CITY COUNCIL/PUBLIC SAFETY RETIREMENT BOARD

April 18, 2012 – 3:30 p.m.
Special Meeting

CITY COUNCIL
Leo Evans, Mayor
Brady Nelson, Mayor Pro-Tem
Patricia Baribeau, Council Member
Ronald Beauchamp, Council Member
Walter Baker, Council Member

ADMINISTRATION
James V. O'Toole, City Manager
Robert S. Richards, CMC, City Clerk
Ralph B.K. Peterson, City Attorney
Robert Valentine, City Treasurer
Michael Dewar, City Controller

PUBLIC SAFETY RETIREMENT BOARD
Todd Chouinard, Boardmember
Blake Cowen, Boardmember
Darin Hunter, Boardmember
David Schaaf, Boardmember

City Council Chambers: 410 Ludington Street - Escanaba, MI 49829

Special Meeting Agenda
Wednesday, April 18, 2012

1. CALL TO ORDER

2. ROLL CALL AND INTRODUCTION OF ATTENDEES

3. APPROVAL/CORRECTION(S) TO MARCH 27, 2012, MINUTES

4. APPROVAL/ADJUSTMENTS TO THE AGENDA

5. CONFLICT OF INTEREST DECLARATION

6. UNFINISHED BUSINESS - None

7. REVIEW OF CITY RETIREMENT PLANS

   A. PUBLIC SAFETY RETIREMENT PLAN
      1. Overview of Public Safety Retirement Plan and Benefit Schedule
      2. Actuarial Presentation and Q&A
      3. Investment Review
      4. Historical Investment Performance
      5. Investment Regulations
      6. DROP Plan Overview

   B. MERS RETIREMENT PLAN
      1. Overview of MERS Plan and Benefit Schedule
      2. Review of MERS Actuarial Valuation
      3. MERS Investment Process
      4. Impact of New Hire Defined Contribution Plans
      5. Impact of Early Retirement Incentives in 2005

C. DEFINED CONTRIBUTION PLANS
   1. Overview of MERS DC Plan
   2. Overview of Various 457 Voluntary DC Plans

8. GENERAL PUBLIC COMMENT

9. ANNOUNCEMENTS

10. ADJOURNMENT

The City of Escanaba will provide all necessary, reasonable aids and services, such as signers for the hearing impaired and audiotapes of printed materials being considered at the meeting to individuals with disabilities at the meeting/hearing upon five days notice to the City of Escanaba. Individuals with disabilities requiring auxiliary aids or services should contact the City of Escanaba by writing or calling at (906) 786-9402.

Respectfully Submitted,

James V. O'Toole
City Manager

MINUTES
PUBLIC SAFETY RETIREMENT BOARD MEETING
March 27, 2012

Pursuant to public notice, a regular meeting of the Escanaba Public Safety Retirement Board was held on Tuesday, March 27, 2012 at 8:00 a.m. in Room 102 of City Hall, 410 Ludington, Escanaba, MI.

Board Members Present: Robert Valentine, Blake Cowen, Todd Chouinard, Darin Hunter, David Schaaf

Board Members Absent: None

Guests Present: Council Liaison Brady Nelson, Councilperson Pete Baker

Approval of Minutes – February 28, 2012

Board member Cowen asked that the minutes include a copy of written materials read by Councilmember Baker at the February meeting. Secretary Valentine advised that copies were not available. After further discussion, Board member Schaaf moved for approval of the minutes as written. Board member Cowen supported the motion. A vote was taken and the board voted unanimously in favor of the motion.

Approval/Adjustments to the Agenda

Secretary Valentine asked to have the agenda include a discussion of actuarial assumptions. Secretary Valentine advised that he received information from the Plan's actuary after the agenda package was sent out and that such information was "time sensitive" Board member Schaaf moved to amend the agenda as requested by Secretary Valentine. Board member Cowen supported the motion. A vote was taken and the motion carried unanimously.

Conflict of Interest Declaration

No conflict of interest declarations were made.

Unfinished Business

None.

New Business

Investment Performance

Secretary Valentine presented the following investment performance summary.

	01/31/2012 $ Value	02/29/2012 $ Value	% Total
BONDS			
Vanguard Bond Index	4,788,428	4,741,635	23.9%
Eaton Vance Bonds	2,016,937	2,057,496	10.4%

Total Bonds	6,805,365	6,799,132	34.3%
STOCKS			
Vanguard Stock Index	5,064,111	5,283,033	26.6%
Vanguard Sm Cap Gro Idx	2,070,837	2,150,900	10.8%
JP Morgan Mid Val	4,314,055	4,469,437	22.5%
DFA Int'l Value	1,079,493	1,135,081	5.7%
Total Stocks	12,528,496	13,038,451	65.7%
CASH			
Money Market Accounts	0	0	0.0%
Total	19,333,860	19,837,583	100.00%

	Feb-12	YTD	Trailing 3 mo	Trailing 1 year	Trailing 2 year	Trailing 3 year
BONDS						
Vanguard Bonds VBTSX	-0.0%	0.8%	1.9%	8.3%	13.7%	24.1%
Eaton Vance Bond Fund EVIBX	2.0%	6.8%	10.8%	6.0%	24.0%	90.2%
Escanaba Bond Composite	0.6%	2.6%	4.4%	7.7%	16.7%	37.4%
Merrill HY Master Index J0A0	2.3%	5.2%	7.8%	6.2%	24.7%	94.6%
Merrill BOA01 Index	-0.1%	0.9%	2.1%	9.3%	14.8%	25.8%
STOCKS						
Vanguard S&P 500 Index VIFSX	4.3%	9.0%	10.1%	5.1%	28.3%	97.3%
Vanguard Sm Cap gro Idx VISGX	3.9%	11.3%	10.7%	2.2%	41.6%	143.6%
JP Morgan Mid Value FLMVX	3.6%	7.8%	9.1%	5.4%	33.3%	111.1%
DFA Int'l Value DFIVX	5.1%	12.2%	9.2%	-13.3%	9.2%	90.2%
Escanaba Equity Composite	4.1%	9.2%	9.8%	2.8%	30.0%	107.6%
S&P 500 Index	4.1%	8.6%	9.5%	2.9%	23.6%	85.8%
EAFA Int'l Index	5.4%	11.0%	9.8%	-10.4%	4.7%	57.1%
Vanguard Reit Index EFT VNQ						
Russell 1000 : Mid Cap Index	4.1%	9.1%	9.8%	2.7%	24.5%	89.3%
Russell 2000: Small Cap Index	2.3%	9.5%	10.0%	-1.5%	29.0%	108.5%
Russell 3000: Broad Mkt Index	4.0%	9.1%	9.8%	2.4%	24.9%	90.7%
OVERALL						
Escanaba Portfolio Composite	2.8%	6.8%	7.9%	4.6%	25.7%	76.9%
Combined Passive Index	3.0%	6.5%	7.6%	4.7%	22.6%	67.9%

The board reviewed and discussed the equity allocation. Secretary Valentine pointed out that equities now represent 65.7% of Plan assets relative to a policy limit of 65%. The board discussed raising the limit to 70%, but after further discussion Board member Cowen moved to rebalance within existing parameters. Board member Schaaf supported the motion. There was further discussion about where funds would be taken from and moved to. Secretary Valentine recommended taking from the S&P Index Fund and

moving to the Total Bond Market Index Fund. There being no further discussion, a vote was taken and the board voted unanimously in favor of the motion.

There was a general discussion regarding the merits of a DROP plan for the general membership of the plan.

Actuarial Assumptions

Secretary Valentine shared with the board the attached memorandum from Actuary Michael Gano. Secretary Valentine advised that the 6/30/2011 valuation is due to be completed before the April meeting. Mr. Valentine advised that the board would need to act on recommended changes at today's meeting if new assumptions are to be costed into the upcoming valuation. Alternately, Mr. Valentine advised that the board could opt to pay $1750 to have those costs calculated outside of the actuarial process. Secretary Valentine expressed that there are four recommended changes to the assumptions as follows:

1. An increase in the assumed rates of withdrawal (retirement).
2. An update to the mortality tables and inclusion of a factor to account for future improvements in longevity.
3. A reduction in the assumed rate of return from 8% to 7.5%
4. A reduction in the wage inflation assumption from 4.5% to an unspecified more realistic figure.

After discussing the relative merits of each of the above recommendations and and after discussing estimates of future wage increases and projected retirement rates, board member Schaaf moved to address the recommended changes as follows:

1. Leave the withdrawal assumption as it stands
2. Defer to Gabriel Roeder to implement the correct mortality table including an allowance for future improvements in mortality
3. Reduce the assumed rate of return to 7.5% from 8%
4. Reduce the wage inflation assumption to 4% from 4.5%

Board member Hunter supported the motion. A vote was taken and the motion carried unanimously.

General Public Comment

None

Announcements

None

Adjournment

The meeting was unanimously adjourned at 8:45

APPROVED:

ROBERT VALENTINE,
SECRETARY

TODD CHOUINARD
BOARD CHAIRMAN

ATTACHMENT TO THE MINUTES OF MARCH 27, 2012
MEMORANDUM FROM MICHAEL GANO TO ROBERT VALENTIINE
DATED 3/23/2012

From: michael.gano@gabrielroeder.com [mailto:michael.gano@gabrielroeder.com]
Sent: Friday, March 23, 2012 2:51 PM
To: bvalentine@escanaba.org
Cc: c0535@gabrielroeder.com
Subject: RE: Valuation Assumptions

Hi Bob,

Just taking a cursory look at recent experience, here are some recommendations:

Demographic assumptions:

Rates of withdrawal look a little high over the last 10 years. These may need to be reduced slightly. (upward effect on cont. rate)

Rates of mortality have not been updated since 1998. In addition, the actuarial standards of practice have been updated to encourage including provisions for future longevity improvements. This definitely needs to be reviewed/updated in the near future.

Other demographic assumptions look ok.

Economic assumptions:

Rate of investment return is currently 8.0%. This would appear to be high given historical experience. We would recommend a lower assumed rate of return (likely something closer to 7.5%). The current assumption is ok, but on the high side given that returns are unlikely to meet the assumed rate half the time. Let me know what the Board is comfortable with here.

Rate of wage inflation is currently 4.5%. Given historical trends, 4.5% is probably on the high side. We would recommend reducing the assumed rate of wage inflation.

Reviewing these assumptions and providing a separate letter showing the effect on the contribution rate would be $1,750. Alternatively, for no additional fees, we can review these assumptions while processing the June 30, 2011 actuarial valuation and update the assumptions in the valuation (without the Board seeing the effect of the change prior to inclusion in the valuation).

Assumptions should be carefully chosen and continually monitored. Use of outdated assumptions can lead to:

- Understated costs resulting in either an inability to pay benefits when due or sharp increases in required contributions in the future.
- Overstated costs resulting in either benefit levels that are kept below the level that could be supported by the computed rate or an unnecessarily large burden on the current generation of members, employers and taxpayers.

These assumption changes in total are likely to increase the computed employer contribution rate.

Let me know if you have any questions.

Michael

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

CITY OF ESCANABA PUBLIC SAFETY RETIREMENT SYSTEM
FORTY-FOURTH ANNUAL ACTUARIAL VALUATION
JUNE 30, 2010

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GRS

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June 9, 2011

The Retirement Board
City of Escanaba Public Safety Retirement System
Escanaba, Michigan

Dear Board Members:

The results of the ***June 30, 2010 Actuarial Valuation*** of the City of Escanaba Public Safety Retirement System are presented in this report. The purpose of the annual valuation is to measure the system's funding progress, to determine the City's contribution rate for the ensuing fiscal year in accordance with established funding policies, and to determine actuarial information for Governmental Accounting Standards Board (GASB) Statements No. 25 and No. 27. The results of the valuation may not be applicable for other purposes.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the economic and demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

Valuation results, comments and conclusions are contained in Section A.

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

The actuarial methods and assumptions used in the actuarial valuation are summarized in Section C of this report. The assumptions are established by the Board after consulting with the actuary.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. 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. 345 of the Public Acts of 1937, as amended. The actuarial assumptions used for the valuation produce results, which we believe, are reasonable.

One or more of the undersigned is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,

R. Michael Gano | Mita D. Drazilov, ASA, MAAA | David L. Hoffman

RMG:bd

C0535

SECTION A

VALUATION RESULTS, COMMENTS AND CONCLUSION

FINANCIAL OBJECTIVE

The financial objective of the Retirement System is to establish and receive contributions, expressed as percents of active member payroll, which will remain approximately level from year-to-year and will not have to be increased for future generations of citizens. This objective meets the requirements of Act No. 345 of the Public Acts of 1937, as amended, and the Michigan Constitution.

CONTRIBUTION RATES

The Retirement System is supported by member contributions, City contributions and investment income from Retirement System assets.

Contributions which satisfy the financial objective are determined by an annual actuarial valuation and are sufficient to:

(1) cover the actuarial present value of benefits assigned to the current year by the actuarial cost methods described in Section C (the normal cost); and

(2) amortize over a period of future years the actuarial present value of benefits not covered by valuation assets and anticipated future normal costs (unfunded actuarial accrued liability).

Contribution requirements for the fiscal year beginning July 1, 2011 are shown on page A-2.

CONTRIBUTIONS COMPUTED TO MEET THE FINANCIAL OBJECTIVE OF THE RETIREMENT SYSTEM FOR THE FISCAL YEAR BEGINNING JULY 1, 2011

Contributions for	Contributions Expressed as Percents of Payroll
Normal Cost	
Age & service benefits	25.70 %
Death and disability benefits	1.79
Termination benefits	
Deferred age & service benefits	1.52
Refunds of member contributions	0.49
Total Normal Cost	29.50
Amortization Payment	
Retired members and beneficiaries	0.00
Active and vested terminated members	18.11
Total Amortization Payment	18.11
Less: Temporary Funding Credit	0.00
Total Contribution Requirement	47.61 %
Member portion	6.00
City portion	41.61
City Contribution	41.61 %

Unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over an open period of 30 years.

A procedure for determining dollar contribution amounts is described on page A-3.

Comparative contribution amounts for prior fiscal years are shown on page A-7.

DETERMINING DOLLAR CONTRIBUTIONS

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

Contribute dollar amounts at the end of each payroll period, which are equal to the City's percent-of-payroll contribution requirement, 41.61%, multiplied by the covered active member payroll for the period. Adjustments should be made as necessary to exclude items of pay that are not covered compensation for Retirement System benefits and to include special payments that are covered compensation.

The above amounts are assumed to be contributed, on average, halfway through the fiscal year. If contributions are made on a later schedule, interest should be added at the rate of 0.67% for each month of delay.

FINANCIAL OBJECTIVE ACHIEVEMENT TESTS

The Retirement System's financial objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of active member payroll. If the contributions to the System are level in concept and soundly executed, the System will ***pay all promised benefits when due -- the ultimate test of financial soundness***. Testing for level contribution rates is ***the long-term solvency test***. Year by year computed contribution rates are displayed on page A-7.

There is no single all-encompassing test to measure a Retirement System's funding progress and current funded status. Measures based on the actuarial accrued liability are shown on page A-5, and are described below.

The ratio of valuation assets to the actuarial accrued liability – The ratio is expected to gradually move toward 100% in the absence of benefit changes and changes in actuarial assumptions.

The ratio of the unfunded actuarial accrued liability to member payroll. In a soundly financed retirement system, the amount of the unfunded actuarial accrued liability will be controlled and prevented from increasing in the absence of benefit changes or strengthening of actuarial assumptions. However, in an inflationary environment it is seldom practical to impose this control on dollar amounts which are depreciating in value. The ratio is a relative index of condition where inflation is present in both items. The ratio is expected to gradually decrease in the absence of benefit changes and changes in actuarial assumptions.

FINANCIAL OBJECTIVE ACHIEVEMENT TESTS – COMPARATIVE STATEMENT

Valuation Date June 30	(1) Valuation Assets	(2) Member Payroll	(3) Entry Age Actuarial Accrued Liability*	(4) Unfunded Accrued Liability&	Continuation Tests TEST 1 (1) / (3)	TEST 2 (4) / (2)
1986 #	$ 5,634,540	$ 1,039,113	$ 6,550,518	$ 915,978	86 %	88 %
1987 @	6,490,564	1,061,783	6,381,275	-	102	-
1988	7,082,123	1,083,902	6,719,377	-	105	-
1989	7,710,398	1,106,818	7,034,142	-	110	-
1990	8,387,298	1,169,377	7,404,814	-	113	-
1991	9,043,126	1,204,260	7,745,732	-	117	-
1992 #	9,704,071	1,208,832	8,296,243	-	117	-
1993	10,553,262	1,214,345	9,002,132	-	117	-
1994	11,148,999	1,320,029	9,483,954	-	118	-
1995 #	11,870,657	1,437,103	10,920,045	-	109	-
1996	12,837,306	1,426,762	11,353,247	-	113	-
1997	14,106,937	1,427,749	12,091,082	-	117	-
1998 @	15,608,864	1,389,053	10,891,008	-	143	-
1999 #	17,296,136	1,616,208	12,253,051	-	141	-
2000 #	18,621,940	1,646,791	13,367,008	-	139	-
2001	19,330,612	1,751,810	15,133,840	-	128	-
2002 #	19,274,620	1,681,701	16,582,195	-	116	-
2003 @	18,797,603	1,708,691	18,293,107	-	103	-
2004	18,431,090	1,867,349	18,883,067	451,977	98	24
2005 #	18,381,567	1,827,151	19,474,567	1,093,000	94	60
2006	18,635,314	1,835,787	20,681,115	2,045,801	90	111
2007	19,686,269	1,799,708	21,845,071	2,158,802	90	120
2008	20,322,502	1,885,535	22,861,045	2,538,543	89	135
2009	17,934,203	1,946,469	23,803,284	5,869,081	75	302
2010	17,831,177	1,926,918	24,631,990	6,800,813	72	353

 # After changes in benefit provisions.
@ After changes in actuarial assumptions or methods.
** Prior to 2001 the actuarial present value of credited projected benefits is shown.*
& Prior to 2001 the unfunded actuarial present value of credited projected benefits is shown.

The Short Condition Test is another way of looking at a system's progress under its funding program - based on the actuarial accrued liabilities. In a short condition test, the plan's valuation assets are compared with: 1) Active member contributions on deposit; 2) The liabilities for future benefits to present retired lives; 3) The liabilities allocated to service already rendered by active members. In a system that has been following the discipline of level percent-of-payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by valuation assets (except in rare circumstances). In addition, the liabilities assigned to service already rendered by active members (liability 3) will be partially covered by the remainder of valuation assets. The larger the funded portion of liability 3, the stronger the condition of the system. Liability 3 being fully funded is uncommon, and not necessarily a by-product of level percent-of-payroll funding methods.

The schedule below illustrates the history of liabilities 1, 2 and 3.

SHORT CONDITION TEST
COMPARATIVE STATEMENT

	Entry Age Accrued Liability*				Portion of Present Values Covered by Assets		
Valuation Date June 30	(1) Active Member Contr.	(2) Retirees and Benef.	(3) Active Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)
1991	$ 707,737	$ 2,991,013	$ 4,046,982	$ 9,043,126	100 %	100 %	132 %
1992 #	792,350	2,737,917	4,765,976	9,704,071	100	100	130
1993	741,960	3,937,803	4,322,369	10,553,262	100	100	136
1994	785,061	4,168,091	4,530,802	11,148,999	100	100	137
1995 #	746,522	5,422,360	4,751,163	11,870,657	100	100	120
1996	712,636	6,478,052	4,162,559	12,837,306	100	100	136
1997	709,983	7,081,906	4,299,193	14,106,937	100	100	147
1998 @	649,327	7,689,813	2,551,868	15,608,864	100	100	285
1999 #	743,045	7,555,614	3,954,392	17,296,136	100	100	228
2000 #	702,050	8,734,520	3,930,438	18,621,940	100	100	234
2001	798,260	8,724,455	5,611,125	19,330,612	100	100	175
2002 #	798,043	9,625,179	6,158,973	19,274,620	100	100	144
2003 @	799,604	10,524,646	6,968,857	18,797,603	100	100	107
2004	926,089	10,116,183	7,840,795	18,431,090	100	100	94
2005 #	923,329	11,180,006	7,371,232	18,381,567	100	100	85
2006	928,344	12,393,723	7,359,048	18,635,314	100	100	72
2007	946,268	13,746,094	7,152,709	19,686,269	100	100	70
2008	1,077,273	13,964,029	7,819,743	20,322,502	100	100	68
2009	1,173,220	13,980,983	8,649,081	17,934,203	100	100	32
2010	1,168,797	14,921,206	8,541,987	17,831,177	100	100	20

\# *After changes in benefit provisions.*
@ *After changes in actuarial assumptions or methods.*
* *Prior to 2001 the Pension Benefit Obligation is shown.*

COMPUTED AND ACTUAL CITY CONTRIBUTIONS
COMPARATIVE STATEMENT

Fiscal Year Beg. July 1	Valuation Date June 30	Valuation Payroll	Computed % of Payroll Contribution	Actual Dollar Contribution
1980	1979	$ 733,203	25.42 %	$204,929
1985	1984	908,180	25.89	267,725
1987	1986 #	1,039,113	26.76	294,195
1988	1987 @	1,061,783	17.64	191,846
1989	1988	1,083,902	16.55	192,172
1990	1989	1,106,818	15.19	182,251
1991	1990	1,169,377	13.97	168,947
1992	1991	1,204,260	12.70	171,935
1993	1992 #	1,208,832	13.74	180,929
1994	1993	1,214,345	13.39	196,531
1995	1994	1,320,029	13.28	198,120
1996	1995 #	1,437,103	18.30	267,991
1997	1996	1,426,762	15.96	247,934
1998	1997	1,427,749	13.77	222,301
1999	1998 @	1,389,053	5.00	147,844
2000	1999 #	1,616,208	6.19	108,776
2001	2000 #	1,646,791	5.89	107,352
2002	2001	1,751,810	6.83	123,488
2003	2002 #	1,681,701	12.07	219,191
2004	2003 @	1,708,691	21.87	418,035
2005	2004	1,867,349	24.69	465,237
2006	2005 #	1,827,151	26.40	489,661
2007	2006	1,835,787	29.08	542,028
2008	2007	1,799,708	29.71	573,788
2009	2008	1,885,535	30.38	601,037
2010	2009	1,946,469	38.92	
2011	2010	1,926,918	41.61	

\# *After changes in benefit provisions.*
@ *After changes in actuarial assumptions or methods.*

COMMENTS

COMMENT A

The valuation assets as of June 30, 2010 totaled $17,831,177 while actuarial accrued liabilities (AAL) were $24,631,990; thus valuation assets were lower than AAL by $6,800,813. The policy currently in place calls for the amortization of this unfunded accrued liability over an open period of 30 years. For the fiscal year beginning July 1, 2011 the amortization payment, was 18.11% of payroll (see page A-2). Adding the amortization payment yields an employer contribution rate of 41.61% of payroll.

COMMENT B

The experience during the year ended June 30, 2010 was less favorable than assumed (see page A-11). This was primarily due to investment losses (on a funding value basis) and more retirements than expected. Year to year experience deviations are expected in the operation of a pension fund because of the variability of the economy and individual member actions. Please refer to pages B-7, B-12, C-9 and C-10 for additional experience information.

COMMENT C

The rate of return based upon the funding value of assets was 4.50% for the valuation year ended June 30, 2010. The rate of return based upon the market value of assets was 16.57% for the valuation year ended June 30, 2010. Currently, investment losses are scheduled for 2011 through 2013. Valuation assets currently exceed market value of assets by 8.3%. (Please see page B-4 for details.) This will cause upward pressure on computed employer contributions in the upcoming years. For example, if the market value of assets were used to determine the employer contribution rate as of June 30, 2010, the computed employer contribution rate would have been 45.30%.

COMMENT D

As of June 30, 2010, based on the funding value of assets the funded ratio of the System was 72%. Based upon the market value of assets, the funded ratio is 67%.

RECOMMENDATION

We recommend that a transfer of $364,340 be made from the Pension Reserve Account to the Retirement Reserve Account since the Retirement Reserve Account currently is less than 100% funded.

CONCLUSION

The City's annual contribution for pensions (member contributions are additional) to the City of Escanaba Public Safety Retirement System have been computed to be 41.61% of active member payroll as shown on page A-2. It is the actuary's opinion that the contribution rates recommended are sufficient to meet the System's financial objective.

ACTUARIAL BALANCE SHEET - JUNE 30, 2010

PRESENT RESOURCES AND EXPECTED FUTURE RESOURCES

A. Valuation assets:	
1. Net assets from system financial statements (market value)	$ 16,458,177
2. Valuation adjustment	1,373,000
3. Valuation assets	17,831,177
B. Actuarial present value of expected future employer contributions:	
1. For normal costs	4,677,398
2. For unfunded actuarial accrued liabilities	6,800,813
3. Total	11,478,211
C. Actuarial present value of expected future member contributions	1,162,234
D. Total Actuarial Present Value of Present and Expected Future Resources	**$ 30,471,622**

ACTUARIAL PRESENT VALUE OF EXPECTED FUTURE BENEFIT PAYMENTS AND RESERVES

A. To retirees and beneficiaries	$ 14,839,083
B. To vested terminated members	164,138
C. To present active members:	
1. Allocated to service rendered prior to valuation date	9,426,646
2. Allocated to service likely to be rendered after valuation date	5,839,632
3. Total	15,266,278
D. Total Actuarial Present Value of Expected Future Benefit Payments	30,269,499
E. Reserves:	
1. Allocated to DROP Accounts	202,123
2. Unallocated investment income	none
3. Total	202,123
F. Total Actuarial Present Value of Expected Future Benefit Payments and Reserves	**$ 30,471,622**

DERIVATION OF ACTUARIAL GAIN (LOSS)
YEAR ENDED JUNE 30, 2010

The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Although sizable year to year fluctuations can occur, gains and losses are expected to cancel each other over a period of years. Detail on the derivation of the actuarial gain (loss) is shown below, along with a year by year comparative schedule.

(1)	UAAL* at start of year	$ 5,869,081
(2)	Employer Normal cost	456,252
(3)	Actual employer contributions	601,037
(4)	Interest accrual	463,735
(5)	Expected UAAL before changes	6,188,031
(6)	Change from benefit changes	none
(7)	Change from revised actuarial assumptions	none
(8)	Expected UAAL after changes	6,188,031
(9)	Actual UAAL at end of year	6,800,813
(10)	Gain (loss) (8) - (9)	(612,782)
(11)	Gain (loss) as percent of actuarial accrued liabilities at start of year ($23,803,284)	(2.6)%

* *Unfunded actuarial accrued liability.*

Valuation Date June 30	Actuarial Gain (Loss) As % of Beginning Accrued Liabilities
1996	5.2 %
1997	4.2
1998	7.6
1999	9.2
2000	9.8
2001	(1.0)
2002	(8.3)
2003	(7.5)
2004	(4.4)
2005	(3.8)
2006	(4.7)
2007	(0.1)
2008	(1.5)
2009	(14.3)
2010	(2.6)

SECTION B

SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA SUBMITTED BY THE RETIREMENT SYSTEM

BRIEF SUMMARY OF ACT 345 BENEFIT CONDITIONS EVALUATED (JUNE 30, 2010)

Eligibility	Amount
SERVICE RETIREMENT	
Any age with 25 or more years of service or age 60 regardless of service.	Straight life pension equals 3.00% of 3-year average final compensation (AFC) times first 25 years of service. Maximum benefit is 75% of AFC.
DEFERRED RETIREMENT	
10 or more years of service.	Computed as service retirement but based upon service, AFC and benefit in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment.

DEFERRED RETIREMENT OPTION PLAN (DROP)

Participation is open to any Police Captain or Chief who has reached the eligibility conditions for unreduced retirement. A regular retirement benefit is computed for the member as of his DROP election date based upon Average Final Compensation (AFC) and service credit as of this date. Monthly payments equal to 80% of the computed monthly benefit are deposited into the DROP Reserve Account (DRA) on behalf of this member. Interest is credited monthly to this balance in the DRA at the rate of 4.0%, compounded annually. Employer contributions and member contributions shall cease as of the member's DROP election date. The member will become vested in their individual DRA at a rate of 20% after each full year of participation in the DROP and must terminate employment no later than 5 years after entering the DROP. In the case of the death or disability of a member during the DROP period, 100% of the funds in the DRA will be paid out. The member's monthly benefit at retirement will be the original monthly benefit determined at the DROP election date including any post-retirement benefit increases that would apply had the member actually retired on his or her DROP date. The member has the option at that time to receive the DRA balance as a lump-sum, as a roll-over or leave the accumulated balance in the Plan.

