472,504	12	83,151	394	3,536,917	12.4 %	8,977	35,901,730
1999	28	519,307	16	153,070	406	3,903,156	10.4 %	9,614	39,614,504
2000	24	478,805	20	119,209	410	4,262,752	9.2 %	10,397	43,250,186
2001 #	5	101,332	399	4,128,685	16	235,399	#	14,712	2,569,528
2002	7	101,709	1	7,687	22	329,421	39.9 %	14,974	3,659,388
2003	1	30,779	0	0	23	360,200	9.3 %	15,661	3,966,503
2004	4	68,072	0	0	27	428,272	18.9 %	15,862	4,670,991
2005	5	136,877	0	0	32	565,149	32.0 %	17,661	6,100,544
2006	4	91,144	0	0	36	656,292	16.1 %	18,230	7,110,400
2007	6	101,313	0	0	42	757,605	15.4 %	18,038	8,114,751
2008	5	120,386	0	0	47	877,991	15.9 %	18,681	9,430,082

@ Includes survivors of deceased retirees and post-retirement increases.

General County and Mental Health Authority combined prior to 2001.

RETIREES AND BENEFICIARIES - DECEMBER 31, 2008
GENERAL COUNTY
TABULATED BY ATTAINED AGE

Attained Age	Age & Service		Disability		Survivor		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
40 - 44			2	\$ 6,903			2	\$ 6,903
45 - 49								
50 - 54	7	\$ 223,112					7	223,112
55 - 59	24	608,046	1	7,341	1	\$ 15,657	26	631,044
60 - 64	67	1,298,808					67	1,298,808
65 - 69	50	663,421	4	31,393	2	26,663	56	721,477
70	9	100,985	1	2,587			10	103,572
71	3	28,843					3	28,843
72	7	113,478	1	10,702	1	36,183	9	160,363
73	5	81,274					5	81,274
74	9	94,097					9	94,097
75	8	113,900					8	113,900
76	4	40,438					4	40,438
77	6	58,691					6	58,691
78	7	86,922					7	86,922
79	11	112,810			1	7,727	12	120,537
80	2	7,021					2	7,021
81	6	30,271					6	30,271
82	6	34,331	1	2,474	1	14,934	8	51,739
83	5	56,420	1	8,552			6	64,972
84	3	45,315					3	45,315
85	4	30,620					4	30,620
87	4	21,734					4	21,734
88	3	7,632					3	7,632
89	4	8,102					4	8,102
90 & Over	20	81,490					20	81,490
Total	274	\$3,947,761	11	\$69,952	6	\$101,164	291	\$4,118,877

Average age at retirement: 59.9 years
Average age now: 71.0 years

RETIREES AND BENEFICIARIES - DECEMBER 31, 2008
MENTAL HEALTH AUTHORITY
TABULATED BY ATTAINED AGE

Attained Age	Age & Service		Disability		Survivor		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
50 - 54	1	\$ 18,917					1	\$ 18,917
55 - 59	7	204,838					7	204,838
60 - 64	18	364,735					18	364,735
65 - 69	11	160,631					11	160,631
70	1	9,108					1	9,108
71	2	39,150					2	39,150
72	1	6,632					1	6,632
74	4	60,939					4	60,939
79	2	13,041					2	13,041
Total	47	\$877,991					47	\$877,991

Average age at retirement: 59.4 years

Average age now: 65.3 years

RETIREES AND BENEFICIARIES - DECEMBER 31, 2008
SHERIFF'S DEPARTMENT
TABULATED BY ATTAINED AGE

Attained Age	Age & Service		Disability		Survivor		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
45 - 49					1	\$ 8,939	1	\$ 8,939
50 - 54	6	\$ 219,030					6	219,030
55 - 59	16	582,539	1	\$15,530			17	598,069
60 - 64	24	735,322					24	735,322
65 - 69	7	156,050					7	156,050
71	1	29,754					1	29,754
74	3	87,213					3	87,213
75	1	22,264					1	22,264
77	1	18,188					1	18,188
78	2	39,974					2	39,974
79	1	4,049					1	4,049
82	2	41,870					2	41,870
85	1	12,666					1	12,666
86	1	19,553					1	19,553
Total	66	\$1,968,472	1	\$15,530	1	\$8,939	68	\$1,992,941

Average age at retirement: 56.2 years
Average age now: 64.0 years

RETIREES AND BENEFICIARIES - DECEMBER 31, 2008
ROAD COMMISSION
TABULATED BY ATTAINED AGE

Attained Age	Age & Service		Disability		Survivor		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
45 - 49	1	\$ 8,692					1	\$ 8,692
50 - 54								
55 - 59	11	332,568	1	\$13,037	2	\$ 50,853	14	396,458
60 - 64	24	556,596	2	18,351	1	11,610	27	586,557
65 - 69	19	462,081	2	32,051	1	23,487	22	517,619
70	3	54,747					3	54,747
71	3	17,036			1	5,660	4	22,696
72	2	38,087			1	7,004	3	45,091
73	4	62,988					4	62,988
74	2	24,452					2	24,452
75	2	30,745					2	30,745
76	4	53,495					4	53,495
77	5	53,227					5	53,227
78	6	69,155	1	9,034			7	78,189
79	6	89,100			1	12,748	7	101,848
80	3	10,008					3	10,008
81	4	22,793					4	22,793
82	5	47,232					5	47,232
83	6	63,468			1	2,641	7	66,109
84	6	36,852					6	36,852
85	3	38,922					3	38,922
86	4	41,773					4	41,773
87	4	37,151					4	37,151
88	1	8,853					1	8,853
90 & Over	5	21,450			2	4,451	7	25,901
Total	133	\$2,181,471	6	\$72,473	10	\$118,454	149	\$2,372,398

