



Municipal Employees' Retirement System
of Michigan

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

ANNUAL ACTUARIAL VALUATION REPORT

CITY OF SPRINGFIELD (1303)

DECEMBER 31, 2008



May 22, 2009

The Retirement Board
Municipal Employees' Retirement System of Michigan

Ladies and Gentlemen:

This report presents the results of the Annual Actuarial Valuation, prepared as of December 31, 2008. The report includes the determination of liabilities and contribution rates resulting from the participation of City of Springfield in the Municipal Employees' Retirement System of Michigan ("MERS").

MERS is an agent multiple-employer public employee pension plan and is a tax-qualified plan under section 401(a) of the Internal Revenue Code (most recent letter of Favorable Determination issued June 15, 2005). MERS is an independent non-profit public corporation established by the Legislature pursuant to Public Act 220 of 1996, as amended, and is an instrumentality of the participating municipalities and courts. City of Springfield is responsible for the employer contributions needed to provide MERS benefits for its employees and former employees under the Michigan Constitution and the MERS Plan Document.

For this annual actuarial valuation, the Retirement Board adopted new actuarial assumptions and/or methods. Please refer to page 48 for an explanation of the Board's action.

The valuation utilized information furnished by the MERS administrative staff concerning Retirement System benefits, financial transactions, and individual member information. Data was checked for consistency with the prior year, but was not otherwise audited by us.

To the best of our knowledge, this report is complete and accurate and was 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. The actuarial assumptions used for this valuation produce results that we believe are reasonable. The Retirement Board of the Municipal Employees' Retirement System of Michigan confirms that the System provides for payment of the required employer contribution as described in Section 20m of Act No. 314 of 1965 (MCL 38.1140m).

Please review the Comments on the Investment Markets on page 3.

This report may be provided to other interested parties only in its entirety and only with the prior permission of MERS and the municipality.

Please contact Sharlene Pallick at MERS if you would like to receive future annual valuations in electronic format, instead of a printed report (800-767-6377 ext. 252; SPallick@mersofmich.com).

Sincerely,

Alan Sonnanstine, MAAA, ASA

Cathy Nagy, MAAA, FSA

Jim Koss, MAAA, ASA

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Executive Summary

Required Employer Contributions

The computed minimum required employer contributions to the retirement system for the fiscal years beginning July 1, 2010 (2008 Valuation) and July 1, 2009 (2007 Valuation) are as follows:

Division	Minimum Required Monthly Employer Contributions @			
	Percentage of Payroll		\$ Based on Valuation Payroll	
	2008 Valuation	2007 Valuation	2008 Valuation	2007 Valuation
01 - AFSCME	12.11%	13.77%	\$2,024	\$2,139
02 - PubSafety	11.02%	9.03%	8,661	7,905
10 - Non Union	8.42%	6.56%	1,531	1,153
11 - Dept Hds	25.31%	23.17%	3,415	2,988
Total Municipality			\$15,631	\$14,185

@ The above employer contribution requirements are in addition to the member contributions, if any, shown in Table 1.

Please see the Comments on the Investment Markets on page 3.

For additional details see Table 15.

It is important to note that the contribution rates shown above are not expected to remain at present levels indefinitely. If future experience were to match the valuation assumptions exactly, the computed employer rates for divisions that are open to new hires would trend over time toward the long-term cost of system benefits, known as the Normal Cost (see Table 15). For underfunded divisions that are closed to new hires and are not linked to an open division, the computed employer dollar contribution would increase 4%-8% annually, until full funding is reached. The required employer contribution for such a closed division typically reaches its highest level about 11-12 years after the division becomes closed. Prospective benefit changes as well as Retirement System gains and losses will also affect future contribution rates.

Contribution rates will change from one year to the next as a result of changes in benefit provisions, changes in the actuarial assumptions, and experience of the plan (investment experience and demographic experience).

The 2008 valuation reflects changes in actuarial assumptions and/or methods (please refer to page 48). The effects of the changes are shown in the note below Table 16 for each division. For benefit provision changes see Table 1.

City of Springfield (1303)

Executive Summary (continued)

2008 System Experience

Based on the smoothed Actuarial Value of Assets, the recognized rate of investment return for MERS overall was 4.7% (less than the 8% actuarial assumption). On average this will result in increases in computed employer contributions.

Demographic experience varied by division. This reflects what actually happened to participants (active members, retirees, and vested former members) compared to what was projected by the actuarial assumptions.

2008 Funded Position

The ratio of the Valuation Assets to the Actuarial Accrued Liability for City of Springfield in aggregate is 86%; last year's ratio was 88%.

Comments on the Investment Markets

The dramatic price declines across the world financial markets in 2008 led to volatility unlike any experienced in decades. 2009 has continued to be only somewhat less volatile. This is a crisis of the global economy focused on the financial sector. The U.S. government and business leaders are doing all they can to address the issues. Even so, it is going to be difficult in the short term to meet the investment assumption of 8% annual return.

The actuarial value of assets (funding value), used to determine both your funded status and your required employer contribution, is based on a 10-year smoothed value of assets. Only a portion (one-tenth) of the 2008 investment market losses were recognized in this actuarial valuation report. This reduces the volatility of the valuation results, which affects your required employer contribution and actuarial funded percentage.

As of December 31, 2008 the actuarial value of assets is 139% of market value. This means that meeting the actuarial assumption in the next few years will require average annual market returns that substantially exceed the 8% investment return assumption.

If the December 31, 2008 valuation results were based on market value on that date instead of 10-year smoothed funding value: i) the funded percent of your entire municipality would be 62% (instead of 86%); and ii) your total employer contribution requirement for the fiscal year starting July 1, 2010 would be \$307,572 (instead of \$187,572). If the investment markets do not turn around, employer contribution requirements can be expected to rise. MERS is doing everything it can to make sure that if this proves to be the case, the increases are incremental as opposed to

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Executive Summary (continued)

steep.

Remember that only one-tenth of the 2008 market losses are reflected in this actuarial valuation report. As was true for past market downturns, MERS expects the markets to rebound over time. By the time the 2008 market losses would be fully recognized (over the following 9 years), future market gains are expected to partly or fully offset 2008 market losses. This smoothing method is a powerful tool for reducing the volatility of your required employer contributions. However, if the financial markets do not rebound, the result would be gradual increases in your employer contribution requirement over the next 9 years (as described above).

Possible Future Changes in Actuarial Assumptions

Actuarial assumptions are reviewed every five years, and sometimes more often. The next review of MERS actuarial assumptions will begin in July 2009, and will cover the 2004-2008 valuation years. All areas of activity will be studied, and it is very likely that there will be new actuarial assumptions reflected in the December 31, 2009 and December 31, 2010 valuations. As done in February 2009, MERS expects to provide employers with updates concerning pending new actuarial assumptions and the ongoing effects of the financial markets.

Comment on Actuarial Calculations - The projections of your future employer contributions in this report are based on the current actuarial assumptions used in the December 31, 2008 actuarial valuation. As always, your required employer contribution rate changes every year, in response to demographic changes, financial experience, benefit provision changes, etc, within your specific plan. The results of future actuarial valuations will differ from the projections, sometimes materially.

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Table 1

Benefit Provisions Evaluated and/or Considered

Division	2008 Valuation	2007 Valuation
01 - AFSCME	B-2 Normal Ret Age: 60 V-10 F55(25) FAC-5 E (\$10) (01/01/2000) 0.00% Member Contrib. Act 88 Election (12/21/1970)	B-2 Normal Ret Age: 60 V-10 F55(25) FAC-5 E (\$10) (01/01/2000) 0.00% Member Contrib. Act 88 Election (12/21/1970)
02 - PubSafety	3.00% - 80% Max Normal Ret Age: 60 V-10 F/N(25) FAC-5 7.00% Member Contrib. Act 88 Election (12/21/1970)	3.00% - 80% Max Normal Ret Age: 60 V-10 F/N(25) FAC-5 7.00% Member Contrib. Act 88 Election (12/21/1970)
10 - Non Union	B-2 Normal Ret Age: 60 V-10 FAC-5 E (2.0%) (01/01/1997) 0.00% Member Contrib. Act 88 Election (12/21/1970)	B-2 Normal Ret Age: 60 V-10 FAC-5 E (2.0%) (01/01/1997) 0.00% Member Contrib. Act 88 Election (12/21/1970)
11 - Dept Hds	B-4 - 80% Max Normal Ret Age: 60 V-10 F55(25) FAC-3 RS50% E (2.0%) (01/01/1997) 0.00% Member Contrib. Act 88 Election (12/21/1970)	B-4 - 80% Max Normal Ret Age: 60 V-10 F55(25) FAC-3 RS50% E (2.0%) (01/01/1997) 0.00% Member Contrib. Act 88 Election (12/21/1970)

City of Springfield (1303)

Table 2

Membership Summary

Division	2008 Valuation		2007 Valuation	
	Number	Annual Payroll*	Number	Annual Payroll*
01 - AFSCME				
Active Members	5	\$200,526	5	\$186,417
Vested Former Members	1	4,874	1	4,874
Retirees and Beneficiaries	7	51,962	8	59,675
02 - PubSafety				
Active Members	14	\$943,168	16	\$1,050,436
Vested Former Members	1	31,008	0	0
Retirees and Beneficiaries	19	372,405	19	372,405
10 - Non Union				
Active Members	7	\$218,142	7	\$210,857
Vested Former Members	4	17,610	3	15,071
Retirees and Beneficiaries	3	30,455	3	30,455
11 - Dept Hds				
Active Members	3	\$161,900	3	\$154,773
Vested Former Members	2	18,744	2	18,744
Retirees and Beneficiaries	4	96,130	4	96,130
Total Municipality				
Active Members	29	\$1,523,736	31	\$1,602,483
Vested Former Members	8	72,236	6	38,689
Retirees and Beneficiaries	33	550,952	34	558,665
Total Participants	70		71	

* Annual payroll for active members; annual deferred benefits payable for vested former members; annual benefits being paid for retirees and beneficiaries.

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Table 3

Active Members in the Valuation - Comparative Schedule

Valuation Date 12/31	Number	Annual Payroll	Average Pay		Average Age	Average Benefit Service*	Average Eligibility Service*
			Annual \$	% Increase			
1998	17	\$ 439,435	\$ 25,849	(3.5)%	43.5	8.8	
1999	18	479,736	26,652	3.1	41.9	8.1	
2000	17	498,377	29,316	10.0	43.4	9.7	
2001	17	505,861	29,757	1.5	43.6	9.8	10.3
2002	18	509,520	28,307	(4.9)	43.0	8.8	9.2
2003	35	1,612,135	46,061	62.7	40.8	8.9	9.1
2004	33	1,601,486	48,530	5.4	41.9	9.9	10.1
2005	33	1,622,839	49,177	1.3	41.2	9.8	10.1
2006	34	1,748,438	51,425	4.6	41.4	10.0	10.2
2007	31	1,602,483	51,693	0.5	40.9	9.5	9.8
2008	29	1,523,736	52,543	1.6	41.8	9.4	9.7

* See description on page 67.

Table 4

Flow of Active Membership

Year Ended 12/31	Retired	Disabled	Died (Survivor Benefit)	Other Termination		Net Transfers	New Member	End of Year
				Vested	Non-Vested			
2001		(1)					1	17
2002	(1)						2	18
2003				(1)	(1)		19	35
2004				(1)	(2)		1	33
2005	(1)			(1)			2	33
2006		(1)			(1)		3	34
2007	(3)							31
2008				(2)	(5)		5	29

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Table 5

Vested Former Members in the Valuation - Comparative Schedule

Valuation Date 12/31	Number	Annual Deferred Benefits	Average Age	Average Benefit Service*	Average Eligibility Service*
1998	4	\$			
1999	6				
2000	5				
2001	5	4,764	44.4	3.6	7.3
2002	4	4,601	46.6	4.4	8.3
2003	5	11,566	44.9	6.0	9.2
2004	5	27,126	42.5	8.7	11.7
2005	6	34,854	45.6	9.2	12.1
2006	6	34,579	46.6	9.3	12.8
2007	6	38,689	47.6	9.3	13.2
2008	8	72,236	45.7	9.3	12.7

* See description on page 67.

Table 6

Flow of Vested Former Members

Year Ended 12/31	Retired	Return To Work	Died (Survivor Benefit)	Forfeit Benefit	Net Transfers	New	End of Year
2001							5
2002				(1)			4
2003						1	5
2004				(1)		1	5
2005						1	6
2006							6
2007							6
2008						2	8

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Table 7

Retirees and Beneficiaries in the Valuation - Comparative Schedule

Valuation Date 12/31	Retirees		Beneficiaries		Total Recipients		No. of Actives per Recip.	Benefits As % of Active Payroll
	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits		
1998		\$		\$	11	\$ 102,491	1.5	23.3%
1999					12	116,172	1.5	24.2
2000					12	115,592	1.4	23.2
2001	11	111,064	2	11,576	13	122,640	1.3	24.2
2002	12	123,086	2	11,576	14	134,662	1.3	26.4
2003	22	356,486	8	73,675	30	430,161	1.2	26.7
2004	22	356,486	8	73,675	30	430,161	1.1	26.9
2005	23	385,463	8	85,704	31	471,167	1.1	29.0
2006	23	397,022	8	85,704	31	482,726	1.1	27.6
2007	25	460,154	9	98,511	34	558,665	0.9	34.9
2008	24	452,441	9	98,511	33	550,952	0.9	36.2

Table 8

Flow of Retirees and Beneficiaries

Year Ended 12/31	Added to Rolls			Removed from Rolls			Year End	
	Number@	Annual Benefits	Benefit Adjust. *	Number	Annual Benefits	Benefit Adjust. #	Number	Annual Benefits
1998		\$	\$	(2)	\$ (5,285)	\$	11	\$ 102,491
1999	1	13,682					12	116,172
2000	1	996		(1)	(1,576)		12	115,592
2001	1	7,048					13	122,640
2002	1	10,503	1,519				14	134,662
2003	17	299,973		(1)	(4,474)		30	430,161
2004	2	10,576		(2)	(10,576)		30	430,161
2005	2	43,902		(1)	(2,896)		31	471,167
2006	1	27,061		(1)	(15,502)		31	482,726
2007	4	97,284		(1)	(21,345)		34	558,665
2008				(1)	(7,713)		33	550,952

@ Includes beneficiaries of retirees who died during the year.

* Includes where applicable E, E-1, and E-2 benefits, and corrections.

Includes where applicable C-2 and Accelerated Option benefits, and corrections.

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Table 9

Retirees and Beneficiaries on the Rolls as of December 31, 2008

Distribution by Type of Benefit Being Paid

Benefits Being Paid to:	Annual Benefits	
	Number	Amount
Age and service retirants	21	\$414,240
Non-duty disability retirants	3	38,201
Duty disability retirants	0	0
Beneficiaries of deceased retirants	4	43,482
Beneficiaries of deceased members:		
Non-duty death	4	45,617
Duty death	<u>1</u>	<u>9,412</u>
Total Benefits Being Paid	33	\$550,952

City of Springfield (1303)

Table 10

Reported Assets (Market Value)

Division	2008 Valuation		2007 Valuation	
	Employer And Retiree*	Employee#	Employer And Retiree*	Employee#
01 - AFSCME	\$ 462,248	\$ 0	\$ 654,112	\$ 0
02 - PubSafety	3,167,427	638,156	4,795,578	647,563
10 - Non Union	409,132	0	573,194	0
11 - Dept Hds	775,472	0	1,123,322	0
Total Municipality	\$ 4,814,279	\$ 638,156	\$ 7,146,206	\$ 647,563
Combined Reserves	\$5,452,435		\$7,793,769	

* Reserve for Employer Contributions and Benefit Payments
Reserve for Employee Contributions

The December 31, 2008 Valuation Assets are equal to 1.391482 times the reported Market Value of assets. The derivation of Valuation Assets is described on page 75.