DEATH AFTER RETIREMENT SURVIVOR'S PENSION	
Payable to a surviving spouse, if any, upon the death of a retired member who was receiving a straight life pension which was effective July 1, 1975 or later.	Spouse's pension equals 60% of the straight life pension the deceased retiree was receiving.
NON-DUTY DEATH-IN-SERVICE SURVIVOR'S PENSION	
Payable to a surviving spouse, if any, upon the death of a member with 10 or more years of service.	Accrued straight life pension actuarially reduced in accordance with an Option I election.

BRIEF SUMMARY OF ACT 345 BENEFIT CONDITIONS EVALUATED (JUNE 30, 2010) (CONCLUDED)

Eligibility	Amount

DUTY DEATH IN SERVICE SURVIVOR'S PENSION

Payable upon the expiration of worker's compensation to the survivors of a member who died in the line of duty.	Same amount that was paid by worker's compensation.

NON-DUTY DISABILITY

Payable upon the total and permanent disability of a member with 5 or more years of service.	To Age 55: 1.5% of AFC times years of service. At Age 55: Same as Service Retirement Pension.

DUTY DISABILITY

Payable upon the total and permanent disability of a member in the line of duty.	To Age 55: 50% of AFC. At Age 55: Same as Service Retirement Pension with service credit from date of disability to age 55.

MEMBER CONTRIBUTIONS

If the City contribution rate increases above 6.83% the member contribution rate will be 6.0% commencing the following July 1st. If the City contribution rate decreases below 6.83% the member contribution rate will decrease to 5.0% commencing the following July 1st.

POST-RETIREMENT BENEFIT INCREASES

Payable to all retirees and beneficiaries who have been retired one or more full years as of the annual implementation date of January first.	The annual retirement benefit payable to a qualifying retiree is increased by 1% (1.5% for those retirees and beneficiaries retiring after July 1, 2002) per year, compounded annually. The first increase will be implemented January 1, 2000. A minimum $6,000.00 annual benefit was adopted for all retirees and survivor beneficiaries.

MILITARY SERVICE

Retirees may purchase military service time in the same manner as has been utilized in the past and in accord with Public Act 345. The employee purchasing such military service time must also then retire within thirty (30) days of the purchase.

REPORTED FUND BALANCE (MARKET VALUE)

Reserves	Reported Balance Fund June 30 2010	2009
Reserve for Employees' Contributions	$ 1,304,764	$ 1,239,596
Reserve for Employer Contributions	476,547	(723,305)
Reserve for Retired Benefit Payments	14,474,743	14,047,546
Reserve for DROP Accounts	202,123	381,332
Reserve for Undistributed Investment Income	none	none
Total Fund Balance	$ 16,458,177	$ 14,945,169

Valuation assets are equal to reported market value of assets, with a 5-year spreading of all differences between total investment income and projected investment income (actuarial assumption). Such spreading reduces the fluctuation in the City's computed contribution rate, which might otherwise be caused by market value fluctuations. Valuation assets are not allowed to deviate from market value by more than 20%. The details of the spreading technique are shown on page B-4. The valuation assets as of June 30, 2010 total $17,831,177.

In financing actuarial accrued liabilities, valuation assets of $17,831,177 were distributed as follows:

Reserves	Valuation Assets Applied to Actuarial Accrued Liabilities for: Active Members	Retirees & Beneficiaries	DROP Participants	Totals
Reserves for Employees' Contributions	$ 1,304,764			$ 1,304,764
Reserves for Employer Contributions	112,207	$ 364,340		476,547
Reserves for Retired Benefit Payments		$ 13,802,105	$ 672,638	14,474,743
Reserves for DROP Accounts			202,123	202,123
Valuation Asset Adjustment	1,373,000			1,373,000
Total	$ 2,789,971	$ 14,166,445	$ 874,761	$ 17,831,177

DERIVATION OF VALUATION ASSETS – JUNE 30, 2010

Valuation Date June 30:	2009	2010	2011	2012	2013	2014
A. Funding Value Beginning of Year	$ 20,322,502	$17,934,203				
B. Market Value End of Year	14,945,169	16,458,177				
C. Market Value Beginning of Year	18,539,247	14,945,169				
D. Non-Investment Net Cash Flow	(551,378)	(890,195)				
E. Investment Return:						
E1. Market Total: B-C-D	(3,042,700)	2,403,203				
E2. Assumed Rate	8.00%	8.00%				
E3. Amount for Immediate Recognition	1,604,028	1,399,585				
E4. Amount for Phased-In Recognition	(4,646,728)	1,003,618				
F. Phased-In Recognition of Investment Return:						
F1. Current Year: 0.2xE4	(929,346)	200,724				
F2. First Prior Year	(606,923)	(409,863)	$200,724			
F3. Second Prior Year	267,539	(606,923)	(409,863)	$200,724		
F4. Third Prior Year	(63,895)	267,539	(606,923)	(409,863)	$200,724	
F5. Fourth Prior Year	(30,395)	(63,893)	267,541	(606,922)	(409,864)	$200,722
F6. Total Recognized Investment Gain	(1,363,020)	(612,416)	(548,521)	(816,061)	(209,140)	200,722
G. Valuation Assets						
G1. Preliminary Valuation Assets: A + D + E3 + F6	$ 20,012,132	$17,831,177				
G2. Upper Corridor Limit = 120% * B	17,934,203	19,749,812				
G3. Lower Corridor Limit = 80% * B	11,956,135	13,166,542				
G4. Valuation Assets	$ 17,934,203	$17,831,177				
H. Difference Between Market & Funding Values	$ (2,989,034)	$ (1,373,000)				
I. Recognized Rate of Return	(9.16%)	4.50%				
J. Market Value Rate of Return	(16.66%)	16.57%				
K. Ratio of Funding Value to Market Value	120.0%	108.3%				

The Valuation Assets recognize assumed investment return (line E3) fully each year. Differences between actual and assumed investment return (line E4) are phased-in over a closed 5-year period. During periods when investment performance exceeds the assumed rate, Funding Value of Assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, Funding Value of Assets will tend to be greater than market value. If assumed rates are exactly realized for 4 consecutive years, funding value will become equal to market value.

SUMMARY OF CURRENT ASSET INFORMATION REPORTED FOR VALUATION

Assets

	June 30, 2010 Market Value	June 30, 2009 Market Value
Cash & equivalents	$ 1,150	$ 3,295
Receivables	0	0
Stocks	11,961,330	10,260,877
Bonds	4,503,997	4,682,310
Total Assets	16,466,477	14,946,482
Less accounts payable	8,300	1,313
Net Assets	$ 16,458,177	$ 14,945,169

Revenues and Expenses

	2009-10	2008-09
Balance - July 1,	$ 14,945,169	$ 18,539,247
Revenues:		
Employees' contributions	118,679	115,872
Employer contributions	601,037	573,788
Investment income	2,422,443	(3,019,468)
Miscellaneous	-	-
Expenses:		
Benefit payments	1,609,911	1,241,038
Health insurance premiums for retired members	-	-
Refunds of member contributions	-	-
Administrative expenses	-	-
Investment expenses	19,240	23,232
Balance - June 30,	$ 16,458,177	$ 14,945,169

ASSET INFORMATION REPORTED FOR VALUATION
COMPARATIVE STATEMENT

Year Ended June 30	Assets Beginning of Year #	Revenues				Expenses					Assets Year-End #
		Employee Contrib.	Employer Contrib.	Investment Income	Misc. Income	Retirement Benefits	Health Insur.	Contrib. Refunds	Admin. Expenses	Fiduciary Insurance	
1986	$4,728,339	$ 52,045	$267,725	$ 808,164	$ 0	$ 192,298	$ 0	$ 0	$ 29,435	$ 0	$ 5,634,540
1987	5,634,540	54,001	280,066	618,687	0	197,020	0	0	34,956	0	6,355,318
1988	6,355,318	54,860	294,195	658,704	0	244,558	0	0	41,141	0	7,077,378
1989	7,077,378	60,242	191,846	514,674	0	265,049	0	0	38,634	0	7,540,457
1990	7,540,457	63,648	192,172	986,295	0	272,295	3,689	13,603	45,295	0	8,447,690
1991	8,447,690	59,987	182,251	693,058	0	285,581	0	0	51,889	0	9,045,516
1992	9,045,516	60,464	168,947	1,120,044	0	312,286	0	0	54,182	0	10,028,503
1993	10,028,503	67,413	171,935	1,454,471	0	354,002	0	0	85,504	0	11,282,816
1994	11,282,816	65,836	180,929	629,398	0	405,703	0	0	93,044	0	11,660,232
1995	11,660,232	73,384	196,531	606,807	0	476,533	0	0	92,754	0	11,967,667
1996	11,967,667	74,611	198,120	1,725,741	27	535,790	0	0	62,362	0	13,368,014
1997	14,197,348	73,221	267,991	2,039,285	0	619,958	5,207	0	80,504	0	15,872,176
1998	15,742,123 @	77,671	247,934	2,558,320	0	658,378	0	0	114,002	2,050	17,851,618
1999	17,851,618	80,720	222,301	1,389,781	0	732,241	0	0	85,824	2,812	18,723,543
2000	18,723,543	105,534	147,844	444,531	0	793,744	0	0	25,723	2,359	18,599,626
2001	18,599,626	87,865	108,776	(378,034)	0	853,973	0	5,808	5,395	2,170	17,550,887
2002	17,550,887	94,536	107,352	(1,338,951)	0	892,018	0	6,039	5,400	1,806	15,508,561
2003	15,508,561	90,071	123,488	918,185	0	964,302	0	0	5,600	2,547	15,667,856
2004	15,667,856	108,960	219,191	1,892,841	0	1,002,032	0	0	0	2,326	16,884,490
2005	16,884,490	114,685	418,035	1,315,775	0	1,026,199	0	0	0	12,749	17,694,037
2006	17,694,037	113,059	465,237	1,134,019	0	1,070,530	0	0	0	2,403	18,333,419
2007	18,333,419	139,259	489,661	2,816,681	0	1,182,388	0	0	0	10,014	20,586,618
2008	20,586,618	112,256	542,028	(1,469,267)	0	1,219,619	0	0	0	12,769	18,539,247
2009	18,539,247	115,872	573,788	(3,019,468)	0	1,241,038	0	0	0	23,232	14,945,169
2010	14,945,169	118,679	601,037	2,422,443	0	1,609,911	0	0	0	19,240	16,458,177

 # Market value as of June 30, 1997.
@ Adjustment of $130,053 in 1997 market value.

RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS
EXCLUDING CURRENT DROP PARTICIPANTS
COMPARATIVE STATEMENT

Year Ended June 30	Added to Rolls			Removed from Rolls		Rolls End of Year		% Incr. Annual Benefits	Average Annual Benefit	Annual Benefits as a % of Active Payroll	Active Members per Ret'd. Members
	No.	Annual Benefits	Post-Ret. Increases	No.	Annual Benefits	No.	Annual Benefits				
1975						11	$ 29,969	- %	$ 2,724	* %	*
1980	1	$ 11,836				18	98,203	14	5,456	13.2	2.2
1985	2	17,620		1	$ 2,796	26	192,391	8	7,400	19.1	1.4
1990	2	28,298		1	17,686	28	274,476	4	9,803	23.5	1.3
1992	2	6,301		3	25,876	28	273,092	(7)	9,753	22.6	1.3
1993	4	110,389				32	383,481	40	11,984	31.6	1.1
1994	1	25,083				33	408,564	7	12,381	31.0	1.1
1995	3	78,857				36	487,421	19	13,539	33.9	1.1
1996	3	90,756				39	578,177	19	14,825	40.5	0.9
1997	3	62,953		1	3,180	41	637,950	10	15,560	44.7	0.9
1998	5	115,632	$ 3,312	2	20,335	44	736,559	15	16,740	53.0	0.8
1999				1	9,580	43	726,979	(1)	16,906	45.0	0.8
2000	3	94,932	24,781			46	846,692	16	18,406	51.4	0.8
2001	1	6,060	18,475	1	8,345	46	862,882	2	18,758	49.3	0.8
2002	2	77,232	8,629			48	948,743	10	19,765	56.4	0.7
2003	3	88,624	8,853	3	26,808	48	1,019,412	7	21,238	59.7	0.7
2004			10,163	1	44,382	47	985,193	(3)	20,962	52.8	0.7
2005	2	63,155	9,511	2	32,836	47	1,025,023	4	21,809	56.1	0.7
2006	1	42,890	10,201			48	1,078,114	5	22,461	58.7	0.7
2007	6	129,253	11,533	3	29,233	51	1,189,667	10	23,327	66.1	0.6
2008	2	17,078	13,126			53	1,219,871	3	23,016	64.7	0.6
2009	1	6,497	13,629	1	6,497	53	1,233,500	1	23,274	63.4	0.6
2010	6	190,702	13,144	2	46,077	57	1,391,269	13	24,408	72.2	0.5

RETIREES AND BENEFICIARIES - JUNE 30, 2010
BY TYPE OF BENEFITS BEING PAID
EXCLUDING CURRENT DROP PARTICIPANTS

Type of Benefits Being Paid	No.	Annual Benefits Being Paid	Average Annual Benefit
Age and Service Benefits:			
Straight life benefit - benefit terminating at death of retiree	10	$ 200,829	$ 20,083
Straight life benefit - automatic 60% survivor benefit to spouse	32	1,058,060	33,064
Benefit being paid to survivor beneficiary of deceased retiree	13	119,255	9,173
Total age and service benefits	55	$ 1,378,144	$ 25,057
Casualty Benefits:			
Disability benefits			
Benefit being paid to survivor beneficiary of deceased disabled member	1	6,497	6,497
Benefit being paid to survivor beneficiary of deceased member	1	6,628	6,628
Total casualty benefits	2	13,125	6,563
Total Benefits Being Paid	**57**	**$ 1,391,269**	**$ 24,408**

DROP PARTICIPANTS - JUNE 30, 2010

Attained Age	Age at DROP	Assumed Retirement Age	Annual Benefit Credited to DROP Account	Annual Benefit at Retirement
57	53	58	42,761	57,583

RETIREES AND BENEFICIARIES - JUNE 30, 2010
TABULATED BY ATTAINED AGES
EXCLUDING CURRENT DROP PARTICIPANTS

Attained Ages	Age and Service Retirees		Disability Retirees		Survivor Beneficiaries	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
48	2	$ 58,150				
50	1	8,711				
52	1	8,711				
53	2	65,915				
54	1	46,844				$ -
55	2	93,333				
56	2	57,789			1	17,415
57	3	107,544				
58	1	43,977				
61	2	83,236				
64	1	50,096				
65	1	34,544				
66					1	12,077
67					1	17,456
68	1	28,831				
69	2	43,833				
70	6	202,236				
72	1	37,539				
73	2	52,723				
74	1	21,415				
75	1	28,118				
77	2	68,971			1	6,628
78	1	11,131				
80	2	38,803				
81					1	6,628
82					1	10,271
83	1	28,596			1	6,497
84	1	10,883			1	6,244
85					2	13,255
86	1	15,488			2	12,688
88					2	16,593
91	1	11,472				
95					1	6,628
Totals	**42**	**$1,258,889**			**15**	**$132,380**

VESTED TERMINATED MEMBERS - JUNE 30, 2010
TABULATED BY ATTAINED AGE

Attained Age	No.	Estimated Annual Benefits
42	1	$26,653

ACTIVE MEMBERS INCLUDED IN VALUATION

Valuation Date June 30	Active Members	Vested Term. Members	Valuation Payroll	Average Age	Average Service	Average Pay	% Increase
1981	37	2	$ 759,309	41.5 years	14.8 years	$20,522	10.0 %
1982	36	1	771,472	42.9	16.1	21,430	4.4
1983	36	1	845,078	41.4	14.6	23,474	9.5
1984	36	1	908,180	42.0	15.4	25,227	7.5
1985	36	1	1,009,054	42.4	15.5	28,029	11.1
1986	36	1	1,039,113	43.4	16.5	28,864	3.0
1987	36	1	1,061,783	43.7	16.5	29,494	2.2
1988	37	1	1,083,902	43.1	15.6	29,295	(0.7)
1989	37	1	1,106,818	43.2	15.8	29,914	2.1
1990	37	1	1,169,377	43.6	16.3	31,605	5.7
1991	37	1	1,204,260	43.9	16.6	32,548	3.0
1992	37	0	1,208,832	44.9	17.6	32,671	0.4
1993	35	0	1,214,345	43.4	16.0	34,696	6.2
1994	36	0	1,320,029	43.1	15.8	36,667	5.7
1995	38	0	1,437,103	40.9	13.6	37,819	3.1
1996	37	1	1,426,762	39.3	12.1	38,561	2.0
1997	35	1	1,427,749	39.7	12.1	40,793	5.8
1998	34	1	1,389,053	38.2	10.6	40,855	0.2
1999	36	1	1,616,208	38.6	11.0	44,895	9.9
2000	36	2	1,646,791	37.5	10.8	45,744	1.9
2001	36	2	1,751,810	38.3	11.6	48,661	6.4
2002	33	2	1,681,701	38.3	12.0	50,961	4.7
2003	33	2	1,708,691	38.1	11.5	51,779	1.6
2004	35	2	1,867,349	38.3	11.8	53,353	3.0
2005	34	2	1,827,151	37.9	11.5	53,740	0.7
2006	33	2	1,835,787	37.8	11.3	55,630	3.5
2007	32	1	1,799,708	37.4	11.3	56,241	1.1
2008	32	0	1,885,535	38.4	12.3	58,923	4.8
2009	32	1	1,946,469	39.1	12.9	60,827	3.2
2010	31	1	1,926,918	38.9	12.8	62,159	2.2

ADDITIONS TO AND REMOVALS FROM ACTIVE MEMBERSHIP
ACTUAL AND EXPECTED NUMBERS

Year Ended June 30	Number Added During Year		Normal Retirement*		Disability Retirement		Died-In-Service		Other Terminations		Active Members End of Year
	A	E	A	E	A	E	A	E	A	E	
1986	0	0	0	0.6	0	0.1	0	0.1	0	1.0	36
1987	1	1	1	1.4	0	0.1	0	0.1	0	0.8	36
1988	3	2	2	0.9	0	0.1	0	0.1	0	0.6	37
1989	2	2	1	1.1	0	0.1	0	0.1	1	0.8	37
1990	1	1	1	1.3	0	0.1	0	0.1	0	0.8	37
1991	1	1	1	1.5	0	0.1	0	0.1	0	0.7	37
1992	0	0	0	2.2	0	0.1	0	0.1	0	0.7	37
1993	2	4	4	4.3	0	0.1	0	0.1	0	0.5	35
1994	2	1	1	1.7	0	0.1	0	0.1	0	0.6	36
1995	5	3	3	1.4	0	0.1	0	0.1	0	0.6	38
1996	4	5	3	1.0	0	0.1	0	0.1	2	1.1	37
1997	2	4	2	1.0	0	0.1	0	0.1	2	1.1	35
1998	2	3	3	0.7	0	0.1	0	0.1	0	1.0	34
1999	2	0	0	0.0	0	0.1	0	0.1	0	1.0	36
2000	4	4	3	0.9	0	0.1	0	0.0	1	1.0	36
2001	1	1	0	0.4	0	0.1	0	0.0	1	1.0	36
2002	0	3	2	0.4	0	0.1	0	0.0	1	0.9	33
2003	2	2	2	0.5	0	0.1	0	0.0	0	0.7	33
2004	2	0	0	2.3	0	0.1	0	0.0	0	0.8	35
2005	1	2	2	2.5	0	0.1	0	0.0	0	0.9	34
2006	1	2	2	0.8	0	0.1	0	0.0	0	0.8	33
2007	1	2	2	0.0	0	0.1	0	0.0	0	0.8	32
2008	0	0	0	0.8	0	0.1	0	0.0	0	0.8	32
2009	1	1	0	0.5	0	0.1	0	0.0	1	0.6	32
2010	1	2	2	0.5	0	0.1	0	0.0	0	0.7	31
5-Yr. Total	4	7	6	2.6	0	0.5	0	0.0	1	3.7	

** Includes participants entering the DROP.*

A represents actual number.
E represents expected number based on assumptions outlined in Section C.

ACTIVE MEMBERS - JUNE 30, 2010
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
25-29	2	1						3	$ 172,814
30-34	1	4	1					6	370,245
35-39		1	2	2				5	307,815
40-44		1	5	4	1			11	705,766
45-49			1	1	2			4	239,570
50-54				1	1			2	130,708
Totals	**3**	**7**	**9**	**8**	**4**			**31**	**$ 1,926,918**

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

Age: 38.9 years.

Service: 12.8 years.

Annual Pay: $62,159

SECTION C

FINANCIAL PRINCIPLES, ACTUARIAL VALUATION PROCESS, ACTUARIAL COST METHODS, ACTUARIAL ASSUMPTIONS, AND DEFINITIONS OF TECHNICAL TERMS

BASIC FINANCIAL PRINCIPLES AND OPERATION OF THE RETIREMENT SYSTEM

Benefit Promises Made Which Must Be Paid For. A retirement program is an orderly means of handing out, keeping track of, and financing pension promises to a group of employees. As each member of the retirement program acquires a unit of service credit the member is, in effect, handed an "IOU" which reads: "The Retirement System promises to pay you one unit of retirement benefits, payments in cash commencing when you retire."

The principal related financial question is: When shall the money required to cover the "IOU" be contributed? This year, when the benefit of the member's service is received? Or, some future year when the "IOU" becomes a cash demand?

The Constitution of the State of Michigan is directed to the question:

> "Financial benefits arising on account of service rendered in each fiscal year shall be funded during that year and such funding shall not be used for financing unfunded accrued liabilities."

This Retirement System meets this requirement by having as its ***financial objective the establishment and receipt of contributions, expressed as percents of active member payroll, which will remain approximately level*** from year to year and will not have to be increased for future generations of taxpayers.

Section 20(m) of Act 728 of 2002 requires that an annual required contribution shall consist of a current service cost (the normal cost) and a payment for unfunded actuarial liability (both interest and principal). This requirement is consistent with the financial objective stated above.

The accumulation of invested ***assets is a by-product of level percent of payroll contributions, not the objective.*** Investment income becomes the third major contributor to the retirement program, and the amount is directly related to the amount of contributions and investment performance.

If contributions to the retirement program are less than the preceding amount, the difference, ***plus investment earnings not realized thereon***, will have to be contributed at some later time (or benefits will have to be reduced) to satisfy the fundamental fiscal equation under which all retirement programs must operate:

$$B = C + I - E$$

The aggregate amount of **B**enefit payments to any group of members and their beneficiaries cannot exceed the sum of:

The aggregate amount of **C**ontributions received on behalf of the group

... plus ...

Investment earnings on contributions received and not required for immediate cash payments of benefits

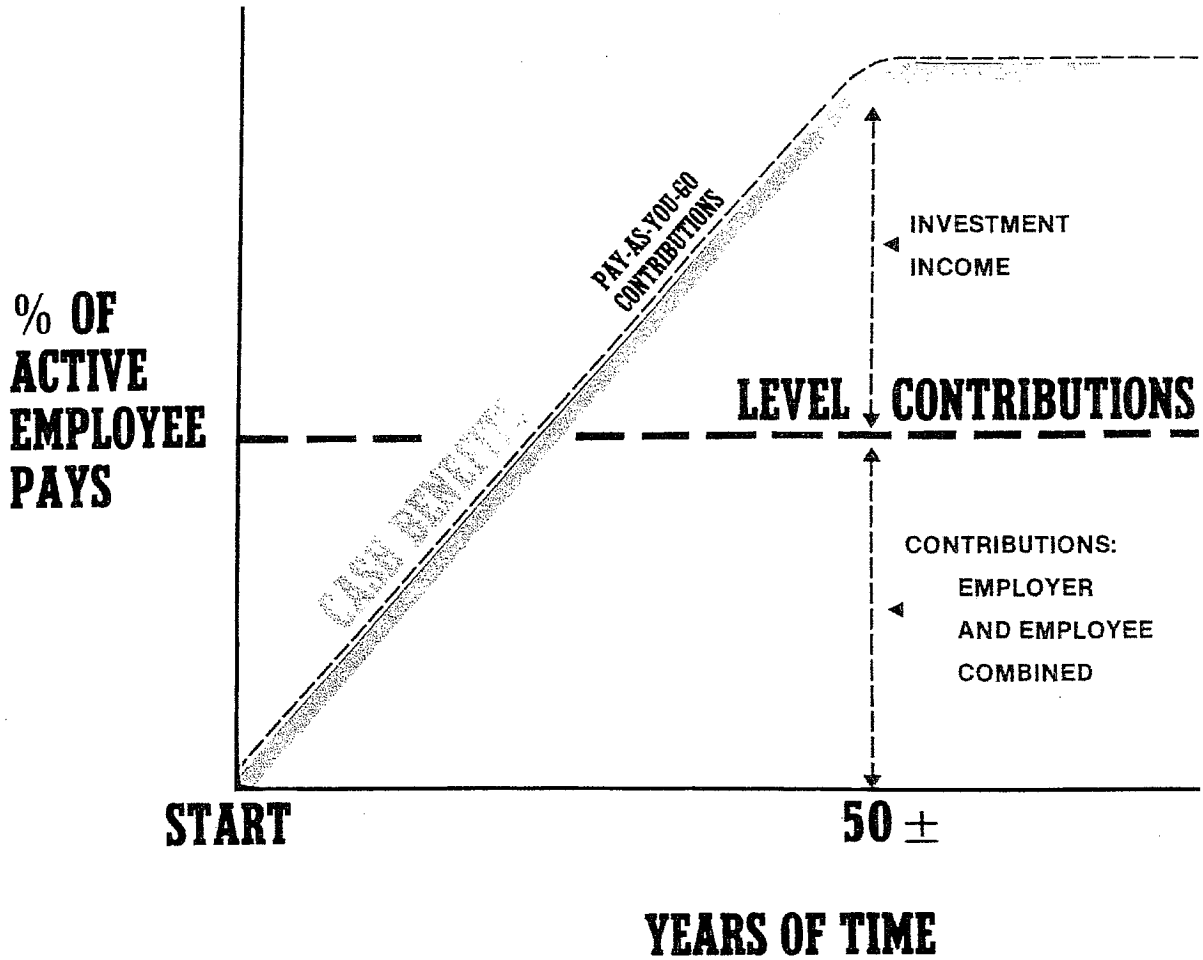
... minus ...

The **E**xpenses of operating the program.

There are retirement programs designed to defer the bulk of contributions far into the future. The present contribution rate for such systems is ***artificially low***. The fact that the contribution rate is destined to increase relentlessly to a much higher level, is often ignored.

This method of financing is prohibited in Michigan by the state constitution.

Computed Contribution Rate Needed to Finance Benefits. From a given schedule of benefits and from the data furnished, the actuary calculates the contribution rate ***by means of an actuarial valuation*** - the technique of assigning monetary values to the risks assumed in operating a retirement program.



This relentlessly increasing line is the fundamental reality of retirement plan financing. It happens each time a new benefit is added for future retirements (and happens regardless of the design for contributing for benefits).

LEVEL CONTRIBUTION LINE. Determining the level contribution line requires detailed assumptions concerning a variety of experiences in future decades, including:

- **Economic Risk Areas**
  - **Rates of investment return**
  - **Rates of pay increase**
  - **Changes in active member group size**
- **Non-Economic Risk Areas**
  - **Ages at actual retirement**
  - **Rates of mortality**
  - **Rates of withdrawal of active members (turnover)**
  - **Rates of disability**

The financing diagram on the previous page shows the relationship between the two fundamentally different philosophies of paying for retirement benefits: the method where contributions match cash benefit payments (or barely exceed cash benefit payments, as in the Federal Social Security program) which is an ***increasing contribution method***; and the ***level contribution method*** which equalizes contributions between the generations.