Average age at retirement: 57.1 years

Average age now: 73.1 years

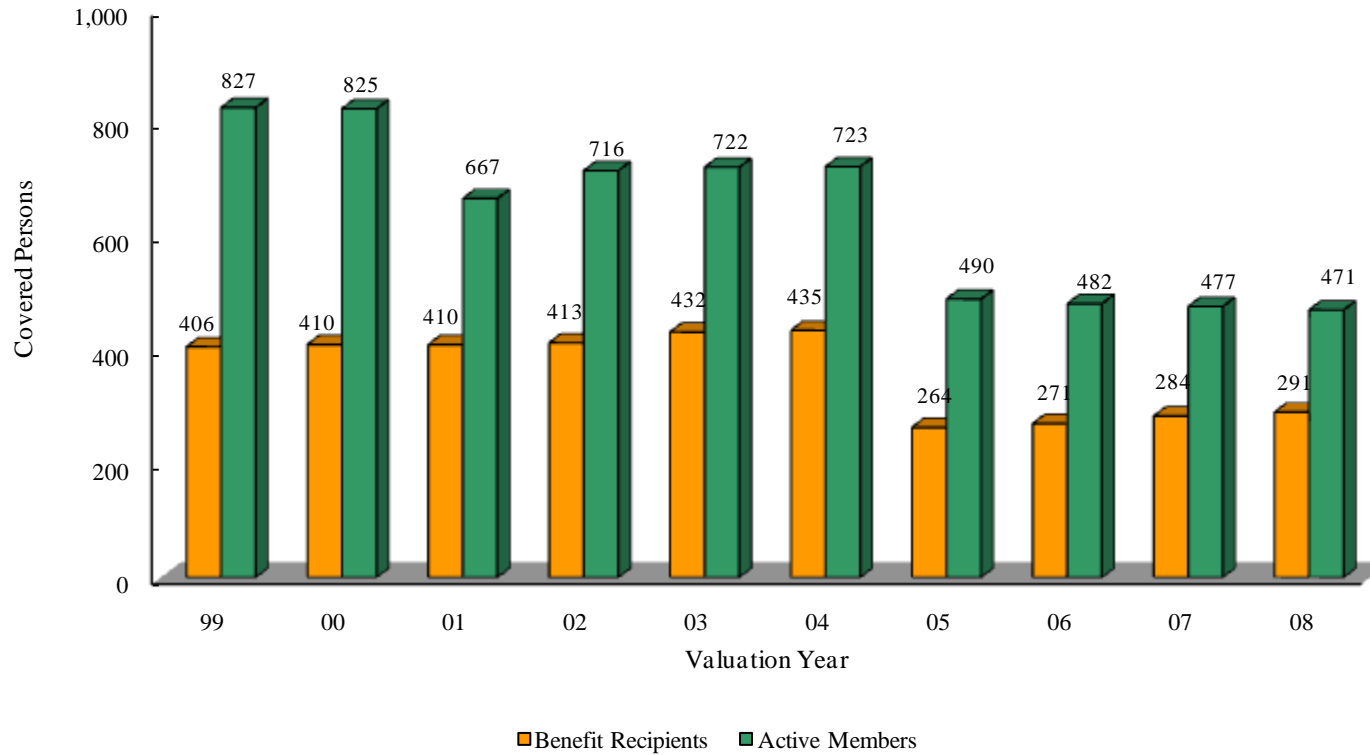
INACTIVE MEMBER DATA

An inactive member is a person who has left County employment with entitlement to a pension after attainment of his voluntary retirement age.

Inactive Members December 31, 2008 Tabulated by Attained Age

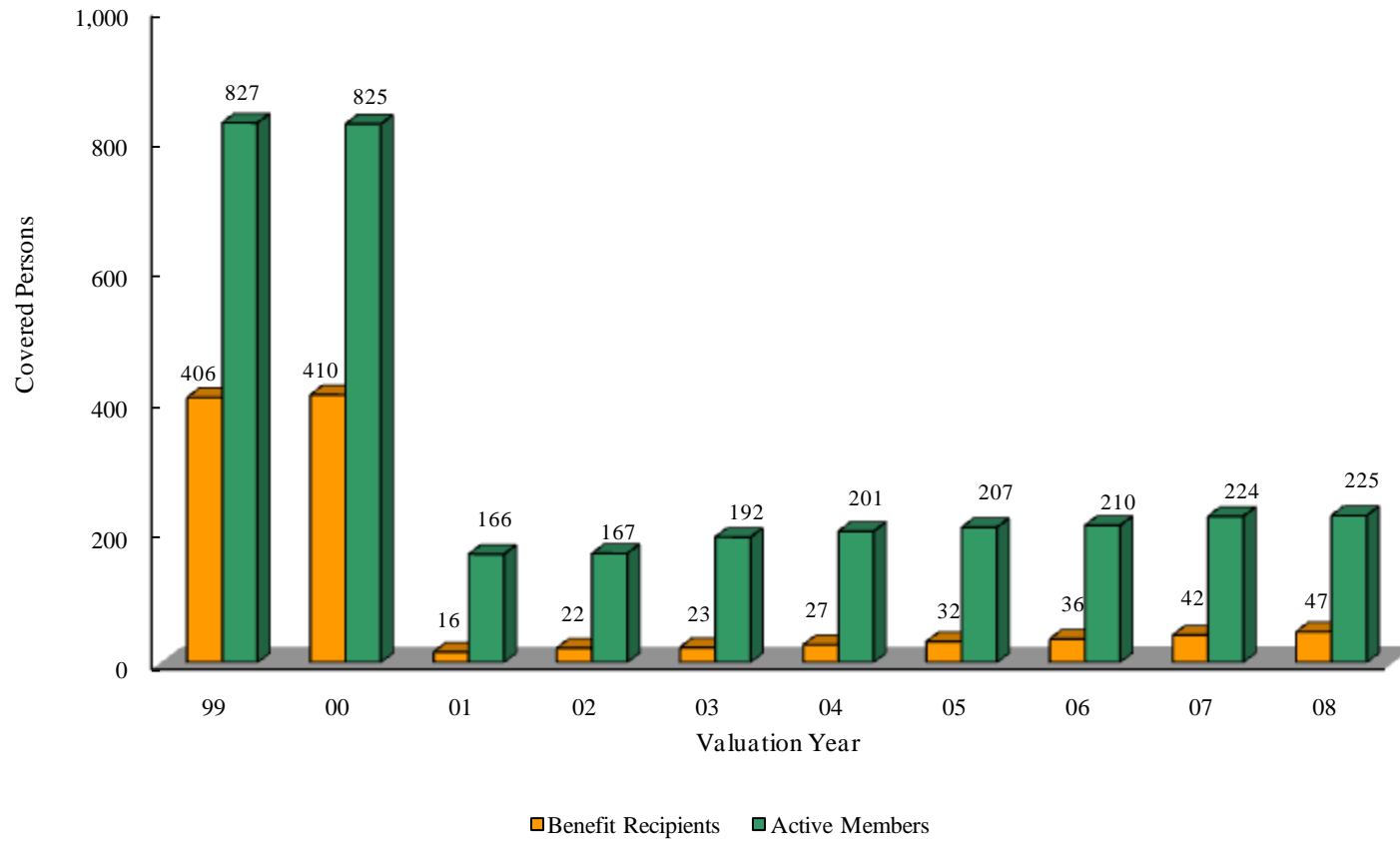
Attained Ages	General		Mental Health		Sheriff		Roads	
	No.	Estimated Pensions	No.	Estimated Pensions	No.	Estimated Pensions	No.	Estimated Pensions
31	1	\$ 6,331						
35	1	6,880						
36	1	5,694						
37	1	4,603						
39			1	\$ 6,417				
40	1	5,808	1	8,764				
42	2	10,739						
43	2	15,673						
44	1	8,957						
45			1	7,166				
46	1	13,122	4	30,335				
47	2	11,245	1	4,090				
48	2	11,858	2	23,753				
49	4	52,246						
50	2	10,056	2	15,072	1	\$ 4,501	1	\$23,204
51	2	14,364	1	6,491			1	14,694
52	5	35,744	3	42,361	2	37,263		
53	3	8,565	1	6,320	1	6,913	1	5,405
54	1	38,909			1	21,041		
55	2	35,043	3	40,366			1	18,080
56			2	17,586			2	16,624
57	1	7,822	4	43,355				
58	4	35,723	2	17,460	1	5,000		
59	6	69,980	2	17,812				
60	2	31,062						
67	1	20,857						
70	1	24,241						
Total	49	\$485,522	30	\$287,348	6	\$74,718	6	\$78,007