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Table 11

Flow of Valuation Assets (Actuarial Value)

Year Ended 12/31	Contributions		Investment Income	Benefit Payments	Member Contrib. Refunds	Net Transfers	Balance
	Employer	Member					
2001	\$ 15,182	\$ 0	\$ 146,071	\$ (122,053)	\$ 0	\$ 0	\$ 2,080,846
2002	12,836	0	45,424	(131,403)	0	0	2,007,703
2003	3,299,473	463,421	1,126,394	(285,988)	0	0	6,611,003
2004	156,739	81,391	427,132	(430,908)	0	0	6,845,357
2005	164,291	76,873	432,265	(438,481)	(37)	0	7,080,268
2006	161,826	79,706	562,328	(493,390)	0	0	7,390,738
2007	162,665	74,892	598,968	(523,365)	0	0	7,703,898
2008	153,761	71,613	299,494	(554,808)	(86,993)	0	7,586,965

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Table 12

Termination Liability and Present Value of Accrued Benefits as of December 31, 2008

Termination Liability*	Term. Liability % Funded	Division	PVAB* Present Value of Accrued Benefits	Valuation Assets	PVAB Percent Funded	Unfunded (Overfunded) PVAB
\$ 228,057 16,192 446,302 <u>0</u> \$ 690,551	93.1%	01 - AFSCME Active Members Vested Former Members Retirees and Beneficiaries Pending Refunds Total	\$ 200,178 16,192 446,302 <u>0</u> \$ 662,672	\$ 643,210	97.1%	\$ 19,462
\$ 814,200 120,513 3,537,536 <u>42,935</u> \$ 4,515,184	117.3%	02 - PubSafety Active Members Vested Former Members Retirees and Beneficiaries Pending Refunds Total	\$ 1,253,358 120,513 3,537,536 <u>42,935</u> \$ 4,954,342	\$ 5,295,400	106.9%	\$ (341,058)
\$ 124,619 88,209 255,149 <u>0</u> \$ 467,977	121.7%	10 - Non Union Active Members Vested Former Members Retirees and Beneficiaries Pending Refunds Total	\$ 110,127 88,209 255,149 <u>0</u> \$ 453,485	\$ 569,300	125.5%	\$ (115,815)
\$ 258,389 45,793 907,972 <u>0</u> \$ 1,212,154	89.0%	11 - Dept Hds Active Members Vested Former Members Retirees and Beneficiaries Pending Refunds Total	\$ 290,542 45,793 907,972 <u>0</u> \$ 1,244,307	\$ 1,079,055	86.7%	\$ 165,252
\$ 1,425,265 270,707 5,146,959 <u>42,935</u> \$ 6,885,866	110.2%	Total Municipality Active Members Vested Former Members Members Retirees and Beneficiaries Pending Refunds Total	\$ 1,854,205 270,707 5,146,959 <u>42,935</u> \$ 7,314,806	\$ 7,586,965	103.7%	\$ (272,159)

* The Termination Liability represents the present value of benefits payable in the event that all active members terminate employment on December 31, 2008, based upon the valuation interest and mortality assumptions. The present value of accrued benefits (PVAB) includes vested and non-vested benefits accrued as of December 31, 2008. For a non-vested active member, the PVAB represents the present value of the non-vested accrued benefit, and the Termination Liability represents the present value of the non-vested accrued benefit (deferred to age 60). For some active members the Termination Liability may exceed the PVAB, because the Termination Liability assumes that members retire at the earliest possible age for commencement of unreduced deferred benefits, whereas the PVAB assumes continued employment based on actuarial assumptions for retirement, death, disability and withdrawal. Pending refunds represent expected refunds of accumulated member contributions to persons who have terminated membership before becoming eligible for pension benefits.

Please see the Comments on the Investment Markets on page 3.

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Table 13

Actuarial Accrued Liabilities and Valuation Assets as of December 31, 2008

Division	Actuarial Accrued Liabilities	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
01 - AFSCME				
Reserve for Employer Contributions and Benefit Payments				
Active Members	\$ 329,502	\$ 180,716	54.8%	\$ 148,786
Vested Former Members	16,192	16,192	100.0	0
Retirees and Beneficiaries	<u>446,302</u>	<u>446,302</u>	100.0	<u>0</u>
Total	\$ 791,996	\$ 643,210	81.2%	\$ 148,786
Reserve for Employee Contributions				
Active Members	\$ 0	\$ 0		
Vested Former Members	0	0		
Pending Refunds	<u>0</u>	<u>0</u>		
Total	\$ 0	\$ 0	0.0%	\$ 0
Division Total	\$ 791,996	\$ 643,210	81.2%	\$ 148,786
02 - PubSafety				
Reserve for Employer Contributions and Benefit Payments				
Active Members	\$ 1,717,080	\$ 1,055,323	61.5%	\$ 661,757
Vested Former Members	64,383	64,383	100.0	0
Retirees and Beneficiaries	<u>3,537,536</u>	<u>3,537,536</u>	100.0	<u>0</u>
Total	\$ 5,318,999	\$ 4,657,242	87.6%	\$ 661,757
Reserve for Employee Contributions				
Active Members	\$ 539,093	\$ 539,093		
Vested Former Members	56,130	56,130		
Pending Refunds	<u>42,935</u>	<u>42,935</u>		
Total	\$ 638,158	\$ 638,158	100.0%	\$ 0
Division Total	\$ 5,957,157	\$ 5,295,400	88.9%	\$ 661,757
10 - Non Union				
Reserve for Employer Contributions and Benefit Payments				
Active Members	\$ 234,578	\$ 225,942	96.3%	\$ 8,636
Vested Former Members	88,209	88,209	100.0	0
Retirees and Beneficiaries	<u>255,149</u>	<u>255,149</u>	100.0	<u>0</u>
Total	\$ 577,936	\$ 569,300	98.5%	\$ 8,636
Reserve for Employee Contributions				
Active Members	\$ 0	\$ 0		
Vested Former Members	0	0		
Pending Refunds	<u>0</u>	<u>0</u>		
Total	\$ 0	\$ 0	0.0%	\$ 0
Division Total	\$ 577,936	\$ 569,300	98.5%	\$ 8,636

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Table 13 (continued)

Actuarial Accrued Liabilities and Valuation Assets as of December 31, 2008

Division	Actuarial Accrued Liabilities	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
11 - Dept Hds				
Reserve for Employer Contributions and Benefit Payments				
Active Members	\$ 512,837	\$ 125,290	24.4%	\$ 387,547
Vested Former Members	45,793	45,793	100.0	0
Retirees and Beneficiaries	<u>907,972</u>	<u>907,972</u>	100.0	<u>0</u>
Total	\$ 1,466,602	\$ 1,079,055	73.6%	\$ 387,547
Reserve for Employee Contributions				
Active Members	\$ 0	\$ 0		
Vested Former Members	0	0		
Pending Refunds	<u>0</u>	<u>0</u>		
Total	\$ 0	\$ 0	0.0%	\$ 0
Division Total	\$ 1,466,602	\$ 1,079,055	73.6%	\$ 387,547
Municipality Totals				
Reserve for Employer Contributions and Benefit Payments				
Active Members	\$ 2,793,997	\$ 1,587,271	56.8%	\$ 1,206,726
Vested Former Members	214,577	214,577	100.0	0
Retirees and Beneficiaries	<u>5,146,959</u>	<u>5,146,959</u>	100.0	<u>0</u>
Total	\$ 8,155,533	\$ 6,948,807	85.2%	\$ 1,206,726
Reserve for Employee Contributions				
Active Members	\$ 539,093	\$ 539,093		
Vested Former Members	56,130	56,130		
Pending Refunds	<u>42,935</u>	<u>42,935</u>		
Total	\$ 638,158	\$ 638,158	100.0%	\$ 0
Municipality Total	\$ 8,793,691	\$ 7,586,965	86.3%	\$ 1,206,726

Please see the Comments on the Investment Markets on page 3.

City of Springfield (1303)

Table 14

Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Accrued Liabilities	Valuation Assets	Funded Percent	Unfunded Accrued Liability	UAL as Percent of Annual Payroll
1994	\$ 1,344,667	\$ 1,432,981	107%	\$ (88,313)	0%
1995	1,398,500	1,482,657	106	(84,156)	0
1996	1,535,650	1,543,474	101	(7,823)	0
1997	1,615,948	1,623,931	100	(7,982)	0
1998	1,640,084	1,735,154	106	(95,069)	0
1999	1,769,219	1,923,123	109	(153,903)	0
2000	1,925,319	2,041,646	106	(116,326)	0
2001	2,055,785	2,080,846	101	(25,061)	0
2002	2,098,078	2,007,703	96	90,375	18
2003	7,222,416	6,611,003	92	611,413	38
2004	7,584,567	6,845,357	90	739,210	46
2005	7,947,925	7,080,268	89	867,657	53
2006	8,346,103	7,390,738	89	955,365	55
2007	8,771,605	7,703,898	88	1,067,707	67
2008	8,793,691	7,586,965	86	1,206,726	79

Notes: Actuarial assumptions were revised for the 1997, 2000, 2004, and 2008 actuarial valuations.

City of Springfield (1303)

Table 15

Computed Employer Contributions to the Retirement System

For the Fiscal Year Beginning July 1, 2010

Division	Employer Contributions @		
	Normal Cost	Unfunded Accrued Liability #	Total Required Employer Contribution
Percentage of Payroll			
01 - AFSCME	8.37%	3.74%	12.11%
02 - PubSafety	7.24%	3.78%	11.02%
10 - Non Union	8.02%	0.40%	8.42%
11 - Dept Hds	12.48%	12.83%	25.31%
Estimated Monthly Contribution*			
01 - AFSCME	\$ 1,399	\$ 625	\$ 2,024
02 - PubSafety	5,690	2,971	8,661
10 - Non Union	1,458	73	1,531
11 - Dept Hds	1,684	1,731	3,415
Total Municipality	\$ 10,231	\$ 5,400	\$ 15,631
Estimated Annual Contribution*			
Total Municipality	\$ 122,772	\$ 64,800	\$ 187,572

@ The above Employer contribution requirements are in addition to the Member contributions, if any, shown in Table 1.

* Based on Valuation Payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts (usually higher).

The amortization method and period are described in Table 16 for each division.

Please see the Comments on the Investment Markets on page 3.

City of Springfield (1303)

Division 01 - AFSCME

Table 16A

Computed Employer Contributions to the Retirement System For the Fiscal Year Beginning July 1, 2010

Contribution for	Employer Contribution @	
	As Percentage of Active Member Payroll	Estimated Monthly Dollar Contribution *
Normal Cost (in addition to member contributions)	8.37%	\$1,399
Amortization of Unfunded Accrued Liability (28 years)	<u>3.74</u>	<u>625</u>
Total Long Term Contribution	12.11	2,024
Overfunding Credit #	<u>0.00</u>	<u>0</u>
Total Contribution	12.11%	\$2,024 *

@ The above Employer contribution requirement is based on Member contributions of 0.00% of pay. If Member contributions are increased/decreased by 1.00% of pay, the Employer long term contribution requirement (based on a 28 year amortization) will decrease/increase by 0.86% of pay.

* Based on Valuation Payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts (usually higher).

Only applies if projected assets exceed projected liabilities as of the beginning of the July 1, 2010 fiscal year (see Table 24).

Note: Changes in actuarial assumptions and methods were reflected in the December 31, 2008 actuarial valuation. The effects of the changes are shown below:

Increase in Actuarial Accrued Liabilities:	\$232
Increase in Computed Long Term Employer Contribution As a Percentage of Active Member Payroll	
Normal Cost:	(0.20)%
Amortization Payment:	(0.01)%
Total:	(0.21)%

Please see the Comments on the Investment Markets on page 3.

City of Springfield (1303)

Division 01 - AFSCME

Table 17A

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution	
	Number	Annual Payroll	Regular Contribution	Minimum Required Contribution
1994	6	\$ 127,224	6.55%	2.25%
1995	4	105,597	7.04%	2.80%
1996	5	121,214	7.08%	5.67%
1997	5	125,058	6.72%	6.39%
1998	5	117,659	6.91%	2.90%
1999	6	146,662	7.08%	0.92%
2000	5	137,502	7.83%	3.10%
2001	5	130,573	8.19%	7.12%
2002	6	142,277	10.73%	10.19%
2003	6	151,797	11.44%	11.44%
2004	5	161,979	12.49%	12.49%
2005	5	169,823	12.50%	12.50%
2006	5	178,060	12.82%	12.82%
2007	5	186,417	13.77%	13.77%
2008	5	200,526	12.11%	12.11%

Notes:

- Adoption of Benefit E at 2% for 1 yr reflected in 1996 valuation.
- Actuarial assumptions were revised for the 1997 valuation.
- Adoption of Benefit E reflected in 1999 valuation.
- Adoption of Benefit B-2 reflected in 2000 valuation.
- Actuarial assumptions were revised for the 2000 valuation.
- Actuarial assumptions were revised for the 2004 valuation.
- Actuarial assumptions and methods were revised for the 2008 valuation.

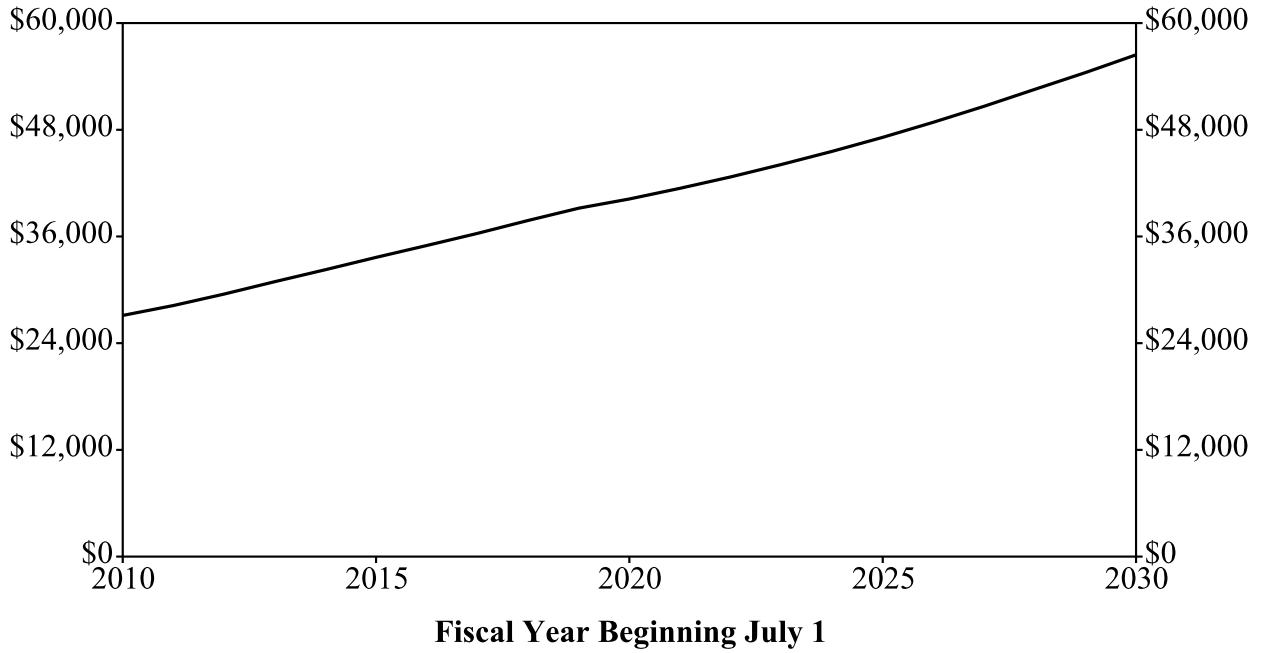
The most recent 15 years of benefit changes are reflected in this table. For a complete benefit history see Table 25.