The actuarial valuation is the mathematical process by which the level contribution rate is determined, and the flow of activity constituting the valuation may be summarized as follows:

A. **Covered Person Data**, furnished by plan administrator

Retired lives now receiving benefits

Former employees with vested benefits not yet payable

Active employees

B. + **Asset data** (cash & investments), furnished by plan administrator

C. + **Assumptions concerning future financial experience in various risk areas**, which assumptions are established by the Retirement Board after consulting with the actuary

D. + **The funding method** for employer contributions (the long-term, planned pattern for employer contributions)

E. + **Mathematically combining the assumptions, the funding method, and the data**

F. = Determination of:

Plan financial position

and/or New Employer Contribution Rate

Age and Service, Death, and Disability Benefits. Normal cost and the allocation of actuarial present values between service rendered before and after the valuation date were determined using an individual entry-age actuarial cost method having the following characteristics:

(i) the annual normal costs for each individual active member, payable from the member's actual date of employment to projected date of retirement or date of DROP, are sufficient to accumulate the actuarial present value of the member's benefit at the time of retirement;

(ii) each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Amortization of Unfunded Actuarial Accrued Liabilities. Unfunded actuarial accrued liabilities were amortized by level percent of payroll contributions (principal and interest combined) over an open period of 30 years.

Active member payroll was assumed to increase 4.5% a year for the purpose of determining the level percent contributions.

ACTUARIAL ASSUMPTIONS IN THE VALUATION PROCESS

The actuary calculates contribution requirements and actuarial present values for a retirement system by applying actuarial assumptions to the benefit provisions and people information of the system, using the actuarial cost methods described on page C-5.

The principal areas of risk which require assumptions about future experience are:

(i) long-term rates of investment return to be generated by the assets of the system
(ii) patterns of pay increases to members
(iii) rates of mortality among members, retirees, and beneficiaries
(iv) rates of withdrawal of active members
(v) rates of disability among active members
(vi) the age patterns of actual retirements

In making a valuation, the actuary calculates the monetary effect of each assumption for as long as a present covered person survives - - - a period of time which can be as long as a century.

The employer contribution rate has been computed to remain level from year to year so long as benefits and the basic experience and make-up of members do not change. Examples of favorable experience, which would tend to reduce the employer contribution rate, are:

(1) Investment returns in excess of 8.0% per year.
(2) Member non-vested terminations at a higher rate than outlined on page C-11.
(3) Mortality among retirees and beneficiaries at a higher rate than indicated by the 1971 Group Annuity Mortality Table projected to 2005.

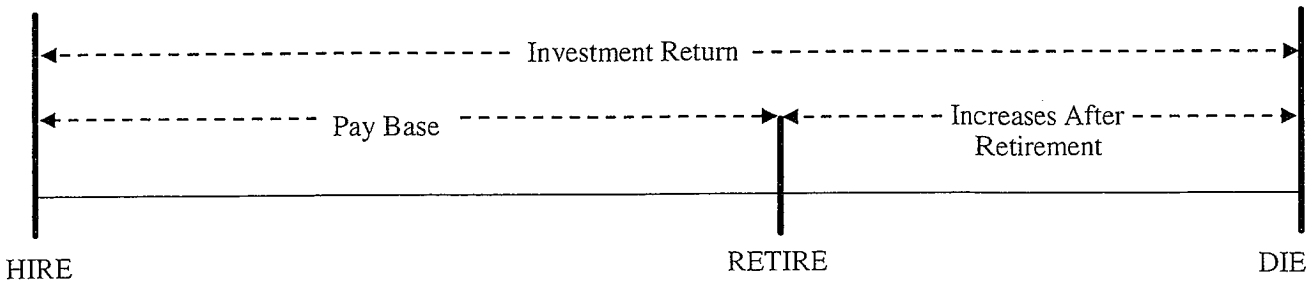
Examples of unfavorable experience, which would tend to increase the employer contribution rate, are:

(1) Pay increases in excess of the rates outlined on page C-9.
(2) An acceleration in the rate of retirement from the rates outlined on page C-12.
(3) A pattern of hiring employees at older ages than in the past.

Actual experience of the system will not coincide exactly with assumed experience, regardless of the choice of the assumptions, or the skill of the actuary or the precision of the calculations. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments (usually small) to the computed contribution rate.

From time to time one or more of the assumptions is modified to reflect experience trends (but not random or temporary year to year fluctuations).

Relationship of Economic Assumptions In Computing Contributions to a Retirement System



Investment Return

An increase in this assumption reduces computed contributions. The assumption operates over all parts of an employee's lifetime.

Pay Base

An increase in this assumption increases computed contributions. However, a 1% increase in this assumption, coupled with a 1% increase in Investment Return reduces computed contributions. This is because the Pay Base assumption operates only over an employee's working lifetime, while the Investment Return assumption operates over the employee's entire lifetime, and therefore has a greater effect.

Increases After Retirement

An increase in this element increases computed contributions.

If Investment Return, Pay Base, and Increases After Retirement are each increased by equal amounts, computed contributions remain the same (except in plans using Final Average Pay as a factor in computing benefits; the multi-year average used for Final Average Pay causes computed contributions to decrease slightly).

If Investment Return and Pay Base are increased by equal amounts, with no change in Increases After Retirement, computed contributions decrease – sometimes significantly. The decreases represent the projected devaluation of an employee's benefits following retirement.

Investment Return (net of administrative expenses).

8.0% a year, compounded annually. This rate consists of a real rate of return of 3.5% a year plus a long-term rate of wage inflation of 4.5% a year.

This assumption is used to equate the value of payments due at different points in time and was first used for the June 30, 1998 valuation. Approximate rates of investment return, for the purpose of comparisons with assumed rates, are shown below.

	Year Ended June 30					3-Year	5-Year
	2010	2009	2008	2007	2006	Average	Average
Valuation asset rate of return	4.5%	(9.2%)	6.2%	8.7%	4.1%	0.3%	2.7%

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

These rates of return should not be used for measurement of an investment advisor's performance or for comparisons with other systems -- ***to do so will mislead.***

Pay Projections. These assumptions are used to project current pays to those upon which benefits will be based. The assumptions were first used for the June 30, 1998 valuation.

	Annual Rate of Pay Increase for Sample Ages		
Sample Ages	Base (Economic)	Merit and Longevity	Total
20	4.5%	4.0%	8.5%
25	4.5	3.2	7.7%
30	4.5	2.8	7.3%
35	4.5	2.5	7.0%
40	4.5	2.2	6.7%
45	4.5	1.7	6.2%
50	4.5	1.2	5.7%
55	4.5	0.7	5.2%
60	4.5	0.2	4.7%

If the active member population is stationary, the total active member payroll will increase 4.5% annually, the base portion of the individual pay increase assumptions. This increasing payroll was recognized in amortizing unfunded actuarial accrued liabilities.

Changes actually experienced in average pay and total payroll have been as follows:

	Year Ended June 30					3-Year	5-Year
	2010	2009	2008	2007	2006	Average	Average
Average pay	2.2%	3.2%	4.8%	1.1%	3.5%	3.4%	3.0%
Total payroll	(1.0)%	3.2%	4.8%	(2.0%)	0.5%	2.3%	1.1%

Mortality Table. The 1971 Group Annuity Mortality Table projected to 2005, set back 0 years for men and 6 years for women. For disabled retirees, the regular mortality tables are used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members. This table was first used for the June 30, 1998 valuation. Sample values follow:

Sample	Actuarial Present Value of $1 Monthly for Life		Future Life Expectancy (Years)	
Ages	Men	Women	Men	Women
50	$143.39	$156.48	28.50	35.22
55	133.75	149.27	24.18	30.49
60	122.14	139.90	20.08	25.85
65	108.51	128.13	16.24	21.37
70	93.62	113.63	12.80	17.10
75	78.74	97.07	9.90	13.22
80	63.88	79.88	7.44	9.89

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

		Duty-Related	Non-Duty Related	Percent Married
Pre-retirement Mortality:	Male	20%	80%	90%
	Female	20%	80%	90%

For purposes of the 60% joint and survivor benefit, 90% of males and 90% of females are assumed to be married at retirement. Males are assumed to be three years older than their spouses.

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

Sample Ages	Years of Service	Percent Separating Within Next Year
ALL	0	12.00%
	1	9.00
	2	7.00
	3	5.00
	4	4.50
25	5 & Over	4.50
30		3.90
35		2.30
40		0.90
45		0.50
50		0.50
55		0.50
60		0.50

The rates were first used for the June 30, 1987 valuation.

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

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

These rates were first used for the June 30, 1977 valuation.

		Duty-Related	Non-Duty Related
Cause of Disability:	Male	20%	80%
	Female	20%	80%

Rates of Retirement. These rates are used to measure the probabilities of an eligible member retiring during the next year.

Years of Service	Percent of Active Members Retiring/Dropping Within Next Year	
	Without DROP	With DROP
25	80%	100%
26	50	
27	50	
28	100	
29	100	
30	100	

A member was assumed to be eligible for retirement after 25 years of service, or after attaining age 60. For those members who do not accrue 25 years of service credit prior to age 60, it was assumed that 100% of those members will retire upon attaining age 60. The rates without DROP were first used for the June 30, 2003 valuation.

The rates with DROP were first used for the June 30, 2005 valuation. It was assumed that 75% of members would DROP at first retirement eligibility with the remaining 25% of members retiring. For all members entering the DROP, it was assumed that they would continue working for 5 years before retiring.

Active Member Group Size. The number of active members was assumed to remain constant. This assumption is unchanged from previous valuations.

Unused sick-leave and vacation time redemptions. Members' pensions were assumed to increase by a factor of 1.10 due to unused sick-leave and vacation time paid as a lump sum at retirement and included in compensation for pension determinations. Members' normal retirement provisions were assumed to increase by an additional 0.2% to account for the members' right to purchase military service at time of retirement.

Pensions in an Inflationary Environment

**Value of $1,000/Month Retirement Benefit
To an Individual Who Retires at Age 50
In an Environment of 3.50% Price Inflation
With a 1.50% Compound COLA**

Age	Value
50	$ 1,000
55	907
60	823
65	746
70	677
75	614
80	557
85	505

The life expectancy of a 50 year old male retiree is age 79. The life expectancy for a 50 year old female retiree is age 85. Half of the people will outlive their life expectancy. The effects of even moderate amounts of inflation can be significant for those who live to an advanced age.

SUMMARY OF ASSUMPTIONS USED
JUNE 30, 2010
MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

Pay Increase Timing. Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.

Decrement Timing. Decrements of all types are assumed to occur mid-year.

Eligibility Testing. Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date of decrement.

Benefit Service. Exact fractional service is used to determine the amount of benefit payable.

Decrement Operation. Disability and turnover decrements do not operate during retirement eligibility.

Normal Form of Benefit. The assumed normal form of benefit is the 60% Joint and Survivor.

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.

Accrued Service. Service credited under the system, which was rendered before the date of the actuarial valuation.

Actuarial Accrued Liability. The difference between the actuarial present value of system benefits and the actuarial present value of future normal costs. Also referred to as "past service liability."

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

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

Actuarial Equivalent. One series of payments is said to be actuarially equivalent to another series of payments if the two series have the same actuarial present value.

Actuarial Gain (Loss). The difference between actual unfunded actuarial accrued liabilities and anticipated unfunded actuarial accrued liabilities -- during the period between two valuation dates. It is a measurement of the difference between actual and expected experience.

Actuarial Present Value. The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payments.

Amortization. Paying off an interest-discounted amount with periodic payments of interest and (generally) principal -- as opposed to paying off with a lump sum payment.

Credited Projected Benefit. The portion of a member's projected benefit attributable to service before the valuation date - allocated based on the ratio of accrued service to projected total service and based on anticipated future compensation.

Normal Cost. The portion of the actuarial present value of future benefits that is assigned to the current year by the actuarial cost method. Sometimes referred to as "current service cost."

Unfunded Actuarial Accrued Liabilities. The difference between actuarial accrued liabilities and valuation assets. Sometimes referred to as "unfunded past service liability" or "unfunded supplemental present value."

Most retirement systems have unfunded actuarial accrued liabilities. They arise each time new benefits are added and each time an actuarial loss occurs.

The existence of unfunded actuarial accrued liabilities is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial accrued liabilities do not represent a debt that is payable today. What is important is the ability to amortize the unfunded actuarial accrued liabilities and the trend in their amount (after due allowance for devaluation of the dollar).

Valuation Assets. Also referred to as actuarial value of assets, funding value of assets, or smoothed market value of assets.

Valuation assets recognize assumed investment return fully each year. Differences between actual and assumed investment return are phased-in over a closed 5-year period. During periods when investment performance exceeds the assumed rate, valuation assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, valuation assets will tend to be greater than market value. If assumed rates are exactly realized for 4 consecutive years, valuation assets will become equal to market value.

SECTION D

CERTAIN OTHER DISCLOSURES REQUIRED BY THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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

GASB STATEMENTS NO. 25 AND NO. 27
REQUIRED ACTUARIAL INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
06/30/1995	$ 11,870,657	$ 10,463,165	$ (1,407,492)	113 %	$ 1,437,103	- %
06/30/1995 *	11,870,657	11,202,570	(668,087)	106	1,437,103	-
06/30/1996	12,837,306	11,643,969	(1,193,337)	110	1,426,762	-
06/30/1997	14,106,937	12,370,736	(1,736,201)	114	1,427,749	-
06/30/1998	15,497,308	12,727,795	(2,769,513)	122	1,389,053	-
06/30/1998 @	15,608,864	11,856,992	(3,751,872)	132	1,389,053	-
06/30/1999	17,296,136	12,200,340	(5,095,796)	142	1,616,208	-
06/30/1999 *	17,296,136	13,246,740	(4,049,396)	131	1,616,208	-
06/30/2000	18,621,940	14,217,589	(4,404,351)	131	1,646,791	-
06/30/2000 *	18,621,940	14,406,431	(4,215,509)	129	1,646,791	-
06/30/2001	19,330,612	15,133,840	(4,196,772)	128	1,751,810	-
06/30/2002	19,274,620	16,233,484	(3,041,136)	119	1,681,701	-
06/30/2002 *	19,274,620	16,582,195	(2,692,425)	116	1,681,701	-
06/30/2003	18,797,603	17,360,814	(1,436,789)	108	1,708,691	-
06/30/2003 @	18,797,603	18,293,107	(504,496)	103	1,708,691	-
06/30/2004	18,431,090	18,883,067	451,977	98	1,867,349	24
06/30/2005	18,381,567	19,616,655	1,235,088	94	1,827,151	68
06/30/2005 *	18,381,567	19,474,567	1,093,000	94	1,827,151	60
06/30/2006	18,635,314	20,681,115	2,045,801	90	1,835,787	111
06/30/2007	19,686,269	21,845,071	2,158,802	90	1,799,708	120
06/30/2008	20,322,502	22,861,045	2,538,543	89	1,885,535	135
06/30/2009	17,934,203	23,803,284	5,869,081	75	1,946,469	302
06/30/2010	17,831,177	24,631,990	6,800,813	72	1,926,918	353

* *After changes in benefit provisions.*
@ *After changes in assumptions.*

GASB STATEMENTS NO. 25 AND NO. 27
REQUIRED ACTUARIAL INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution #	Percent Contributed
1995	$196,531	100 %
1996	198,120	100
1997	267,991	100
1998	247,934	100
1999	222,301	100
2000@	147,844	100
2001	108,776	100
2002	107,352	100
2003	123,488	100
2004	219,191	100
2005	418,035	100
2006	465,237	100
2007	489,661	100
2008	542,028	100
2009	573,788	100
2010	601,037	100

The amount shown above, as the annual required contribution is the amount actually contributed in each fiscal year. These amounts are determined by applying the computed employer percent-of-payroll contribution rate to the actual pay during the fiscal year.

@ *Contributions made include an increase in the annual required contribution due to new benefits adopted in 1999.*

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation date follows:

Valuation date	June 30, 2010
Actuarial cost method	Individual entry-age
Amortization method	Level percent open
Remaining amortization period	30-years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases including inflation at	8.5% - 4.5% 4.50%
Cost-of-living adjustments	1% compounded annually (1.5% for those retired after July 1, 2002)

Membership of the plan consisted of the following as of June 30, 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	57
DROP Participants	1
Terminated plan members entitled to but not yet receiving benefits	1
Active plan members	31
Total	90

ESCANABA PUBLIC SAFETY PENSION FUND

CITY OF ESCANABA, MICHIGAN

COMPONENT UNIT FINANCIAL REPORT

June 30, 2011

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS
OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal

Kevin C. Pascoe, CPA

INDEPENDENT AUDITOR'S REPORT

Retirement Board
Escanaba Public Safety Pension Fund
Escanaba, Michigan

We have audited the accompanying component unit financial statements of the Escanaba Public Safety Pension Fund (a Fiduciary Fund of the City of Escanaba) as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Escanaba Public Safety Pension Fund as of June 30, 2011 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statement does not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Anderson, Tackman & Company P.L.C.

Certified Public Accountants

October 7, 2011

901 LUDINGTON STREET ESCANABA, MICHIGAN 49829 (906) 786-3111 FAX (906) 786-8940

ESCANABA PUBLIC SAFETY PENSION FUND

CITY OF ESCANABA, MICHIGAN

STATEMENT OF PLAN NET ASSETS

June 30, 2011

ASSETS

Cash	$ 35,212
Investments:	
Mutual funds at market value:	
Eaton Vance Income Fund of Boston	1,968,614
Vanguard Small-Cap Growth Index Fund	2,162,358
Vanguard 500 Index Fund	5,033,305
Vanguard Total Bond Market Index Fund	4,786,423
JP Morgan Mid-Cap Value Fund	4,345,320
Dimensional International Value Portfolio	1,274,923
TOTAL PLAN ASSETS	$19,606,155

LIABILITIES AND NET ASSETS

PLAN LIABILITIES:	
Accounts payable	$ 7,500
TOTAL PLAN LIABILITIES	7,500
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (See Note 4):	
Reserved for:	
Members deposit account	1,321,485
Pension reserve account	2,787,366
Retirement reserve account	15,489,804
TOTAL PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	19,598,655
TOTAL LIABILITIES AND NET ASSETS	$19,606,155

See accompanying notes to financial statements.

ESCANABA PUBLIC SAFETY PENSION FUND

CITY OF ESCANABA, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN PLAN NET ASSETS

For the year ended June 30, 2011

OPERATING REVENUES:	
Member contributions	$ 124,448
Employer contributions	807,281
Interest income	124
Dividend income	498,710
Net realized/unrealized gain on investments	3,398,992
Other income	3,762
TOTAL OPERATING REVENUES	4,833,317
OPERATING EXPENSES:	
Pension payments to retired employees	1,481,191
Trustee and transaction fees	9,525
TOTAL OPERATING EXPENSES	1,490,716
NET INCREASE IN PLAN NET ASSETS	3,342,601
Plan net assets, beginning of year	16,256,054
PLAN NET ASSETS, END OF YEAR	$19,598,655

See accompanying notes to financial statements.

ESCANABA PUBLIC SAFETY PENSION FUND

CITY OF ESCANABA, MICHIGAN

STATEMENT OF CHANGES IN PLAN NET ASSETS

For the year ended June 30, 2011

	Members Deposit Account	Pension Reserve Account	Retirement Reserve Account	Total
Balance, beginning of year	$1,304,764	$ 476,547	$14,474,743	$16,256,054
Add:				
Employee contributions	124,448	-	-	124,448
Employer contributions	-	807,281	-	807,281
Interest and dividends on investments	25,911	(631,155)	1,104,078	498,834
Other income	-	3,762	-	3,762
Net realized/unrealized gain on investments	-	3,398,992	-	3,398,992
Transfers received by retirement reserve	-	-	1,392,174	1,392,174
	150,359	3,578,880	2,496,252	6,225,491
Deduct:				
Pension payments to retired employees	-	-	1,481,191	1,481,191
Investment expenses	-	9,525	-	9,525
Net realized/unrealized loss on investments	-	-	-	-
Transfers paid to retirement reserve	133,638	1,258,536	-	1,392,174
	133,638	1,268,061	1,481,191	2,882,890
BALANCE, END OF YEAR	$1,321,485	$ 2,787,366	$15,489,804	$19,598,655

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity - The Escanaba Public Safety Pension Fund was established to provide a funding mechanism for the accumulation and payment of monies for retired public safety officers. The Escanaba Public Safety Pension Fund is a component unit of the City of Escanaba and, as such, is also reported within the City of Escanaba's Comprehensive Annual Financial Report.

(b) Basis of Accounting - Escanaba Public Safety Pension Fund financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

(c) Valuation of Investments - All securities are reported at market value. Fair market value was determined using the current stock and bond indexes, as appropriate.

(d) Investment Income - Dividend income is recognized based on dividends received and interest income is recognized on the accrual basis as earned. Gains or losses on actual sales of securities are recognized using the completed transaction method. Unrealized gains and losses are recognized throughout the year by adjusting investments to market value.

(e) Plan Administration - Costs of plan administration are financed by the City of Escanaba.

(f) Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - PLAN DESCRIPTION

The Escanaba Public Safety Pension Fund is a single employer public employee retirement system established and administered by the City of Escanaba, Michigan to provide pension benefits for all of its public safety officers. The Pension Fund is part of the City of Escanaba's financial reporting entity and is included in the City's Comprehensive Annual Financial Report as a Pension Trust Fund. At June 30, 2010, the date of the most recent actuarial

NOTE 2 - PLAN DESCRIPTION (continued)

valuation, membership in the Pension Fund consisted of 31 current employees, 57 retirees and beneficiaries currently receiving benefits, and 1 terminated plan member entitled to but not yet receiving benefits.

The Escanaba Public Safety Pension Fund provides retirement benefits as well as death and disability benefits. Employees who retire at any age with 25 or more years of service or age 60 regardless of service are entitled to an annual retirement benefit, payable for life, in an amount equal to 3.0 percent of their three-year average final compensation (AFC) multiplied by their first 25 years of service. The maximum benefit is 75% of AFC. A deferred retirement is earned by an employee who terminates before retirement age and has 10 or more years of service. The minimum retiree pension amount is $500 per month. This minimum is also applicable to surviving spouses. The annual retirement benefit payable to a qualifying retiree is increased by 1.0% (1.5% for those retirees and beneficiaries retiring after July 1, 2002) per year, compounded annually.

Covered employees are required to contribute 6 percent of their compensation to the Plan if the City's contribution rate is above 6.83%. If the City's contribution rate decreases below 6.83% the members are required to contribute 5.0% to the plan. If an employee leaves covered employment or dies before 10 years of credited service, accumulated employee contributions plus related interest earnings, calculated at two percent annually, are refunded to the employee or designated beneficiary. Contributions by the City of Escanaba are actuarially determined and based on the individual entry age method.

NOTE 3 - CASH AND INVESTMENTS

The cash and investments of the PSO face certain risks, as described below:

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The PSO's investments are in mutual fund investment pools which are not subject to interest rate risk disclosure.

Credit Risk - State law limits the investment in commercial paper to the top two ratings issued by nationally recognized rating organizations. The PSO's investments are with mutual fund investments pools, which are not rated.

NOTE 3 - CASH AND INVESTMENTS (continued)

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the PSO will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The PSO does not have a policy for custodial credit risk. The PSO's pooled investment accounts are in mutual fund investment pools, which is evidenced by shares in the pool, not by securities that exist in physical or book-entry form.

Concentration of Credit Risk - The PSO's investment policy prohibits any one security exceeding five percent of an overall fund. No investment exceeded this threshold during the fiscal year. Additionally, no one industry can represent more than twenty percent of an individual fund. No industry represented more than twenty percent of an individual fund during the fiscal year. The governing board has also placed a 65% ceiling on equities as a proportion of total investments. This threshold was not exceeded during the fiscal year.

The insurability of the PSO's cash balance of $35,212 was determined at the City reporting level, and is included in the City's Comprehensive Annual Financial Report.

NOTE 4 - ACTUARIAL INFORMATION

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of June 30, 2010. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation and (c) additional salary increases of 0.0% to 4.0% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the June 30, 2010 actuarial valuation to determine the annual employer contribution amounts. The individual entry-age actuarial cost method was used to determine the entries at disclosure.

NOTE 4 - ACTUARIAL INFORMATION (continued)

GASB 25 INFORMATION

Actuarial Accrued Liability:	
Retirants and beneficiaries	$14,839,083
Vested terminated members	164,138
Active members	9,426,646
Allocated to DROP Accounts	202,123
Total actuarial accrued liability	24,631,990
Actuarial value of assets (market value)	17,831,177
Unfunded (overfunded) actuarial accrued liability	$ 6,800,813

GASB 27 INFORMATION

Contributions Required and Contributions Made - The funding policy of the plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended June 30, 2010 were determined using the individual entry-age actuarial cost method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of thirty years. The following table provides a schedule of contribution amounts and percentages for the past six years.

Year ended June 30	Annual Required Contribution	Percent Contributed
2005	$ 418,035	100
2006	465,237	100
2007	489,661	100
2008	542,028	100
2009	573,788	100
2010	601,037	100

The amount shown above as the annual required contribution is the amount actually contributed in each fiscal year. These amounts are determined by

NOTE 4 - ACTUARIAL INFORMATION (continued)

applying the computed employer percent of payroll contribution rate to the actual pay during the fiscal year.

The employer portion of the contribution for the fiscal year ending June 30, 2011 was calculated at 38.92% of the valuation payroll. This calculates out to $807,281.

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
6/30/05	$18,381,567	$19,616,655	$ 1,235,088	94	$ 1,827,151	68
6/30/05*	18,381,567	19,474,567	1,093,000	94	1,827,151	60
6/30/06	18,635,314	20,681,115	2,045,801	90	1,835,787	111
6/30/06*	18,635,314	20,634,472	1,999,158	90	1,835,787	109
6/30/07	19,686,269	21,845,071	2,158,802	90	1,799,708	120
6/30/08	20,322,502	22,861,045	2,538,543	89	1,885,535	135
6/30/09	17,934,203	23,803,284	5,869,081	75	1,946,469	302
6/30/10	17,831,177	24,631,990	6,800,813	72	1,926,918	353

* After changes in benefit provisions.

NOTE 5 - RESERVE OF NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

Members deposit account - Reserves for member deposits are to account for employee contributions to the plan prior to retirement. Reserves for member deposits amount to $1,321,485 as of June 30, 2011.

NOTE 6 - DEFERRED RETIREMENT OPTION PLAN

DROP Accounts - All individual DROP accounts shall be maintained for the benefit of each DROP participant and will be managed by the Retirement Board in the same manner as the primary pension fund. Interest will be credited to each participant's DROP account on January 1st of each year. Interest will be credited at a rate of 4% on a participant's average daily account balance over the prior year. The Retirement Board shall provide each DROP participant with an annual statement of their account activity.

NOTE 6 - DEFERRED RETIREMENT OPTION PLAN (continued)

Distribution of DROP Funds - Upon termination of employment, the former DROP participant must choose from the following distribution methods to receive payment(s) from their individual DROP account.

1. A total lump sum distribution to the recipient.

2. A partial lump sum distribution to the recipient with all remaining funds directly rolled over into another qualified plan to the extent allowed by federal law and in accordance with the Retirement Board's rollover procedures.

3. A total rollover into a qualified plan as allowed by applicable law.

4. Other distribution options as may be approved by the Retirement Board in accordance with applicable law.

As of June 30, 2011 there were no participants in the DROP program. The City's estimated liability for the program was $0 for the year ended June 30, 2011.

Total lump sum distributions to one recipient amounted to $233,985 under the DROP program during the year ended June 30, 2011.

ESCANABA PUBLIC SAFETY PENSION FUND
CITY OF ESCANABA, MICHIGAN

COMPONENT UNIT FINANCIAL REPORT

June 30, 2010

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS
OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal
Kevin C. Pascoe, CPA

INDEPENDENT AUDITOR'S REPORT

Retirement Board
Escanaba Public Safety Pension Fund
Escanaba, Michigan

We have audited the accompanying component unit financial statements of the Escanaba Public Safety Pension Fund (a Fiduciary Fund of the City of Escanaba) as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Escanaba Public Safety Pension Fund as of June 30, 2010 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statement does not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Anderson, Tackman & Company P.L.C.