ACTIVE MEMBERS AND BENEFIT RECIPIENTS GENERAL COUNTY



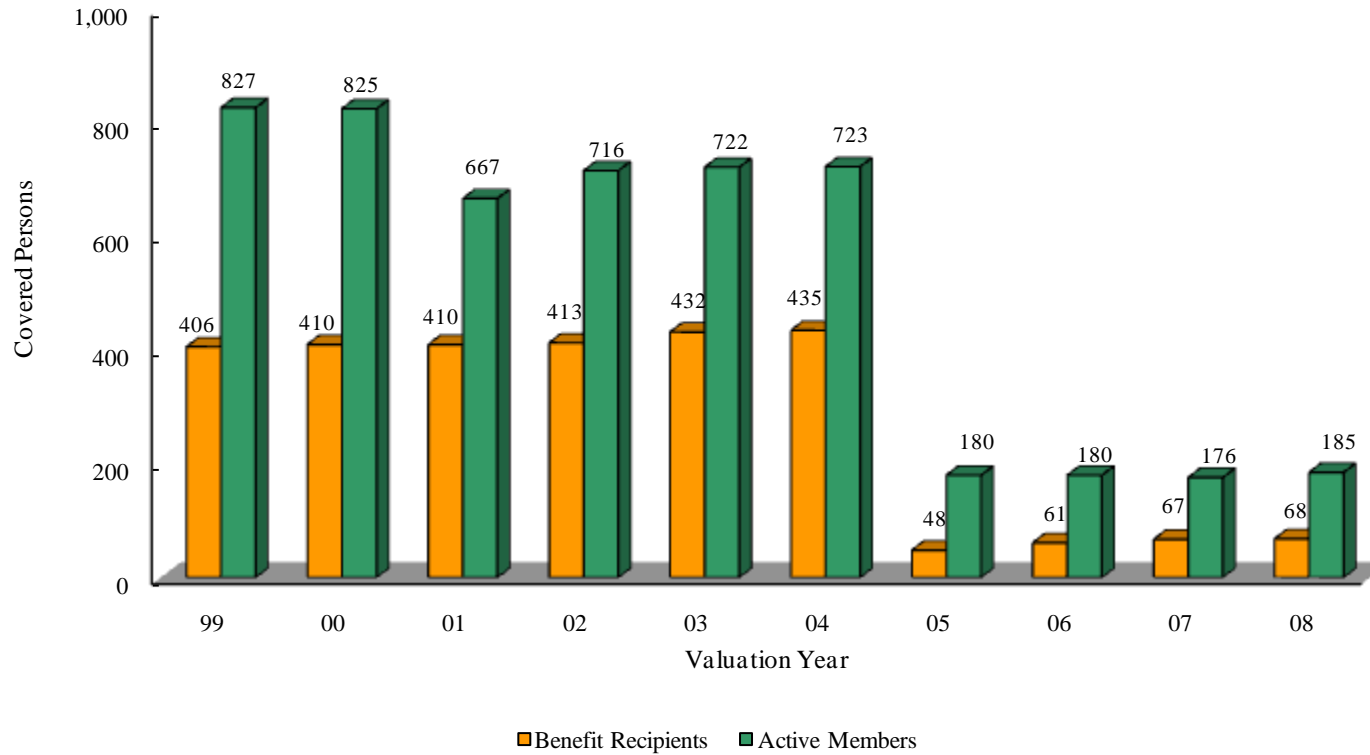
Note: General County and Mental Health Authority were combined prior to 2001.
 General County, Sheriff’s Department and Road Commission were combined prior to 2005.

ACTIVE MEMBERS AND BENEFIT RECIPIENTS MENTAL HEALTH AUTHORITY



Note: General County and Mental Health Authority were combined prior to 2001.