City of Springfield (1303)

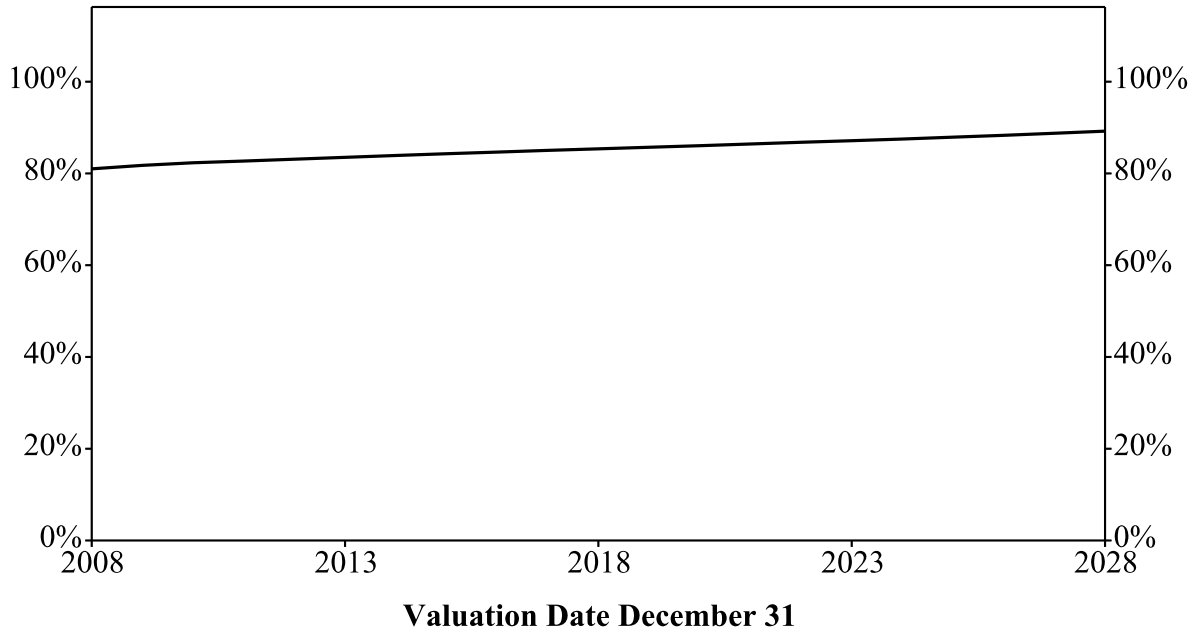
Division 01 - AFSCME

Chart 17.5A

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 72 for a discussion of the projection.

City of Springfield (1303)

Division 01 - AFSCME

**Table 18A
Flow of Active Membership**

Year Ended 12/31	Retired	Disabled	Died (Survivor Benefit)	Other Termination		Transfer		New Member	End of Year
				Vested	Non-Vested	Out	In		
2001		(1)						1	5
2002	(1)							2	6
2003					(1)			1	6
2004					(1)				5
2005									5
2006									5
2007									5
2008					(1)			1	5

**Table 19A
Flow of Vested Former Members**

Year Ended 12/31	Retired	Return To Work	Died (Survivor Benefit)	Forfeit Benefit	Transfer		New	End of Year
					Out	In		
2001								1
2002								1
2003								1
2004								1
2005								1
2006								1
2007								1
2008								1

City of Springfield (1303)

Division 01 - AFSCME

Table 20A
Flow of Retirees and Beneficiaries

Year Ended 12/31	Added to Rolls			Removed from Rolls			Year End	
	Number@	Annual Benefits	Benefit Adjust.*	Number	Annual Benefits	Benefit Adjust.#	Number	Annual Benefits
2001	1	\$ 7,048	\$		\$	\$	10	\$ 63,302
2002	1	10,503	1,519				11	75,324
2003	1	2,297		(1)	(4,474)		11	73,147
2004				(2)	(10,576)		9	62,571
2005				(1)	(2,896)		8	59,675
2006							8	59,675
2007							8	59,675
2008				(1)	(7,713)		7	51,962

@ Includes beneficiaries of retirees who died during the year.

* Includes where applicable E, E-1, and E-2 benefits, and corrections.

Includes where applicable C-2 and Accelerated Option benefits, and corrections.

City of Springfield (1303)

Division 01 - AFSCME

Table 21A
Flow of Valuation Assets (Actuarial Value)

Year Ended 12/31	Contributions		Investment Income	Benefit Payments	Member Contrib. Refunds	Transfer*		Balance
	Employer	Member				Out	In	
2001	\$ 5,233	\$ 0	\$ 55,733	\$ (62,716)	\$ 0	\$ 0	\$ 803,987	
2002	4,092	0	11,850	(72,066)	0	0	747,863	
2003	7,299	0	42,249	(73,329)	0	0	724,082	
2004	14,121	0	34,324	(68,358)	0	(78,514)	625,655	
2005	18,392	0	37,664	(59,917)	0	0	621,794	
2006	21,323	0	48,536	(59,676)	0	0	631,977	
2007	23,293	0	50,975	(59,676)	0	0	646,569	
2008	25,421	0	27,039	(55,819)	0	0	643,210	

* Transfers out and in are usually related to the transfer of participants between divisions or municipalities.

Table 22A
Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Accrued Liabilities	Valuation Assets	Funded Percent	Unfunded Accrued Liability	UAL as Percent of Annual Payroll
2001	\$ 803,502	\$ 803,987	100%	\$ (485)	0%
2002	806,738	747,863	93	58,875	41
2003	809,902	724,082	89	85,820	57
2004	743,871	625,655	84	118,216	73
2005	749,067	621,794	83	127,273	75
2006	774,719	631,977	82	142,742	80
2007	825,463	646,569	78	178,894	96
2008	791,996	643,210	81	148,786	74

City of Springfield (1303)

Division 02 - PubSafety

Table 16B

Computed Employer Contributions to the Retirement System For the Fiscal Year Beginning July 1, 2010

Contribution for	Employer Contribution @	
	As Percentage of Active Member Payroll	Estimated Monthly Dollar Contribution *
Normal Cost (in addition to member contributions)	7.24%	\$5,690
Amortization of Unfunded Accrued Liability (28 years)	<u>3.78</u>	<u>2,971</u>
Total Long Term Contribution	11.02	8,661
Overfunding Credit #	<u>0.00</u>	<u>0</u>
Total Contribution	11.02%	\$8,661 *

@ The above Employer contribution requirement is based on Member contributions of 7.00% of pay. If Member contributions are increased/decreased by 1.00% of pay, the Employer long term contribution requirement (based on a 28 year amortization) will decrease/increase by 0.88% of pay.

* Based on Valuation Payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts (usually higher).

Only applies if projected assets exceed projected liabilities as of the beginning of the July 1, 2010 fiscal year (see Table 24).

Note: Changes in actuarial assumptions and methods were reflected in the December 31, 2008 actuarial valuation. The effects of the changes are shown below:

Increase in Actuarial Accrued Liabilities:	\$57,237
Increase in Computed Long Term Employer Contribution As a Percentage of Active Member Payroll	
Normal Cost:	1.32%
Amortization Payment:	0.45%
Total:	1.77%

Please see the Comments on the Investment Markets on page 3.

City of Springfield (1303)

Division 02 - PubSafety

Table 17B

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution
	Number	Annual Payroll	
2003	17	\$ 1,065,058	7.30%
2004	17	1,072,241	9.36%
2005	17	1,071,205	9.49%
2006	17	1,149,448	9.44%
2007	16	1,050,436	9.03%
2008	14	943,168	11.02%

Notes:

Adoption of Benefit V-10, F/N(25), FAC-5, 3.00% - 80% Maximum, Normal Retirement: 60, 8.00% Member Contributions reflected in 2003 valuation.

Adoption of 7.00% Member Contributions reflected in 2004 valuation.

Actuarial assumptions were revised for the 2004 valuation.

Actuarial assumptions and methods were revised for the 2008 valuation.

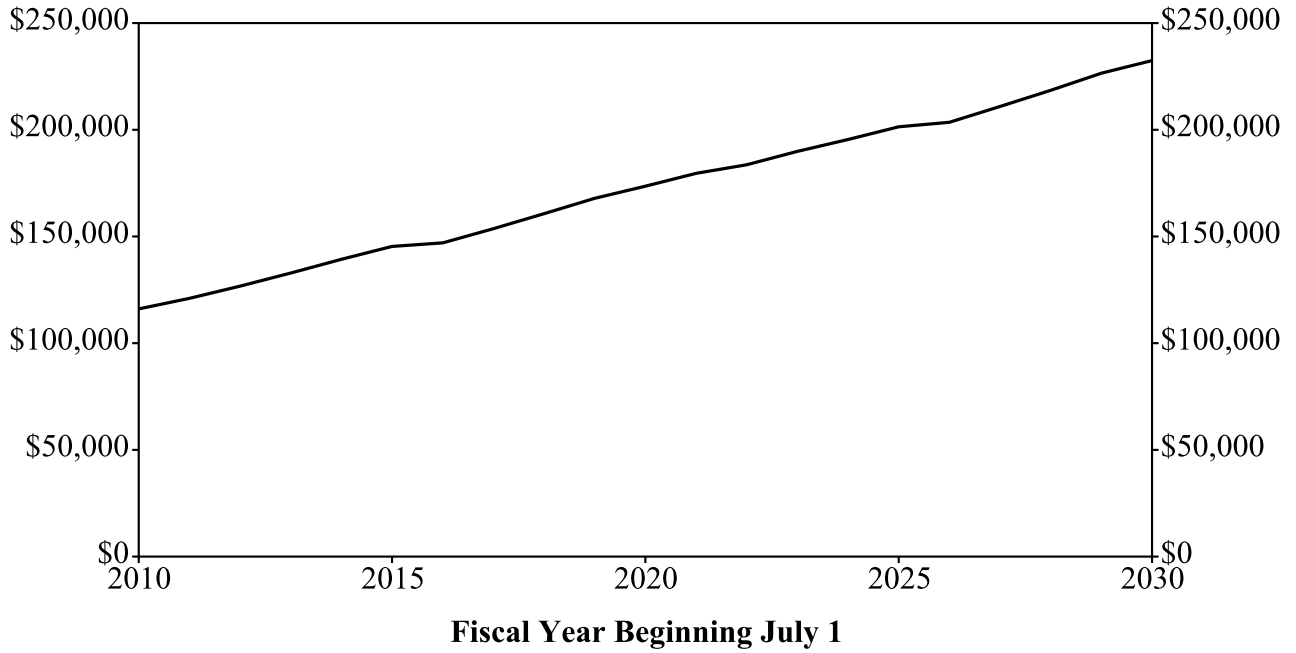
The most recent 15 years of benefit changes are reflected in this table. For a complete benefit history see Table 25.

City of Springfield (1303)

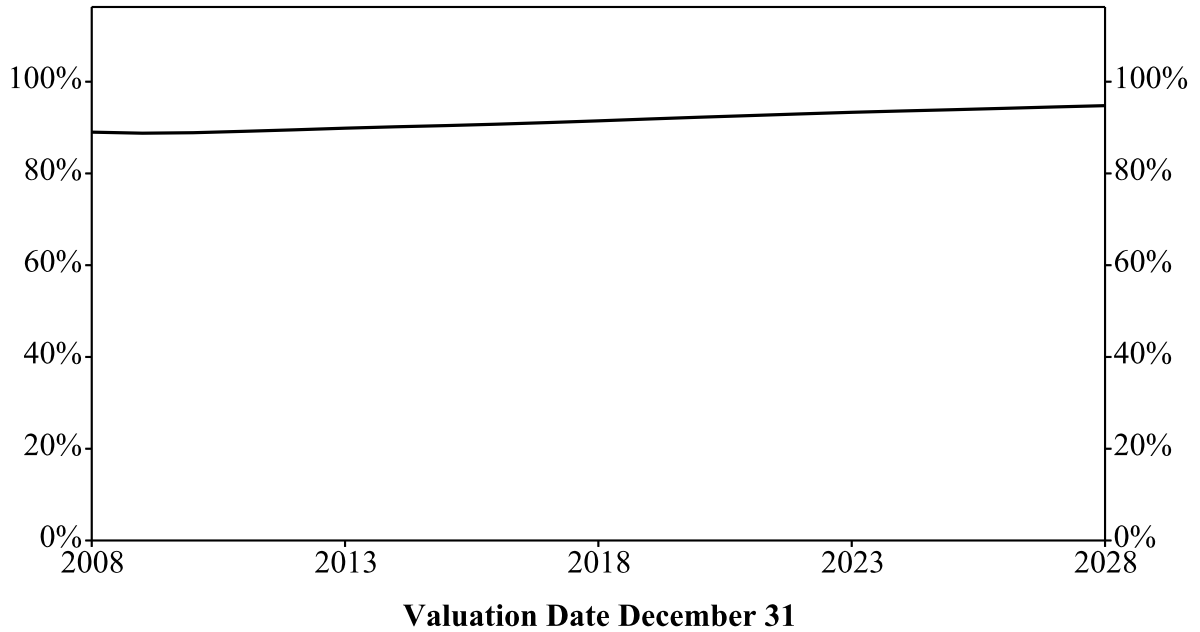
Division 02 - PubSafety

Chart 17.5B

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 72 for a discussion of the projection.

City of Springfield (1303)

Division 02 - PubSafety

**Table 18B
Flow of Active Membership**

Year Ended 12/31	Retired	Disabled	Died (Survivor Benefit)	Other Termination		Transfer		New Member	End of Year
				Vested	Non-Vested	Out	In		
2003								17	17
2004					(1)			1	17
2005	(1)							1	17
2006		(1)			(1)			2	17
2007	(1)								16
2008				(1)	(4)			3	14

**Table 19B
Flow of Vested Former Members**

Year Ended 12/31	Retired	Return To Work	Died (Survivor Benefit)	Forfeit Benefit	Transfer		New	End of Year
					Out	In		
2003								0
2004								0
2005								0
2006								0
2007								0
2008							1	1

City of Springfield (1303)

Division 02 - PubSafety

Table 20B
Flow of Retirees and Beneficiaries

Year Ended 12/31	Added to Rolls			Removed from Rolls			Year End	
	Number@	Annual Benefits	Benefit Adjust.*	Number	Annual Benefits	Benefit Adjust.#	Number	Annual Benefits
2003	16	\$ 297,676	\$		\$	\$	16	\$ 297,676
2004							16	297,676
2005	2	43,902					18	341,578
2006	1	27,061		(1)	(15,502)		18	353,137
2007	2	40,613		(1)	(21,345)		19	372,405
2008							19	372,405

@ Includes beneficiaries of retirees who died during the year.