Certified Public Accountants

October 14, 2010

901 LUDINGTON STREET ESCANABA, MICHIGAN 49829 (906) 786-3111 FAX (906) 786-8940

ESCANABA PUBLIC SAFETY PENSION FUND
CITY OF ESCANABA, MICHIGAN

STATEMENT OF PLAN NET ASSETS

June 30, 2010

ASSETS

Cash	$ 866
Investments:	
Mutual funds at market value:	
Eaton Vance Income Fund of Boston	1,707,968
Vanguard Small-Cap Growth Index Fund	1,621,380
Vanguard 500 Index Fund	4,085,767
Vanguard Total Bond Market Index Fund	4,503,997
JP Morgan Mid-Cap Value Fund	3,589,886
Dimensional International Value Portfolio	956,329
Accounts Receivable	284
TOTAL PLAN ASSETS	$16,466,477

LIABILITIES AND NET ASSETS

PLAN LIABILITIES:	
Accounts payable	$ 8,300
Deferred Retirement Option Plan payable	202,123
TOTAL PLAN LIABILITIES	210,423
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (See Note 4):	
Reserved for:	
Members deposit account	1,304,764
Pension reserve account	476,547
Retirement reserve account	14,474,743
TOTAL PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	16,256,054
TOTAL LIABILITIES AND NET ASSETS	$16,466,477

See accompanying notes to financial statements.

ESCANABA PUBLIC SAFETY PENSION FUND
CITY OF ESCANABA, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN PLAN NET ASSETS

For the year ended June 30, 2010

OPERATING REVENUES:	
Member contributions	$ 118,679
Employer contributions	601,037
Interest income	117
Dividend income	449,871
Net realized/unrealized loss on investments	1,957,200
TOTAL OPERATING REVENUES	3,126,904
OPERATING EXPENSES:	
Pension payments to retired employees	1,415,447
Trustee and transaction fees	19,240
TOTAL OPERATING EXPENSES	1,434,687
NET (DECREASE) IN PLAN NET ASSETS	1,692,217
Plan net assets, beginning of year	14,563,837
PLAN NET ASSETS, END OF YEAR	$16,256,054

See accompanying notes to financial statements.

ESCANABA PUBLIC SAFETY PENSION FUND
CITY OF ESCANABA, MICHIGAN

STATEMENT OF CHANGES IN PLAN NET ASSETS

For the year ended June 30, 2010

	Members Deposit Account	Pension Reserve Account	Retirement Reserve Account	Total
Balance, beginning of year	$1,239,596	$ (723,304)	$14,047,545	$14,563,837
Add:				
Employee contributions	118,679	-	-	118,679
Employer contributions	-	601,037	-	601,037
Interest and dividends on investments	24,238	(644,546)	1,070,296	449,988
Net realized/unrealized gain on investments	-	1,957,200	-	1,957,200
Transfers received by retirement reserve	-	-	772,349	772,349
	142,917	1,913,691	1,842,645	3,899,253
Deduct:				
Pension payments to retired employees	-	-	1,415,447	1,415,447
Investment expenses	-	19,240	-	19,240
Transfers paid to retirement reserve	77,749	694,600	-	772,349
	77,749	713,840	1,415,447	2,207,036
BALANCE, END OF YEAR	$1,304,764	$ 476,547	$14,474,743	$16,256,054

See accompanying notes to financial statements.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity - The Escanaba Public Pension Fund was established to provide a funding mechanism for the accumulation and payment of monies for retired public safety officers. The Escanaba Public Safety Pension Fund is a component unit of the City of Escanaba and, as such, is also reported within the City of Escanaba's Comprehensive Annual Financial Report.

(b) Basis of Accounting - Escanaba Public Safety Pension Fund financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

(c) Valuation of Investments - All securities are reported at market value. Fair market value was determined using the current stock and bond indexes, as appropriate.

(d) Investment Income - Dividend income is recognized based on dividends received and interest income is recognized on the accrual basis as earned. Gains or losses on actual sales of securities are recognized using the completed transaction method. Unrealized gains and losses are recognized throughout the year by adjusting investments to market value.

(e) Plan Administration - Costs of plan administration are financed by the plan itself.

(f) Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - PLAN DESCRIPTION

The Escanaba Public Safety Pension Fund is a single employer public employee retirement system established and administered by the City of Escanaba, Michigan to provide pension benefits for all of its public safety officers. The Pension Fund is part of the City of Escanaba's financial reporting entity and is included in the City's Comprehensive Annual Financial Report as a Pension Trust Fund. At June 30, 2009, the date of the most recent actuarial valuation, membership in the Pension Fund consisted of 32 current employees, 53 retirees and beneficiaries currently receiving benefits and 1 DROP (described in Note 6) participants.

The Escanaba Public Safety Pension Fund provides retirement benefits as well as death and disability benefits. Employees who retire at any age with 25 or more years of service or age 60 regardless of service are entitled to an annual retirement benefit, payable for life, in an amount

NOTE 2 - PLAN DESCRIPTION (continued)

equal to 3.0 percent of their three-year average final compensation (AFC) multiplied by their first 25 years of service. The maximum benefit is 75% of AFC. A deferred retirement is earned by an employee who terminates before retirement age and has 10 or more years of service. The minimum retiree pension amount is $500 per month. This minimum is also applicable to surviving spouses. The annual retirement benefit payable to a qualifying retiree is increased by 1.0% (1.5% for those retirees and beneficiaries retiring after July 1, 2002) per year, compounded annually.

Covered employees are required to contribute 6 percent of their compensation to the Plan if the City's contribution rate is above 6.83%. If the City's contribution rate decreases below 6.83% the members are required to contribute 5.0% to the plan. If an employee leaves covered employment or dies before 10 years of credited service, accumulated employee contributions plus related interest earnings, calculated at two percent annually, are refunded to the employee or designated beneficiary. Contributions by the City of Escanaba are actuarially determined and based on the individual entry age method.

NOTE 3 - CASH AND INVESTMENTS

The cash and investments of the PSO face certain risks, as described below:

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The PSO's investments are in mutual fund investment pools which are not subject to interest rate risk disclosure.

Credit Risk - State law limits the investment in commercial paper to the top two ratings issued by nationally recognized rating organizations. The PSO's investments are with mutual fund investments pools, which are not rated.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the PSO will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The PSO does not have a policy for custodial credit risk. The PSO's pooled investment accounts are in mutual fund investment pools, which is evidenced by shares in the pool, not by securities that exist in physical or book-entry form.

Concentration of Credit Risk - The PSO's investment policy prohibits any one security exceeding five percent of an overall fund. No investment exceeded this threshold during the fiscal year. Additionally, no one industry can represent more than twenty percent of an individual fund. No industry represented more than twenty percent of

NOTE 3 - CASH AND INVESTMENTS (continued)

an individual fund during the fiscal year. The governing board has also placed a 65% ceiling on equities as a proportion of total investments. This threshold was not exceeded during the fiscal year.

The insurability of the PSO's cash balance of $866 was determined at the City reporting level, and is included in the City's Comprehensive Annual Financial Report.

NOTE 4 - ACTUARIAL INFORMATION

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of June 30, 2009. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation and (c) additional salary increases of 0.0% to 4.0% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the June 30, 2009 actuarial valuation to determine the annual employer contribution amounts. The individual entry-age actuarial cost method was used to determine the entries at disclosure.

GASB 25 INFORMATION

Actuarial Accrued Liability:	
Retirants and beneficiaries	$13,599,651
Vested terminated members	151,886
Active members	9,670,415
Allocated to DROP Accounts	381,332
Total actuarial accrued liability	23,803,284
Actuarial value of assets (market value)	17,934,203
Unfunded (overfunded) actuarial accrued liability	$ 5,869,081

GASB 27 INFORMATION

Contributions Required and Contributions Made - The funding policy of the plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended June 30, 2009 were determined using the individual entry-age actuarial cost method. Unfunded actuarial accrued liabilities, if any, were amor-

NOTE 4 - ACTUARIAL INFORMATION (continued)

tized as a level percent of payroll over a period of thirty years. The following table provides a schedule of contribution amounts and percentages for the past six years.

Year ended June 30	Annual Required Contribution	Percent Contributed
2004	$ 219,191	100
2005	418,035	100
2006	465,237	100
2007	489,661	100
2008	542,028	100
2009	573,788	100

The amount shown above as the annual required contribution is the amount actually contributed in each fiscal year. These amounts are determined by applying the computed employer percent of payroll contribution rate to the actual pay during the fiscal year.

The employer portion of the contribution for the fiscal year ending June 30, 2010 was calculated at 38.92% of the valuation payroll. This calculates out to $601,037.

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
6/30/04	$18,431,090	$18,883,067	$ 451,977	98	$ 1,867,349	24
6/30/05	18,381,567	19,616,655	1,235,088	94	1,827,151	68
6/30/05*	18,381,567	19,474,567	1,093,000	94	1,827,151	60
6/30/06	18,635,314	20,681,115	2,045,801	90	1,835,787	111
6/30/06*	18,635,314	20,634,472	1,999,158	90	1,835,787	109
6/30/07	19,686,269	21,845,071	2,158,802	90	1,799,708	120
6/30/08	20,322,502	22,861,045	2,538,543	89	1,885,535	135
6/30/09	17,934,203	23,803,284	5,869,081	75	1,946,469	302

* After changes in benefit provisions.

NOTE 5 - RESERVE OF NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

Members deposit account - Reserves for member deposits are to account for employee contributions to the plan prior to retirement. Reserves for member deposits amount to $1,304,764 as of June 30, 2010.

NOTE 6 - DEFERRED RETIREMENT OPTION PLAN

DROP Accounts - All individual DROP accounts shall be maintained for the benefit of each DROP participant and will be managed by the Retirement Board in the same manner as the primary pension fund. Interest will be credited to each participant's DROP account on January 1st of each year. Interest will be credited at a rate of 4% on a participant's average daily account balance over the prior year. The Retirement Board shall provide each DROP participant with an annual statement of their account activity.

Distribution of DROP Funds - Upon termination of employment, the former DROP participant must choose from the following distribution methods to receive payment(s) from their individual DROP account.

1. A total lump sum distribution to the recipient.

2. A partial lump sum distribution to the recipient with all remaining funds directly rolled over into another qualified plan to the extent allowed by federal law and in accordance with the Retirement Board's rollover procedures.

3. A total rollover into a qualified plan as allowed by applicable law.

4. Other distribution options as may be approved by the Retirement Board in accordance with applicable law.

As of June 30, 2010 there is one participant in the DROP program. The City's estimated liability for the program was $202,123 for the year ended June 30, 2010, and is shown as a liability in the Statement of Plan Net Assets.

Total lump sum distributions to one recipient amounted to $248,831 under the DROP program for the year ended June 30, 2010.

FIRE FIGHTERS AND POLICE OFFICERS RETIREMENT ACT
Act 345 of 1937

AN ACT to provide for the establishment, maintenance, and administration of a system of pensions and retirements for the benefit of the personnel of fire and police departments employed by cities, villages, or municipalities having full paid members in the departments, and for the spouses and children of the members; to provide for the creation of a board of trustees to manage and operate the system; to authorize appropriations and deductions from salaries; to prescribe penalties and provide remedies; and to repeal all acts and parts of acts inconsistent therewith.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1989, Act 7, Imd. Eff. May 3, 1989;—Am. 1998, Act 200, Eff. Mar. 23, 1999.

Popular name: Act 345

The People of the State of Michigan enact:

38.551 Fire and police department pension and retirement system; retirement board, members, election, appointment, terms.

Sec. 1. The retirement board, also referred to in this act as the pension board, created hereunder shall be known as "The retirement board" and shall be a corporate body, consisting of 5 members, which shall consist of:

(1) The treasurer of the city, village or municipality, so affected hereby.

(2) Two additional members, 1 of whom shall be an active member of and elected by a majority vote of the members of the fire department, and 1 of whom shall be an active member of and elected by a majority vote of the members of the police department under such rules and regulations as the retirement board shall adopt to govern such election. Each such member shall serve for a term of 4 years, except that in the first instance, the member elected by the police department shall serve for a term of 2 years. If in the first instance only the fire department or only the police department is included in the retirement plan, the 2 additional members shall be elected from that department and the candidate receiving the highest number of votes shall be elected for the 4-year term and the candidate receiving the second highest number of votes shall be elected for the 2-year term.

(3) Two additional members shall be appointed by the legislative body or another person or body authorized by the city or village charter to appoint administrative officials in any city or village affected by the provisions of this act.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.551;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1959, Act 105, Eff. Mar. 19, 1960.

Popular name: Act 345

38.551a Short title.

Sec. 1a. This act shall be known and may be cited as the "fire fighters and police officers retirement act".

History: Add. 1989, Act 7, Imd. Eff. May 3, 1989.

Popular name: Act 345

38.552 Retirement board; powers and duties.

Sec. 2. The retirement board created under this act shall perform the following:

(1) Make rules and regulations necessary to the proper conduct of the business of the retirement system.

(2) Retain legal, medical, actuarial, clerical, or other services as may be necessary for the conduct of the affairs of the retirement system and make compensations for the services retained.

(3) Cause amounts as established by law to be deducted from the salaries of active members of the retirement system and be paid into the treasury of the retirement system.

(4) Certify to the governing body of the city, village, or municipality the amount to be contributed by the city, village, or municipality as provided in this act.

(5) Cause the examination of each disability pensioner or beneficiary less than 55 years of age to be made at least once a year for the first 5 years following the pensioner's retirement, and at least once each 3 years after the 5 year period, until the pensioner has reached 55 years of age.

(6) Keep records of its meetings and proceedings. The board shall hold meetings at least once each month. The business which the retirement board may perform shall be conducted at a public meeting of the board held in compliance with Act No. 267 of the Public Acts of 1976, being sections 15.261 to 15.275 of the Michigan Compiled Laws. Public notice of the time, date, and place of the meeting shall be given in the

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manner required by Act No. 267 of the Public Acts of 1976. A writing prepared, owned, used, in the possession of, or retained by the board in the performance of an official function shall be made available to the public in compliance with Act No. 442 of the Public Acts of 1976, being sections 15.231 to 15.246 of the Michigan Compiled Laws.

(7) The board shall annually elect a president and secretary from among its members.

(8) Disburse the pensions and other benefits payable under this act.

(9) A member of the board shall not receive additional compensation for services as a board member.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.552;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1977, Act 209, Imd. Eff. Nov. 17, 1977.

Constitutionality: The authority delegated to the retirement board by MCL 38.552 of the Michigan Compiled Laws does not constitutionally abrogate the taxation, budgeting, and legislative responsibilities of the township. *Retirement Bd v Shelby Twp*, 438 Mich 247; 475 NW2d 249 (1991).

Popular name: Act 345

38.553 Retirement system funds; treasurer as custodian; bond; disbursement of funds; execution of voucher or warrant; authorization.

Sec. 3. The treasurer of the city, village, or municipality shall be the custodian of all funds of the retirement system and shall be required to give a good and sufficient bond to the retirement board for the faithful performance of his or her duties and the safekeeping of all money collected under this act. The bond shall be paid by the city, village, or municipality. The treasurer shall issue warrants for the disbursement of the funds of the retirement system upon the receipt of a voucher signed by at least 2 members of the retirement board other than the treasurer. The treasurer shall not execute a voucher or warrant unless the voucher or warrant has been previously authorized by resolution adopted by the board.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.553;—Am. 1989, Act 7, Imd. Eff. May 3, 1989.

Popular name: Act 345

38.554 Credit for prior service.

Sec. 4. All service performed by members prior to the enactment of this act by any city, village or township, including service performed for predecessor townships, shall be computed to the credit of each member so affected.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.554;—Am. 1957, Act 52, Eff. Sept. 27, 1957;—Am. 1958, Act 159, Eff. Sept. 13, 1958.

Popular name: Act 345

38.555 Retirement board; quasi-judicial body; review of actions by writ of certiorari.

Sec. 5. The board shall be a quasi-judicial body, and its actions shall be reviewable by writ of certiorari only.

History: 1937, Act 345, Eff. Oct. 29, 1937;—CL 1948, 38.555.

Popular name: Act 345

38.556 Age and service retirement benefits.

Sec. 6. (1) Age and service retirement benefits payable under this act are as follows:

(a) A member who is 55 years of age or older and who has 25 or more years of service as a police officer or fire fighter in the employ of the municipality affected by this act may retire from service upon written application to the retirement board stating a date, not less than 30 days or more than 90 days after the execution and filing of the application, on which the member desires to be retired. The retirement board shall grant the benefits to which the member is entitled under this act, unless the member continues employment. If the member continues employment, the member's pension shall be deferred with service years of credit until actual retirement. Upon the approval of the legislative body or the electors of a municipality under this act, a member under 50 years of age who has 25 or more years of service, or without the necessity for approval, a member 50 years of age or more who has 25 or more years of service, may leave service and receive the full retirement benefits payable throughout the member's life as provided in subdivision (e).

(b) A member who is 60 years of age or older shall be retired by the retirement board upon the written application of the legislative body, or board or official provided in the charter of the municipality as head of the department in which the member is employed. Upon retirement, the retirement board shall grant the benefits to which the member is entitled under this act, unless the member continues employment. If the member continues employment, the member's pension shall be deferred with service years of credit until

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actual retirement.

(c) A member who is 65 years of age shall be retired by the retirement board on the first day of the month following attainment of 65 years of age.

(d) A member who has 10 or more years of service shall have vested retirement benefits that are not subject to forfeiture on account of disciplinary action, charges, or complaints. If the member leaves employment before the date the member would have first become eligible to retire as provided in subdivision (a) for any reason except the member's retirement or death, the member is entitled to a pension that shall begin the first day of the calendar month immediately after the month in which the member's written application for the pension is filed with the retirement board that is on or after the date the member would have been eligible to retire had the member continued in employment. The retirement board shall grant the member the benefits to which the member is entitled under this act, unless the member resumes service. If the member resumes service, the member's pension shall be further deferred with service years of credit until the member actually retires.

(e) Upon retirement from service as provided in this subsection, a member shall receive a regular retirement pension payable throughout the member's life of 2% of the member's average final compensation multiplied by the first 25 years of service credited to the member, plus 1% of the member's average final compensation multiplied by the number of years, and fraction of a year, of service rendered by the member in excess of 25 years. A municipality under this act, upon approval of the legislative body or the electors of the municipality, may increase the percentage of the payment from 2% up to a maximum of 2.5%. If an increase is approved, the increase shall not be reduced for members under the system at the time of the increase. The legislative body may also increase the percentage of employee contributions. If a retired member dies before the total of regular pension payments received by the member equals the total of the member's contributions made to the retirement system, the difference between the member's total contributions and the total of the member's regular retirement pension payments received shall be paid in a single sum to the person or persons the member nominates by written designation duly executed and filed with the retirement board. If there is not a person or persons surviving the retired member, the difference, if any, shall be paid to the retired member's legal representative or estate.

(f) As used in this section, “average final compensation” means the average of the highest annual compensation received by a member during a period of 5 consecutive years of service contained within the member's 10 years of service immediately preceding the member's retirement or leaving service. However, if so provided in a collective bargaining agreement entered into between a municipality under this act and the appropriate recognized bargaining agent, average final compensation may mean the average of the 3 years of highest annual compensation received by a member during the member's 10 years of service immediately preceding the member's retirement or leaving service. If the member has less than 5 years of service, average final compensation means the annual average compensation received by the member during his or her total years of service.

(g) A member shall be given service credit for time spent in the military, naval, marine, or other armed service of the United States government during time of war, or other national emergency recognized by the board, if the member was employed by the municipality at the time of entry into the armed service, and is or was reemployed by the municipality as a police officer or fire fighter within 6 months after the date of termination of his or her required enlistment or assignment in the armed service. A municipality by a 3/5 vote of its governing body or by a majority vote of the qualified electors may provide service credit for not more than 6 years of active military service to the United States government to a member who is employed subsequent to this military service upon payment to the retirement system of 5% of the member's full-time or equated full-time compensation for the fiscal year in which payment is made multiplied by the years of service that the member elects to purchase up to the maximum. Service is not creditable if it is or would be creditable under any other federal, state, or local publicly supported retirement system. However, this restriction does not apply to those persons who have or will have acquired retirement eligibility under the federal government for service in the reserve. A member shall be given service credit for the time the member is absent from active service without full pay on account of sickness or injury. If the absence from active service is due to nonservice connected sickness or injury, not more than 60 days of the absence shall be credited as service in any 1 calendar year, as determined by the retirement board.

(h) Before the effective date of the member's retirement as provided in this subsection, but not after the effective date of the member's retirement, a member may elect to receive his or her benefit in a pension payable throughout the member's life, called a regular retirement pension, or the member may elect to receive the actuarial equivalent, computed as of the effective date of retirement, of the member's regular retirement pension in a reduced retirement pension payable throughout the member's life, and nominate a survivor beneficiary, under an option provided in this subdivision. Upon the death of a retirant who retires on or after

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July 1, 1975, and who is receiving a regular retirement pension, his or her spouse, if living, shall receive a pension equal to 60% of the regular retirement pension the deceased retirant was receiving. Benefits shall not be paid under this subdivision on account of the death of a retirant if the member elected to receive his or her pension under an option provided in this subdivision. As used in this subsection, “spouse” means the person to whom the retirant was legally married on both the effective date of retirement and the date of death. Except as otherwise provided in this act, if a member fails to elect an option before the effective date of retirement, then the pension shall be paid as a regular retirement pension. A member may elect 1 of the following options:

(*i*) Option I. Upon the death of a retired member, his or her reduced retirement pension shall be continued throughout the life of and paid to the person, having an insurable interest in the retired member's life, that the member nominated by written designation executed and filed with the retirement board before the effective date of the member's retirement.

(*ii*) Option II. Upon the death of a retired member, 1/2 of his or her reduced retirement pension shall be continued throughout the life of and paid to the person, having an insurable interest in the retired member's life, that the member nominated by written designation executed and filed with the retirement board before the effective date of the member's retirement.

(i) If a member continues in service on or after the date of acquiring 20 years of service credit, does not have an option I election provided for in subdivision (j) in force, and dies while in service of the municipality before the effective date of the member's retirement, leaving a surviving spouse, the spouse shall receive a pension computed in the same manner as if the member had retired effective the day preceding the date of the member's death, elected option I provided for in subdivision (h), and nominated the spouse as survivor beneficiary. Upon the death of the spouse the pension shall terminate. A pension shall not be paid under this subdivision on account of the death of a member if benefits are paid under subsection (2) on account of the member's death.

(j) A member who continues in service on or after the date of acquiring 25 years of service credit may, at any time before the effective date of the member's retirement, by written declaration executed and filed with the board in the manner and form prescribed by the board, elect option I provided for in subdivision (h) and nominate a survivor beneficiary whom the board finds to be dependent upon the member for at least 50% of the beneficiary's support. If a member who has an option I election provided for in this subdivision in force dies while in service before the effective date of the member's retirement, the member's survivor beneficiary shall immediately receive the same pension that the survivor beneficiary would have been entitled to receive under option I if the member had retired pursuant to this act effective the day preceding the date of the member's death, notwithstanding that the member may not have attained 55 years of age. If a member who has an option I election provided for in this subdivision in force subsequently retires pursuant to this act, the member, within 90 days immediately preceding the effective date of the member's retirement, but not after the effective date of the member's retirement, may elect an option provided for in subdivision (h). The option election is effective as of the effective date of the member's retirement. A pension shall not be paid under this subdivision on account of the death of a member if benefits are paid under subsection (2) on account of the member's death.

(k) If a retirant receiving a reduced retirement pension under subdivision (h)(*i*) or (*ii*) is divorced from the spouse who had been named the retirant's survivor beneficiary under subdivision (h)(*i*) or (*ii*), the election of a reduced retirement pension payment option shall be considered void by the retirement system if the judgment of divorce or award or order of the court, or an amended judgment of divorce or award or order of the court, described in section 9 and dated after June 27, 1991 provides that the election of a reduced retirement pension payment option under subdivision (h)(*i*) or (*ii*) is to be considered void by the retirement system and the retirant provides a certified copy of the judgment of divorce or award or order of the court, or an amended judgment of divorce or award or order of the court, to the retirement system. If the election of a reduced retirement pension payment option under subdivision (h)(*i*) or (*ii*) is considered void by the retirement system under this subsection, the retirant's retirement pension shall revert to a regular retirement pension, including postretirement adjustments, if any, subject to an award or order of the court as described in the public employee retirement benefit protection act. The retirement pension shall revert to a regular retirement pension under this subdivision effective the first day of the month after the date the retirement system receives a certified copy of the judgment of divorce or award or order of the court. This subdivision does not supersede a judgment of divorce or award or order of the court in effect on June 27, 1991. This subdivision does not require the retirement system to distribute or pay retirement assets on behalf of a retirant in an amount that exceeds the actuarially determined amount that would otherwise become payable if a judgment of divorce had not been rendered.

(2) Disability and service connected death benefits payable under this act are as follows:

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(a) To a surviving spouse, a duty death pension of the same amount each week as that which has been paid the surviving spouse under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, to become due and payable on the termination of the payments to the surviving spouse by a municipality under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, and to continue for the surviving spouse's life.

(b) If death results to a member in the line of duty, and the member leaves surviving children, the children shall be paid a pension of the same amount as that which has been paid to them as a weekly benefit under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, to become due and payable upon termination of the payments under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, and to continue to each surviving child until he or she attains 18 years of age, or until his or her marriage or death before attaining 18 years of age.

(c) If death results to a member in the line of duty and the member leaves other surviving dependents, the dependents shall receive a pension of the same amount as that which has been paid to them as a weekly benefit under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, to become due and payable upon termination of the payments under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, and to continue until the time the retirement board determines that the need for a pension no longer exists.

(d) Upon the application of a member or the member's department head, a member who becomes totally incapacitated for duty by reason of a personal injury or disease occurring as the natural and proximate result of causes arising out of and in the course of the member's employment by the municipality shall be retired by the retirement board. The member shall be given a medical examination by a medical committee consisting of a physician named by the retirement board, a physician named by the member claiming benefits, and a third physician designated by the first 2 physicians named. The medical committee, if determined by a majority opinion, shall certify in writing that the member is mentally or physically incapacitated for the further performance of duty as a police officer or fire fighter in the service of the municipality; that the incapacity is likely to be permanent; and that the member should be retired. Upon retirement for disability as provided in this subdivision, a member who has not attained 55 years of age shall receive a disability retirement pension of 50% of the member's average final compensation, which shall be determined according to subsection (1)(f), and shall be payable until the member becomes 55 years of age. Upon becoming 55 years of age, the disabled member shall receive a disability retirement pension computed according to subsection (1)(e). In computing the disability retirement pension, the member shall be given service credit for the period of receipt of a disability retirement pension before attainment of 55 years of age. If a member retired after attaining 55 years of age on account of disability, as provided in this subdivision, the member shall receive a disability retirement pension computed according to subsection (1)(e), notwithstanding that the member may not have 25 years of service credit. The disability retirement pension provided for in this subdivision is subject to subdivisions (f) and (g).

(e) Upon the application of a member or the member's department head, a member in service who has 5 or more years of service credit and who becomes totally and permanently incapacitated for duty by reason of a personal injury or disease occurring as the result of causes arising outside the course of the member's employment by the municipality may be retired by the retirement board. The member shall be given a medical examination by a medical committee consisting of a physician named by the retirement board, a physician named by the member claiming benefits, and a third physician designated by the first 2 physicians named. The medical committee, if determined by a majority opinion, shall certify in writing that the member is mentally or physically incapacitated for the further performance of duty as a police officer or fire fighter in the service of the municipality, that the incapacity is likely to be permanent, and that the member should be retired. Upon retirement for disability, as provided in this subdivision, a member who has not attained 55 years of age shall receive a disability retirement pension until the member becomes 55 years of age, recovers, or dies, whichever occurs first, of 1.5% of the member's average final compensation multiplied by the number of years of service credited to the member. Upon becoming 55 years of age, the member's disability retirement pension shall be increased to 2% of the member's average final compensation multiplied by the number of years of service credited to the member at the time of his or her retirement. Upon retirement for disability as provided in this subdivision, a member who is 55 years of age or older shall receive a disability retirement pension computed according to subsection (1)(e). This subdivision is subject to subdivisions (f) and (g).