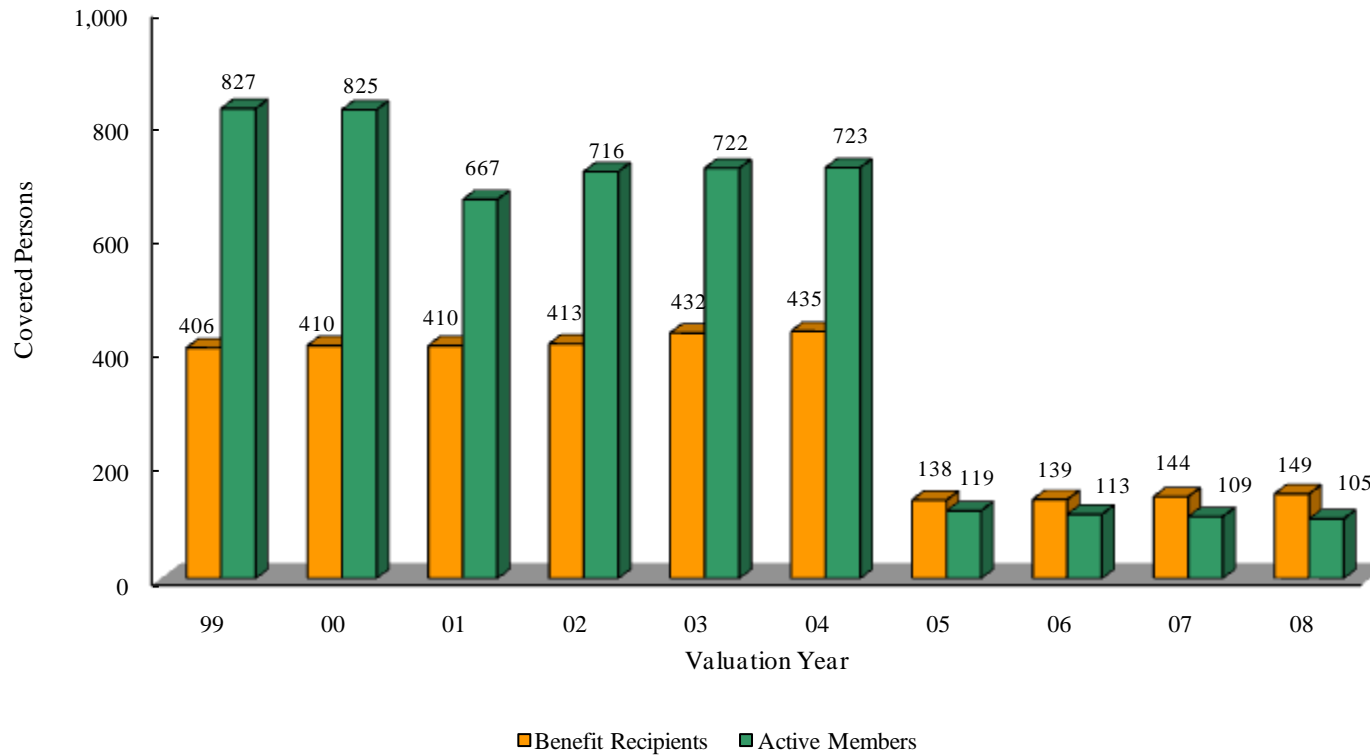
ACTIVE MEMBERS AND BENEFIT RECIPIENTS SHERIFF'S DEPARTMENT



Note: General County and Mental Health Authority were combined prior to 2001.

General County, Sheriff's Department and Road Commission were combined prior to 2005.

ACTIVE MEMBERS AND BENEFIT RECIPIENTS ROAD COMMISSION



Note: General County and Mental Health Authority were combined prior to 2001.
 General County, Sheriff's Department and Road Commission were combined prior to 2005.

ACTIVE MEMBERS

Comparative Schedule

Valuation Date December 31	Active Members	Valuation Payroll	Average			
			Age	Service	Pay	% Inc.
1994	747	\$24,769,097	43.6 yrs.	11.4 yrs.	\$33,158	2.4 %
1995	766	25,861,302	43.6	11.2	33,761	1.8 %
1996	783	27,934,157	43.6	11.5	35,676	5.7 %
1997	791	28,402,628	43.7	11.5	35,907	0.6 %
1998	798	29,161,115	43.9	11.4	36,543	1.8 %
1999	827	31,051,407	44.1	11.2	37,547	2.7 %
2000	825	32,044,333	44.3	11.5	38,842	3.4 %
2001	833	32,744,255	44.6	11.4	39,309	1.2 %
2002	883	35,716,619	44.6	11.0	40,449	2.9 %
2003	914	38,047,803	44.5	10.7	41,628	2.9 %
2004	924	39,609,752	44.6	10.8	42,868	3.0 %
2005	996	42,622,922	44.1	10.0	42,794	(0.2)%
2006	985	44,015,666	44.1	10.2	44,686	4.4 %
2007	986	44,600,186	44.2	10.2	45,233	1.2 %
2008	986	45,511,253	44.8	10.3	46,157	2.0 %

Active Members Added to and Removed from Rolls

Year Ended December 31	Number Added During Year	Terminations During Year					Active Members End of Year
		Normal Retirement	Disability Retirement	Died-in Service	Vested Term.	Other	
1994	59	15	1		9	19	747
1995	72	21	3	1	5	23	766
1996	62	13		1	12	19	783
1997	62	23	1	2	5	23	791
1998	77	20	1	1	15	33	798
1999	91	18		2	12	30	827
2000	52	11	1		11	31	825
2001	78	21	1		11	37	833
2002	94	16		2	10	16	883
2003	96	25			12	28	914
2004	71	21	1		6	33	924
2005	134	29	1		7	25	996
2006	67	28		1	8	41	985
2007	80	34	1		5	39	986
2008	54	23	1	1	7	22	986

**GENERAL ACTIVE MEMBERS AS OF DECEMBER 31, 2008
BY ATTAINED AGE AND YEARS OF SERVICE**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	4							4	\$ 136,045
25-29	15	5						20	780,619
30-34	31	17	2					50	2,180,693
35-39	14	23	8	1	1			47	2,225,336
40-44	21	17	16	10	3	1		68	3,091,296
45-49	19	26	9	6	10	8	1	79	3,470,203
50-54	14	19	14	8	12	8	7	82	3,917,942
55-59	12	14	16	13	7	4	9	75	3,312,261
60	1	3	2	1	2	1		10	441,462
61	2	1	2	2		3	1	11	507,068
62	1	4	1			1	1	8	292,231
63		2	1				1	4	244,824
64		1		1	1			3	137,118
65			2				1	3	154,806
66		1			1			2	65,384
67		1						1	39,474
68		1	1					2	19,923
69				1				1	5,488
72				1				1	27,096
Totals	134	135	74	44	37	26	21	471	\$21,049,269

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 46.7 years
Service: 11.1 years
Annual Pay: \$44,691