* Includes where applicable E, E-1, and E-2 benefits, and corrections.

Includes where applicable C-2 and Accelerated Option benefits, and corrections.

City of Springfield (1303)

Division 02 - PubSafety

Table 21B
Flow of Valuation Assets (Actuarial Value)

Year Ended 12/31	Contributions		Investment Income	Benefit Payments	Member Contrib. Refunds	Transfer*		Balance
	Employer	Member				Out	In	
2003	\$ 3,273,335	\$ 463,421	\$ 993,508	\$ (153,322)	\$ 0	\$ 0	\$ 0	\$ 4,576,942
2004	114,107	81,391	297,024	(298,423)	0	(235,894)	235,894	4,771,041
2005	110,951	76,873	302,798	(308,651)	(37)	(235,894)	235,894	4,952,975
2006	99,869	79,706	392,845	(363,801)	0	0	0	5,161,594
2007	100,748	74,892	418,028	(374,886)	0	0	0	5,380,376
2008	96,514	71,613	206,295	(372,405)	(86,993)	(1,404)	1,404	5,295,400

* Transfers out and in are usually related to the transfer of participants between divisions or municipalities.

Table 22B

Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Accrued Liabilities	Valuation Assets	Funded Percent	Unfunded Accrued Liability	UAL as Percent of Annual Payroll
2003	\$ 4,997,345	\$ 4,576,942	92%	\$ 420,403	39%
2004	5,339,207	4,771,041	89	568,166	53
2005	5,604,106	4,952,975	88	651,131	61
2006	5,890,138	5,161,594	88	728,544	63
2007	5,990,839	5,380,376	90	610,463	58
2008	5,957,157	5,295,400	89	661,757	70

City of Springfield (1303)

Division 10 - Non Union

Table 16C

**Computed Employer Contributions to the Retirement System
For the Fiscal Year Beginning July 1, 2010**

Contribution for	Employer Contribution @	
	As Percentage of Active Member Payroll	Estimated Monthly Dollar Contribution *
Normal Cost (in addition to member contributions)	8.02%	\$1,458
Amortization of Unfunded Accrued Liability (28 years)	<u>0.40</u>	<u>73</u>
Total Long Term Contribution	8.42	1,531
Overfunding Credit #	<u>0.00</u>	<u>0</u>
Total Contribution	8.42%	\$1,531 *

@ The above Employer contribution requirement is based on Member contributions of 0.00% of pay. If Member contributions are increased/decreased by 1.00% of pay, the Employer long term contribution requirement (based on a 28 year amortization) will decrease/increase by 0.85% of pay.

* Based on Valuation Payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts (usually higher).

Only applies if projected assets exceed projected liabilities as of the beginning of the July 1, 2010 fiscal year (see Table 24).

Note: Changes in actuarial assumptions and methods were reflected in the December 31, 2008 actuarial valuation. The effects of the changes are shown below:

Increase in Actuarial Accrued Liabilities:	\$762
Increase in Computed Long Term Employer Contribution As a Percentage of Active Member Payroll	
Normal Cost:	(0.16)%
Amortization Payment:	0.01%
Total:	(0.15)%

Please see the Comments on the Investment Markets on page 3.

City of Springfield (1303)

Division 10 - Non Union

Table 17C

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution	
	Number	Annual Payroll	Regular Contribution	Minimum Required Contribution
1994	6	\$ 121,517	6.99%	2.40%
1995	5	119,939	7.01%	2.79%
1996	4	83,312	8.24%	6.60%
1997	5	110,241	8.49%	8.07%
1998	7	141,246	8.61%	3.62%
1999	7	154,713	8.47%	1.10%
2000	7	171,023	7.66%	3.03%
2001	7	173,097	3.94%	3.87%
2002	7	170,739	5.63%	5.59%
2003	7	176,185	5.51%	5.51%
2004	7	184,139	4.61%	4.61%
2005	6	163,957	3.84%	3.84%
2006	7	192,004	4.74%	4.74%
2007	7	210,857	6.56%	6.56%
2008	7	218,142	8.42%	8.42%

Notes:

- Adoption of Benefit E at 2% for 1 yr reflected in 1996 valuation.
- Actuarial assumptions were revised for the 1997 valuation.
- Actuarial assumptions were revised for the 2000 valuation.
- Actuarial assumptions were revised for the 2004 valuation.
- Actuarial assumptions and methods were revised for the 2008 valuation.

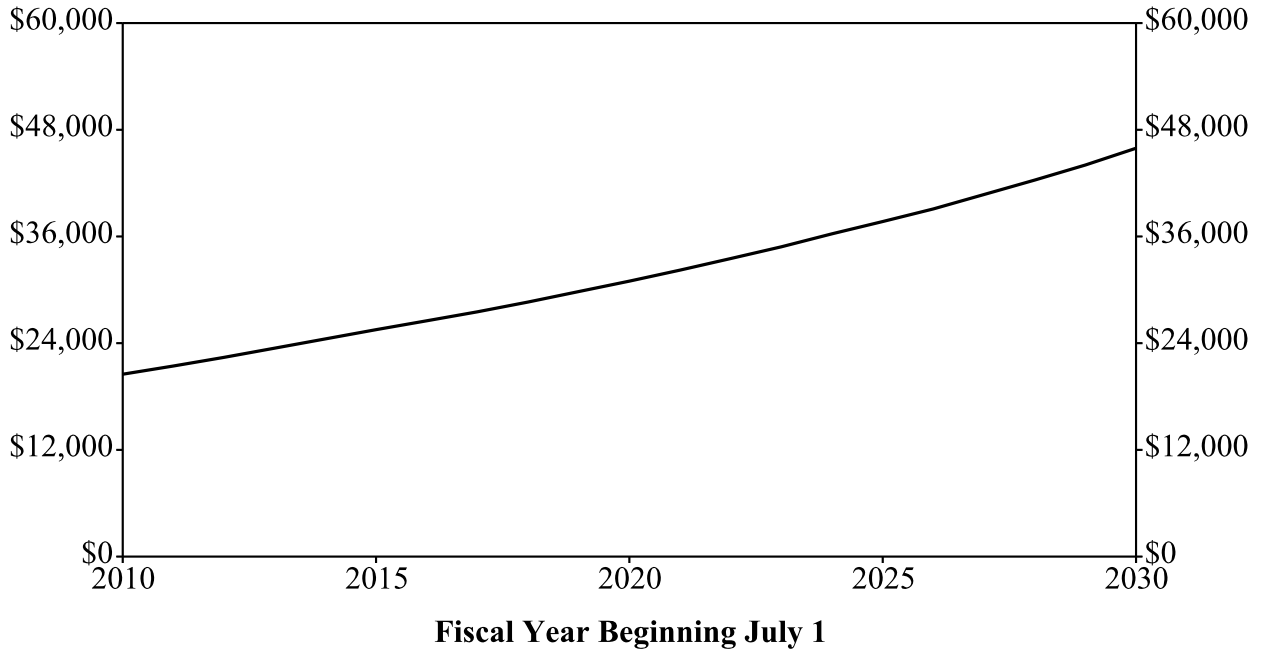
The most recent 15 years of benefit changes are reflected in this table. For a complete benefit history see Table 25.

City of Springfield (1303)

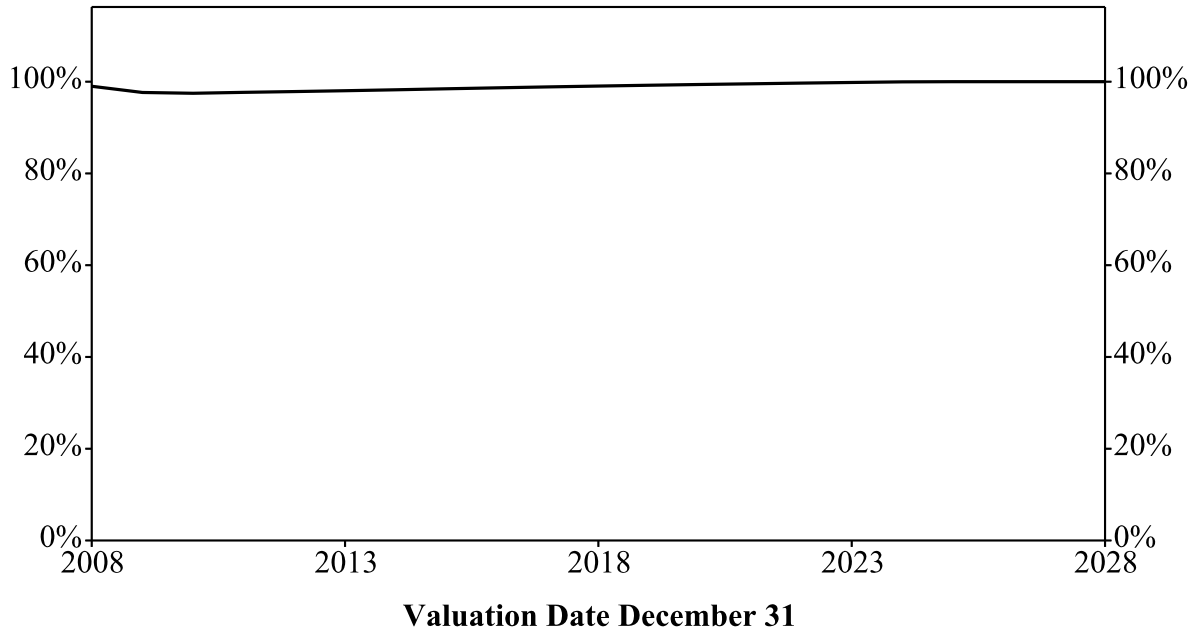
Division 10 - Non Union

Chart 17.5C

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 72 for a discussion of the projection.

City of Springfield (1303)

Division 10 - Non Union

**Table 18C
Flow of Active Membership**

Year Ended 12/31	Retired	Disabled	Died (Survivor Benefit)	Other Termination		Transfer		New Member	End of Year
				Vested	Non-Vested	Out	In		
2001									7
2002									7
2003				(1)				1	7
2004									7
2005				(1)		(1)		1	6
2006								1	7
2007	(1)						1		7
2008				(1)				1	7

**Table 19C
Flow of Vested Former Members**

Year Ended 12/31	Retired	Return To Work	Died (Survivor Benefit)	Forfeit Benefit	Transfer		New	End of Year
					Out	In		
2001								1
2002								1
2003							1	2
2004								2
2005							1	3
2006								3
2007								3
2008							1	4

City of Springfield (1303)

Division 10 - Non Union

Table 20C
Flow of Retirees and Beneficiaries

Year Ended 12/31	Added to Rolls			Removed from Rolls			Year End	
	Number@	Annual Benefits	Benefit Adjust.*	Number	Annual Benefits	Benefit Adjust.#	Number	Annual Benefits
2001		\$	\$		\$	\$	0	\$ 0
2002							0	0
2003							0	0
2004	2	10,576					2	10,576
2005							2	10,576
2006							2	10,576
2007	1	19,879					3	30,455
2008							3	30,455

@ Includes beneficiaries of retirees who died during the year.

* Includes where applicable E, E-1, and E-2 benefits, and corrections.

Includes where applicable C-2 and Accelerated Option benefits, and corrections.

City of Springfield (1303)

Division 10 - Non Union

Table 21C
Flow of Valuation Assets (Actuarial Value)

Year Ended 12/31	Contributions		Investment Income	Benefit Payments	Member Contrib. Refunds	Transfer*		Balance
	Employer	Member				Out	In	
2001	\$ 4,001	\$ 0	\$ 21,124	\$ 0	\$ 0	\$ 0	\$ 0	\$ 289,358
2002	3,764	0	2,728	0	0	0	0	295,850
2003	6,619	0	25,764	0	0	0	0	328,233
2004	8,778	0	32,560	(4,790)	0	0	78,514	443,295
2005	9,714	0	27,486	(10,576)	0	(17,182)	0	452,737
2006	9,660	0	36,836	(10,576)	0	0	0	488,657
2007	8,801	0	39,507	(17,202)	0	0	46,821	566,584
2008	9,397	0	23,774	(30,455)	0	0	0	569,300

* Transfers out and in are usually related to the transfer of participants between divisions or municipalities.

Table 22C
Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Accrued Liabilities	Valuation Assets	Funded Percent	Unfunded Accrued Liability	UAL as Percent of Annual Payroll
2001	\$ 230,768	\$ 289,358	125%	\$ (58,590)	0%
2002	261,886	295,850	113	(33,964)	0
2003	288,378	328,233	114	(39,855)	0
2004	386,812	443,295	115	(56,483)	0
2005	399,005	452,737	113	(53,732)	0
2006	432,522	488,657	113	(56,135)	0
2007	542,130	566,584	105	(24,454)	0
2008	577,936	569,300	99	8,636	4

City of Springfield (1303)

Division 11 - Dept Hds

Table 16D

**Computed Employer Contributions to the Retirement System
For the Fiscal Year Beginning July 1, 2010**

Contribution for	Employer Contribution @	
	As Percentage of Active Member Payroll	Estimated Monthly Dollar Contribution *
Normal Cost (in addition to member contributions)	12.48%	\$1,684
Amortization of Unfunded Accrued Liability (28 years)	<u>12.83</u>	<u>1,731</u>
Total Long Term Contribution	25.31	3,415
Overfunding Credit #	<u>0.00</u>	<u>0</u>
Total Contribution	25.31%	\$3,415 *

@ The above Employer contribution requirement is based on Member contributions of 0.00% of pay. If Member contributions are increased/decreased by 1.00% of pay, the Employer long term contribution requirement (based on a 28 year amortization) will decrease/increase by 0.93% of pay.

* Based on Valuation Payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts (usually higher).

Only applies if projected assets exceed projected liabilities as of the beginning of the July 1, 2010 fiscal year (see Table 24).

Note: Changes in actuarial assumptions and methods were reflected in the December 31, 2008 actuarial valuation. The effects of the changes are shown below:

Increase in Actuarial Accrued Liabilities:	\$1,502
Increase in Computed Long Term Employer Contribution As a Percentage of Active Member Payroll	
Normal Cost:	0.20%
Amortization Payment:	0.07%
Total:	0.27%

Please see the Comments on the Investment Markets on page 3.

City of Springfield (1303)

Division 11 - Dept Hds

Table 17D

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution	
	Number	Annual Payroll	Regular Contribution	Minimum Required Contribution
1994	4	\$ 100,623	12.84%	4.41%
1995	4	126,009	12.91%	5.14%
1996	5	147,794	11.35%	9.08%
1997	6	193,160	10.35%	9.84%
1998	5	180,530	11.02%	4.63%
1999	5	178,361	10.48%	1.36%
2000	5	189,852	8.73%	3.45%
2001	5	202,191	10.20%	7.36%
2002	5	196,504	11.43%	10.01%
2003	5	219,095	13.08%	13.08%
2004	4	183,127	13.94%	13.94%
2005	5	217,854	13.93%	13.93%
2006	5	228,926	13.79%	13.79%
2007	3	154,773	23.17%	23.17%
2008	3	161,900	25.31%	25.31%

Notes:

- Adoption of Benefit E at 2% for 1 yr reflected in 1996 valuation.
- Actuarial assumptions were revised for the 1997 valuation.
- Actuarial assumptions were revised for the 2000 valuation.
- Actuarial assumptions were revised for the 2004 valuation.
- Actuarial assumptions and methods were revised for the 2008 valuation.