(f) At least once each year during the first 5 years after the retirement of a member with a disability retirement pension and at least once in every 3-year period after disability retirement, the retirement board may, and upon the retired member's application shall, require a retired member who has not attained 55 years of age to undergo a medical examination. The medical examination shall be given by or under the direction of

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a physician, designated by the retirement board, at the place of residence of the retired member or other place mutually agreed upon. If a retired member who has not attained 55 years of age refuses to submit to the medical examination in the period, the member's disability retirement pension may be discontinued by the retirement board. If the member's refusal continues for 1 year, all the member's rights to his or her disability retirement pension may be revoked by the retirement board. If upon a medical examination of the retired member the physician reports to the retirement board that the retired member is physically capable of resuming employment in the classification held by the member at the time of retirement, the member shall be restored to active service in the employ of the municipality and payment of the disability retirement pension shall cease if the report of the physician is concurred in by the retirement board. A retired member restored to active service shall again become a member of the retirement system from the date of return to service. The member shall contribute to the retirement system after restoration to active service in the same manner as before the member's disability retirement. Service credited to the member at the time of disability retirement shall be restored to full effect. The member shall be given service credit for the period the member was receiving a duty disability retirement pension provided for in subdivision (d), but shall not be given service credit for the period the member was receiving a nonduty disability retirement pension provided for in subdivision (e). Amounts paid under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, to a retired member shall be offset against and payable in place of benefits provided under this act. If the benefits under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, are less than the benefits payable under this act, the amount to be paid out of the funds of the retirement system shall be the difference between the benefits provided under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, and the benefits provided in this act. Upon the termination of benefits under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, the benefits shall be paid pursuant to this act.

(g) Within 60 days before a member becomes 55 years of age, or before retirement from service if retirement occurs after the member becomes 55 years of age, a disabled member who is retired as provided in subdivision (d) or (e) may elect to continue to receive a disability retirement pension as a benefit terminating at death, to be known as a regular disability pension, or may elect to receive the actuarial equivalent, at that time, of a regular disability pension in a reduced disability pension payable throughout life pursuant to an option provided in subsection (1)(h). If a disabled member fails to elect an option, as provided in this subdivision, before becoming 55 years of age or before retirement, the member's retirement pension shall be paid to the member as a regular disability pension terminating at death. If a disabled member who has not elected an option provided in subsection (1)(h) dies before the total of the member's regular disability pension payments received equals or exceeds the total of the member's contributions made to the retirement system, the remainder, if any, shall be paid in a single sum to the person or persons nominated by the member by written designation duly executed and filed with the board. If there is not a designated person or persons surviving, then the remainder, if any, shall be paid to the retired member's legal representative or estate.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.556;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1954, Act 173, Eff. Aug. 13, 1954;—Am. 1955, Act 263, Imd. Eff. June 29, 1955;—Am. 1956, Act 169, Imd. Eff. Apr. 16, 1956;—Am. 1959, Act 224, Eff. Mar. 19, 1960;—Am. 1961, Act 201, Eff. Sept. 8, 1961;—Am. 1965, Act 137, Imd. Eff. July 12, 1965;—Am. 1967, Act 256, Eff. Nov. 2, 1967;—Am. 1970, Act 230, Imd. Eff. Nov. 25, 1970;—Am. 1975, Act 147, Imd. Eff. July 9, 1975;—Am. 1976, Act 118, Imd. Eff. May 14, 1976;—Am. 1976, Act 321, Eff. Mar. 31, 1977;—Am. 1989, Act 7, Imd. Eff. May 3, 1989;—Am. 1991, Act 54, Imd. Eff. June 27, 1991;—Am. 2002, Act 98, Imd. Eff. Mar. 27, 2002;—Am. 2003, Act 8, Imd. Eff. May 20, 2003.

Popular name: Act 345

38.556a Municipality having population of 80,000 or more; applicability of MCL 38.556(1)(h) to certain members.

Sec. 6a. In a municipality having a population of 80,000 or more, section 6(1)(h) shall be applicable to any member who continues in service on or after the date he or she acquires 15 years of service credit.

History: Add. 1963, Act 57, Eff. Sept. 6, 1963;—Am. 1982, Act 145, Imd. Eff. Apr. 28, 1982;—Am. 2003, Act 8, Imd. Eff. May 20, 2003.

Popular name: Act 345

38.556b Remarriage of surviving spouse; applicability of subsection (1) to municipality.

Sec. 6b. (1) Notwithstanding section 6 or any predecessor to section 6, the remarriage of a surviving spouse shall not render the surviving spouse ineligible to receive a pension described in section 6(1)(i) or a duty death pension described in section 6(2)(a). A surviving spouse whose pension described in section 6(1)(i) or duty death pension described in section 6(2)(a) was terminated due to the surviving spouse's

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remarriage shall be eligible to receive that pension or duty death pension beginning on the first day of the month following the month in which written application for reinstatement is filed with the board, but shall not be eligible to receive the pension or duty death pension attributable to any month beginning before the month of reinstatement under this section.

(2) Beginning on the effective date of the amendatory act that amended this subsection, the provisions of subsection (1) that apply to a surviving spouse who is eligible to receive a pension described in section 6(1)(i) shall apply to a municipality upon approval by resolution of the governing body of the municipality.

(3) Beginning on the effective date of the amendatory act that added this subsection, a surviving spouse who is eligible to receive a duty death pension described in section 6(2)(a) and who remarries after the effective date of the amendatory act that added this subsection shall not be denied a duty death pension described in section 6(2)(a) by a municipality because of the remarriage of the surviving spouse.

History: Add. 1986, Act 30, Imd. Eff. Mar. 10, 1986;—Am. 2003, Act 8, Imd. Eff. May 20, 2003.

Compiler's note: Former MCL 38.556b, pertaining to vested rights in pensions and benefits, was repealed by Act 321 of 1976.

Popular name: Act 345

38.556c Service credit for employment in transitional public employment program; payment of contributions and regular interest; payroll deduction; amount in reserve; payment of contributions by current employer; accident, disability, or other benefits.

Sec. 6c. (1) If a person who participated in a transitional public employment program becomes a member of a retirement system established under this act within 12 months after the date of termination as a participant in a transitional public employment program, service credit shall be given for employment in the transitional public employment program for purposes of determining a retirement allowance upon the payment by the person and the person's employer under the transitional public employment program from funds provided under the comprehensive employment and training act, 29 U.S.C. 801 to 992, as funds permit, to the retirement system of the contributions, plus regular interest, the person and the employer would have paid had the employment been rendered in a position covered by this act. During the person's employment in the transitional public employment program, the person's employer shall provide an opportunity by payroll deduction for the person to make his or her employee contribution to the applicable pension system. To provide for the eventual payment of the employer's contribution, the person's employer shall during this same period place in reserve a reasonable but not necessarily an actuarially determined amount equal to the contributions which the employer would have paid to the retirement system for those employees in the transitional public employment program as if they were members under this act, but only for that number of employees which the employer determined would transfer from the transitional public employment program into positions covered by this act. If the funds provided under the comprehensive employment and training act are insufficient, the remainder of the employer contributions shall be paid by the person's current employer.

(2) The provisions of subsection (1) shall not exclude the participant in a transitional public employment program from the accident, disability or other benefits available to members of the retirement system covered by this act.

History: Add. 1978, Act 421, Imd. Eff. Sept. 30, 1978.

Popular name: Act 345

38.556d Postretirement adjustments increasing retirement benefits.

Sec. 6d. A municipality, by ordinance or in another manner provided by law, may adopt from time to time benefit programs providing for postretirement adjustments increasing retirement benefits. Such benefit programs may provide for 1-time postretirement percentage increases in retirement benefits; annual or other periodic postretirement percentage increases in retirement benefits; lump sum postretirement distributions; or any other method considered appropriate by the municipality. The retirement benefit payable after making an adjustment pursuant to the benefit program adopted shall be the new retirement benefit payable until the next adjustment, if any, is made.

History: Add. 1987, Act 145, Imd. Eff. Oct. 26, 1987.

Popular name: Act 345

38.556e Mandatory subjects of bargaining.

Sec. 6e. Notwithstanding any other provisions of this act, any matter relating to the retirement system provided by this act, including, but not limited to, postretirement adjustment increases, applicable to current employees represented by a collective bargaining agent is a mandatory subject of bargaining under the public employment relations act, Act No. 336 of the Public Acts of 1947, being sections 423.201 to 423.216 of the Michigan Compiled Laws.

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History: Add. 1987, Act 145, Imd. Eff. Oct. 26, 1987.

Popular name: Act 345

38.557 "An act of duty,""municipality" and "transitional public employment program" defined.

Sec. 7. As used in this act:

(a) "An act of duty" means an act performed by a fire fighter or police officer arising out of and in the course of employment, or the performance of an act pertinent or incidental to the work of a fire fighter or police officer, regardless of time or place.

(b) "Municipality" includes a county, township, charter township, city, or incorporated village.

(c) "Transitional public employment program" means a public service employment program in the area of environmental quality, health care, education, public safety, crime prevention and control, prison rehabilitation, transportation, recreation, maintenance of parks, streets and other public facilities, solid waste removal, pollution control, housing and neighborhood improvements, rural development, conservation, beautification, veterans' outreach, or any other area of human betterment and community improvement as part of a program of comprehensive manpower services authorized, undertaken, and financed pursuant to the comprehensive employment and training act of 1973, 29 U.S.C. 801 to 992.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—CL 1948, 38.557;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1968, Act 210, Imd. Eff. June 24, 1968;—Am. 1978, Act 421, Imd. Eff. Sept. 30, 1978.

Popular name: Act 345

38.558 Refunds of salary contributions.

Sec. 8. Refunds of salary contributions:

(1) If a fire fighter or police officer dies before being placed on pension, the total amount of the member's salary deductions, with interest as the board may determine, but not to exceed 2% per annum, shall be payable to the person or persons that the member nominated by written designation duly executed and filed with the board. If there is no designated person or persons surviving, then the total of the member's salary deductions shall be paid to the member's legal representative or estate.

(2) If a fire fighter or police officer becomes separated from the service before being eligible for retirement, the member shall be paid the total of the member's contributions together with interest as the board may determine, but not to exceed 2% per annum credited to the member upon his or her written request for a refund. If the person again becomes employed by the city, village, or municipality as a police officer or fire fighter, he or she shall, within 1 year following his or her reemployment, repay to the retirement system the amount previously withdrawn together with interest at 2% per year.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.558;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1957, Act 52, Eff. Sept. 27, 1957;—Am. 1989, Act 7, Imd. Eff. May 3, 1989.

Popular name: Act 345

38.559 Contributions of member; rate; deduction from salary; appropriations to maintain actuarially determined reserves; payment of deductions and appropriations into retirement system; prorating pensions and other benefits; expenses; pensions as obligations of retirement system.

Sec. 9. (1) The contributions of a member to the retirement system shall be 5% of the salary paid to the member by the municipality. The officer responsible for making up the payroll shall cause the contributions provided for in this subsection to be deducted from the salary of each member on each payroll for each payroll period so long as he or she remains an active member in the employ of the municipality. The amounts deducted shall be paid into the funds of the retirement system. The members' contributions provided for in this act shall be made notwithstanding that the minimum salary provided for by law is changed by the members' contributions. Every member shall be considered to consent and to agree to the deductions made and provided for in this act and shall receipt for his or her full salary and payment of his or her salary less the deduction, which is a full and complete discharge and acquittance of all claims and demands for the services rendered by the member during the period covered by the payment, except as to benefits provided by this retirement system.

(2) For the purpose of creating and maintaining a fund for the payment of the pensions and other benefits payable as provided in this act, the municipality, subject to the provisions of this act, shall appropriate, at the end of such regular intervals as may be adopted, quarterly, semiannually, or annually, an amount sufficient to maintain actuarially determined reserves covering pensions payable or that might be payable on account of

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service performed and to be performed by active members, and pensions being paid to retired members and beneficiaries. The appropriations to be made by the municipality in any fiscal year shall be sufficient to pay all pensions due and payable in that fiscal year to all retired members and beneficiaries. The amount of the appropriation in a fiscal year shall not be less than 10% of the aggregate pay received during that fiscal year by members of the retirement system unless, by actuarial determination, it is satisfactorily established that a lesser percentage is needed. All deductions and appropriations shall be payable to the treasurer of the municipality and he or she shall pay the deductions and appropriations into the retirement system. Except in municipalities that are subject to the 15 mill tax limitation as provided by section 6 of article IX of the state constitution of 1963, the amount required by taxation to meet the appropriations to be made by municipalities under this act shall be in addition to any tax limitation imposed upon tax rates in those municipalities by charter provisions or by state law subject to section 25 of article IX of the state constitution of 1963.

(3) If, at the beginning or during any fiscal year, it has been satisfactorily determined by the retirement board that the accumulated funds of the retirement system plus the municipality's contribution of 10% of the aggregate pay received during that fiscal year by members of the retirement system plus members' contributions of 5% of payroll, are insufficient to pay all pensions and other benefits due and payable in that year out of funds of the retirement system, then all pensions and other benefits payable shall be prorated for the remainder of the fiscal year by the retirement board.

(4) Any clerical, legal, actuarial, or medical expenses required by the retirement board, or any other necessary expense for the operation of the retirement system, shall be provided for by the municipality or shall be paid from the investment income of the retirement system, as determined by the governing body of the municipality. The retirement board shall submit expenses periodically to the governing body of the municipality. If use of investment income to pay these expenses causes an actuarial insufficiency in the assets of the retirement system used to pay pensions, the insufficiency shall be made up by the municipality.

(5) All pensions allowed and payable to retired members and beneficiaries under this act shall become obligations of and be payable from the funds of the retirement system.

(6) The right of a person to a pension, to the return of member contributions, to any optional benefits, or any other right accrued or accruing to a member or beneficiary under this act and the money belonging to the retirement system is subject to the public employee retirement benefit protection act.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.559;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1985, Act 36, Imd. Eff. June 13, 1985;—Am. 1987, Act 145, Imd. Eff. Oct. 26, 1987;—Am. 1991, Act 54, Imd. Eff. June 27, 1991;—Am. 2002, Act 98, Imd. Eff. Mar. 27, 2002.

Popular name: Act 345

38.560 Investments; transfer and disposition of certain assets.

Sec. 10. Any and all cash assets and funds on hand not necessary for immediate payment of pensions or benefits under this act shall be invested subject to all the terms, conditions, limitations, and restrictions imposed by the statutes of this state upon life insurance companies in making and disposing of their investments, and as provided by law relating to investment authority of public employee retirement systems under Act No. 314 of the Public Acts of 1965, being sections 38.1132 to 38.1140i of the Michigan Compiled Laws, and any and all assets of every description of the pension or retirement fund created by any city, village, or municipality under this act shall be transferred and deposited to the credit of the newly created retirement system under this act.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.560;—Am. 1965, Act 33, Eff. Mar. 31, 1966;—Am. 1989, Act 7, Imd. Eff. May 3, 1989.

Popular name: Act 345

38.561 Referendum; township or charter township.

Sec. 11. At any time after this act shall become effective, any city, village or municipality having a paid or part paid fire or police department, may come under the provisions of this act and create a pension board hereunder by submitting the same to the electors of any such city, village or municipality at any regular or special election for adoption, in the manner provided by law for amending charters: Provided, That this act shall not become effective until the beginning of the next succeeding fiscal year after such adoption of the provisions of this act by any city, village or municipality: Provided further, That where no provision is made in the charter of the city, village or municipality for amending said charters, this act may be submitted for adoption in accordance with any law authorizing the amending of the charters of cities: Provided further, That in case of a township or charter township, this act shall be submitted to the qualified electors of such township or townships by the township board on the filing of a petition requesting the submission, signed by 10 per

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cent of the registered and qualified electors in such township or charter township, at any general election or special election called for that purpose by the township board, in accordance with the laws of this state, and this act shall be in force and effect in any such township or charter township if a majority of the electors voting on such proposition, as determined by the canvass of votes cast, shall vote in favor thereof.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—CL 1948, 38.561;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951.

Popular name: Act 345

38.561a Violation of MCL 168.1 to 168.992 applicable to petitions; penalties.

Sec. 11a. A petition under section 11, including the circulation and signing of the petition, is subject to section 488 of the Michigan election law, 1954 PA 116, MCL 168.488. A person who violates a provision of the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992, applicable to a petition described in this section is subject to the penalties prescribed for that violation in the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992.

History: Add. 1998, Act 200, Eff. Mar. 23, 1999.

Popular name: Act 345

38.562 Membership of retirement system.

Sec. 12. (1) The membership of the retirement system created by a municipality affected by this act shall include each police officer and fire fighter employed by a municipality. A police officer or fire fighter, who is a member of the retirement system and who is transferred from the classification of a police officer or fire fighter to a civilian position within the police or fire department or who is transferred from the police or fire department of the municipality to another department of the municipality by an officer or body of the municipality authorized to make the transfer, shall continue as a member of this retirement system covering the police officers and fire fighters, and shall be subject to the provisions of the retirement system. If the officers and employees of the department to which the person is transferred are covered by an annuity pension or retirement system to which the municipality makes contributions and the person transferred becomes entitled to membership in that system, the person shall cease to be a member of this police officer and fire fighter retirement system.

(2) The membership of the retirement system shall not include a volunteer fire fighter, a privately employed police officer or fire fighter, a person temporarily employed during an emergency, a civilian employee of a police and fire department, or a person participating in a transitional public employment program, except as provided in subsection (1) and section 6c.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.562;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1978, Act 421, Imd. Eff. Sept. 30, 1978.

Popular name: Act 345

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PUBLIC EMPLOYEE RETIREMENT SYSTEM INVESTMENT ACT
Act 314 of 1965

AN ACT to authorize the investment of assets of public employee retirement systems or plans created and established by the state or any political subdivision; to provide for the payment of certain costs and investment expenses; to authorize investment in variable rate interest loans; to define and limit the investments which may be made by an investment fiduciary with the assets of a public employee retirement system; and to prescribe the powers and duties of investment fiduciaries and certain state departments and officers.

History: 1965, Act 314, Imd. Eff. July 22, 1965;—Am. 1980, Act 31, Imd. Eff. Mar. 8, 1980;—Am. 1982, Act 55, Imd. Eff. Apr. 6, 1982;—Am. 1988, Act 252, Eff. Jan. 1, 1989;—Am. 1988, Act 253, Eff. Jan. 1, 1989;—Am. 1988, Act 343, Imd. Eff. Oct. 19, 1988.

The People of the State of Michigan enact:

38.1121-38.1131 Repealed. 1982, Act 55, Imd. Eff. Apr. 6, 1982.

Compiler's note: Prior to the repeal of MCL 38.1121 to 38.1131, MCL 38.1125a had expired by its own terms.

38.1132 Short title; meanings of words and phrases.

Sec. 12. (1) This act shall be known and may be cited as the "public employee retirement system investment act".

(2) For the purposes of this act, the words and phrases defined in sections 12a to 12f have the meanings ascribed to them in those sections.

History: Add. 1982, Act 55, Imd. Eff. Apr. 6, 1982;—Am. 1988, Act 127, Imd. Eff. May 24, 1988;—Am. 1996, Act 485, Imd. Eff. Dec. 27, 1996.

38.1132a Definitions; A.

Sec. 12a. "Assets", for the purpose of meeting asset limitations contained in this act, means the total of the cash and investments of a system valued at market.

History: Add. 1996, Act 485, Imd. Eff. Dec. 27, 1996.

38.1132b Definitions; D to F.

Sec. 12b. (1) "Defined contribution plan" means a defined contribution plan as defined in section 414(i) in the internal revenue code.

(2) "Derivative" means either of the following:

(a) A contract or convertible security that changes in value in concert with a related or underlying security, future, or other instrument or index; or obtains much of its value from price movements in a related or underlying security, future, or other instrument or index; or both.

(b) A contract or security, such as an option, forward, swap, warrant, or a debt instrument with 1 or more options, forwards, swaps, or warrants embedded in it or attached to it, the value of which contract or security is determined in whole or in part by the price of 1 or more underlying instruments or markets.

(3) "Equity interests" means limited partnership interests and other interests in which the liability of the investor is limited to the amount of the investment, but does not mean general partnership interests or other interests involving general liability of the investor.

(4) "Foreign security" means any of the following:

(a) A fixed income security issued by a government, a governmental agency, or a public or private company that is traded outside of the United States and issued in a currency other than the United States dollar.

(b) An equity position in a company traded on an exchange outside of the United States or a security issued in a currency other than the United States dollar or an unregistered American depository receipt.

(c) An equity or fixed income derivative that derives its value from an investment described in subdivision (a) or (b) or a foreign stock or bond index traded on an exchange outside of the United States.

History: Add. 1996, Act 485, Imd. Eff. Dec. 27, 1996;—Am. 2000, Act 307, Imd. Eff. Oct. 16, 2000.

38.1132c Definitions; I.

Sec. 12c. (1) "Investment fiduciary" means a person other than a participant directing the investment of the assets of his or her individual account in a defined contribution plan who does any of the following:

(a) Exercises any discretionary authority or control in the investment of a system's assets.

(b) Renders investment advice for a system for a fee or other direct or indirect compensation.

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(2) “Invest” or “investment” means the utilization of money in the expectation of future returns in the form of income or capital gain. Investments initially purchased in accordance with this act which subsequently do not qualify for purchase for any reason, shall be considered to continue to meet the requirements of this act. Investment includes a guarantee by an investment fiduciary.

(3) “Investment grade” means graded in the top 4 major grades as determined by 2 national rating services.

History: Add. 1996, Act 485, Imd. Eff. Dec. 27, 1996;—Am. 2000, Act 307, Imd. Eff. Oct. 16, 2000.

38.1132d Definitions; N to P.

Sec. 12d. (1) "National rating services" means Moody's investors service, inc.; Standard & Poor's ratings group; Fitch investors service inc.; Duff & Phelps credit rating corp.; or any other nationally recognized statistical rating organization as determined by the state treasurer.

(2) "Net earnings available for fixed charges" means net income after deducting operating and maintenance expenses, taxes other than federal and state income taxes, depreciation, and depletion, but excluding extraordinary expenses appearing in the regular financial statements of the system.

(3) "Obligations" means bonds, notes, collateral trust certificates, convertible bonds, debentures, equipment trust certificates, conditional sales agreements, guaranteed mortgage certificates, pass-through certificates, participation certificates, mortgages, trust deeds, general obligation bonds, revenue bonds, or other similar interest bearing instruments of debt. Obligations may be secured or unsecured and may be publicly offered or privately placed.

(4) "Party in interest" means, as it relates to a system, any of the following:

(a) An investment fiduciary, counsel, or employee of the system.

(b) A person providing services to the system.

(c) The political subdivision sponsoring the system.

(d) An organization, any of whose members are covered by the system.

(e) A spouse, ancestor, lineal descendant, or spouse of a lineal descendant of an individual described in subdivision (a) or (b).

(f) An entity controlled by an individual or organization described in subdivisions (a) to (e).

(5) "Portfolio company" means an entity in which the investment fiduciary has invested or has considered investing system assets.

(6) "Private equity" means an asset class consisting of equity or debt securities in entities that are not publicly traded, which may include, but are not limited to, investments in leveraged buyouts, venture capital, growth capital, distressed or special situations, mezzanine capital, and secondary investments in equity or debt interests.

History: Add. 1996, Act 485, Imd. Eff. Dec. 27, 1996;—Am. 2000, Act 307, Imd. Eff. Oct. 16, 2000;—Am. 2008, Act 425, Imd. Eff. Jan. 6, 2009.

38.1132e Definitions; S.

Sec. 12e. (1) “Small business” means a corporation, partnership, sole proprietorship, or other entity which does not meet the specific requirements of investments permitted under this act.

(2) “Small business investment company” means an incorporated body or a limited partnership under section 301 of title III of the small business investment act of 1958, Public Law 85-699, 15 U.S.C. 681.

(3) “Soft dollar” means brokerage commissions that are used by the system to purchase goods or services.

(4) “Stock” means capital stock, common stock, preferred stock, American depository receipts, or any other evidence of residual ownership of a corporation.

(5) “System” means a public employee retirement system created and established by this state or any political subdivision of this state.

History: Add. 1996, Act 485, Imd. Eff. Dec. 27, 1996.

38.1132f Definitions; V.

Sec. 12f. “Venture capital firm” means a corporation, partnership, proprietorship, or other entity, the principal business of which is or will be the making of investments in small business, either directly or indirectly by investing in entities the principal business of which is or will be the making of investments in small businesses.

History: Add. 1996, Act 485, Imd. Eff. Dec. 27, 1996.

38.1133 Investment authority; investment fiduciary; investing, reinvesting, holding in nominee form, and managing assets of system; powers and duties; costs; prohibited acts; exceptions; requirements; debt instrument issued by foreign country; list of expenses.

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Sec. 13. (1) The provisions of this act shall supersede any investment authority previously granted to a system under any other law of this state.

(2) The assets of a system may be invested, reinvested, held in nominee form, and managed by an investment fiduciary subject to the terms, conditions, and limitations provided in this act. An investment fiduciary of a defined contribution plan may arrange for 1 or more investment options to be directed by the participants of the defined contribution plan. The limitations on the percentage of total assets for investments provided in this act do not apply to a defined contribution plan in which a participant directs the investment of the assets in his or her individual account, and that participant is not considered an investment fiduciary under this act.

(3) An investment fiduciary shall discharge his or her duties solely in the interest of the participants and the beneficiaries, and shall do all of the following:

(a) Act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims.

(b) Act with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered.

(c) Make investments for the exclusive purposes of providing benefits to participants and participants' beneficiaries, and of defraying reasonable expenses of investing the assets of the system.

(d) Give appropriate consideration to those facts and circumstances that the investment fiduciary knows or should know are relevant to the particular investment or investment course of action involved, including the role the investment or investment course of action plays in that portion of the system's investments for which the investment fiduciary has responsibility; and act accordingly. For purposes of this subsection, "appropriate consideration" includes, but is not limited to, a determination by the investment fiduciary that a particular investment or investment course of action is reasonably designed, as part of the investments of the system, to further the purposes of the system, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment course of action; and consideration of the following factors as they relate to the investment or investment course of action:

(*i*) The diversification of the investments of the system.

(*ii*) The liquidity and current return of the investments of the system relative to the anticipated cash flow requirements of the system.

(*iii*) The projected return of the investments of the system relative to the funding objectives of the system.

(e) Give appropriate consideration to investments that would enhance the general welfare of this state and its citizens if those investments offer the safety and rate of return comparable to other investments permitted under this act and available to the investment fiduciary at the time the investment decision is made.

(f) Prepare and maintain written objectives, policies, and strategies with clearly defined accountability and responsibility for implementing and executing the system's investments.

(g) Monitor the investment of the system's assets with regard to the limitations on those investments pursuant to this act. Upon discovery that an investment causes the system to exceed a limitation prescribed in this act, the investment fiduciary shall reallocate assets in a prudent manner in order to comply with the prescribed limitation.

(4) An investment fiduciary who is an investment fiduciary of any of the following shall comply with the divestment from terror act, 2008 PA 234, MCL 129.291 to 129.301, in making investments under this act:

(a) The Tier 1 retirement plan available under the state employees' retirement act, 1943 PA 240, MCL 38.1 to 38.69.

(b) The Tier 1 retirement plan available under the judges retirement act of 1992, 1992 PA 234, MCL 38.2101 to 38.2670.

(c) The state police retirement system created under the state police retirement act of 1986, 1986 PA 182, MCL 38.1601 to 38.1648.

(d) The public school employees retirement system created under the public school employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1408.