MENTAL HEALTH ACTIVE MEMBERS AS OF DECEMBER 31, 2008
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							No.	Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus		Valuation Payroll
20-24	5							5	\$ 166,501
25-29	12	3						15	597,565
30-34	12	11	1					24	977,340
35-39	23	13	6	2				44	2,040,422
40-44	10	7	6	4	1			28	1,224,682
45-49	7	7	9	3	8	1		35	1,683,016
50-54	9	8	5	1	3	4		30	1,331,754
55-59	8	5	2	3	3	5		26	1,197,615
60	1	2	1	1	1	1		7	427,571
61		1	1					2	90,363
62	1		2					3	128,417
63	1							1	82,785
64					1			1	44,323
65		1	1					2	95,393
66		1		1				2	94,998
Totals	89	59	34	15	17	11	0	225	\$10,182,745

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 44.2 years
Service: 8.8 years
Annual Pay: \$45,257

**SHERIFF ACTIVE MEMBERS AS OF DECEMBER 31, 2008
BY ATTAINED AGE AND YEARS OF SERVICE**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	5							5	\$ 204,590
25-29	25	1						26	1,122,530
30-34	16	15	2					33	1,574,266
35-39	15	12	6	1				34	1,730,052
40-44	12	5	9	4	2			32	1,725,724
45-49	3	3	2	6	6	3		23	1,294,083
50-54	4	3	2	3	2	2		16	844,057
55-59	4	2		3	3			12	603,000
60									
61	2		1					3	110,629
64					1			1	38,493
Totals	86	41	22	17	14	5		185	\$9,247,424

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 39.6 years
Service: 8.4 years
Annual Pay: \$49,986

**ROAD COMMISSION ACTIVE MEMBERS AS OF DECEMBER 31, 2008
BY ATTAINED AGE AND YEARS OF SERVICE**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
25-29	2							2	\$ 81,307
30-34	3	3	1	1				8	388,194
35-39	3	8	1	3				15	676,343
40-44	3	7	5	1	3			19	951,728
45-49	2	3	7	4	1			17	868,112
50-54	1	4	3	2	11	3		24	1,162,424
55-59	1	1	1	2	4	3	1	13	659,921
60					1			1	51,756
61			1			1		2	86,133
62			1					1	8,847
63					1			1	48,109
68		1						1	6,960
Totals	16	27	20	13	21	7	1	105	\$5,031,816

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 46.2 years
Service: 13.4 years
Annual Pay: \$47,922

**REPORTED FINANCIAL INFORMATION AT MARKET VALUE
YEAR ENDED DECEMBER 31, 2008
TOTAL SYSTEM ASSETS (INCLUDES HEALTH CARE TRUST)**

Revenues and Disbursements

Revenues:

a. Member contributions	\$ 2,596,157
b. Employer contributions	7,696,833
c. Interest and dividends	5,117,079
d. Gain on investments	<u>(68,302,224)</u>
e. Total	(52,892,155)

Disbursements:

a. Refunds of member contributions	\$ 502,659
b. Pensions paid	8,936,702
c. Death benefits paid	49,000
d. Health benefits	4,594,065
e. Investment expenses	1,176,939
f. Administrative expenses	<u>58,671</u>
	\$15,318,036

Reserve Increase:

Total revenues minus total disbursements	(68,210,191)
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Assets

a. Cash and equivalents*	\$ 3,904,297
b. Stocks	103,384,063
c. Corporate bonds	43,979,194
d. U.S. government securities	<u>20,910</u>
Total	<u>\$151,288,464</u>

* Adjusted for accruals and receivables, net of payables.

DERIVATION OF VALUATION ASSETS

Year Ended December 31:	2007	2008	2009	2010	2011	2012
A. Funding Value Beginning of Year	\$203,277,276	\$215,961,544				
B. Market Value End of Year	216,741,883	151,288,464				
C. Market Value Beginning of Year	213,372,880	219,498,655				
D. Non-Investment Net Cash Flow	(6,576,592)	(3,848,107)				
E. Investment Income						
E1. Market Total: B - C - D	9,945,595	(64,362,084)				
E2. Amount for Immediate Recognition (7.5%)	14,999,174	16,052,812				
E3. Amount for Phased-In Recognition E1-E2	(5,053,579)	(80,414,896)				
F. Phased-In Recognition of Investment Income						
F1. Current Year: 0.2 x E3	(1,010,716)	(16,082,979)				
F2. First Prior Year	2,548,715	(1,010,716)	(16,082,979)			
F3. Second Prior Year	(1,109,725)	2,548,715	(1,010,716)	(16,082,979)		
F4. Third Prior Year		(1,109,725)	2,548,715	(1,010,716)	(16,082,979)	
F5. Fourth Prior Year			(1,109,726)	2,548,713	(1,010,715)	\$(16,082,980)
F6. Start-up Phase In	1,076,640	1,076,640	1,076,642	0	0	0
G. Total	1,504,914	(14,578,065)	(14,578,064)	(14,544,982)	(17,093,694)	(16,082,980)
H. Funding Value End of Year: A + D + E2 + G	213,204,772	213,588,184				
I. Difference between Market & Funding Value	3,537,111	(62,299,720)	(47,721,656)	(33,176,674)	(16,082,980)	0
J. Recognized Rate of Return - Funding Value Basis	8.25%	0.69%				
K. Recognized Rate of Return - Market Value Basis	4.73%	(29.58%)				
Average Valuation Assets	199,988,980	214,037,491				

SECTION D

SUMMARY OF VALUATION METHODS AND ASSUMPTIONS

VALUATION METHODS

Normal Cost

The series of contributions necessary to accumulate the present value at time of retirement of the portion of a member's pension was computed so that each contribution in the series was a constant percentage of the member's year-by-year projected covered compensation. This is referred to as the individual entry age actuarial cost method.

Accrued Liability

Retirees and Beneficiaries: The discounted value of pensions likely to be paid retirees and beneficiaries was computed using the investment return and mortality assumptions. This amount was financed by applicable accrued assets.

Active and Inactive Members: The discounted value of benefits likely to be paid active and inactive members was computed using the assumptions outlined on the following pages. This amount was reduced by the present value of normal costs anticipated to be paid on behalf of the present active members. The unfunded accrued liability (difference between the accrued liability and valuation assets) was amortized over a period of years.

Asset valuation method: The actuarial value equals:

- (a) Actuarial value of assets from the previous valuation, plus
- (b) employer and member contributions since the last valuation, plus
- (c) benefit payments and refunds since the last valuation, plus
- (d) estimated investment income at the assumed investment return, plus
- (e) portion of gain/(loss) recognized in the current year.