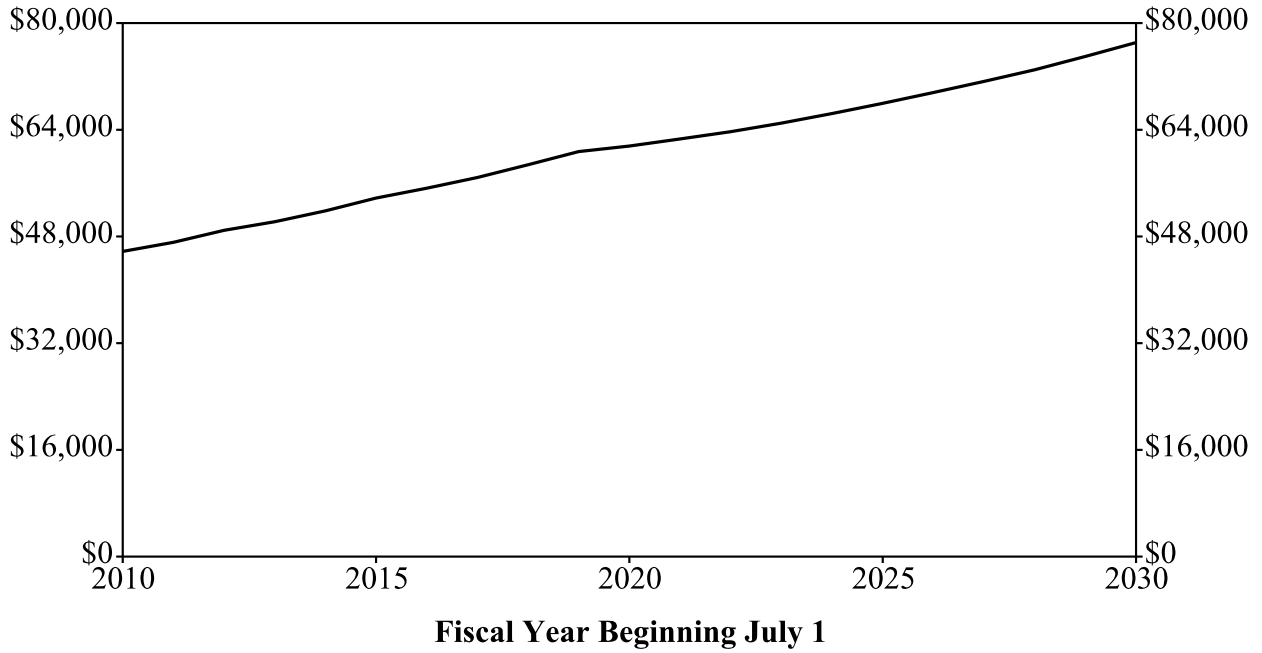
The most recent 15 years of benefit changes are reflected in this table. For a complete benefit history see Table 25.

City of Springfield (1303)

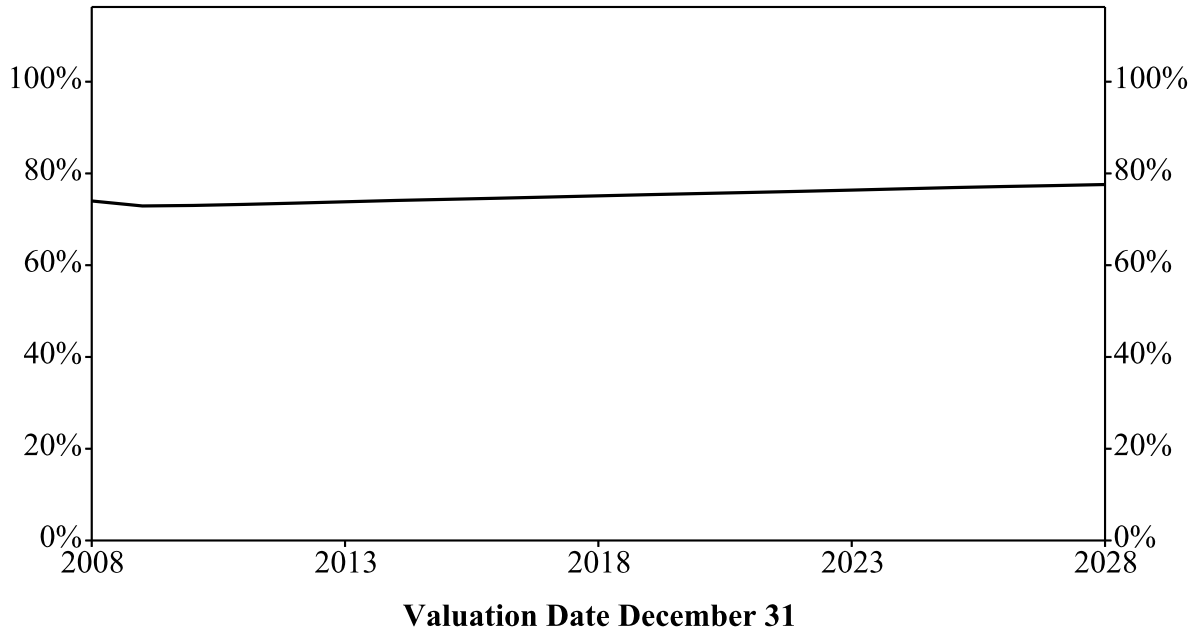
Division 11 - Dept Hds

Chart 17.5D

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 72 for a discussion of the projection.

City of Springfield (1303)

Division 11 - Dept Hds

**Table 18D
Flow of Active Membership**

Year Ended 12/31	Retired	Disabled	Died (Survivor Benefit)	Other Termination		Transfer		New Member	End of Year
				Vested	Non-Vested	Out	In		
2001									5
2002									5
2003									5
2004				(1)					4
2005							1		5
2006									5
2007	(1)					(1)			3
2008									3

**Table 19D
Flow of Vested Former Members**

Year Ended 12/31	Retired	Return To Work	Died (Survivor Benefit)	Forfeit Benefit	Transfer		New	End of Year
					Out	In		
2001								3
2002				(1)				2
2003								2
2004				(1)			1	2
2005								2
2006								2
2007								2
2008								2

City of Springfield (1303)

Division 11 - Dept Hds

Table 20D
Flow of Retirees and Beneficiaries

Year Ended 12/31	Added to Rolls			Removed from Rolls			Year End	
	Number@	Annual Benefits	Benefit Adjust.*	Number	Annual Benefits	Benefit Adjust.#	Number	Annual Benefits
2001		\$	\$		\$	\$	3	\$ 59,338
2002							3	59,338
2003							3	59,338
2004							3	59,338
2005							3	59,338
2006							3	59,338
2007	1	36,792					4	96,130
2008							4	96,130

@ Includes beneficiaries of retirees who died during the year.

* Includes where applicable E, E-1, and E-2 benefits, and corrections.

Includes where applicable C-2 and Accelerated Option benefits, and corrections.

City of Springfield (1303)

Division 11 - Dept Hds

Table 21D

Flow of Valuation Assets (Actuarial Value)

Year Ended 12/31	Contributions		Investment Income	Benefit Payments	Member Contrib. Refunds	Transfer*		Balance
	Employer	Member				Out	In	
2001	\$ 5,948	\$ 0	\$ 69,214	\$ (59,337)	\$ 0	\$ 0	\$ 987,501	
2002	4,980	0	30,846	(59,337)	0	0	963,990	
2003	12,220	0	64,873	(59,337)	0	0	981,746	
2004	19,733	0	63,224	(59,337)	0	0	1,005,366	
2005	25,234	0	64,317	(59,337)	0	17,182	1,052,762	
2006	30,974	0	84,111	(59,337)	0	0	1,108,510	
2007	29,823	0	90,458	(71,601)	0	(46,821)	1,110,369	
2008	22,429	0	42,386	(96,129)	0	0	1,079,055	

* Transfers out and in are usually related to the transfer of participants between divisions or municipalities.

Table 22D

Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Accrued Liabilities	Valuation Assets	Funded Percent	Unfunded Accrued Liability	UAL as Percent of Annual Payroll
2001	\$ 1,021,515	\$ 987,501	97%	\$ 34,014	17%
2002	1,029,454	963,990	94	65,464	33
2003	1,126,791	981,746	87	145,045	66
2004	1,114,677	1,005,366	90	109,311	60
2005	1,195,747	1,052,762	88	142,985	66
2006	1,248,724	1,108,510	89	140,214	61
2007	1,413,173	1,110,369	79	302,804	196
2008	1,466,602	1,079,055	74	387,547	239

City of Springfield (1303)

Table 23

GASB 25 And GASB 27 Information

The following information has been prepared to provide the information necessary to comply with GASB Statements Number 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1997.

All entries and the annual employer contribution amount were based on the actuarial methods and assumptions used in the December 31, 2008 actuarial valuation. The entry age normal actuarial method was used to determine the disclosure entries.

GASB 25 Information (as of 12/31/2008)

Actuarial Accrued Liability	
Retirees and beneficiaries currently receiving benefits	\$5,146,959
Terminated employees (vested former members) not yet receiving benefits	270,707
Non-vested terminated employees (pending refunds of accumulated member contributions)	42,935
Current employees - Accumulated employee contributions including allocated investment income	539,093
Employer financed	<u>2,793,997</u>
Total Actuarial Accrued Liability	\$8,793,691
Net Assets Available for Benefits at Actuarial Value	<u>7,586,965</u>
(Market Value is \$5,452,435)	
Unfunded (Overfunded) Actuarial Accrued Liability	\$1,206,726

GASB 27 Information (as of 12/31/2008)

Fiscal Year Beginning	July 1, 2010
Annual Required Contribution (ARC)	\$ 187,572*
Amortization Factor Used - Underfunded Liabilities (28 years)	0.055889

* Based on valuation payroll. For divisions that are open to new hires the actual required contribution will be based on current monthly payroll (during the fiscal year beginning July 1, 2010) times the computed employer contribution rate(s) shown in Tables 15 and 16. The ARC shown here is the sum of the ARC's calculated separately for each division.

City of Springfield (1303)

Table 24

Development of Projected Unfunded Accrued Liability At Beginning of Fiscal Year (July 1, 2010)

Division	Unfunded Accrued Liability 12/31/2008	Employer Normal Cost	Expected Employer Contrib.	Interest	Unfunded Accrued Liability 7/1/2010	Projected Fiscal Year Payroll
01 - AFSCME	\$ 148,786	\$ 26,704	\$ (42,936)	\$ 17,394	\$ 149,948	\$ 223,907
02 - PubSafety	661,757	108,643	(137,524)	79,705	712,581	1,053,137
10 - Non Union	8,636	27,835	(20,694)	1,580	17,357	243,576
11 - Dept Hds	387,547	32,147	(51,747)	46,894	414,841	180,778

The unfunded accrued liability as of December 31, 2008 (see Table 13) is projected to the beginning of the fiscal year for which employer contributions are being calculated (July 1, 2010). This allows the 2008 valuation to take into account the expected future contributions that are based on past valuations. This projection process will result in more stable computed contribution rates, and was first used for the December 31, 2004 actuarial valuations.

The projected unfunded accrued liability is amortized over the appropriate period (see Table 16 for each division) to determine the amortization payment. For divisions that will have no new hires this is the dollar amortization payment. For divisions that are open to new hires this payment is divided by the projected fiscal year payroll to determine the amortization payment as a percentage of active member payroll. The resulting amortization contributions are displayed in Table 16 for each division.

City of Springfield (1303)

Table 25

Benefit Provision History

The following benefit provision history is provided by MERS. Any corrections to this history or discrepancies between this information and information displayed elsewhere in the valuation report should be reported to your Regional Manager in the MERS Office of Marketing and Employer Services.

Division 01 - AFSCME

Provisions by Date

1/1/2000	Flexible E \$10 COLA Adopted (01/01/2000)
1/1/2000	Benefit B-2
1/1/1997	Flexible E 2% COLA Adopted (01/01/1997)
1/1/1994	Flexible E 2% COLA Adopted (01/01/1994)
1/1/1992	Flexible E 2% COLA Adopted (01/01/1992)
1/1/1991	Flexible E 2% COLA Adopted (01/01/1991)
1/1/1990	Flexible E 2% COLA Adopted (01/01/1990)
1/1/1990	Benefit F55 (With 25 Years of Service)
1/1/1989	Flexible E 2% COLA Adopted (01/01/1989)
1/1/1988	Flexible E 2% COLA Adopted (01/01/1988)
7/1/1980	Member Contribution Rate 0.00%
7/1/1979	Benefit B-1
7/1/1979	Member Contribution Rate 5.00%
3/1/1976	Exclude Temporary Employees
12/21/1970	Covered by Act 88
3/1/1963	Benefit C (Old)
3/1/1963	Benefit FAC-5 (5 Year Final Average Compensation)
3/1/1963	10 Year Vesting
3/1/1963	Fiscal Month - July
3/1/1963	Member Contribution Rate 3.00% Under \$4,200.00 - Then 5.00%

Division 02 - PubSafety

Provisions by Date

7/1/2004	Member Contribution Rate 7.00%
7/1/2003	10 Year Vesting
7/1/2003	Benefit FAC-5 (5 Year Final Average Compensation)
7/1/2003	Day of work defined as 120 Hours a Month for all employees
7/1/2003	Member Contribution Rate 8.00%
7/1/2003	3.0% Multiplier (80% max)
7/1/2003	25 Years & Out
12/21/1970	Covered by Act 88
3/1/1963	Fiscal Month - July

City of Springfield (1303)

Table 25 (continued)

Benefit Provision History

Division 10 - Non Union

Provisions by Date

1/1/1997	Flexible E 2% COLA Adopted (01/01/1997)
1/1/1994	Flexible E 2% COLA Adopted (01/01/1994)
1/1/1992	Flexible E 2% COLA Adopted (01/01/1992)
1/1/1991	Flexible E 2% COLA Adopted (01/01/1991)
1/1/1990	Flexible E 2% COLA Adopted (01/01/1990)
1/1/1989	Flexible E 2% COLA Adopted (01/01/1989)
7/1/1988	Benefit B-2
1/1/1988	Flexible E 2% COLA Adopted (01/01/1988)
7/1/1980	Member Contribution Rate 0.00%
7/1/1979	10 Year Vesting
7/1/1979	Benefit B-1
7/1/1979	Member Contribution Rate 5.00%
7/1/1979	Benefit FAC-5 (5 Year Final Average Compensation)
3/1/1976	Exclude Temporary Employees
12/21/1970	Covered by Act 88
3/1/1963	Fiscal Month - July

Division 11 - Dept Hds

Provisions by Date

3/1/2007	Temporary 30 Years & Out (03/01/2007 - 08/31/2007)
1/1/1997	Flexible E 2% COLA Adopted (01/01/1997)
1/1/1994	Flexible E 2% COLA Adopted (01/01/1994)
1/1/1992	Flexible E 2% COLA Adopted (01/01/1992)
11/1/1991	Benefit RS 50 (50% Post-Ret. Spouse Benefits)
1/1/1991	Flexible E 2% COLA Adopted (01/01/1991)
7/1/1990	Benefit F55 (With 25 Years of Service)
7/1/1990	Benefit B-4 (80% max)
5/1/1990	Benefit B-3 (80% max)
1/1/1990	Flexible E 2% COLA Adopted (01/01/1990)
1/1/1989	Flexible E 2% COLA Adopted (01/01/1989)
7/1/1988	Benefit B-2
7/1/1988	Benefit FAC-3 (3 Year Final Average Compensation)
1/1/1988	Flexible E 2% COLA Adopted (01/01/1988)
7/1/1980	Member Contribution Rate 0.00%
7/1/1979	Benefit B-1
7/1/1979	Benefit FAC-5 (5 Year Final Average Compensation)
7/1/1979	10 Year Vesting
7/1/1979	Member Contribution Rate 5.00%
3/1/1976	Exclude Temporary Employees
12/21/1970	Covered by Act 88

City of Springfield (1303)

Table 25 (continued)

Benefit Provision History

Division 11 - Dept Hds

Provisions by Date

3/1/1963 Fiscal Month - July

APPENDIX

**SUMMARY OF
PLAN PROVISIONS
AND
ACTUARIAL ASSUMPTIONS
AND
ACTUARIAL FUNDING METHOD
AS OF DECEMBER 31, 2008**

**FOR THE
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF MICHIGAN**

INTRODUCTION

An actuarial valuation is the mathematical process that estimates plan liabilities and employer contribution requirements for purposes of financing the retirement system. This process is repeated annually to update the liabilities and contribution requirements for changes in member census and plan features, and to reflect actual plan experience in the process. The valuation reflects the present provisions of the Municipal Employees' Retirement Act of 1984, as amended by 1996 Public Act 220 (as amended), as embodied in the MERS Plan Document (as revised). The specific benefit provisions in effect for each municipality are listed in Table 1 in the results section of the report.