(5) An investment fiduciary may use a portion of the income of the system to defray the costs of investing, managing, and protecting the assets of the system; may retain investment and all other services necessary for the conduct of the affairs of the system; and may pay reasonable compensation for those services. Subject to an annual appropriation by the legislature, a deduction from the income of a state administered system resulting from the payment of those costs shall be made.

(6) The system shall be a separate and distinct trust fund and the assets of the system shall be for the exclusive benefit of the participants and their beneficiaries and of defraying reasonable expenses of investing the assets of the system. With respect to a system, an investment fiduciary shall not cause the system to

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engage in a transaction if he or she knows or should know that the transaction is any of the following, either directly or indirectly:

(a) A sale or exchange or a leasing of any property from the system to a party in interest for less than the fair market value, or from a party in interest to the system for more than the fair market value.

(b) A lending of money or other extension of credit from the system to a party in interest without the receipt of adequate security and a reasonable rate of interest, or from a party in interest to the system with the provision of excessive security or at an unreasonably high rate of interest.

(c) A transfer to, or use by or for the benefit of, the political subdivision sponsoring the system of any assets of the system for less than adequate consideration.

(d) The furnishing of goods, services, or facilities from the system to a party in interest for less than adequate consideration, or from a party in interest to the system for more than adequate consideration.

(7) With respect to a system subject to this act, an investment fiduciary shall not do any of the following:

(a) Deal with the assets of the system in his or her own interest or for his or her own account.

(b) In his or her individual or any other capacity act in any transaction involving the system on behalf of a party whose interests are adverse to the interests of the system or the interest of its participants or participants' beneficiaries.

(c) Receive any consideration for his or her own personal account from any party dealing with the system in connection with a transaction involving the assets of the system.

(8) This section does not prohibit an investment fiduciary from doing any of the following:

(a) Receiving any benefit to which he or she may be entitled as a participant or participant's beneficiary of the system.

(b) Receiving any reimbursement of expenses properly and actually incurred in the performance of his or her duties for the system.

(c) Serving as an investment fiduciary in addition to being an officer, employee, agent, or other representative of the political subdivision sponsoring the system.

(d) Receiving agreed upon compensation for services from the system.

(9) Except for an employee of a system, this state, or the political subdivision sponsoring a system, when acting in the capacity as an investment fiduciary, an investment fiduciary who is qualified under section 12c(1)(b) shall meet 1 of the following requirements:

(a) Be a registered investment adviser under either the investment advisers act of 1940, 15 USC 80b-1 to 80b-21, the uniform securities act, 1964 PA 265, MCL 451.501 to 451.818, or the uniform securities act (2002), 2008 PA 551, MCL 451.2101 to 451.2703.

(b) Be a bank as defined under the investment advisers act of 1940, 15 USC 80b-1 to 80b-21.

(c) Be an insurance company qualified under section 16(3).

(10) An investment fiduciary shall not invest in a debt instrument issued by a foreign country that has been identified by the United States state department as engaging in or sponsoring terrorism.

(11) A system shall annually publish and make available to the plan participants and beneficiaries a list of all expenses paid by soft dollars.

History: Add. 1982, Act 55, Imd. Eff. Apr. 6, 1982;—Am. 1996, Act 485, Imd. Eff. Dec. 27, 1996;—Am. 2000, Act 307, Imd. Eff. Oct. 16, 2000;—Am. 2008, Act 273, Imd. Eff. Sept. 29, 2008;—Am. 2008, Act 425, Imd. Eff. Jan. 6, 2009;—Am. 2009, Act 84, Imd. Eff. Aug. 31, 2009.

38.1133a "MacBride principles" defined; duties of investment fiduciary; effect of unlawful principle.

Sec. 13a. (1) As used in this section, "MacBride principles" means those requirements for companies doing business in Northern Ireland designed to do all of the following:

(a) Increase the representation of individuals from underrepresented religious groups in the work force including managerial, supervisory, administrative, clerical, and technical jobs.

(b) Provide adequate security for the protection of minority employees both at the workplace and while traveling to and from the workplace.

(c) Ban provocative religious or political emblems from the workplace.

(d) Publicly advertise all employment openings and make special recruitment efforts to attract applicants from underrepresented religious groups.

(e) Provide that layoff, recall, and termination procedures shall not in practice favor particular religious groupings.

(f) Abolish job reservations, apprenticeship restrictions, and differential employment criteria, which discriminate on the basis of religion or ethnic origin.

(g) Develop training programs that will prepare substantial numbers of current minority employees for

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skilled jobs, including the expansion of existing programs and the creation of new programs to train, upgrade, and improve the skills of minority employees.

(h) Establish procedures to assess, identify, and actively recruit minority employees with potential for further advancement.

(i) Appoint senior management staff members to oversee the efforts to comply with these principles and the implementation of timetables to achieve these principles.

(2) With respect to investments qualified under section 14 or 20k, the investment fiduciary shall use all capital stock, common stock, preferred stock, American depository receipts, or any other evidence of residual ownership of a corporation in which it has investments to support either of the following:

(a) Shareholder resolutions and initiatives proposing the adoption of the MacBride principles for companies doing business in Northern Ireland.

(b) Shareholder resolutions and initiatives proposing to recognize efforts to end employment discrimination contained in any agreement between the government of the Republic of Ireland and the government of the United Kingdom, signed on November 15, 1985, which agreement is commonly referred to as the Anglo-Irish agreement.

(3) If a provision of the MacBride principles is found to be in violation of the law of the United Kingdom by a court in the United States or the United Kingdom, then the duties of the investment fiduciary prescribed by this section shall not apply to the extent that a shareholder resolution or initiative includes the provision that has been found unlawful.

History: Add. 1988, Act 343, Imd. Eff. Oct. 19, 1988;—Am. 2000, Act 307, Imd. Eff. Oct. 16, 2000.

38.1133b, 38.1133c Repealed. 1993, Act 214, Imd. Eff. Oct. 27, 1993.

Compiler's note: The repealed sections pertained to encouragement or condonation of legally required discrimination; extension of deadlines for divestment of assets; developing and maintaining register of certain companies; and providing register to boards of retirement systems.

38.1133c Definitions; effort by fiduciary to identify scrutinized companies; assembly into scrutinized companies list; update and availability of list; procedures; report; effectiveness of section; exemption of fiduciary from conflicting statutory or common law obligations; liability; affirmative exclusion from federal sanctions; severability.

Sec. 13c. (1) As used in this section:

(a) "Active business operations" means all business operations that are not inactive business operations.

(b) "Business operations" means engaging in commerce in any form in Sudan, including by acquiring, developing, maintaining, owning, selling, possessing, leasing, or operating equipment, facilities, personnel, products, services, personal property, real property, or any other apparatus of business or commerce.

(c) "Company" means any sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association, including all wholly owned subsidiaries, majority-owned subsidiaries, parent companies, or affiliates of such entities or business associations, that exists for profit-making purposes.

(d) "Complicit" means taking actions during any preceding 20-month period which have directly supported or promoted the genocidal campaign in Darfur, including, but not limited to, preventing Darfur's victimized population from communicating with each other, encouraging Sudanese citizens to speak out against an internationally approved security force for Darfur, actively working to deny, cover up, or alter the record on human rights abuses in Darfur, or other similar actions.

(e) "Direct holdings" in a company means all securities of that company held directly by the fiduciary or in an account or fund in which the fiduciary owns all shares or interests.

(f) "Fiduciary" means the Michigan legislative retirement system board of trustees for the Tier 1 plan for the Michigan legislative retirement system created by the Michigan legislative retirement system act, 1957 PA 261, MCL 38.1001 to 38.1080, and the treasurer of this state for the retirement systems created under all of the following acts:

(*i*) The state police retirement act of 1986, 1986 PA 182, MCL 38.1601 to 38.1648.

(*ii*) The Tier 1 retirement plan available under the judge's retirement act of 1992, 1992 PA 234, MCL 38.2101 to 38.2670.

(*iii*) The Tier 1 retirement plan available under the state employees retirement act, 1943 PA 240, MCL 38.1 to 38.69.

(*iv*) The public school employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1408.

(g) "Government of Sudan" means the government in Khartoum, Sudan, which is led by the national congress party or any successor government formed on or after October 13, 2006 and does not include the

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regional government of southern Sudan.

(h) "Inactive business operations" means the mere continued holding or renewal of rights to property previously operated for the purpose of generating revenues but not presently deployed for such purpose.

(i) "Indirect holdings" in a company means all securities of that company held in an account or fund, such as a mutual fund or other commingled fund, managed by 1 or more persons not employed by the fiduciary, in which the fiduciary owns shares or interests together with other investors not subject to the provisions of this act.

(j) "Marginalized populations of Sudan" includes, but is not limited to, all of the following:

(*i*) The portion of the population in the Darfur region that has been genocidally victimized.

(*ii*) The portion of the population of southern Sudan victimized by Sudan's north-south civil war.

(*iii*) The Beja, Rashidiya, and other similarly underserved groups of eastern Sudan.

(*iv*) The Nubian and other similarly underserved groups in Sudan's Abyei, Southern Blue Nile, and Nuba Mountain regions.

(*v*) The Amri, Hamadab, Manasir, and other similarly underserved groups of northern Sudan.

(k) "Military equipment" means weapons, arms, military supplies, and equipment that readily may be used for military purposes, including, but not limited to, radar systems or military-grade transport vehicles; or supplies or services sold or provided directly or indirectly to any force actively participating in armed conflict in Sudan.

(*l*) "Mineral extraction activities" includes exploring, extracting, processing, transporting, or wholesale selling or trading of elemental minerals or associated metal alloys or oxides, including gold, copper, chromium, chromite, diamonds, iron, iron ore, silver, tungsten, uranium, and zinc, as well as facilitating such activities, including by providing supplies or services in support of such activities.

(m) "Oil-related activities" includes, but is not limited to, owning rights to oil blocks; exporting, extracting, producing, refining, processing, exploring for, transporting, selling, or trading of oil; constructing, maintaining, or operating a pipeline, refinery, or other oil-field infrastructure; and facilitating such activities, including by providing supplies or services in support of such activities, provided that the mere retail sale of gasoline and related consumer products shall not be considered oil-related activities.

(n) "Power production activities" means any business operation that involves a project commissioned by the national electricity corporation of Sudan or other similar government of Sudan entity whose purpose is to facilitate power generation and delivery, including, but not limited to, establishing power-generating plants or hydroelectric dams, selling or installing components for the project, providing service contracts related to the installation or maintenance of the project, as well as facilitating such activities, including by providing supplies or services in support of such activities.

(o) "Scrutinized company" means any company, except a social development company and a company described in subsection (10) that is not complicit in the Darfur genocide, that meets the criteria in subparagraph (*i*), (*ii*), or (*iii*):

(*i*) The company has business operations that involve contracts with or provision of supplies or services to 1 or more of the following:

(A) The government of Sudan.

(B) Companies in which the government of Sudan has any direct or indirect equity share.

(C) Government of Sudan-commissioned consortia or projects.

(D) Companies involved in government of Sudan-commissioned consortia or projects and that have 1 or more of the following:

(I) More than 10% of the company's revenues or assets linked to Sudan involve oil-related activities or mineral extraction activities, less than 75% of the company's revenues or assets linked to Sudan involve contracts with or provision of oil-related or mineral extracting products or services to the regional government of southern Sudan or a project or consortium created exclusively by that regional government, and the company has failed to take substantial action.

(II) More than 10% of the company's revenues or assets linked to Sudan involve power production activities, less than 75% of the company's power production activities include projects whose intent is to provide power or electricity to the marginalized populations of Sudan, and the company has failed to take substantial action.

(*ii*) The company is complicit in the Darfur genocide.

(*iii*) The company supplies military equipment within Sudan, unless the fiduciary finds that the military equipment will not be used to facilitate offensive military actions in Sudan or the fiduciary finds that the company implements rigorous and verifiable safeguards to prevent use of that equipment by forces actively participating in armed conflict.

(p) "Social development company" means a company whose primary purpose in Sudan is to provide

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humanitarian goods or services, including medicine or medical equipment, agricultural supplies or infrastructure, educational opportunities, journalism-related activities, information or information materials, spiritual-related activities, services of a purely clerical or reporting nature, food, clothing, or general consumer goods that are unrelated to oil-related activities, mineral extraction activities, or power production activities.

(q) "Substantial action" means adopting, publicizing, and implementing a formal plan to cease scrutinized business operations within 1 year and to refrain from any new business operations, undertaking significant humanitarian efforts in conjunction with an international organization, the government of Sudan, the regional government of southern Sudan, or a nonprofit entity and evaluated and certified by an independent third party to be substantial in relationship to the company's Sudan business operations and of benefit to 1 or more marginalized populations of Sudan, or through engagement with the government of Sudan, materially improving conditions for the genocidally victimized population in Darfur.

(2) Within 90 days after the effective date of the amendatory act that added this section, the fiduciary shall make its best efforts to identify all scrutinized companies in which the fiduciary has direct or indirect holdings or could possibly have such holdings in the future. The efforts shall include 1 or more of the following:

(a) Reviewing and relying, as appropriate in the fiduciary's judgment, on publicly available information regarding companies with business operations in Sudan, including information provided by nonprofit organizations, research firms, international organizations, and government entities.

(b) Contacting asset managers contracted by the fiduciary that invest in companies with business operations in Sudan.

(c) Contacting other institutional investors that have divested from or engaged with companies that have business operations in Sudan.

(3) At the end of the 90-day period or by the first meeting of the fiduciary following the 90-day period described in subsection (2), the fiduciary shall assemble all scrutinized companies identified into a scrutinized companies list.

(4) The fiduciary shall update the scrutinized companies list on a quarterly basis based on evolving information from, among other sources, those sources listed in subsection (2). The fiduciary shall make the scrutinized companies list freely available to the fiduciaries of other public retirement systems located in this state if making the list available does not violate any agreements with third parties or reveal proprietary information of a third party.

(5) The fiduciary shall adhere to the following procedure for companies on the scrutinized companies list:

(a) The fiduciary shall immediately determine the companies on the scrutinized companies list in which the fiduciary oversees pursuant to its responsibilities as defined in subsection (1)(f).

(b) For each company identified in subdivision (a) with only inactive business operations, the fiduciary shall send a written notice informing the company of this section and encourage the company to continue to refrain from initiating active business operations in Sudan until it is able to avoid scrutinized business operations and further encourage the company to engage in substantial humanitarian operations in the country. The fiduciary shall continue the correspondence on a semiannual basis.

(c) For each company newly identified in subdivision (a) with active business operations, the fiduciary shall send a written notice informing the company of its scrutinized company status and that it may become subject to divestment by the fiduciary. The notice shall offer the company the opportunity to clarify its Sudan-related activities and shall encourage the company, within 90 days, to either cease its scrutinized business operations or convert such operations to inactive business operations in order to avoid qualifying for divestment by the fiduciary.

(d) If, within 90 days following the fiduciary's first engagement with a company pursuant to subdivision (c), that company ceases scrutinized business operations, the company shall be removed from the scrutinized companies list and this section shall cease to apply to it unless it resumes scrutinized business operations. If, within 90 days following the fiduciary's first engagement, the company converts its scrutinized active business operations to inactive business operations, the company shall be subject to this section.

(e) If, after 90 days following the fiduciary's first engagement with a company pursuant to subdivision (c), the company continues to have scrutinized active business operations, and only while the company continues to have scrutinized active business operations, the fiduciary shall sell, redeem, divest, or withdraw all publicly traded securities of the company, according to the following schedule:

(*i*) At least 50% of the assets shall be removed from the fiduciary's assets under management within 9 months after the company's most recent appearance on the scrutinized companies list.

(*ii*) 100% of the assets shall be removed from the fiduciary's assets under management within 15 months after the company's most recent appearance on the scrutinized companies list.

(f) Except as provided in subdivisions (g) and (h), at no time shall the fiduciary acquire securities of

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companies on the scrutinized companies list that have active business operations.

(g) No company which the United States government affirmatively declares to be excluded from its present or any future federal sanctions regime relating to Sudan shall be subject to divestment or investment prohibition pursuant to subdivisions (e) and (f).

(h) Subdivisions (e) and (f) shall not apply to indirect holdings in actively managed investment funds. For purposes of this section, actively managed investment funds include private equity funds and publicly traded funds. Before the fiduciary invests in a new private equity fund that is not in the fiduciary's portfolio as of the effective date of the amendatory act that added this section, the fiduciary shall perform due diligence to prevent investment in any private equity fund where the offering memorandum or prospectus identifies the purpose of the private equity fund as investing in scrutinized companies with active business operations in Sudan. The fiduciary is not required to identify holdings in private equity funds or submit engagement letters to those funds. If the manager of a publicly traded, actively managed fund that is in the fiduciary's portfolio on the effective date of the amendatory act that added this section creates a similar publicly traded, actively managed fund with indirect holdings devoid of identified scrutinized companies with scrutinized active business operations as defined in this section, the fiduciary shall replace all applicable investments with investments in the similar fund in an expedited time frame consistent with prudent investment standards.

(6) The fiduciary shall file a publicly available report to the legislature that includes the scrutinized companies list within 30 days after the list is created. Annually thereafter, the fiduciary shall file a publicly available report to the legislature and send a copy of that report to the United States presidential special envoy to Sudan that includes all of the following:

(a) A summary of correspondence with companies engaged by the fiduciary under this section.

(b) All investments sold, redeemed, divested, or withdrawn in compliance with this section.

(c) All prohibited investments under this section.

(d) Any progress made under subsection (5)(h).

(7) This section is effective until the first occurrence of any of the following:

(a) The United States congress or the president of the United States declares that the Darfur genocide has been halted for at least 12 months.

(b) The United States revokes all sanctions imposed against the government of Sudan.

(c) The congress or president of the United States declares that the government of Sudan has honored its commitments to cease attacks on civilians, demobilize and demilitarize the Janjaweed and associated militias, grant free and unfettered access for deliveries of humanitarian assistance, and allow for the safe and voluntary return of refugees and internally displaced persons.

(d) The congress or president of the United States, through legislation or executive order, declares that mandatory divestment of the type provided for in this act interferes with the conduct of United States foreign policy.

(8) With respect to actions taken in compliance with this section, including all good faith determinations regarding companies as required by this section, the fiduciary shall be exempt from any conflicting statutory or common law obligations, including any obligations in respect to choice of asset managers, investment funds, or investments for the fiduciary's securities portfolios.

(9) The fiduciary, members of an investment advisory committee, and any person with decision-making authority with regard to investments of the fiduciary shall not be held liable for any action undertaken for the purpose of complying with or executing the mandates required under this section.

(10) Scrutinized company does not include a company that the federal government has affirmatively excluded from federal sanctions for business the scrutinized company conducts relating to Sudan, or that has consistently obtained applicable licenses or approvals to conduct transactions with Sudan. If the fiduciary becomes aware at any time that a company that has not been affirmatively excluded from federal sanctions for business it conducts relating to Sudan and has not received from the United States government applicable licenses or approvals to conduct transactions with Sudan, that company is immediately subject to subsection (5).

(11) If any provision, section, subsection, sentence, clause, phrase, or word of this legislation or its application to any person or circumstance is found to be invalid, illegal, unenforceable, or unconstitutional, the same is hereby declared to be severable and the balance of this legislation shall remain effective and functional notwithstanding such invalidity, illegality, unenforceability, or unconstitutionality.

History: Add. 2008, Act 233, Imd. Eff. July 17, 2008.

38.1133d Definitions; scrutinized companies; identification by fiduciaries; assembling scrutinized companies list; update by fiduciary; procedure; report; effectiveness of section; conditions; liability of fiduciary; scrutinized company affirmatively excluded from

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federal sanctions; effect; severability.

Sec. 13d. (1) As used in this section:

(a) "Active business operations" means all business operations that are not inactive business operations.

(b) "Business operations" means engaging in commerce in any form in Iran, including by acquiring, developing, maintaining, owning, selling, possessing, leasing, or operating equipment, facilities, personnel, products, services, personal property, real property, or any other apparatus of business or commerce.

(c) "Company" means any sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association, including all wholly owned subsidiaries, majority-owned subsidiaries, parent companies, or affiliates of such entities or business associations, that exists for profit-making purposes.

(d) "Direct holdings" in a company means all securities of that company held directly by the fiduciary or in an account or fund in which the fiduciary owns all shares or interests.

(e) "Fiduciary" means the Michigan legislative retirement system board of trustees for the Tier 1 plan for the Michigan legislative retirement system created by the Michigan legislative retirement system act, 1957 PA 261, MCL 38.1001 to 38.1080, and the treasurer of this state for the retirement systems created under all of the following acts:

(*i*) The state police retirement act of 1986, 1986 PA 182, MCL 38.1601 to 38.1648.

(*ii*) The Tier 1 retirement plan available under the judge's retirement act of 1992, 1992 PA 234, MCL 38.2101 to 38.2670.

(*iii*) The Tier 1 retirement plan available under the state employees retirement act, 1943 PA 240, MCL 38.1 to 38.69.

(*iv*) The public school employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1408.

(f) "Government of Iran" means the government of Iran, its instrumentalities, and companies owned or controlled by the government of Iran.

(g) "Inactive business operations" means the mere continued holding or renewal of rights to property previously operated for the purpose of generating revenues but not presently deployed for such purpose.

(h) "Indirect holdings" in a company means all securities of that company held in an account or fund, such as a mutual fund or other commingled fund, managed by 1 or more persons not employed by the fiduciary, in which the fiduciary owns shares or interests together with other investors not subject to the provisions of this act.

(i) "Iran" means the Islamic republic of Iran.

(j) "Military equipment" means weapons, arms, military supplies, and equipment that readily may be used for military purposes, including, but not limited to, radar systems or military-grade transport vehicles.

(k) "Mineral extraction activities" includes exploring, extracting, processing, transporting, or wholesale selling or trading of elemental minerals or associated metal alloys or oxides, including gold, copper, chromium, chromite, diamonds, iron, iron ore, silver, tungsten, uranium, and zinc, as well as facilitating such activities, including by providing supplies or services in support of such activities.

(*l*) "Oil-related activities" includes, but is not limited to, owning rights to oil blocks; exporting, extracting, producing, refining, processing, exploring for, transporting, selling, or trading of oil; constructing, maintaining, or operating a pipeline, refinery, or other oil-field infrastructure; and facilitating such activities, including by providing supplies or services in support of such activities, provided that the mere retail sale of gasoline and related consumer products shall not be considered oil-related activities.

(m) "Petroleum resources" means petroleum or natural gas.

(n) "Power production activities" means any business operation that involves a project commissioned by the government of Iran whose purpose is to facilitate power generation and delivery, including, but not limited to, establishing power-generating plants or hydroelectric dams, selling or installing components for the project, providing service contracts related to the installation or maintenance of the project, as well as facilitating such activities, including by providing supplies or services in support of such activities.

(o) "Scrutinized company" means any company not described in subsection (10) that has business operations that involve contracts with or provision of supplies or services to the government of Iran; companies in which the government of Iran has any direct or indirect equity share, consortiums, or projects commissioned by the government of Iran; or companies involved in consortiums and projects commissioned by the government of Iran and 1 or more of the following:

(*i*) More than 10% of the company's total revenues or assets are linked to Iran, and involve oil-related activities or mineral-extraction activities, and the company has failed to take substantial action.

(*ii*) The company has, with actual knowledge, on or after August 5, 1996, made an investment of $20,000,000.00 or more, or any combination of investments of at least $10,000,000.00 each, which in the

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aggregate equals or exceeds $20,000,000.00 in any 12-month period, and which directly or significantly contributes to the enhancement of Iran's ability to develop petroleum resources.

(p) "Substantial action" means adopting, publicizing, and implementing a formal plan to cease scrutinized business operations within 1 year and to refrain from any new business operations.

(2) Within 90 days after the effective date of the amendatory act that added this section, the fiduciary shall make its best efforts to identify all scrutinized companies in which the fiduciary has direct or indirect holdings or could possibly have such holdings in the future. The efforts may include 1 or more of the following:

(a) Reviewing and relying, as appropriate in the fiduciary's judgment, on publicly available information regarding companies with business operations in Iran, including information provided by nonprofit organizations, research firms, international organizations, and government entities.

(b) Contacting asset managers contracted by the fiduciary that invest in companies with business operations in Iran.

(c) Contacting other institutional investors that have divested from or engaged with companies that have business operations in Iran.

(d) Reviewing the laws of the United States regarding the levels of business activity that would cause application of sanctions against companies conducting business or investing in countries that are designated state sponsors of terror.

(3) At the end of the 90-day period or by the first meeting of the fiduciary following the 90-day period described in subsection (2), the fiduciary shall assemble all scrutinized companies identified into a scrutinized companies list.

(4) The fiduciary shall update the scrutinized companies list on a quarterly basis based on evolving information from, among other sources, those sources listed in subsection (2). The fiduciary shall make the scrutinized companies list freely available to the fiduciaries of other public retirement systems located in this state if making the list available does not violate any agreements with third parties or reveal proprietary information of a third party.

(5) The fiduciary shall adhere to the following procedure for companies on the scrutinized companies list:

(a) The fiduciary shall immediately determine the companies on the scrutinized companies list in which the fiduciary oversees pursuant to its responsibilities as described in subsection (1)(e).

(b) For each company identified in subdivision (a) with only inactive business operations, not later than 60 days after the identification of the company, the fiduciary shall send a written notice informing the company of this section and encourage the company to continue to refrain from initiating active business operations in Iran until it is able to avoid scrutinized business operations. The fiduciary shall continue the correspondence on a semiannual basis.

(c) For each company newly identified in subdivision (a) with active business operations, not later than 60 days after the company is newly identified, the fiduciary shall send a written notice informing the company of its scrutinized company status and that it may become subject to divestment by the fiduciary. The notice shall offer the company the opportunity to clarify its Iran-related activities and shall encourage the company, within 90 days, to either cease its scrutinized business operations through substantial action or convert such operations to inactive business operations in order to avoid qualifying for divestment by the fiduciary.

(d) If, within 90 days following the fiduciary's first engagement with a company pursuant to subdivision (c), that company announces a plan of substantial action, the company shall be removed from the scrutinized companies list and this section shall cease to apply to it unless it fails to implement its plan of substantial action within the designated time frame. If, within 90 days following the fiduciary's first engagement, the company converts its active business operations to inactive business operations, the company shall be subject to this section.

(e) If, after 90 days following the fiduciary's first engagement with a company pursuant to subdivision (c), the company continues to have active business operations, and only while the company continues to have active business operations, the fiduciary shall sell, redeem, divest, or withdraw all publicly traded securities of the company, according to the following schedule:

(*i*) At least 50% of the assets shall be removed from the fiduciary's assets under management within 9 months after the company's most recent appearance on the scrutinized companies list.

(*ii*) 100% of the assets shall be removed from the fiduciary's assets under management within 15 months after the company's most recent appearance on the scrutinized companies list.

(f) Except as provided in subdivisions (g) and (h), at no time shall the fiduciary acquire securities of companies on the scrutinized companies list that have active business operations.

(g) No company which the United States government affirmatively declares to be excluded from its present or any future federal sanctions regime relating to Iran shall be subject to divestment or investment prohibition pursuant to subdivisions (e) and (f).

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(h) Subdivisions (e) and (f) shall not apply to indirect holdings in actively managed investment funds. For purposes of this section, actively managed investment funds include private equity funds and publicly traded funds. Before the fiduciary invests in a new private equity fund or publicly traded fund that is not in the fiduciary's portfolio as of the effective date of the amendatory act that added this section, the fiduciary shall perform due diligence to prevent investment in any private equity fund or publicly traded fund where the offering memorandum or prospectus identifies a purpose of the private equity fund or publicly traded fund as investing in scrutinized companies with active business operations in Iran. The fiduciary is not required to identify holdings in private equity funds or submit engagement letters to those funds. If the manager of a publicly traded, actively managed fund that is in the fiduciary's portfolio on the effective date of the amendatory act that added this section creates a similar publicly traded, actively managed fund with indirect holdings devoid of identified scrutinized companies with scrutinized active business operations as defined in this section, the fiduciary shall replace all applicable investments with investments in the similar fund in an expedited time frame consistent with prudent investment standards.