For the above purposes, gain/(loss) is defined as the excess during the period of the investment return on the market value of assets over the expected investment income. 20% of the difference is recognized over a 5 year period in the actuarial value of assets. This method was first adopted for the December 31, 2005 actuarial valuation.

ECONOMIC AND RISK ASSUMPTIONS USED FOR THE VALUATION

The actuary calculates the contribution requirements and benefit values of the plan by applying economic and risk assumptions to the benefit provisions and people information furnished, using the valuation methods described on page D-1.

The principal areas of economic and risk assumptions are:

- (i) long-term rates of investment income likely to be generated by the assets of the Retirement System
- (ii) patterns of salary increases to be experienced by members
- (iii) rate of mortality among members, retirees and beneficiaries
- (iv) rates of withdrawal of active members
- (v) rates of disability among members and their subsequent rates of recovery
- (vi) probabilities of retirement at various ages after benefit eligibility

In making a valuation the actuary must project the monetary effect of each assumption, for each distinct experience group, for the next year and for each year over the next half-century or longer.

Once actual experience has occurred and been observed it will not coincide exactly with assumed experience, regardless of the skill of the actuary and the completeness of the data. Each valuation provides a complete recalculation of system costs based upon assumptions regarding future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of small adjustments of the computed contribution rate.

From time to time, it becomes necessary to adjust the package of assumptions to reflect basic experience trends -- but not random year-to-year fluctuations. We will recommend changes whenever we feel they are appropriate.

ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION

Investment Return (net of investment expenses). 2.50% per year in excess of pay inflation. If pay inflation matches the assumption of 5.00%, this implies a 7.5% rate of return.

This assumption is used to equate the value of payments due at different points in time and was first used for the December 31, 1991 valuation. Approximate rates of investment return, for the purpose of comparisons with assumed rates, are shown below. Actual increases in average active member pay are also shown for comparative purposes.

	Year Ended December 31					5 Year Average*
	2008	2007	2006	2005 [^]	2004	
Rate of Investment Return	0.7 %	8.3 %	8.8 %	1.5 %	0.6 %	3.9 %
Average Increase in Pay	2.9 %	2.8 %	5.9 %	3.0 %	4.9 %	3.9 %
Real Rate of Return	(2.2)%	5.5 %	2.9 %	(1.5)%	(4.3)%	0.0 %

[^] Before change in asset valuation method.

* Compound rate of increase.

The nominal rate of return was computed using the approximate formula $i = I$ divided by $1/2 (A + B - I)$, where I is actual investment income net of expenses, A is the beginning of year asset value, and B is the end of year asset value.

These rates of return should not be used for measurement of an investment advisor's performance or for comparisons with other systems.

Pay Projections. These assumptions are used to project current pays to those upon which benefits will be based. The assumptions were first used for the December 31, 2005 valuation.

Sample Service	Annual Rate of Pay Increase for Sample Ages						
	Base	Merit & Longevity			Total		
		General*	Road	Sheriff	General*	Road	Sheriff
1	5.00%	3.50%	5.00%	6.00%	8.50%	10.00%	11.00%
2	5.00%	3.50%	5.00%	6.00%	8.50%	10.00%	11.00%
3	5.00%	3.00%	5.00%	6.00%	8.00%	10.00%	11.00%
4	5.00%	3.00%	5.00%	6.00%	8.00%	10.00%	11.00%
5	5.00%	1.00%	0.50%	6.00%	6.00%	5.50%	11.00%
6-19	5.00%	1.00%	0.50%	0.50%	6.00%	5.50%	5.50%
20 and over	5.00%	0.50%	0.50%	0.50%	5.50%	5.50%	5.50%

* Includes the Mental Health Authority.

If the number of active members remains constant, the total active member payroll will increase 5.00% annually, the base portion of the individual pay increase assumptions. This increasing payroll was recognized in amortizing unfunded actuarial accrued liabilities.

Average changes actually experienced in pay have been as follows:

Year Ended December 31					5 Year
2008	2007	2006	2005	2004	Average*
2.9 %	2.8 %	5.9 %	3.0 %	4.9 %	3.9 %

* Compound rate of increase.

Active Member Group Size: The number of active members was assumed to remain constant.

Mortality. The 1994 Group Annuity Mortality Table was first used for the December 31, 2005 valuation. Sample values follow:

Sample Attained Ages	Single Life Retirement Values			
	Present Value of \$1 Monthly for Life		Future Life Expectancy (years)	
	Men	Women	Men	Women
50	\$140.93	\$147.30	30.69	34.89
55	132.64	140.64	26.15	30.17
60	122.40	132.01	21.83	25.59
65	110.53	121.65	17.84	21.28
70	97.62	109.73	14.29	17.30
75	83.48	95.52	11.12	13.60
80	68.62	79.89	8.37	10.31

This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement.

Future disabled lives were valued using the above table set forward seven years.

Administration Expense: 0.20% of payroll.

Effect of Lump Sum Payments: Final Average Compensation was increased by 4% for certain groups of employees to reflect lump sum payments in FAC.

Rates of separation from active membership. The rates do not apply to members eligible to retire and do not include separation on account of death or disability. This assumption measures the probabilities of members remaining in employment.

Sample Ages	Years of Service	% of Active Members Separating within Next Year		
		General*	Road	Sheriff
ALL	0	10.00%	3.00%	5.00%
	1	9.00%	3.00%	5.00%
	2	7.00%	3.00%	5.00%
	3	6.00%	3.00%	5.00%
	4	6.00%	3.00%	5.00%
20	5 & Over	6.00%	3.00%	5.00%
25		6.00%	3.00%	5.00%
30		6.00%	3.00%	4.40%
35		4.80%	2.40%	2.80%
40		3.40%	1.40%	1.70%
45		3.00%	1.00%	1.20%
50		3.00%	1.00%	0.70%
55		3.00%	1.00%	0.50%
60		2.40%	1.00%	0.50%
65		2.00%	1.00%	0.50%

* Includes Mental Health Authority.

The rates were first used for the December 31, 2005 valuation.

Rates of Disability. These rates represent the probabilities of active members becoming disabled.

Sample Ages	Percent Becoming Disabled within Next Year
20	0.08%
25	0.08%
30	0.08%
35	0.08%
40	0.20%
45	0.26%
50	0.49%
55	0.89%
60	1.41%

These rates were first used for the December 31, 1985 valuation. For the Sheriff's Department, the disability assumption is split to reflect 75% as non-duty disability and 25% as duty disability.