In addition to utilizing current membership and financial data, an actuarial valuation requires the use of a series of assumptions regarding uncertain future events. The assumptions and methods used in the December 31, 2008 actuarial valuation are those adopted by the Retirement Board. The actuarial assumptions were last revised as of December 31, 2008 to reflect the results of the study of plan experience covering the period from December 31, 1998 through December 31, 2003.

There have been no changes in the funding method which was adopted by the Retirement Board commencing with the December 31, 1993 valuations. The basic funding method is entry age normal and employer contribution amounts are developed as a level percentage of payroll.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA). Gabriel, Roeder, Smith & Company is an independent firm of consultants and actuaries.

Details on MERS plan provisions, actuarial assumptions, and actuarial methodology follow this section.

ASSUMPTION AND METHOD CHANGES FOR THE DECEMBER 31, 2008 ACTUARIAL VALUATION

The December 31, 2008 actuarial valuation reflects the following change(s) in the actuarial assumptions and/or methods:

- Revised rates of expected employee turnover (withdrawal, or termination of employment before retirement).
- The standard amortization period for positive unfunded accrued liabilities is maintained at 28 years, instead of being reduced to 27 years.

The effects of these changes are shown in the note below Table 16 for each division.

SUMMARY OF PLAN PROVISIONS - DEFINED BENEFIT PLAN *

The benefits summarized in this section are intended only as general information regarding the Municipal Employees' Retirement System of Michigan. 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, as amended, or the MERS Plan Document, as revised, the provisions of Act. No. 220 and the MERS Plan Document govern.

Eligibility for Retirement (Plan Section 10)

Age 60 with 10 or more years of credited service (reduced to 8 or 6 years if either Benefit V-8 or V-6, respectively, is adopted).

Age 55 with 15 or more years of credited service (reduced benefit unless Benefit F55 is adopted).

Age 50 with 25 or more years of credited service (reduced benefit unless Benefit F50 is adopted).

The retirement allowance is reduced $\frac{1}{2}$ of 1% for each complete month that the retirement date precedes the age at which full normal retirement benefits are available. The reduction may be partially or fully waived by adopting Benefit F55 and/or Benefit F50 and/or Benefit F(N).

Optional Retirement Programs (Unreduced Benefits) (Plan Section 10)

Benefit F50 - Age 50 with a required period of credited service of either 25 or 30 years.

Benefit F55 - Age 55 with a required period of credited service of 15, 20, 25 or 30 years.

Benefit F(N) - Any age with a required period of credited service of either 20, 21, 22, 23, 24, 25, 26, 27, 28, 29 or 30 years.

Mandatory Retirement

None.

Deferred Retirement (Plan Section 12)

Termination of membership before age 60 other than by retirement or death, after 10 years of credited service (8 or 6 years if Benefit V-8 or V-6 is adopted). Retirement allowance begins upon application filed with MERS and satisfaction of the eligibility requirements for retirement. The deferred retirement allowance is computed in the same manner as a service retirement allowance, based on the benefit program in effect as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are refunded after termination of employment.

** Please see page 56 for a description of the Hybrid Plan.*

Service Retirement Allowance (Plan Sections 13-19)

Credited service at time of termination of membership is multiplied by:

- Benefit A - 1.0% of a member's final average compensation (FAC). Benefit A may not be adopted after January 2, 1986.
- Benefit B - Contact MERS office for details. Benefit B may not be adopted after January 2, 1986.
- Benefit C New - 1.3% of FAC.
- Benefit C Old - Sum of 1.0% times the first \$4,200 of FAC, plus 1.5% times the portion of FAC over \$4,200. Benefit C Old may not be adopted after January 2, 1986.
- Benefit C-1 New - 1.5% of FAC.
- Benefit C-1 Old - Sum of 1.2% times the first \$4,200 of FAC, plus 1.7% times the portion of FAC over \$4,200. Benefit C-1 Old may not be adopted after January 2, 1986.
- Benefit B-1 - 1.7% of FAC.
- Benefit C-2 - 2.0% of FAC, payable until attainment of the age at which unreduced Social Security benefits are available (currently age 65 for normal retirement, gradually increasing to age 67). Upon attainment of this age, the benefit reverts to the basic Benefit A, C New, C Old, C-1 New, C-1 Old or B-1.
- Benefit B-2 - 2.0% of FAC.
- Benefit B-3 - 2.25% of FAC, with a maximum benefit of 80% of FAC.
- Benefit B-4 - 2.5% of FAC, with a maximum benefit of 80% of FAC.

Maximum Benefit Payable by MERS (Plan Section 55)

The maximum benefit that may be paid by MERS is governed by Section 415 of the Internal Revenue Code (see page 59). Benefits in excess of the maximum benefit will be paid by the MERS Excess Benefit Plan under Plan Section 55A.

Act 88 (Reciprocal Retirement Act, 1961 P.A. 88)

If the municipality has elected to come under the provision of Act 88 (see Table 1), service with former and future public employers in Michigan may be used to satisfy the service eligibility conditions of MERS.

Final Average Compensation (Plan Sections 2A(6) and 2A(11))

MERS plan benefits are based on a member's final average compensation (FAC), subject to the dollar compensation limits under Section 401(a)(17) of the Internal Revenue Code (see page 59). For this purpose, final average compensation means one-fifth of the aggregate amount of compensation (as defined in the MERS Plan Document, Section 2A(6)) paid to a member during the period of 5 consecutive years of the member's credited service in which the aggregate compensation paid is highest, known as FAC-5. Adoption of Benefit FAC-3 results in final average compensation being averaged over 3 years, instead of 5 years.

Disability Retirement Allowance (Plan Section 24)

Total and permanent disability while employed by a participating municipality and after meeting the vesting requirement of the benefit program. The service requirement is waived if the disability is the natural and proximate result of duty-connected causes.

The allowance is computed in the same manner as a service retirement allowance, except that the reduction for retirement before age 60 is not applied.

If disability is due to duty-connected causes, the amount of the retirement allowance shall not be less than 25% of the member's final average compensation.

Adoption of optional Benefit Program D-2 will provide a retirement allowance for a duty-connected disability that is the greater of:

- (i) 25% of the member's final average compensation; or
- (ii) A benefit based on 10 years of credited service in addition to the member's actual period of service, provided the total years of service do not exceed the greater of 30 years or the member's actual period of service.

Non-Duty Death Allowance (Plan Sections 26 and 28)

If a member or vested former member with the minimum years of service required to be vested dies before retirement, a monthly survivor allowance may be payable.

If the member is married, the spouse is the automatic beneficiary unless the spouse, in writing, declines a benefit in favor of another named beneficiary.

A contingent survivor beneficiary (named in an Option II Contingent Beneficiary Designation form filed with MERS) will receive a retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at death, but reduced to reflect an Option II (100% joint and survivor) election. The reduction for retirement before age 60 is not applied. Payment of a retirement allowance to the contingent survivor beneficiary of a deceased member commences immediately. Payment of a retirement allowance to the contingent survivor beneficiary of a deceased vested former member commences on the date the member would have first satisfied eligibility for retirement with an unreduced service retirement allowance.

If there is no named beneficiary and the member leaves a spouse, the spouse will receive a survivor allowance. Payment of a retirement allowance to the surviving spouse of a deceased member commences immediately. Payment of a retirement allowance to the surviving spouse of a deceased vested former member commences on the date the member would have first satisfied eligibility for retirement for an unreduced service retirement allowance. The amount of a surviving spouse's retirement allowance shall be 85% of the deceased member's or deceased vested former member's accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

The amount of a surviving spouse's benefit is always the larger of i) the benefit computed as a contingent survivor beneficiary, and ii) the 85% of accrued retirement allowance benefit described above.

If there is no named beneficiary and no retirement allowance being paid to a surviving spouse, unmarried children under age 21 will be paid an equal share of 50% of the deceased member's or deceased vested former member's accrued retirement allowance. The reduction for retirement before age 60 is not applied.

If no retirement allowance becomes payable at death, the member's accumulated contributions, if any, are paid to the beneficiary or to the decedent's estate.

Duty-Connected Death Allowance (Plan Section 27)

A duty death allowance, computed in the same manner as a non-duty death allowance, may be payable to a spouse or children if death occurs as the natural and proximate result of performance of duty with a participating municipality. The vesting requirement is waived, and the minimum benefit is 25% of the deceased member's final average compensation.

Adoption of optional Benefit Program D-2 will provide a retirement allowance for a duty-connected death that is the greater of:

- (i) 25% of the member's final average compensation; or
- (ii) A benefit based on 10 years of credited service in addition to the member's actual period of service, provided the total years of service do not exceed the greater of 30 years or the member's actual period of service.

Member Contributions (Plan Sections 32 and 35)

Each member contributes a percent of annual compensation, as selected by the municipality, on the member's annual compensation up to the compensation limit under Section 401(a)(17) of the Internal Revenue Code (see page 59). Any percentage from 0% to 10% (in 0.1% increments) may be selected. A 3%/5% contribution program was available prior to 1985 and may be continued (until any new benefit programs are adopted), but not adopted, after 1984. Under this program the member contributes 3% of the first \$4,200 of annual compensation and 5% of portions of annual compensation over \$4,200. Interest is credited to accumulated member contributions each December 31 (and reflected in the Annual Member Statement provided to each member) at a rate determined by MERS, currently the one-year U.S. Treasury Bill rate determined as of each December 1. The interest rate credited for the 12-month period ending on the valuation date was 0.73%.

If a member leaves the employ of the municipality, or dies, without a retirement allowance or other benefit payable on his/her account, the member's accumulated contributions plus interest (as described above) are refunded with spousal consent, to the member, if living, or to the member's surviving spouse, if any, or to a named beneficiary (after spousal consent, if applicable).

Note for MERS' Defined Contribution Program (Plan Section 19A): The Annual Actuarial Valuation addresses assets and liabilities for participation under MERS' Defined Benefit Programs. MERS' Defined Contribution Program (Benefit Program DC), which first became available for adoption in late 1997, is not addressed in the valuation results as it is not a defined benefit program.

Post-Retirement Adjustments (Plan Sections 20-22)

Benefit E – provides a one-time benefit increase to present retirants and beneficiaries. The amount of the increase is equal to a fixed percentage of the present benefit, or a fixed dollar amount times the number of years since the later of retirement or the date specified in the resolution. Benefit E may be readopted from time to time.

Benefit E-1 – provides automatic 2.5% annual non-compounded benefit increases to persons (and their beneficiaries) retired before the effective date of Benefit E-1. Such increases are further limited to increases in the Consumer Price Index (CPI) if Benefit E-1 was adopted before January 1, 1999. For all adoptions or readoptions after that date, the increase is an automatic 2.5% non-compounded increase without any CPI limitation.

Benefit E-2 – provides automatic 2.5% annual non-compounded benefit increases to persons (and their beneficiaries) retired on or after the effective date of Benefit E-2. Such increases are further limited to increases in the Consumer Price Index (CPI) if Benefit E-2 was adopted before January 1, 1999. For all adoptions or readoptions after that date, the increase is an automatic 2.5% non-compounded increase without any CPI limitation.

Death-After-Retirement Surviving Spouse Benefit (Plan Sections 23 and 23A)

A retiring member electing form of payment SL (straight life retirement allowance) is normally paid a lifetime retirement allowance, with payments terminating at death. The retiring member could provide benefits to a surviving spouse or another named beneficiary (see below) by electing Option II (100% continuation to beneficiary) or Option II-A (75% continuation to beneficiary) or Option III (50% continuation to beneficiary). A surviving spouse is automatically the beneficiary to an Option II, IIA or III allowance unless the spouse, in writing, relinquishes the benefit to the member electing a straight life allowance or to another named beneficiary. Electing these alternate forms of payment would lower the retiring member's retirement allowance.

If Benefit Program RS50% is adopted, a member retiring on or after the effective date of Benefit RS50% may elect form of payment SL and still provide a 50% survivor benefit to the member's spouse. To be eligible for a surviving spouse benefit, the retiring member and spouse must have been married to each other both at the time of death and during the full one-year period just before retirement.

DROP+ Delayed Retirement Option Partial Lump Sum (Plan Section 10(6))

Any member who is eligible to retire with full, immediate retirement benefits has the option to:

- (i) Retire immediately and receive a monthly benefit payable immediately, or
- (ii) Delay his or her retirement date and continue to work.

If the member is covered by Benefit Program DROP+ and the member retires at least 12 months after first becoming eligible for unreduced benefits, at actual retirement the member *has the option* to receive a partial lump sum and a reduced monthly benefit:

- (i) The member can elect a lump sum equal to 12, 24, 36, 48, or 60 times the member's monthly accrued benefit (if the member has delayed retirement at least that many months).
- (ii) For each 12 months included in the lump sum, the member's lifetime benefit is reduced by the DROP+ Percentage adopted by the employer. The employer can adopt any of the following DROP+ reduction percentages: 4%, 5%, 6%, 7%, or 8%.

SUMMARY OF PLAN PROVISIONS - HYBRID PLAN *

The benefits summarized in this section are intended only as general information regarding the Municipal Employees' Retirement System of Michigan. 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, as amended, or the MERS Plan Document, as revised, the provisions of Act. No. 220 and the MERS Plan Document govern.

Part I - Defined Benefit Portion of Hybrid Plan

Eligibility for Retirement (Plan Section 19B)

Age 60 and 6 or more years of service.

Optional Retirement Programs (Unreduced Benefits) (Plan Section 10)

None

Mandatory Retirement

None

Deferred Retirement (Plan Sections 12 and 19B)

Termination of membership before age 60 other than death, after 6 years of credited service. Retirement allowances begin upon application filed with MERS, at age 60 or later. The deferred retirement allowance is computed in the same manner as a service retirement allowance, based on the final average compensation and years of service at termination.