(6) The fiduciary shall file a publicly available report to the legislature that includes the scrutinized companies list within 30 days after the list is created. Annually thereafter, the fiduciary shall file a publicly available report to the legislature that includes all of the following:

(a) A summary of correspondence with companies engaged by the fiduciary under this section.

(b) All investments sold, redeemed, divested, or withdrawn in compliance with this section.

(c) All prohibited investments under this section.

(d) Any progress made under subsection (5)(h).

(7) This section is no longer effective upon the occurrence of 1 or more of the following:

(a) The congress or president of the United States affirmatively and unambiguously states, through legislation, executive order, or written certification from the president to congress, that the government of Iran has ceased to acquire weapons of mass destruction and support international terrorism.

(b) The United States revokes all sanctions imposed against the government of Iran.

(c) The congress or president of the United States affirmatively and unambiguously states, through legislation, executive order, or written certification from the president to congress, that mandatory divestment of the type provided for in this section interferes with the conduct of United States foreign policy.

(8) With respect to actions taken in compliance with this section, including all good faith determinations regarding companies as required by this section, the fiduciary shall be exempt from any conflicting statutory or common law obligations, including any obligations in respect to choice of asset managers, investment funds, or investments for the fiduciary's securities portfolios.

(9) The fiduciary, members of an investment advisory committee, and any person with decision-making authority with regard to investments of the fiduciary shall not be held liable for any action undertaken for the purpose of complying with or executing the mandates required under this section.

(10) Scrutinized company does not include a company that the federal government has affirmatively excluded from federal sanctions for business the scrutinized company conducts relating to Iran, or that has consistently obtained applicable licenses or approvals to conduct transactions with Iran. If the fiduciary becomes aware at any time that a company that has not been affirmatively excluded from federal sanctions for business it conducts relating to Iran and has not received from the United States government applicable licenses or approvals to conduct transactions with Iran, that company is immediately subject to subsection (5).

(11) If any provision, section, subsection, sentence, clause, phrase, or word of this legislation or its application to any person or circumstance is found to be invalid, illegal, unenforceable, or unconstitutional, the same is hereby declared to be severable and the balance of this legislation shall remain effective and functional notwithstanding such invalidity, illegality, unenforceability, or unconstitutionality.

History: Add. 2008, Act 232, Imd. Eff. July 17, 2008.

38.1134 Investment in stock.

Sec. 14. (1) An investment fiduciary may invest not more than 70% of a system's assets in stock. An investment fiduciary shall not invest in more than 5% of the outstanding stock of any 1 corporation, or invest more than 5% of a system's assets in the stock of any 1 corporation, unless otherwise provided in this act.

(2) Stock invested in under this section shall meet 1 of the following requirements:

(a) Be registered on a national securities exchange regulated under title I of the securities exchange act of 1934, chapter 404, 48 Stat. 881, 15 U.S.C. 78a to 78*l*, 78m to 78o, 78o-3 to 78dd-1, 78ee to 78hh, and 78kk to 78 *ll*.

(b) Be on the national association of securities dealers automated quotation system or a successor to this system.

(c) Be issued pursuant to rule 144a under the securities act of 1933, 17 C.F.R. 230.144a.

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(3) Notwithstanding subsection (2), an investment fiduciary may designate an American depository receipt that satisfies the requirements of subsection (2) as an investment qualified under this section or as an investment in foreign securities qualified under section 20k.

History: Add. 1982, Act 55, Imd. Eff. Apr. 6, 1982;—Am. 1996, Act 485, Imd. Eff. Dec. 27, 1996;—Am. 2000, Act 307, Imd. Eff. Oct. 16, 2000.

38.1135 Investment in investment companies.

Sec. 15. An investment fiduciary may invest in investment companies registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-64. The management company of the investment company shall have been in operation for at least 5 years and shall have assets under management of more than $500,000,000.00. An investment in an investment company shall be considered an investment in the underlying assets for all purposes under this act.

History: Add. 1982, Act 55, Imd. Eff. Apr. 6, 1982;—Am. 1996, Act 485, Imd. Eff. Dec. 27, 1996.

38.1136 Investment in annuity investment contracts or participations in separate accounts of life insurance company; investment in general account of life insurer; requirements.

Sec. 16. (1) An investment fiduciary may invest in annuity investment contracts or participations in separate real estate, mortgage, bond, stock, or other special investment accounts of a life insurance company authorized to do business in this state. An investment in such a separate account shall be considered an investment in stock under section 14 only to the extent that the separate account's assets include stock, and then only for the purpose of determining the 70% maximum investment limit under section 14. An investment in such a separate account shall also be considered an investment in real or personal property under section 19(1), but only to the extent that the separate account's assets include real or personal property, and then only for the purpose of determining the 5% maximum investment limit under section 19(1).

(2) An investment fiduciary may invest in the general account of a life insurer authorized to do business in this state under the insurance code of 1956, 1956 PA 218, MCL 500.100 to 500.8302, but the total amount of assets of any 1 system invested in any 1 insurer shall not exceed 50% of the capital and surplus of the insurer.

(3) A life insurance company under this section shall have been in operation for at least 5 years and have assets under management of more than $500,000,000.00. The insurance company shall have a claims-paying ability rating no less than single A according to A.M. Best & company or AA- according to Duff & Phelps credit rating corp., and an overall company financial strength rating no less than Aa3 according to Moody's investors service, inc. or AA- according to Standard & Poor's ratings group.

History: Add. 1982, Act 55, Imd. Eff. Apr. 6, 1982;—Am. 1996, Act 485, Imd. Eff. Dec. 27, 1996;—Am. 2000, Act 307, Imd. Eff. Oct. 16, 2000.

38.1137 Other authorized investments; prohibited investments.

Sec. 17. (1) An investment fiduciary may invest in any of the following:

(a) Obligations issued, assumed, or guaranteed by a solvent entity created or existing under the laws of the United States or of any state, district, or territory of the United States, which are not in default as to principal or interest, including, but not limited to, the following:

(*i*) Obligations secured by the mortgage of real property or the pledge of adequate collateral if, during any 3, including 1 of the last 2, of the 5 fiscal years immediately preceding the time of investment, the net earnings of the issuing, assuming, or guaranteeing entity available for fixed charges, as determined in accordance with standard accounting practice, shall have been not less than the total of its fixed charges for the year on an overall basis, nor less than 1-1/2 times its fixed charges for the year on a priority basis after excluding interest requirements on obligations subordinate to the issue as to security.

(*ii*) Equipment trust certificates of railroad companies organized under the laws of any state of the United States or of Canada or any of its provinces, payable within 20 years from their date of issue, in annual or semiannual installments, beginning not later than the fifth year after the date of issue, which certificates are a first lien on the specific equipment pledged as security for the payment of the certificates, and which certificates are either the direct obligations of the railroad companies or are guaranteed by the railroad companies, or are executed by trustees holding title to the equipment.

(*iii*) Obligations other than those described in subparagraphs (*i*) and (*ii*), if the net earnings of the issuing, assuming, or guaranteeing entity available for fixed charges during each of any 3, including 1 of the last 2, of the 5 fiscal years immediately preceding the time of investment, shall have been not less than 1-1/2 times the total of the entity's fixed charges for such year, or if the obligations are of investment grade.

(b) Obligations secured by a security interest in real or personal property and a lease obligation given by a solvent entity whose obligations would be qualified investments under the provisions of this act, if the

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investment does not exceed 100% of the appraised value of the property subject to the lease, and if all of the following requirements are met:

(*i*) The lease has an unexpired term equal to or exceeding the remaining term of the investment.

(*ii*) The lease is noncancelable unless the lessee first pays the sum of all unpaid rents due or to become due during the remaining lease term.

(*iii*) The lease provides for net rental payments equal to or exceeding the periodic payments on the investment.

(*iv*) The lease provides that the net rental payments are to be made without abatement or offset during the full term of the lease.

(*v*) The lease and the lease payments are assigned to the system, an agent of the system, or an independent trustee.

(c) Obligations issued, assumed, or guaranteed by the United States, its agencies, or United States government-sponsored enterprises.

(d) Obligations of a possession, territory, or public instrumentality of the United States, or of any state, city, county, township, village, school district, authority, or any other governmental unit having the power to levy taxes, or in obligations of other similar political units of the United States. These investments shall be of investment grade. These investments shall not be permitted if in the 3 preceding years the governmental unit has failed to pay its debt or any part of its debt or the interest on the debt. The aggregate investments made under this subdivision shall not exceed 5% of the system's total assets.

(e) Banker's acceptances, commercial accounts, certificates of deposit, or depository receipts issued by a bank, trust company, savings and loan association, or a credit union.

(f) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 national rating services, and which matures within 270 days after the date of issue.

(g) Repurchase agreements for the purchase of securities issued by the United States government or its agencies and executed by a bank or trust company or by members of the association of primary dealers or other recognized dealers in United States government securities.

(h) Reverse repurchase agreements for the sale of securities issued by the United States government or its agencies and executed with a bank or trust company or with members of the association of primary dealers or other recognized dealers in United States government securities.

(i) Any investment otherwise permitted by this section in which the interest rate varies from time to time. Notwithstanding a provision of any other act to the contrary, a loan shall not be considered to be in violation of the usury statutes of this state by virtue of the fact that the loan is made on a variable interest rate basis.

(j) Obligations secured by any of the obligations described in subdivision (a) or (c).

(k) Dollar denominated obligations issued in the United States by foreign governments, supranationals, banks, or corporations. These investments shall be of investment grade.

(2) Except as otherwise provided in this act and except for obligations described in subsection (1)(c), an investment fiduciary shall not do any of the following:

(a) Invest in more than 5% of the outstanding obligations of any 1 issuer.

(b) Invest more than 5% of a system's assets in the obligations of any 1 issuer.

History: Add. 1982, Act 55, Imd. Eff. Apr. 6, 1982;—Am. 1996, Act 485, Imd. Eff. Dec. 27, 1996;—Am. 2000, Act 307, Imd. Eff. Oct. 16, 2000.

38.1138 Investment in real estate or mortgages on certain leased real property.

Sec. 18. An investment fiduciary may invest in real estate or mortgages on real property leased or to be leased to the United States government, or to a state, territory, agency, authority, or public instrumentality of the United States, if the investment does not exceed 100% of the appraised value of the property subject to the mortgage and if all of the following requirements are met:

(a) The lease has an unexpired term exclusive of optional renewal terms equal to or greater than the remaining term of the investment.

(b) The lease provides for net rental payments equal to or greater than the periodic payments on the investment.

(c) The lease and the lease payments are assigned to the system.

History: Add. 1982, Act 55, Imd. Eff. Apr. 6, 1982.

38.1139 Investment in real estate investment trust or real or personal property.

Sec. 19. (1) An investment fiduciary may invest up to 5% of a system's assets in publicly or privately issued real estate investment trusts or in real or personal property otherwise qualified pursuant to section 15, 16, or 20c.

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(2) In addition to investments authorized under subsection (1), an investment fiduciary of a system having assets of more than $100,000,000.00 may do any of the following:

(a) Invest in, buy, sell, hold, improve, lease, or acquire by foreclosure or an agreement in lieu of foreclosure, real or personal property or an interest in real or personal property.

(b) Develop, maintain, operate, or lease the real or personal property referred to in subdivision (a).

(c) Form or invest in 1 or more limited partnerships, corporations, limited liability companies, trusts, or other organizational entities for which liability of an investor cannot exceed the amount of the investment under the laws of the United States or of any state, district, or territory of the United States or foreign country. The limited partnership, corporation, limited liability company, trust, or other organizational entity may invest in, buy, sell, hold, develop, improve, lease, or operate real or personal property, or originate a mortgage or invest in an annuity separate account that invests in real or personal property to hold title to, improve, lease, manage, develop, maintain, or operate real or personal property whether currently held or acquired after the effective date of the amendatory act that added this subdivision. An entity formed under this subdivision has the right to exercise all powers granted to the entity by the laws of the jurisdiction of formation, including, but not limited to, the power to borrow money in order to provide additional capital to benefit and increase the overall return on the investment held by the entity.

(d) Invest in investments otherwise qualified pursuant to subsection (1).

(3) Except as otherwise provided in this section, the aggregate investments made under subsection (2) shall not exceed 5% of the assets of the system. The purchase price of an investment made under this section shall not exceed the appraised value of the real or personal property.

(4) If the investment fiduciary of a system is the state treasurer, investments described in subsection (1) or (2) may exceed 5% of the assets of the system.

(5) An investment qualified under this section in which the underlying asset is an interest in real or personal property constitutes an investment under this section for the purpose of meeting the asset limitations contained in this act. This subsection applies even though the investment may be qualified elsewhere in this act. Notwithstanding this subsection, an investment fiduciary may designate a real estate investment trust which satisfies the requirements of section 14(2) as an investment qualified under this section or as an investment in stock under section 14.

History: Add. 1982, Act 55, Imd. Eff. Apr. 6, 1982;—Am. 1996, Act 485, Imd. Eff. Dec. 27, 1996;—Am. 2000, Act 307, Imd. Eff. Oct. 16, 2000;—Am. 2008, Act 425, Imd. Eff. Jan. 6, 2009.

38.1139a State treasurer as investment fiduciary; investments in private equity; limitation.

Sec. 19a. If the investment fiduciary is the state treasurer, investments in private equity shall not be more than 30% of the total assets.

History: Add. 2008, Act 425, Imd. Eff. Jan. 6, 2009.

38.1140 Investment in secured loans; real property not considered encumbered; investment in part of obligation or participation interest in loan or group of loans; investment in real estate loan; investment in loan or loans or certificate of participation secured by loan or loans made on single family residential property; investment in certificates representing interest in mortgages or group of mortgages; limitations and restrictions; investment in second mortgage; investment with variable interest rate.

Sec. 20. (1) An investment fiduciary may invest in loans secured by any of the following:

(a) First liens upon improved or income bearing real property, including but not limited to improved agricultural land, and improved business, industrial, and residential properties.

(b) First mortgages or deeds of trust on leasehold estates having an unexpired term equivalent to the term of the mortgage, inclusive of the term or terms that may be provided by enforceable options of renewal.

(c) First mortgages on unimproved real property, at least 60% of which real property is under contract of sale and that contract or contracts are pledged as additional collateral.

(2) Investments made in loans described in subsection (1) shall not exceed 80% of the appraised value of the real property at the time of the loan and shall not have a term longer than 35 years, except under the following conditions:

(a) A loan on improved land with permanent buildings used for agriculture shall be repayable by annual or more frequent installment payments sufficient to amortize 40% or more of the principal of the loan within a period of not more than 10 years.

(b) A loan on single family residential property shall be repayable by installment payments sufficient to amortize the entire principal of the loan within a period of not more than 30 years.

(3) Real property shall not be considered to be encumbered within the meaning of this section if the real

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property is subject to lease in whole or in part and under the terms of the lease rents or profits are reserved to the owner.

(4) An investment fiduciary may invest in a part of an obligation or a participation interest in a loan or a group of loans if the investment of each participant is not less than $50,000.00 at the time of investment, and if the entire indebtedness of which participation is a part would qualify under the provisions of this section.

(5) An investment fiduciary shall not invest in a real estate loan unless the investment fiduciary has reviewed a written appraisal of the real estate securing the loan.

(6) An investment fiduciary may invest in a loan or loans or certificates of participation secured by a loan or loans made on single family residential property in an amount not to exceed 95% of the appraised value, at the time of the loan, of the real estate offered as security, if the loan is secured by a mortgage, deed of trust, or other instrument under the terms of which the installment payments are sufficient to amortize the entire principal of the loan within a period of not more than 30 years, and the loan is insured by a private mortgage insurer licensed to do business in this state and approved by the federal home loan mortgage corporation and the federal national mortgage association.

(7) An investment fiduciary may invest in certificates representing an interest in a mortgage or group of mortgages if the certificates are insured or guaranteed by a private mortgage insurance company or the United States government or an agency or instrumentality of the United States government.

(8) The limitations and restrictions of subsections (1) to (7) shall not apply to loans that are made pursuant to the servicemen's readjustment act of 1944, chapter 268, 58 Stat. 284, insured under the provisions of the national housing act, chapter 847, 48 Stat. 1246, by the federal housing administration, nor to real estate loans which are guaranteed as to principal by the United States government or an agency or an instrumentality of the United States government.

(9) Notwithstanding subsection (1), an investment fiduciary may invest in a second mortgage if all of the following requirements are met:

(a) The total of the balance owing on the first mortgage and the amount of the second mortgage do not exceed 80% of the appraised value of the real property at the time of the second mortgage.

(b) The second mortgage does not have a term longer than 30 years.

(c) The investment fiduciary has the absolute right to pay the underlying first mortgage in part or in full at any time.

(d) The investment fiduciary assumes no liability for payment of the underlying first mortgage.

(10) An investment fiduciary may invest in any investment otherwise permitted by this section in which the interest rate varies from time to time. A loan shall not be considered to be in violation of the usury statutes of this state by virtue of the fact that the loan is made on a variable interest rate basis.

History: Add. 1982, Act 55, Imd. Eff. Apr. 6, 1982;—Am. 1996, Act 485, Imd. Eff. Dec. 27, 1996.

38.1140a Investment in debt, warrant, or equity interest in small business, small business investment company, or venture capital firm; creation of small business investment companies or venture capital firms to invest in small businesses; limitation.

Sec. 20a. (1) Except as provided in subsection (2), an investment fiduciary of a system having assets of more than $250,000,000.00 may invest not more than 2% of a system's assets in a debt, warrant, or equity interest in a small business having more than 1/2 of the small business's assets or employees within this state, or in a debt, warrant, or equity interest in a small business investment company or venture capital firm having its principal office or more than 1/2 of its assets within this state, or the system may create, own, hold, buy, sell, operate, manage, and direct 1 or more small business investment companies or venture capital firms designed to invest in small businesses having more than 1/2 of their assets or employees within this state. An investment fiduciary may also join with a group composed of other public employee retirement systems, pension systems subject to the employee retirement income security act of 1974, Public Law 93-406, 88 Stat. 829, financial institutions, corporations, or governmental agencies or instrumentalities to accomplish the purposes of this section. An investment in stock under this section shall be considered an investment in stock under section 14 only for the purpose of determining the 70% maximum investment limitation contained in section 14.

(2) If the investment fiduciary of a system is the state treasurer, investments described in subsection (1) may exceed 2% of the assets of the system, but shall not exceed 5% of the assets of the system.

History: Add. 1982, Act 55, Imd. Eff. Apr. 6, 1982;—Am. 1996, Act 485, Imd. Eff. Dec. 27, 1996;—Am. 2000, Act 307, Imd. Eff. Oct. 16, 2000.

38.1140b Deposits by investment fiduciary.

Sec. 20b. An investment fiduciary may make interest bearing deposits with the treasurer of the political

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subdivision sponsoring the system or with the state treasurer, either of whom may then manage and invest the deposits in a collective investment fund, common trust fund, or pooled fund that is established and maintained for investment of those assets by the treasurer of the political subdivision sponsoring the system or by the state treasurer in accordance with this act.

History: Add. 1982, Act 55, Imd. Eff. Apr. 6, 1982;—Am. 1996, Act 485, Imd. Eff. Dec. 27, 1996.

38.1140c Financial institution or management company retained as investment fiduciary; investment of system assets in collective investment fund, common trust fund, or pooled fund established and maintained by financial institution or management company; "financial institution" defined.

Sec. 20c. (1) A financial institution, a trust company, a management company qualified under section 15, or any affiliate of a person described in this section if that affiliate qualifies as an investment fiduciary under section 13(8)(a), retained to act as an investment fiduciary may invest the assets of a system in any collective investment fund, common trust fund, or pooled fund that is established and maintained for investment of those assets by the financial institution, trust company, or management company under federal or state statutes or rules or regulations. An investment in a collective investment fund, common trust fund, or pooled fund shall be considered an investment in the underlying assets of that fund for all purposes under this act.

(2) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this state under the laws of this state or the United States.

History: Add. 1982, Act 55, Imd. Eff. Apr. 6, 1982;—Am. 1996, Act 485, Imd. Eff. Dec. 27, 1996;—Am. 1997, Act 42, Imd. Eff. June 30, 1997;—Am. 2000, Act 307, Imd. Eff. Oct. 16, 2000.

38.1140d Investments not qualified under act.

Sec. 20d. (1) An investment fiduciary of a system having assets of less than $250,000,000.00 may invest not more than 5% of the system's assets in investments not otherwise qualified under this act, except as qualified in section 19a, whether the investments are similar or dissimilar to those specified in this act.

(2) An investment fiduciary of a system having assets of $250,000,000.00 or more may invest not more than 10% of the system's assets in investments described in subsection (1).

(3) An investment fiduciary of a system having assets of $1,000,000,000.00 or more may invest not more than 15% of the system's assets in investments described in subsection (1).

(4) An investment fiduciary of a system who is the state treasurer may invest not more than 20% of the system's assets in investments described in subsection (1).

(5) If an investment described in subsection (1) is subsequently determined to be permitted under another section of this act, then the investment shall no longer be included under this section.

(6) This section shall not be used to exceed a percentage of total assets limitation for an investment provided in any other section of this act.

History: Add. 1982, Act 55, Imd. Eff. Apr. 6, 1982;—Am. 1996, Act 485, Imd. Eff. Dec. 27, 1996;—Am. 2000, Act 307, Imd. Eff. Oct. 16, 2000;—Am. 2008, Act 425, Imd. Eff. Jan. 6, 2009.

38.1140e Loan of securities by investment fiduciary.

Sec. 20e. (1) An investment fiduciary may loan bonds, stocks, or other securities if at the time the loan is executed, at least 102% of the full market value of the security loaned is secured by collateral of cash to be invested in 1 or more of the following:

(a) Securities graded in the top 4 major grades as determined by at least 1 national rating service, but not graded below the top 4 grades as determined by any of the national rating services, or determined by the investment fiduciary to be of comparable quality in the case of unrated securities.

(b) Repurchase agreements collateralized by securities graded in the top 4 major grades as determined by at least 1 national rating service, but not graded below the top 4 grades as determined by any of the national rating services, or determined by the investment fiduciary to be of comparable quality in the case of unrated securities.

(c) Irrevocable bank letters of credit.

(d) Securities issued or guaranteed by the United States government or an agency of the United States government.

(2) At all times during the term of a loan under subsection (1), the collateral shall be equal to not less than 100% of the full market value of the security loaned.

History: Add. 1982, Act 55, Imd. Eff. Apr. 6, 1982;—Am. 1996, Act 485, Imd. Eff. Dec. 27, 1996;—Am. 2000, Act 307, Imd. Eff.

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Oct. 16, 2000.

38.1140f Transferring and holding securities.

Sec. 20f. An investment fiduciary may use 1 or more nominees to facilitate transfer of a system's securities and may hold the securities in safekeeping with the federal reserve system, a clearing corporation, or a custodian bank which is a member of the federal reserve system.

History: Add. 1982, Act 55, Imd. Eff. Apr. 6, 1982.

38.1140g Investment in securities exempt from taxes.

Sec. 20g. Notwithstanding any other provision of this act, investment in securities wholly or partially exempt from income or other taxes levied by the United States shall be made only at taxable-equivalent yields or returns available in the marketplace on otherwise comparable securities at the time the investment decision is made.

History: Add. 1982, Act 55, Imd. Eff. Apr. 6, 1982.

38.1140h Applicable law; actuarial valuation; supplemental actuarial analysis; "proposed pension benefit change" defined.

Sec. 20h. (1) In addition to the provisions of this act, a system is subject to the applicable accounting and reporting requirements contained in the following acts and parts of acts:

(a) 1919 PA 71, MCL 21.41 to 21.55.

(b) The uniform budgeting and accounting act, 1968 PA 2, MCL 141.121 to 141.440a.

(c) Section 91 of the executive organization act of 1965, 1965 PA 380, MCL 16.191.

(2) Except as otherwise provided in subsection (4), a system shall have an annual actuarial valuation with assets valued on a market-related basis. A system shall prepare and issue a summary annual report. The system shall make the summary annual report available to the plan participants and beneficiaries and the citizens of the political subdivision sponsoring the system. The summary annual report shall include all of the following information:

(a) The name of the system.

(b) The names of the system's investment fiduciaries.

(c) The system's assets and liabilities.

(d) The system's funded ratio.

(e) The system's investment performance.

(f) The system's expenses.

(3) A system shall provide a supplemental actuarial analysis before adoption of pension benefit changes. The supplemental actuarial analysis shall be provided by the system's actuary and shall include an analysis of the long-term costs associated with any proposed pension benefit change. The supplemental actuarial analysis shall be provided to the board of the particular system and to the decision-making body that will approve the proposed pension benefit change at least 7 days before the proposed pension benefit change is adopted. For purposes of this subsection, "proposed pension benefit change" means a proposal to change the amount of pension benefits received by persons entitled to pension benefits under a system. Proposed pension benefit change does not include a proposed change to a health care plan or health benefits.

(4) A system that has assets of less than $20,000,000.00 is only required to have the actuarial valuation required under subsection (2) done every other year.

History: Add. 1982, Act 55, Imd. Eff. Apr. 6, 1982;—Am. 1996, Act 485, Imd. Eff. Dec. 27, 1996;—Am. 2002, Act 728, Imd. Eff. Dec. 30, 2002.

38.1140i Repealed. 2000, Act 307, Imd. Eff. Oct. 16, 2000.

Compiler's note: The repealed section pertained to guaranteed repayment of loans.

38.1140j Investment in derivatives.

Sec. 20j. (1) Subject to qualification elsewhere in this act, an investment fiduciary may invest in any of the following:

(a) A derivative that hedges positions of a nonderivative component of a portfolio that clearly reduces a defined risk.

(b) A derivative that replicates the risk/return profile of an asset or asset class, provided the asset or asset class is permitted in other sections of this act.

(c) A derivative that rebalances the country or asset class exposure of a portfolio.

(d) A derivative in which the investment fiduciary has examined the price, yield, and duration characteristics in all market environments both at the time of investment and on an ongoing basis.

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(e) A commingled or pooled investment fund that uses derivatives, if the fund's use of derivatives is consistent with the guidelines outlined in this section.

(f) Over-the-counter derivatives if, in the case of an over-the-counter security, a minimum of 2 competing bids or offers are obtained. All counter party risk in over-the-counter derivative transactions shall be examined at the time of investment and on an ongoing basis.

(2) The aggregate market value of the underlying security, future, or other instrument or index made under this section shall not exceed 15% of the assets of the system. For purposes of the asset limitation in this section only, “derivatives” does not include:

(a) Asset backed pools, mortgage backed pools, or collateralized mortgage obligations that are otherwise qualified under this act and are no more exposed to prepayment risk or interest rate risk than the underlying collateral including planned amortization classes and sequential-pay collateralized mortgage obligations.

(b) Convertible bonds, convertible preferred stock, rights or warrants to purchase stock or bonds or notes or partnership interests, floating rate notes, zero coupon securities, stripped principal securities, or stripped interest securities, which items are otherwise qualified under this act.

(c) Exchange-listed derivatives trading on a daily basis and settling in cash daily or having a limited and fully defined risk profile at an identified, fixed cost, including futures contracts and purchased options.

(d) Currency forwards trading on a daily basis and settling in cash daily or having a limited and fully defined risk profile at an identified, fixed cost.

(3) Notwithstanding any other provision of this act to the contrary, an investment fiduciary shall not invest in derivatives for the purpose of leveraging a portfolio or shorting securities as a sole investment.

History: Add. 1996, Act 485, Imd. Eff. Dec. 27, 1996.

38.1140k Investment in foreign securities.

Sec. 20k. (1) Notwithstanding a percentage of total assets limitation for an investment provided in any other section of this act, an investment fiduciary may invest not more than 20% of a system's assets in foreign securities. Except as otherwise provided in this act, an investment fiduciary shall not do any of the following:

(a) Invest in more than 5% of the outstanding foreign securities of any 1 issuer.

(b) Invest more than 5% of a system's assets in the foreign securities of any 1 issuer.

(2) Investments in foreign securities under this section shall be made only by investment fiduciaries described in section 13(8) who have demonstrated expertise in investments of that type.

History: Add. 1996, Act 485, Imd. Eff. Dec. 27, 1996.

38.1140*l* Financial or proprietary information.