Rates of Retirement. These rates are used to measure the probability of eligible members retiring during the next year.

Retirement Ages	Percent of Active Members Retiring within Next Year					Service	Sheriff
	General Original*	General Modified*	Road	Sheriff			
50	5.0%	10.0%	25.0%			25	20.0%
51	5.0%	10.0%	25.0%			26	20.0%
52	5.0%	10.0%	25.0%			27	20.0%
53	5.0%	10.0%	25.0%			28	20.0%
54	5.0%	10.0%	25.0%			29	20.0%
55	5.0%	10.0%	25.0%			30	20.0%
56	10.0%	5.0%	25.0%			31	20.0%
57	10.0%	5.0%	25.0%			32	20.0%
58	10.0%	5.0%	25.0%			33	20.0%
59	10.0%	5.0%	25.0%			34	20.0%
60	20.0%	20.0%	25.0%	25.0%		35+	100.0%
61	20.0%	20.0%	10.0%	25.0%			
62	20.0%	20.0%	30.0%	25.0%			
63	20.0%	20.0%	20.0%	25.0%			
64	20.0%	20.0%	20.0%	25.0%			
65	40.0%	40.0%	100.0%	100.0%			
66	40.0%	40.0%	100.0%	100.0%			
67	40.0%	40.0%	100.0%	100.0%			
68	40.0%	40.0%	100.0%	100.0%			
69	40.0%	40.0%	100.0%	100.0%			
70+	100.0%	100.0%	100.0%	100.0%			

* Includes Mental Health Authority.

A member of the General, Mental Health Authority, or Road Divisions was understood to be eligible for retirement after attaining age 60 with 8 years of service or after 25 years of service when age plus service totals 80 or more points. A member of the Sheriff's Department was understood to be eligible for retirement upon completion of 25 years of service regardless of age or at age 60 with 8 years of service.

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

Marriage Assumption:	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses.
Pay Increase Timing:	Six months after the valuation date.
Decrement Timing:	Decrements of all other types are assumed to occur mid-year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Benefit Service:	Exact fractional service is used to determine the amount of benefit payable.
Decrement Relativity:	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
Decrement Operation:	Disability and death-in-service decrements do not operate during the first 5 years of service. Disability and withdrawal do not operate during retirement eligibility.
Normal Form of Benefit:	The assumed normal form of benefit is the straight life form.
Incidence of Contributions:	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made. New entrant normal cost contributions are applied to the funding of new entrant benefits.

GLOSSARY

Actuarial Accrued Liability. The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as "accrued liability" or "past service liability."

Accrued Service. The service credited under the plan which was rendered before the date of the actuarial valuation.

Actuarial Assumptions. Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the "actuarial funding method."

Actuarial Equivalent. A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

Actuarial Present Value. The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Amortization. Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

Experience Gain (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.

Normal Cost. The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as "current service cost." Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

Pension Benefit Obligation. A standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date.

Plan Termination Liability. The actuarial present value of future plan benefits based on the assumption that there will be no further accruals for the future service and salary. The termination liability will generally be less than the liabilities computed on a "going concern" basis and is not normally determined in a routine actuarial valuation.

Reserve Account. An account used to indicate that funds have been set-aside for a specific purpose and are not generally available for other uses.

Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded accrued liability."

Valuation Assets. The value of current plan assets recognized for valuation purposes. Generally based on market value plus a portion of unrealized appreciation or depreciation.

SECTION E

DISCLOSURE MATERIAL IN CONFORMANCE WITH STATEMENT NO. 25 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

This information is presented in draft form for review by the System's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the System's financial statements.

GASB STATEMENT NO. 25 REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -- Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b - a) / c]
12/31/99#	\$136,466,854	\$ 107,080,537	\$ (29,386,317)	127.4 %	\$31,051,407	(94.6)%
12/31/00@	146,232,915	115,095,600	(31,137,315)	127.1 %	32,044,333	(97.2)%
12/31/01@	151,153,871	121,225,557	(29,928,314)	124.7 %	32,744,255	(91.4)%
12/31/02@	148,949,978	129,997,328	(18,952,650)	114.6 %	35,716,619	(53.1)%
12/31/03@	146,556,581	139,409,729	(7,146,852)	105.1 %	38,047,803	(18.8)%
12/31/04@	144,411,118	149,377,188	4,966,070	96.7 %	39,609,752	12.5 %
12/31/05@#	153,016,205	159,090,379	6,074,174	96.2 %	42,622,922	14.3 %
12/31/06@	165,525,909	171,374,116	5,848,207	96.6 %	44,015,666	13.3 %
12/31/07@	176,628,933	181,439,996	4,811,063	97.3 %	44,600,186	10.8 %
12/31/08@	175,091,222	191,638,371	16,547,149	91.4 %	45,511,253	36.4 %

@ Plan amended.

Certain assumptions revised.

Actuarial Cost Method

Individual Entry Age Normal Cost

Asset Valuation Method

Market Value with 5 year Smoothing of
Gains and Losses

Principal Actuarial Assumptions (last revised
for the 12/31/2005 valuation):

Net Investment Return

7.5%

Projected Salary Increases

5.0% pay inflation plus merit and longevity

Cost-of-Living Adjustments

None

GASB STATEMENT NO. 25 REQUIRED SUPPLEMENTARY INFORMATION

Valuation Date December 31	Fiscal Year Ended December 31	Annual Required Contribution
1993	1995	\$1,357,718
1994	1996	1,589,454
1995	1997	1,525,221
1996	1998	1,370,572
1997	1999	773,180
1998	2000	0
1999	2001	0
2000	2002	0
2001	2003	0
2002	2004	1,257,225
2003	2005	2,774,069
2004	2006	4,148,626
2005	2007	4,379,779
2006	2008	4,600,352
2007	2009	4,603,552

Schedule of Employer Contributions

Actuarial Cost Method	Individual Entry Age Normal Cost
Amortization Method	Level percent of payroll
Remaining Amortization Period as of December 31, 2008:	
All Liabilities	21 years, decreasing by one-year, then rolling at 20 years
Asset valuation method	Market Value with 5 Year Smoothing of Gains and Losses
Principal Actuarial assumptions (last revised for the 12/31/2005 valuation):	
Net Investment Return	7.5%
Projected Salary Increases	5.0% pay inflation plus merit and longevity
Cost-of-Living Adjustments	None