Service Retirement Allowance (Plan Section 19B)

Credited service at time of termination is multiplied by:

Hybrid 1.0%	1.0% of a member's final average compensation (FAC)
Hybrid 1.25%	1.25% of FAC
Hybrid 1.5%	1.5% of FAC

* Please see page 49 for a description of the Defined Benefit Plan.

Maximum Benefit Payable by MERS (Plan Section 55)

The maximum benefit that may be paid by MERS is governed by Section 415 of the Internal Revenue Code (see page 59). Benefits in excess of the maximum benefit will be paid by the MERS Excess Benefit Plan under Plan Section 55A.

Act 88 (Reciprocal Retirement Act, 1961 P.A. 88)

If the municipality has elected to come under the provision of Act 88 (see Table 1), service with former and future public employers in Michigan may be used to satisfy the service eligibility conditions of MERS.

Final Average Compensation (Plan Sections 2A(6), 2A(11) and 19(B))

Computed under defined benefit plan Benefit Program FAC-3.

Disability Retirement Allowance (Plan Section 24)

Benefits are the same as under the defined benefit plan, except that optional Benefit Program D-2 does not apply.

Non-Duty Death Allowance (Plan Sections 26 and 28)

Benefits are the same as under the defined benefit plan.

Duty-Connected Death Allowance (Plan Section 27)

Benefits are the same as under the defined benefit plan, except that optional Benefit Program D-2 does not apply.

Member Contributions (Plan Section 19B)

None

Post-Retirement Adjustments (Plan Sections 20-22)

None

Death-After-Retirement Surviving Spouse Benefit (Plan Sections 23 and 23A)

The same optional forms of payment are available as under the defined benefit plan, except that optional Benefit Program RS50% does not apply.

DROP+ Delayed Retirement Option Partial Lump Sum (Plan Section 10(6))

None

Part II - Defined Contribution Portion of Hybrid Plan

Employer Contributions (Plan Section 19B)

Contribution Amount - Any percentage of compensation allowed by federal law.

Vesting Schedule - One of the following vesting schedules for employer contributions can be adopted by the employer:

1. Immediate vesting upon participation, or
2. 100% vesting after stated years (participant is 100% vested after not to exceed maximum 5 years of service ("cliff" vesting)), or
3. Graded vesting percentages per year of service, not to exceed maximum 6 years of service for 100% vesting, nor be less than certain stated minimums

Member Contributions (Plan Section 19B)

Contribution Amount - Any amount allowed by federal law and subject to procedures established by the Retirement Board.

Vesting Schedule - 100% immediate vesting

**Municipal Employees' Retirement System of Michigan
IRC Section 415(b)(1)(A) Benefit Dollar Limits - 2009**

The limits are based on the retiree's age at retirement. The limit at ages 62-65 is indexed with inflation, in \$5,000 increments. The limits at earlier ages are then increased proportionately. The limit applies to the retiree's or beneficiary's employer-financed straight life benefit, except in the case of an Option II, IIA, or III election with the retiree's spouse as named beneficiary, in which case the limit applies to the employer-financed portion of the reduced joint and survivor benefit.

Age at Retirement	General Employees	Police and Fire Members #
35	\$ 35,366	\$ 195,000
36	37,375	195,000
37	39,512	195,000
38	41,786	195,000
39	44,208	195,000
40	46,788	195,000
41	49,541	195,000
42	52,479	195,000
43	55,618	195,000
44	58,975	195,000
45	62,569	195,000
46	66,420	195,000
47	70,551	195,000
48	74,989	195,000
49	79,762	195,000
50	84,903	195,000
51	90,448	195,000
52	96,439	195,000
53	102,921	195,000
54	109,948	195,000
55	117,578	195,000
56	125,881	195,000
57	134,932	195,000
58	141,819	195,000
59	155,644	195,000
60	167,522	195,000
61	180,589	195,000
62	195,000	195,000
63	195,000	195,000
64	195,000	195,000
65 & older	195,000	195,000

Requires that the member have at least 15 years of police, fire, and/or armed forces service as defined in the final regulations issues on April 5, 2007. Otherwise, use the limits for general members.

IRC Section 401(a)(17) Compensation Limit - 2009

For 2009 the IRC Section 401(a)(17) limit is \$245,000. This limit is indexed with inflation in \$5,000 increments.

ACTUARIAL ASSUMPTIONS

Actuarial Assumptions

To calculate MERS contribution requirements, assumptions are made about future events that could affect the amount and timing of benefits to be paid and the assets to be accumulated. The economic and demographic assumptions include:

- An assumed rate of investment return that is used to discount liabilities and project what plan assets will earn.
- A mortality table projecting the number of members who will die before retirement and the duration of benefit payments after retirement.
- Assumed retirement rates projecting when members will retire and commence receiving retirement benefits.
- A set of withdrawal and disability rates to estimate the number of members who will leave the work force before retirement.
- Assumed rates of pay increase to project member compensation in future years.

The actuarial assumptions used in connection with this December 31, 2008 actuarial valuation are unchanged from the December 31, 2007 valuation assumptions , with the exceptions noted on page 48. The actuarial assumptions currently utilized are summarized below and on the following pages.

Interest Rate

Funding plan benefits involves the accumulation of assets to pay benefits in the future. These assets are invested and the net rate of investment earnings is a significant factor in determining the contributions required to support the ultimate cost of benefits. For the 2008 actuarial valuation, the net long-term investment yield is assumed to be 8%. This assumption was first used for the December 31, 1981 actuarial valuations.

The reader should note that, given that the actuarial value of assets is currently 39% higher than the market value, meeting the actuarial assumption in the next few years will require average annual market returns that substantially exceed the 8% investment return assumption.

Please see the Comments on the the Investment Markets on page 3 .

Pay Increases

Because benefits are based on a member's final average compensation, it is necessary to make an assumption with respect to each member's estimated pay progression. The pay increase assumption used in the actuarial valuation projects annual pay increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity and promotional pay increases.

The pay increase assumption for selected ages is shown below. The 4.5% wage inflation assumption was first used for the December 31, 1997 actuarial valuations. The merit and longevity pay increase assumption was first used for the December 31, 2004 actuarial valuations.

Age	Base (Wage Inflation)	Merit and Longevity	Total Percentage Increase in Pay
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

Inflation

Although no specific price inflation assumption is needed for this valuation, the 4.5% wage inflation assumption would be consistent with a price inflation of 3% to 4%.

Payroll Growth

For divisions that are not closed to new hires, the number of active members is projected to remain constant, and the total payroll is projected to increase 4.5% annually in the long term. This assumption was first used for the December 31, 1997 actuarial valuations.

Withdrawal Rates

The withdrawal rates are used to estimate the number of employees at each age that are expected to terminate employment before qualifying for retirement benefits. The withdrawal rates do not apply to members eligible to retire, and do not include separation on account of death or disability. The assumed rates of withdrawal applied in the current valuation are based on years of service, and scaled up or down according to each division's experience.

Division	Withdrawal Rate Scaling Factor
All divisions	100%

The base withdrawal rates (see the table below) are multiplied by the scaling factor to obtain the assumed withdrawal rates.

Sample rates of withdrawal from active employment, before application of the scaling factor, are shown below. These rates were first used for the December 31, 2008 actuarial valuations.

Sample Years of Service	% of Active Members Withdrawing Within the Next Year
0	20.00%
1	17.00
2	14.00
3	11.00
4	9.00
5	6.50
10	5.00
15	3.70
20	3.00
25	2.70
30	2.60
34 and over	2.40

Retirement Rates

A schedule of retirement rates is used to measure the probability of eligible members retiring during the next year. To reflect the impact plan design may have on retirement experience, separate retirement rates apply to valuation divisions without Benefits F50, F55 or F(N), to those divisions that have adopted F55, to those that have adopted F50, and to those that have adopted F(N). The retirement rates in use for each category are shown below and on the next page. The Normal Retirement rates were first used for the December 31, 2000 actuarial valuations. The Early Retirement rates were first used for the December 31, 2004 actuarial valuations.

NORMAL RETIREMENT - AGE BASED BENEFIT PROVISIONS - F(N) NOT ADOPTED

Retirement Ages	Percent of Eligible Active Members Retiring Within Next Year		
	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

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

Age	Percent of Eligible Active Members Retiring Within Next Year	Age	Percent of Eligible Active Members Retiring Within Next Year	Age	Percent of Eligible Active Members Retiring Within Next Year
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

Disability Rates

Disability rates are used in the valuation to estimate the incidence of member disability in future years.

The assumed rates of disablement at various ages are shown below. These rates were first used for the December 31, 2004 actuarial valuations.

Sample Ages	Percent 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 which have adopted disability provision D-2, 70% of the disabilities are assumed to be non-duty and 30% are assumed to be duty related.

Mortality Table

In estimating the amount of the reserves required at the time of retirement to pay a member's benefit for the remainder of his or her lifetime, it is necessary to make an assumption with respect to the probability of surviving to retirement and the 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 regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members. These mortality tables were first used for the December 31, 2004 actuarial valuations.

90% of active member deaths are assumed to be non-duty deaths and 10% of the deaths are assumed to be duty related.

The life expectancies and mortality rates projected for **non-disabled** members are shown below for selected ages:

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

The life expectancies and mortality rates projected for **disabled** members are shown below for selected ages:

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

Miscellaneous and Technical Assumptions

- Loads - None
- Marriage Assumptions - 70% of males and 70% 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 - Beginning of valuation year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
- Pay Adjustment - None.
- Decrement Timing - Decrements of all types are assumed to occur mid-year.
- Future Service - Members are assumed to earn 1.0 years of service in each future 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. Benefit service is the service used in the benefit formula.
- Eligibility Service - The larger of reported Eligibility Service and reported Vesting Service was used as eligibility service in the valuation. Eligibility service is the service used to meet the conditions for retirement, and is generally equal to or larger than benefit service.
- Decrement Relativity - Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
- Decrement Operation - Disability and withdrawal do not operate during retirement eligibility.
- Normal Form of Benefit - Future retiring members are assumed to elect:

<u>Form of Payment</u>	<u>Percentage</u>
SL	45%
II	25
IIA	10
III	15
IV	5

- 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.
- Maximum Compensation - The dollar compensation limits under Section 401(a)(17) of the Internal Revenue Code are projected to increase 4.5% annually. No member or employer contributions are projected to be made on the portion of any member's annual compensation in excess of the IRC Section 401(a)(17) limit for the year.

Miscellaneous and Technical Assumptions (continued)

- Maximum Benefit - The dollar benefit limitations under Section 415 of the Internal Revenue Code are projected to increase 4.5% annually. Employee divisions 02, 20-29 (Police), 05 and 50-59 (Fire) are presumed eligible for the public safety benefit limits. No benefits in excess of the IRC section 415 limits are projected to be paid, except as provided under the Qualified Excess Benefit Arrangement, Plan Section 55A.
- Member Contribution Interest - The interest rate credited on member contributions is the one-year Treasury Bill rate as of December 1, determined annually. The long-term rate assumed in the valuation is 4%, which is consistent with the 3% to 4% price inflation assumption.
- DROP+ Assumptions - Each eligible member is assumed to make the DROP+ election with the most valuable combination of lump sum and reduced monthly benefit.
- The retirement probabilities on pages 63 - 64 are used for members who are *not* covered by Benefit Program DROP+. For members covered by Benefit Program DROP+, it is assumed that retirement will be delayed long enough to become eligible for at least 4 years worth of DROP+ lump sum.

ACTUARIAL FUNDING METHOD

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

- Develop level required contribution rates as a percentage of payroll;
- Finance benefits earned by present employees on a current basis;
- Accumulate assets to enhance members' benefit security;
- Produce investment earnings on accumulated assets to help meet future benefit costs;
- Make it possible to estimate the long-term actuarial cost of proposed amendments to System provisions; and
- Assist in maintaining the Retirement System's long-term financial viability.

The basic funding objective is a level pattern of cost as a percentage of pay throughout each member's working lifetime. The funding method used in this actuarial valuation – the entry age normal cost method – is intended to i) meet this objective, and ii) result in a relatively level long-term contribution requirement as a percentage of pay. This actuarial method was first used for the December 31, 1993 actuarial valuations.

Under the entry age normal cost method, the total actuarially-determined contribution requirement is equal to the sum of the normal cost plus the payment required to fund the unfunded actuarial accrued liability over a period of years. Funding or amortizing the unfunded actuarial accrued liability includes a payment toward the liability (principal) plus a payment to reflect the time value of money (interest).

Normal Cost

In general terms, the normal cost is the cost of benefit rights accruing on the basis of current service. Technically, the normal cost rate is the level percentage-of-pay contribution required each year, with respect to each member, to accumulate over his or her projected working lifetime the reserves needed to meet the cost of earned benefits. The normal cost represents the ultimate cost of the Retirement System, if the unfunded liability is paid up and the actual experience of the System conforms to the assumptions.

Actuarial Accrued Liability

The total actuarial present value of future benefits is computed using the valuation's actuarial assumptions. Subtracting the present value of future normal costs results in the actuarial accrued liability.

The total actuarial accrued liability essentially represents the amount that would have been accumulated as of December 31, 2008, if contributions sufficient to meet the normal costs of the Retirement System had been made each year in the past, benefit provisions had always been the same as current benefit provisions, and actual past experience had always conformed to current actuarial assumptions. If assets equaled the total accrued liability, there would be no unfunded liability and future contribution requirements would consist solely of the calculated normal cost rates.

Amortization of Unfunded Actuarial Accrued Liability

The unfunded actuarial accrued liability is projected to the beginning of the fiscal year for which employer contributions are being calculated (see page 43 for a description of the projection). The projected unfunded accrued liability is then amortized by level percent of payroll contributions over a period of years. Active member payroll is assumed to increase 4.5% a year for the purpose of determining the level percent contributions.

The standard amortization period to fund the unfunded liability is 28 years for positive unfunded liabilities in the 2008 valuation. This period will also be used for the 2009 valuation, and then will be reduced by one year in each of the next eight annual valuations, reaching 20 years in the 2017 valuation. Beginning with the 2018 valuation the 20 year period will be reestablished with each annual valuation. Section 20m of Act No. 314 of the Public Acts of 1965 as amended (MCL 38.1140m) requires that the amortization period not exceed 30 years.

The standard amortization period for negative unfunded liabilities is 10 years, with the 10 year period reestablished with each annual actuarial valuation.

For divisions that are closed to new hires, and the new hires are not covered by MERS defined benefit or hybrid provisions (in a linked division), the otherwise applicable MERS-wide standard amortization period for positive unfunded liabilities in effect in the valuation year in which the division is closed is decreased annually by 2 years until the period reaches 5 years. At that point, the amortization period will remain at 5 years.

Shorter amortization periods may be elected by a municipality (but not shorter than 5 years for

negative unfunded liabilities).

Table 16 in the results section of this report indicates the current length of the amortization period for each division. Note that when the 10 year amortization is used for negative unfunded liabilities, Table 16 reports the amortization in two parts: i) a long term credit based on the long term amortization period (usually the standard amortization period described above), plus ii) an overfunding credit resulting from using a 10 year amortization.

In calculating the annual required contribution (ARC) for reporting and disclosure purposes under Statement Nos. 25 and 27 of the Governmental Accounting Standards Board, the following amortization methods are used:

- A level percentage of payroll amortization is used, based on the amortization periods described in the previous paragraph and based on the assumption that payroll increases 4.5% per year.
- For divisions that are less than 100% funded and are closed to new hires (and new hires are not covered by MERS defined benefit or hybrid provisions in a linked division), a 30-year level dollar amortization is used if it results in a higher amortization payment.

Present Value of Accrued Benefits

The present value of accrued benefits represents the actuarial value of benefits that have been earned as of the valuation date for all members of the valuation division. This benefit reflects the final average compensation and plan benefit service of each member, and plan features of the member's valuation division as of the valuation date. Included in this value is the current value of vested benefits for members who have met plan vesting requirements and the current value of non-vested benefits for members who have not yet met plan vesting requirements. Regardless of plan vesting service, all member contributions are vested. Active members are assumed to continue in employment until retirement, death, disability or termination, but benefit amounts are frozen, for valuation purposes only, on the valuation date.

Termination Liability

The termination liability represents the value of the benefits that have been earned as of the valuation date based on final average compensation and benefit service as of the valuation date. All active members are assumed to terminate employment on the valuation date. Vested and non-vested active members are assumed to retire at the first age when the member would be eligible for unreduced deferred retirement benefits, assuming no continued employment after the valuation date (non-vested benefits are assumed to commence at age 60).

Projections of Employer Contributions and Funded Percentage

The 20-year projections of employer contributions and funded percentages displayed in Chart 17.5 are based on the following assumptions:

- All demographic assumptions will be met during the projection period, including the assumption that active members' pays increase in accordance with the pay increase assumption (see page 61). If the number of active members remains constant, projected total active member payroll will increase about 4.5% annually, the wage inflation assumption. For open divisions (an open division is open to newly hired employees), this projected payroll growth results in increasing employer contributions even when the employer contribution rate is stable or slowly declining.
- The actuarial value of assets will earn the assumed 8% return each year during the projection period (see **Comments on the Investment Markets on page 3**).
- There will be no benefit changes during the projection period.
- The employer contributions through July 1, 2010 are not affected, and are based on previous annual actuarial valuations.
- For open divisions (new hires are added to the division), the number of active members is assumed to remain constant. However, if an open division is linked to a division that will have no new hires (whose new hires enter the open division), the total number of active members in the linked divisions (combined) is assumed to remain constant. For closed divisions (no new hires), the number of active members is assumed to gradually decline to zero, based on the assumptions for retirement, disability, termination, and death.

The projected contribution amounts should not be used for short term budgeting purposes because the assumptions are designed to be a long term expectation of future events. These projections illustrate the long term pattern of employer contributions under current funding policies. A projection of contribution rates for budgeting purposes would require additional short-term actuarial analysis, which is beyond the scope of this report.

Most open division projections (an open division is open to newly hired employees) will show a very gradual change, up or down, in the funded percentage toward 100% funding. For divisions that are currently less than 100% funded, the reader may be surprised at how long it takes to approach 100% funding. This happens because the standard amortization period for unfunded accrued liabilities, after declining to 20 years in the 2017 annual actuarial valuations, will be reset each year thereafter to a new 20 year period. This results in more stable employer contribution rates, but also a very gradual approach to 100% funding. Additional employer contributions would accelerate the funding progress.

A closed division (no new hires) that is not linked to an open division (see the next page for a discussion of linked divisions) and is less than 100% funded will have a projected employer contribution that increases each year for the first 11-12 years after closure. This results in a more rapid amortization of unfunded accrued liabilities and a more rapid increase in the division's funded percentage. This is necessary to ensure that the division has adequate assets to pay benefits. However, the closed division's funded percentage may start to decline several years after all the members have retired. Once the average age of the retiree-only division reaches the late 70's or older, the 5-year amortization period may result in insufficient assets to cover the pension payout. This issue is being reviewed in the 2004-2008 study of MERS experience, and the 5-year amortization will likely be revised. For these closed divisions the projected funded percentage in Chart 17.5 may decrease (or go negative) in the later years of the projection.

A few open divisions will see a decline in the funded percentage. This is usually an open division with a very small number of active members (often only one) and a much larger number of retirees. Because the division is open to new hires, the standard amortization period is used. For many years this may result in a declining funded percentage, which may actually become negative temporarily, before the funded percentage begins to head up toward 100% funding. Negative assets means the division is temporarily borrowing from better funded divisions within the same municipality. Such a division should be considered a candidate for either merging with a different division, or an accelerated funding schedule.

A division with no new hires that is linked to an open division within the same employee classification (with new hires – please refer to the next section on Linked Divisions) will typically show a projected funded percentage that declines and even becomes negative. This is an expected condition, because the standard open division amortization policy applies to a division with no new hires that is linked to an open division. The linked division with no new hires is allowed to share the assets of the linked open division. The division with no new hires alone will run out of assets; however, the combined linked divisions will not run out of assets and the combined funded percentage will head towards 100%. For a linked division the projections also show a dashed line that represents the combined projection of all the linked divisions.

A small number of divisions currently have negative assets, and a negative funded percentage. These are generally divisions for which many or most of the employees have been transferred to a different division, with the bulk of the assets also being transferred to the other division. Negative assets means the division is temporarily borrowing from better funded divisions within the same municipality. Such a division should be considered a candidate for either merging with a different

division, or an accelerated funding schedule.

Some divisions are so well funded that no future employer contributions will be needed; assuming that there are no major changes in the covered participants, benefit provisions are not changed, and the actuarial assumptions are met. Assets substantially exceed present liabilities. The funded percentage will continue to increase during the projection period. Such a division may be a candidate for a reallocation of assets among other divisions, if appropriate.

For divisions that are affected by employer contribution rate caps, the projections of employer contributions in Chart 17.5 do not reflect the impact of the employer cap provision. Member contribution rates are assumed to remain constant at the rates shown in Table 1. The projected employer contribution rate is allowed to move up or down, as need, to adequately fund the benefit obligations. In other words, projection of the future impact of the employer cap provision is beyond the scope of the Chart 17.5 projections. Future annual actuarial valuation reports will, of course, reflect (in the results) the application of the then-current employer cap provision.

Linked Divisions

The closed division funding policy described at the bottom of page 70 was adopted by the Retirement Board (Amortization Policy for Closed Divisions Within Open Municipalities, as revised by the Retirement Board on March 11, 2009). The purpose is to ensure that a defined benefit (DB) division that is closed to new hires does not run out of money. Funding the unfunded liabilities over the MERS standard amortization period will likely deplete a closed division's assets before the death of the last participant in the division. Assets cannot be shared between the closed DB division and a defined contribution (DC) plan covering the new hires, or a non-MERS DB plan covering the new hires, even if the employees are part of the same employee classification (bargaining unit).

However, if the new hires are covered by a new tier of benefits in the MERS DB Plan (including the DB portion of the MERS Hybrid Plan), there can be a sharing of employer assets between the DB division with no new hires (with the old benefit structure) and the DB/Hybrid division covering the new hires within the same employee classification. The employer can avoid the required more rapid amortization of the unfunded liabilities by putting new hires into a MERS DB or MERS Hybrid division, instead of a DC plan or non-MERS DB plan.

If a division with no new hires is "linked" to an open MERS DB division, this is indicated in Table 1, in the footnote to Table 16, and in the projections in Chart 17.5. Both the linked divisions will use the standard open division funding policy.

ASSET VALUATION METHOD

The actuarial value of assets is determined on the basis of a method that calculates expected investment income at the valuation rate of return and adds a portion of the difference between the expected investment income and actual investment income earned on a market value basis. The difference in investment income between expected return and market return is recognized over a 10-year period at the rate of 10% per year. This asset valuation method was first adopted for the December 31, 2005 valuation, and is applied as follows:

Actuarial Value equals:

- (a) Actuarial value of assets from the previous actuarial valuation, plus
- (b) Aggregate employer and member contributions since the last valuation, minus
- (c) Benefit payments and refunds of member contributions since the last valuation, plus
- (d) Estimated investment income at the 8% valuation interest rate, plus
- (e) Portion of gain (loss) recognized in the current valuation.

For the above purpose, 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. The portion recognized in the valuation is 10% of the current year's gain (loss) plus 10% of the gain (loss) from each of the 9 preceding years. The cumulative difference between the market value and valuation assets as of December 31, 2005 is recognized over 9 years.

During 2008, the approximate net investment return on average total assets at actuarial value (determined as the actuarial value of investment income divided by the average actuarial value of assets during the year) was 4.73%. The corresponding amounts for 2007, 2006, 2005, and 2004 were 8.12%, 8.14%, 6.51%, and 6.82%, respectively.

For the December 31, 2008 valuation, the actuarial value of assets is equal to 139.15% of market value (compared to 98.85%, 98.62%, 102.71%, and 102.45% in 2007, 2006, 2005, and 2004, respectively). This percentage is applied to each division's reported market value of assets to estimate the actuarial value of assets for the division. The chart on page 76 provides the details of the derivation of the actuarial value of assets for the retirement system in the aggregate.

The reader should note that, given that the actuarial value of assets is currently 39% higher than the market value, meeting the actuarial assumption in the next few years will require average annual market returns that substantially exceed the 8% investment return assumption.

Please see the Comments on the Investment Markets on page 3 .

Municipal Employees' Retirement System of Michigan
Derivation of Actuarial Value of Assets

Valuation Date December 31:	2006	2007	2008	2009	2010
1. Beginning of Year Assets					
a) Market Value	\$ 4,906,288,690	\$ 5,590,042,317	6,071,046,914		
b) Valuation Assets	5,039,071,709	5,512,924,466	6,001,040,078		
2. End of Year Market Value Assets	5,590,042,317	6,071,046,914	4,512,260,955		
3. Net Additions to Market Value					
a) Net Contributions	371,505,157	386,942,952	374,214,134		
b) Net Investment Income = (3d) - (3a) - (3c)	622,409,716	442,377,206	(1,553,001,917)		
c) Benefit Payments	(310,161,246)	(348,315,561)	(379,998,176)		
d) Total Additions to Market Value = (2) - (1a)	<u>683,753,627</u>	<u>481,004,597</u>	<u>(1,558,785,959)</u>		
4. Average Valuation Assets =					
(1b) + .5x[(3a) + (3c)]	5,069,743,665	5,532,238,162	5,998,148,057		
5. Expected Income at Valuation Rate = 8% x (4)	405,579,493	442,579,053	479,851,845		
6. Gain (Loss) = (3b) - (5)	216,830,223	(201,847)	(2,032,853,762)		
7. Phased-In Recognition of Investment Return					
a) Current Year: 0.1 x (6)	21,683,022	(20,185)	(203,285,376)		
b) First Prior Year	(14,753,669)	21,683,022	(20,185)	(203,285,376)	
c) Second Prior Year		(14,753,669)	21,683,022	(20,185)	(203,285,376)
d) Third Prior Year			(14,753,669)	21,683,022	(20,185)
e) Fourth Prior Year				(14,753,669)	21,683,022
f) Fifth Prior Year					(14,753,669)
g) Sixth Prior Year					
h) Seventh Prior Year					
i) Eighth Prior Year					
j) Ninth Prior Year					
k) Total Recognized Investment Gain (Loss)	<u>6,929,353</u>	<u>6,909,168</u>	<u>(196,376,208)</u>	<u>(196,376,208)</u>	<u>(196,376,208)</u>
8. Change in Valuation Assets					
(3a) + (3c) + (5) + (7k)	473,852,757	488,115,612	277,691,595		
9. End of Year Assets					
a) Market Value = (2)	5,590,042,317	6,071,046,914	4,512,260,955		
b) Valuation Assets = (1b) + (8)	5,512,924,466	6,001,040,078	6,278,731,673		
c) Difference Between Market & Valuation Assets	77,117,851	70,006,836	(1,766,470,718)		
10. Recognized Rate of Return = [(5) + (7k)] / (4)	8.14%	8.12%	4.73%		
11. Market Rate of Return	12.61%	7.89%	(25.59%)		
12. Valuation Asset Adjustment Factor = (9b) / (9a)	0.986204	0.988469	1.391482		

Municipal Employees' Retirement System of Michigan
Derivation of Actuarial Value of Assets (cont.)

Valuation Date December 31:	2001	2002	2003	2004	2005
1. Beginning of Year Assets					
a) Market Value	\$ 3,788,886,471	\$ 3,647,820,869	\$ 3,285,304,333	\$ 4,071,997,180	\$ 4,619,201,287
b) Valuation Assets	3,791,423,339	4,034,377,419	4,134,404,645	4,459,492,020	4,732,208,229
2. End of Year Market Value Assets	3,647,820,869	3,285,304,333	4,071,997,180	4,619,201,287	4,906,288,690
3. Net Additions to Market Value					
a) Net Contributions	154,103,475	167,427,558	223,450,393	223,057,268	277,589,524
b) Net Investment Income = (3d) - (3a) - (3c)	(93,269,286)	(324,926,459)	792,139,959	577,562,751	288,223,418
c) Benefit Payments	(201,899,791)	(205,017,635)	(228,897,505)	(253,415,912)	(278,725,539)
d) Total Additions to Market Value = (2) - (1a)	(141,065,602)	(362,516,536)	786,692,847	547,204,107	287,087,403
4. Average Valuation Assets = (1b) + .5x[(3a) + (3c)]	3,767,525,181	4,015,582,381	4,131,681,089	4,444,312,698	4,731,640,222
5. Expected Income at Valuation Rate = 8% x (4)	301,402,014	321,246,590	330,534,487	355,545,016	378,531,218
6. Gain (Loss) = (3b) - (5)	(394,671,300)	(646,173,049)	461,605,472	222,017,735	(90,307,800)
7. Phased-In Recognition of Investment Return					
a) Current Year: 0.2 x (6)	(78,934,260)	(129,234,610)		44,403,547	(18,061,560)
b) First Prior Year	(79,670,266)	(78,934,260)			44,403,547
c) Second Prior Year	63,981,441	(79,670,266)			
d) Third Prior Year	40,228,410	63,981,441			
e) Fourth Prior Year	43,743,057	40,228,408			
f) 1999-2003 Years Combined	N/A	N/A	0	(96,873,710)	(96,873,710)
g) Total Recognized Investment Gain (Loss)	(10,651,618)	(183,629,287)	0	(52,470,163)	(70,531,723)
8. Change in Valuation Assets (3a) + (3c) + (5) + (7g)	242,954,080	100,027,226	325,087,375	272,716,209	306,863,480
9. End of Year Assets					
a) Market Value = (2)	3,647,820,869	3,285,304,333	4,071,997,180	4,619,201,287	4,906,288,690
b) Valuation Assets = (1b) + (8)	4,034,377,419	4,134,404,645	4,459,492,020	4,732,208,229	5,039,071,709
c) Difference Between Market & Valuation Assets	(386,556,550)	(849,100,312)	(387,494,840)	(113,006,942)	(132,783,019)
10. Recognized Rate of Return = [(5) + (7g)] / (4)	7.72%	3.43%	8.00%	6.82%	6.51%
11. Market Rate of Return	(2.48%)	(8.95%)	24.13%	14.24%	6.24%
12. Valuation Asset Adjustment Factor = (9b) / (9a)	1.105969	1.258454	1.095161	1.024465	1.027064



Gabriel Roeder Smith & Company
Consultants & Actuaries

One Towne Square
Suite 800
Southfield, MI 48076-3723

248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

Jeannine Turner
City of Springfield
email: jturner@springfieldmich.com

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

ANNUAL ACTUARIAL VALUATION REPORT

CITY OF SPRINGFIELD (1303)

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