APPENDIX

SUMMARY OF BENEFIT PROVISIONS BY DIVISION

ST. CLAIR COUNTY SUMMARY OF BENEFIT PROVISIONS 12/31/2008

Group	Mor O	Group		Eligibility	Multiplier	Maximum	Lump Sums in FAC	Years in FAC period
		Code	Category					
Board Members Modified	M	13	G	Rule of 80, 60 & 8	Graded	75.0%		3
Commissioners Modified	M	14	G	Rule of 80, 60 & 8	Graded	75.0%		3
Elected Officials Modified	M	15	G	Rule of 80, 60 & 8	Graded	75.0%		3
Elected Officials Original	O	16	G	Rule of 80, 60 & 8	2%	64.0%		3
Mental Health Modified	M	17	MH	Rule of 80, 60 & 8	Graded	75.0%		5
Mental Health Original	O	18	MH	Rule of 80, 60 & 8	2%	64.0%		5
Road Commission Original	O	19	RC	Rule of 80, 60 & 8	2%	64.0%	Y	5
Road Commission Modified	M	20	RC	Rule of 80, 60 & 8	Graded	75.0%	Y	3
Sheriff Deputies Original	O	21	S	25 & out, 60 & 8	2%	64.0%	Y	3
Sheriff Deputies Modified	M	22	S	25 & out, 60 & 8	Graded	75.0%	Y	3
Corr. Ofc. & Support Staff Original	O	23	S	25 & out, 60 & 8	2%	64.0%	Y	5
Corr. Ofc. & Support Staff Modified	M	24	S	25 & out, 60 & 8	Graded	75.0%	Y	5
Corrections Officers Supervisors Modified	M	25	S	25 & out, 60 & 8	Graded	75.0%	Y	3
Corrections Officers Supervisors Original	O	26	S	25 & out, 60 & 8	2%	64.0%	Y	5
Sheriff Deputies Supervisors Modified	M	27	S	25 & out, 60 & 8	Graded	75.0%	Y	3
Friend of the Court Modified	M	30	G	Rule of 80, 60 & 8	Graded	75.0%		5
Friend of the Court Original	O	31	G	Rule of 80, 60 & 8	2%	64.0%		5
Friend of Court Supervisors Modified	M	32	G	Rule of 80, 60 & 8	Graded	75.0%		3
Friend of Court Supervisors Original	O	33	G	Rule of 80, 60 & 8	2%	75.0%		3
Judges Modified	M	35	G	Rule of 80, 60 & 8	Graded	75.0%		3
CANUE Non-Affiliated Modified	M	36	G	Rule of 80, 60 & 8	Graded	75.0%		3
CANUE Non-Affiliated Original	O	37	G	Rule of 80, 60 & 8	2%	75.0%		3
District Court AFSCME Modified	M	38	G	Rule of 80, 60 & 8	Graded	75.0%	Y	3
District Court AFSCME Original	O	39	G	Rule of 80, 60 & 8	2%	64.0%	Y	3
Juvenile Center Teamsters Modified	M	40	G	Rule of 80, 60 & 8	Graded	75.0%		5
Juvenile Center Teamsters Original	O	41	G	Rule of 80, 60 & 8	2%	64.0%		5
Prosecuting Attorneys Modified	M	42	G	Rule of 80, 60 & 8	Graded	75.0%		5
Prosecuting Attorneys Original	O	43	G	Rule of 80, 60 & 8	2%	64.0%		5
Probate Clerical Modified	M	44	G	Rule of 80, 60 & 8	Graded	75.0%		3
Probate Court Juvenile Counselors Modified	M	46	G	Rule of 80, 60 & 8	Graded	75.0%		5
Probate Court Juvenile Counselors Original	O	47	G	Rule of 80, 60 & 8	2%	64.0%		5
Probate Court Supervisors Modified	M	48	G	Rule of 80, 60 & 8	Graded	75.0%	Y	3
Probate Court Supervisors Original	O	49	G	Rule of 80, 60 & 8	2%	64.0%	Y	3
Public Service Employees Modified	M	50	G	Rule of 80, 60 & 8	Graded	75.0%		3
Public Service Employees Original	O	51	G	Rule of 80, 60 & 8	2%	64.0%		3
Public Health Nurses Modified	M	52	G	Rule of 80, 60 & 8	Graded	75.0%		3
Public Health Nurses Original	O	53	G	Rule of 80, 60 & 8	2%	64.0%		3
Board Members Original	O	57	G	Rule of 80, 60 & 8	2%	75.0%		3
Human Resources Clerks and Specialists Modified	M	58	G	Rule of 80, 60 & 8	Graded	75.0%		3
Human Resources Clerks and Specialists Original	O	59	G	Rule of 80, 60 & 8	2%	75.0%		3
Public Health Nurse Supervisors Modified	M	60	G	Rule of 80, 60 & 8	Graded	75.0%		3
Public Health Nurse Supervisors Original	O	61	G	Rule of 80, 60 & 8	2%	64.0%		3
RCE - Original	O	63	G	Rule of 80, 60 & 8	2%	75.0%		3
JCVS Modified	M	64	G	Rule of 80, 60 & 8	Graded	75.0%		3
JCVS Original	O	65	G	Rule of 80, 60 & 8	2%	64.0%		3
Bailiff and Court Security Officers Assoc. Modified	M	66	G	Rule of 80, 60 & 8	Graded	75.0%	Y	3
Bailiff and Court Security Officers Assoc. Original	O	67	G	Rule of 80, 60 & 8	2%	64.0%	Y	3
Communication Officers POAM Original	O	68	S	25 & out, 60 & 8	2%	64.0%	Y	3
Communication Officers POAM Modified	M	69	S	25 & out, 60 & 8	Graded	75.0%	Y	3

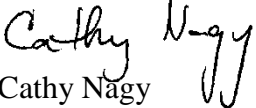
October 1, 2009

Ms. Tami Rumsey
St. Clair County Employees Retirement System
200 Grand River, Suite 206
County Building
Port Huron, Michigan 48060

Dear Tami:

Please find enclosed twenty copies of the December 31, 2008 Actuarial Valuation of the Basic Retirement Benefits for the St. Clair County Employees Retirement System. The Retiree Health Care Benefits are the subject of a separate report.

Sincerely,


Cathy Nagy

CN:lr
Enclosures