Sec. 20*l* (1) A record or portion of a record, material, or other data received, prepared, used, or retained by an investment fiduciary in connection with the investment of assets of a system that relates to financial or proprietary information pertaining to a portfolio company in real estate or alternative investments in which the investment fiduciary has invested or has considered an investment that is considered by the portfolio company and acknowledged by the investment fiduciary as confidential; or that relates to financial or proprietary information whether prepared by or for the investment fiduciary regarding loans and assets directly owned by the investment fiduciary and acknowledged by the investment fiduciary as confidential is not subject to the disclosure requirements of the freedom of information act, Act No. 442 of the Public Acts of 1976, being sections 15.231 to 15.246 of the Michigan Compiled Laws.

(2) A document to which the investment fiduciary is a party evidencing an investment is not considered financial or proprietary information that may be exempt from disclosure pursuant to subsection (1).

(3) As used in this section, “financial or proprietary information” means information that has not been publicly disseminated or that is unavailable from other sources, the release of which might cause the portfolio company or the investment fiduciary significant competitive harm. Financial or proprietary information includes but is not limited to financial performance data and projections, financial statements, list of coinvestors and their level of investment, product and market data, rent rolls, and leases.

History: Add. 1996, Act 485, Imd. Eff. Dec. 27, 1996.

38.1140m Employer contribution.

Sec. 20m. The governing board vested with the general administration, management, and operation of a system or other decision-making body that is responsible for implementation and supervision of any system shall confirm in the annual actuarial valuation and the summary annual report required under section 20h(2) that each plan under this act provides for the payment of the required employer contribution as provided in this section and shall confirm in the summary annual report that the system has received the required employer contribution for the year covered in the summary annual report. The required employer contribution

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is the actuarially determined contribution amount. An annual required employer contribution in a plan under this act shall consist of a current service cost payment and a payment of at least the annual accrued amortized interest on any unfunded actuarial liability and the payment of the annual accrued amortized portion of the unfunded principal liability. For fiscal years that begin before January 1, 2006, the required employer contribution shall not be determined using an amortization period greater than 40 years. Except as otherwise provided in this section, for fiscal years that begin after December 31, 2005, the required employer contribution shall not be determined using an amortization period greater than 30 years. For the state employees retirement system, the public school employees retirement system, and the state police retirement system only, for the fiscal year beginning October 1, 2006, the contribution for the unfunded actuarial accrued liability shall be equal to the product of the assumed real rate of investment return times the unfunded actuarial accrued liability. In a plan year, any current service cost payment may be offset by a credit for amortization of accrued assets, if any, in excess of actuarial accrued liability. A required employer contribution for a plan administered under this act shall allocate the actuarial present value of future plan benefits between the current service costs to be paid in the future and the actuarial accrued liability. The governing board vested with the general administration, management, and operation of a system or other decision-making body of a system shall act upon the recommendation of an actuary and the board and the actuary shall take into account the standards of practice of the actuarial standards board of the American academy of actuaries in making the determination of the required employer contribution.

History: Add. 2002, Act 728, Imd. Eff. Dec. 30, 2002;—Am. 2007, Act 22, Imd. Eff. June 26, 2007.

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CITY OF ESCANABA

PUBLIC SAFETY

DEFERRED RETIREMENT OPTION PLAN

(DROP)

ADOPTED BY RESOLUTION OF
ESCANABA CITY COUNCIL
JUNE 3, 2004

_____
JUDITH SCHWALBACH
MAYOR

_____
ROBERT RICHARDS
CITY CLERK

A. PLAN OVERVIEW

Effective July 1, 2004, any City of Escanaba Public Safety Department non-union employee ("employee") who is a member of the City of Escanaba Public Safety Retirement System (ACT 345) ("retirement system" or "plan") may at any time voluntarily elect to participate in the City of Escanaba Public Safety Department Deferred Retirement Option Plan ("DROP") after attaining the minimum requirements for regular service retirement. Upon commencement of DROP participation, the participant's DROP benefit shall be eighty percent (80%) of the dollar amount of the participant's monthly pension benefit computed by using the contractual guidelines and formula(s) that are in effect on the participant's DROP date. During the participant's participation in the DROP, the participant continues with full employment status and receives all future promotions and benefit/wage increases. The participant's DROP benefit shall be credited monthly to the participant's DROP account which shall be established within the retirement system. The participant's DROP account shall be maintained and managed by the Public Safety Retirement Board of the City of Escanaba Public Safety retirement system (the "Board"). The Participant will become vested in his/her individual DROP account at a rate of 20% after each full year of participation in the DROP, unless the DROP participant dies before completing the five-year term of the DROP. In the case of death of a DROP participant, the participant's beneficiary(s) shall receive 100% of the funds in the DROP account. Upon termination of employment, the retiree shall be eligible to receive payment(s) of the vested portion of his/her individual DROP account as described herein. The DROP payment(s) are in addition to all other contractual pension benefits. The participant is solely responsible for analyzing the tax consequences of participation in the DROP.

B. ELIGIBILITY

Effective July 1, 2004, any City of Escanaba Public Safety Department non-union employee who is a member of the retirement system may voluntarily elect to participate in the DROP at any time after attaining the minimum requirements for regular service retirement (currently 25 years). The member's election to participate in the DROP shall not operate to change or in anyway modify the retirement system's minimum requirement for a normal service retirement/pension.

C. PARTICIPATION PERIOD

The maximum period for participation in the DROP is five (5) years (the "participation period"). There is no minimum time period for participation. An employee must cease participation in the DROP within five (5) years from the date of their entering the DROP.

Upon termination of employment, the retiree shall commence receipt of the vested portion of the monthly retirement benefit previously credited to their DROP account. Failure to terminate employment at the expiration of the DROP participation period shall result in the forfeiture of the participant's monthly pension benefit otherwise payable to their DROP account until termination of employment. Interest on the DROP account however, will continue to accrue during such a forfeiture period.

D. ELECTION TO PARTICIPATE

Once commenced, participation in the DROP program is IRREVOCABLE. An employee, who wishes to participate in the DROP, shall complete and sign such application

form or forms as shall be required by the Retirement Board no less than 30 days and no more than 90 days prior to their intended DROP Date. The Retirement Board shall review the application within a reasonable time period and make a determination as to the employee's eligibility for participation in the DROP. On the employee's effective DROP date, he or she shall become a DROP participant and shall cease to be an active member of the retirement system. The amount of credited service, multiplier and final average compensation shall be fixed as of the participant's DROP date. Increases in compensation and accrual of additional service, sick leave, vacation leave, and/or personal leave during DROP participation will NOT be factored into the pension benefits of current or former DROP participants. A participant's DROP election applies only to the employee's retirement benefit provisions as provided herein and not to any other contractual benefits or retiree medical benefits in effect or accruing after a participant's DROP date.

E. DROP BENEFIT

The participant's DROP benefit shall be eighty (80%) percent of the regular monthly retirement benefit to which the employee would have been entitled if the employee had actually terminated employment and retired on the DROP date (less the actuarial reduction as a result of the employee electing an optional form of benefit under the plan, if applicable). The calculation of the employee's final average compensation ("FAC") shall be based upon the applicable employment agreement and plan provisions in effect on the employee's DROP date and to the extent applicable, shall include all monies which, if the employee had terminated employment on their DROP date, would have otherwise been included in calculating the employee's FAC. The FAC computation shall include unused sick leave (subject to the

applicable cap), unused vacation leave, compensatory time, unused personal leave, retirement bonus and prorated longevity pay.

At the time of DROP participation, the employee/participant shall receive a "cash-out" of their accrued banks (i.e., sick leave, vacation, retirement bonus, compensatory time, personal leave, etc.). The pay-out of sick leave shall be subject to the applicable contractual limitations (e.g., "all unused sick leave accumulated over and above 520 hours shall be paid up to one-half of such amount at the employee's hourly rate at the last day worked, not to exceed $1,800.00"). After cash-out of the banks, the DROP participant shall start accruing new time off banks in accordance with city policies for employees of the same employment tenure. Prior to accumulation of new accrued banks, a participant may, at the discretion of the City Manager, borrow vacation time against future accruals, subject to a maximum of one full year's vacation accrual. At the time of separation, any negative vacation bank balances must be paid back to the City at the participant's then rate of pay. Such amounts will be subject to offset against any final compensation owing at the time of separation. Alternately, the City Manager shall have the authority to grant time off without pay in accordance with already established policies. Notwithstanding the foregoing, if the employee has accumulated unused sick leave in excess of the contractual cap, such "excess leave" may be rolled over and used during the DROP period. At the end of the DROP participation period, or upon termination of employment, the participant will not receive any additional payout for accumulated sick leave but will be eligible for cash-out of any accrued vacation and personal time. Any additional cash-out amount will have no effect upon retirement benefits.

The participant's DROP benefit shall be credited monthly to the participant's individual DROP account. The participant's DROP benefit shall include any post

retirement benefit increases that would apply had the participant actually retired on his or her DROP date. Currently there is a one and a half (1.5%) percent annual post-retirement benefit increase for those retirees who have been retired one (1) full year as of the annual implementation date of January. For illustrative purposes, after one year of DROP participation and on January first, the COLA shall be applied as follows and a new DROP benefit shall be calculated: regular retirement benefit X 1.015 X .8 = new drop benefit.

A DROP participant shall: (1) prior to their DROP date; elect to receive his or her benefit in the form of the plan's Regular, Option I or II benefit and nominate a named beneficiary in accordance with the plan's normal retirement provisions. Such "option election" shall be final, and shall apply to all monies paid into the DROP account as well as all monies paid out in the form of retirement benefits. A participant's 80% DROP benefit will be calculated on his or her reduced retirement benefit if an option I or II pension is elected. Not withstanding applicable COLAs or other applicable post retirement benefit increases, a participant's DROP benefit that is credited monthly into the participant's DROP account shall not change during the participant's DROP participation. The term "spouse" for purposes of survivorship benefit qualification of DROP participants, shall mean: (1) the person to whom the participant was legally married on the participant's date of death in the event such death occurs during DROP participation; or (2) the person to whom the retiree was legally married on both the date of termination of employment and the retiree's date of death in accordance with the retirement system provisions in the event such death occurs after termination of employment. The definition of "spouse" herein may be amended pursuant to an Eligible Domestic Relations Order entered pursuant to Michigan Public Act 46 of 1991, as amended (MCL ' 38.1701 et seq.).

A participant will become vested in his/her DROP account according to the following schedule:

Years of Participation	Vested Percentage
First year of participation beginning on DROP date.	No Vesting
Second year of participation beginning on the first anniversary of your DROP date.	20%
Third year of participation beginning on the second anniversary of your DROP date.	40%
Fourth year of participation beginning on the third anniversary of your DROP date.	60%
Fifth year of participation beginning on the fourth anniversary of your DROP date and ending on the day prior to termination of the DROP. Participants are 100% vested at the end of the five year DROP period.	80%

For example, if a Participant enters the DROP on January 1, 2005 and subsequently terminates employment on March 5, 2006, he would only be vested and eligible to receive 20% of the balance of his DROP account. A surviving spouse, named beneficiary, or the estate of a deceased participant shall automatically be 100% vested in the monies accumulated in a participant's DROP account.

F. DROP ACCOUNTS

For each DROP participant, an individual DROP account shall be created. The DROP account will contain the accumulation of a participant's DROP Benefit as well as DROP interest. All individual DROP accounts shall be maintained for the benefit of each DROP

participant and will be managed by the Retirement Board in the same manner as the primary pension fund. Interest will be credited to each participant's DROP account on January 1st of each year. Interest will be credited at a rate of 4% on a participant's average daily account balance over the prior year. The Retirement Board shall provide each DROP participant with an annual statement of their account activity. The reference to individual DROP accounts shall be interpreted to refer to the accounting records of the retirement system and not to the actual segregation of monies in the funds of the retirement system.

G. CONTRIBUTIONS

The employee's contributions to the retirement system shall cease as of the participant's DROP date for each employee entering the DROP.

The payroll of DROP participants will not be included in the covered compensation upon which regular employer contributions to the retirement system are based. Accordingly, employer contributions to the retirement system shall cease for DROP participants.

H. DISTRIBUTION OF DROP FUNDS

Upon termination of employment, the former DROP participant must choose one, or a consistent combination of, the following distribution methods to receive payment(s) from his or her individual DROP account:

1) A total lump sum distribution to the recipient.
2) A partial lump sum distribution to the recipient with all remaining funds directly rolled over into another qualified plan to the extent allowed by federal law and in accordance with the Retirement Board's rollover procedures.
3) A total rollover into a qualified plan as allowed by applicable law.
4) Other distribution options as may be approved by the Retirement Board in accordance with applicable law.

Lump sum distributions which would exceed Internal Revenue Code Section 415 limits will not be authorized. A former DROP participant may change their distribution method as may be applicable, but no more than once per annum. All benefit payments under the plan shall be made as soon as practical after entitlement thereto, but in no event later than the April 1 following the later of:

1) The calendar year in which the premium member attains age 70 1/2 , or
2) The calendar year in which the participant's employment terminated.

If the accumulated balance in any former participant's DROP account becomes less than $5,000 (or such other amount as provided in Internal Revenue Code Section 411(a)(11)(A)), then the Retirement Board, in its sole discretion, shall have the option of distributing the former participant's entire DROP account, in the form of a lump sum, to the former DROP participant.

Any and all distributions from a participant's DROP account shall not be subject to offset by any workers compensation wage loss payments received by the participant, including any redemption amounts.

I. DEATH DURING DROP PARTICIPATION

If an employee participating in the DROP dies either: (i) before full retirement (i.e., before termination of service); or (ii) during full retirement (i.e., after termination of service), but before the DROP account balance has been fully paid out; the participant's designated beneficiary(s) shall receive the remaining balance in the participant's DROP account in the manner in which they elect from the previously mentioned distribution methods (Subsection H). In the event the participant has failed to name a beneficiary, the DROP account balance

shall be payable to the participant's beneficiary of benefits from the retirement system. If there is no such beneficiary, the DROP account balance shall be paid in a lump sum to the participant's estate. Death benefits payable from the retirement system shall be determined as though the DROP participant had vested 100% in his or her DROP account and separated from service on the day prior to the participant's date of death.

J. DISABILITY DURING DROP PARTICIPATION

In the event a DROP participant becomes totally and permanently disabled from further performance of duty in accordance with the provisions of the retirement system, the participant's participation in the DROP shall cease and the member shall receive such benefits as if the member had retired and terminated employment during the participation period. The participant shall not be eligible for disability benefits from the retirement system.

K. INTERNAL REVENUE CODE COMPLIANCE

The DROP is intended to operate in accordance with Section 415 and other applicable laws and regulations contained within the Internal Revenue Code of the United States. Any provision of the DROP, or portion thereof, that is found by the Retirement Board to be in conflict with an applicable provision of the Internal Revenue Code of the United States is hereby declared null and void. The DROP account herein discussed shall be established as part of the defined benefit plan of the retirement system or such other plan as the Retirement Board and the City shall agree upon (i.e., I.R.C. Section 415(m) benefit plan) after consultation with appropriate legal counsel.

City of Escanaba Public Safety Retirement Plan
Investment Performance Summary
02/29/2012

	01/31/2012 $ Value	02/29/2012 $ Value	% Total
BONDS			
Vanguard Bond Index	4,788,428	4,741,635	23.9%
Eaton Vance Bonds	2,016,937	2,057,496	10.4%
Total Bonds	6,805,365	6,799,132	34.3%
STOCKS			
Vanguard Stock Index	5,064,111	5,283,033	26.6%
Vanguard Sm Cap Gro Idx	2,070,837	2,150,900	10.8%
JP Morgan Mid Val	4,314,055	4,469,437	22.5%
DFA Int'l Value	1,079,493	1,135,081	5.7%
Total Stocks	12,528,496	13,038,451	65.7%
CASH			
Money Market Accounts	0	0	0.0%
Total	19,333,860	19,837,583	100.00%

MAPERS

6/30/2010

MAPERs Membership Survey Summary

Fall 2011

Michael J. VanOverbeke
VanOverbeke, Michaud & Timmony, PC

Brian C. Green
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MAPERS

Importance of Survey Responses

- ❑ Used for plan demographics detail
- ❑ Educating Legislators
- ❑ Educating Trustees
- ❑ Educating Participants
- ❑ Performance Comparisons
- ❑ Actuarial Comparisons

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MAPERS

Actuarial Summary

MAPERS

Distribution of Funding Ratio (87 responses)

Total Actuarial Accrued Liabilities
$21,174,650,627

Total Actuarial Value of Assets
$19,067,243,005

Overall Funding Ratio
90.0%

Average	**86.3%**
Max	**158.5%**
25th Percentile	**95.1%**
Median	**83.8%**
***75th Percentile**	**75.9%**
Min	**50.0%**
ESCANABA	72%

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MAPERS

Funding Ratio Distribution – Segregated by Return Assumption

	All Plans	6.50% to 7.00%	7.01% to 7.50%	7.51% to 7.99%	8.00% to 8.50%
Average	86.3%	91.1%	87.8%	80.4%	81.4%
Max	158.5%	147.6%	158.5%	102.3%	106.2%
25th Percentile	95.1%	97.4%	95.4%	89.3%	86.5%
Median	83.8%	91.1%	83.6%	78.0%	81.6%
* 75th Percentile	75.9%	82.0%	76.9%	74.0%	74.5%
Min	50.0%	50.0%	61.6%	58.0%	56.8%
Response Count	87	20	38	10	19
Category Distribution		1 at 6.50% 19 at 7.00%	4 at 7.25% 34 at 7.50%	1 at 7.60% 8 at 7.75% 1 at 7.90%	18 at 8.0% 1 at 8.50%

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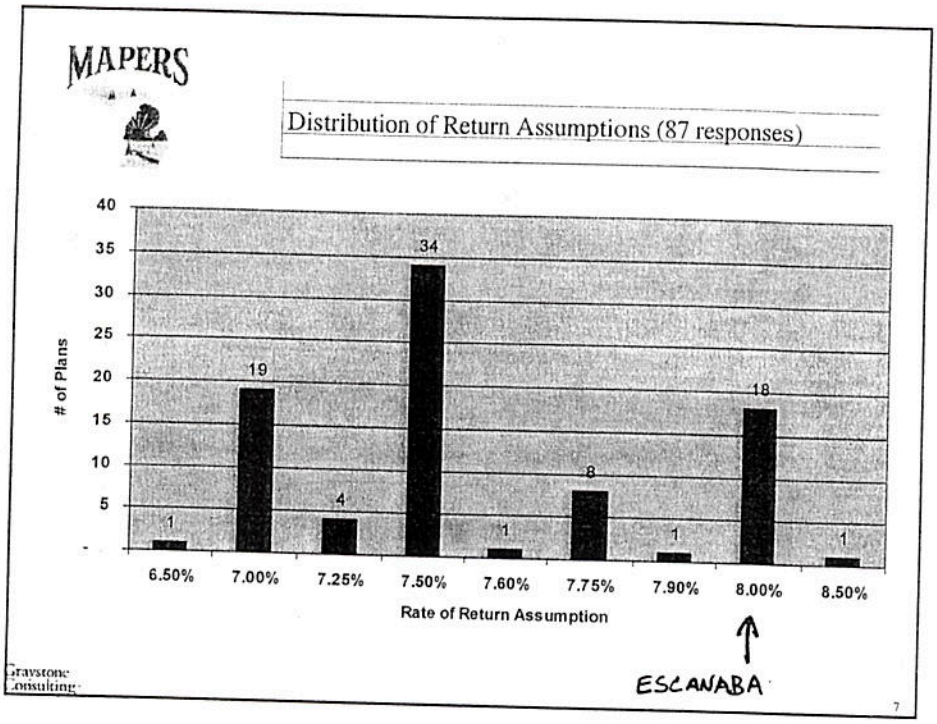
ESCANABA 72%

6


MAPERS
Distribution of Return Assumptions (87 responses)
# of Plans
40
35
30
25
20
15
10
5
-
1
19
4
34
1
8
1
18
1
6.50%
7.00%
7.25%
7.50%
7.60%
7.75%
7.90%
8.00%
8.50%
Rate of Return Assumption
ESCANABA
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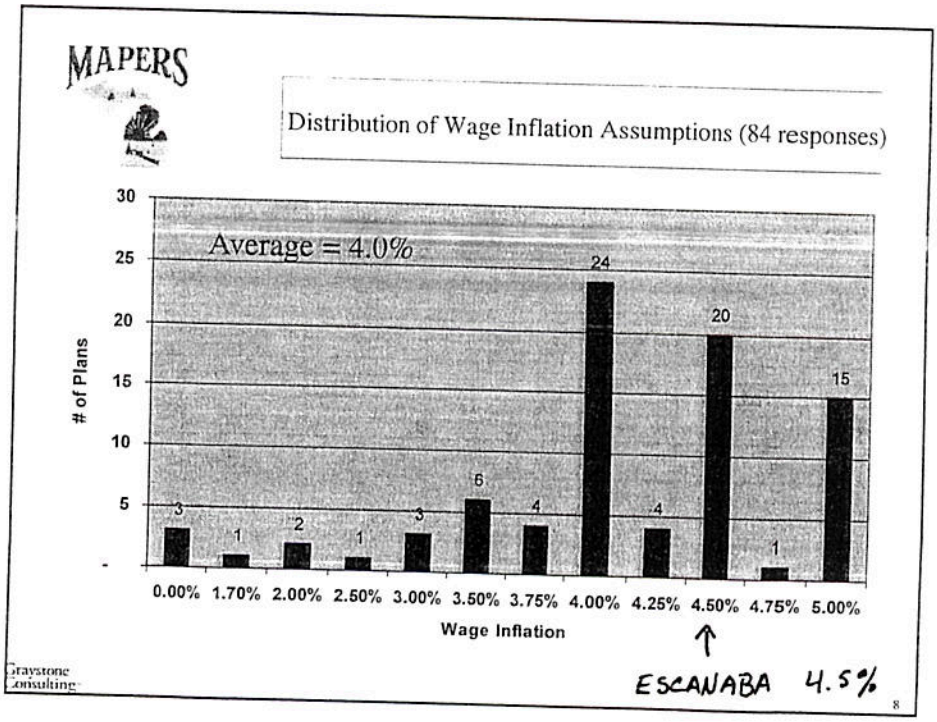
7


MAPERS
Distribution of Wage Inflation Assumptions (84 responses)
Average = 4.0%
# of Plans
30
25
20
15
10
5
-
3
1
2
1
3
6
4
24
4
20
1
15
0.00%
1.70%
2.00%
2.50%
3.00%
3.50%
3.75%
4.00%
4.25%
4.50%
4.75%
5.00%
Wage Inflation
ESCANABA 4.5%
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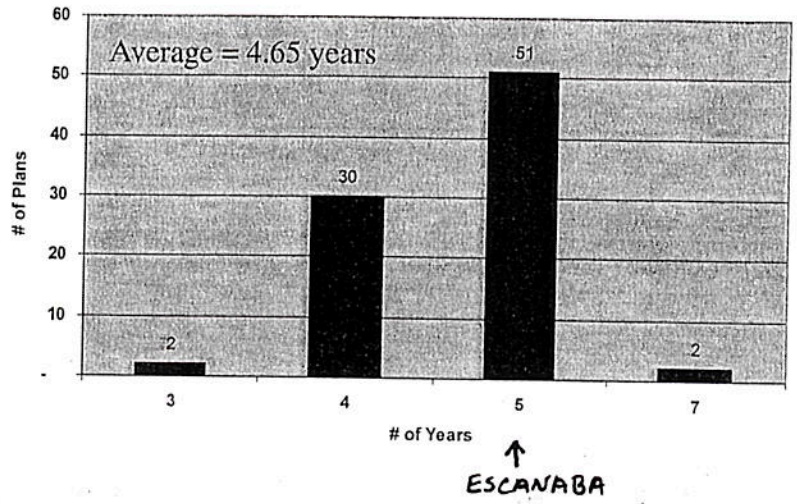
MAPERS

Distribution of Smoothing Methods (85 responses)



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MAPERS

Average Annual Benefit to Retirees / Beneficiaries (75 responses)

Average	$26,5493
Max	$46,223
25th Percentile	$32,357
* Median	$24,458
75th Percentile	$20,634
Min	$10,464
ESCANABA	$ 24,449

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* SURVIVORS INCLUDED IN AVG

MAPERS

Average Age, Service, and Annual Pay – Active Members

	Average Age of Membership	Avg Service	Average Annual Pay
Average	45.2	14.2	$62,578
Max	78.4	26.1	$91,136
25th Percentile	47.0	15.3	$74,000
Median	45.0	13.8	$61,479 *
75th Percentile	41.7	12.5	$52,217
Min	38.2 *	9.6 *	$29,915
# of Responses	73	73	77
[redacted]	[redacted]	[redacted]	$62,159

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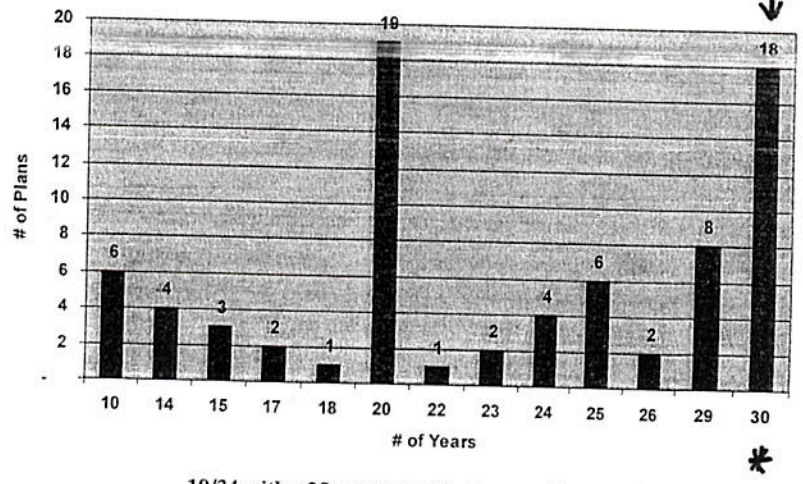
MAPERS

Distribution of Amortization Method

ESCANABA



*

19/34 with >25 year amortization use Open method

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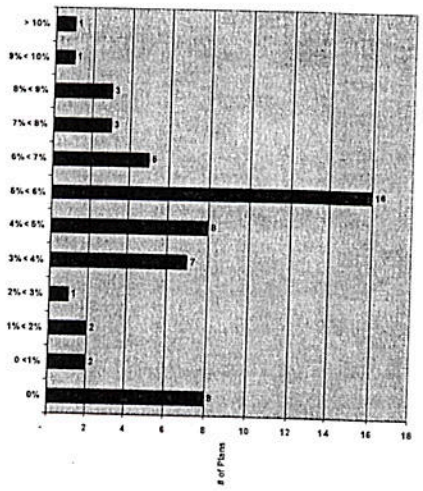
MAPERS

Distribution of Employee Contributions (57 responses)

Average	4.33%
Max	11.40%
* 25th Percentile	5.46%
Median	5.00%
75th Percentile	3.50%
Min	0.00%
ESCANABA	6.0 %



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MAPERS

Investment Summary

MAPERS

Market Value Breakdown (67 responses)

- Total Invested Market Value of $13,617,863,083
- Equivalent to the GDP of Jamaica or Iceland.
- Equal to the Market Capitalization of Kroger, Progressive Insurance, Sara Lee, or Netflix
- At $1800 an ounce, could purchase 7,565,000 ounces of gold (or 17,237 bars of gold), with a total weight of 236 tons.
- Purchase 22.7 million iPads.
- Purchase 681,233,771 cases of beer (at $19.99 a case).
- Purchase 62 Boeing 787 Dreamliners (at $218 million each)

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MAPERS

Overall Demographics

		# Utilizing	# of Responses
Investment Consultant	NO	65	68
Domestic Equity	YES	65	65
Foreign Equity	YES	65	65
Domestic Fixed Income	YES	65	65
Foreign Fixed Income	NO	14	65
Real Estate	NO	40	65
Private Equity	NO	12	65
Hedge Funds	NO	19	65

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MAPERS

Plan Size Breakdown

Plan Size	Plan Count	Average Size
* $0 to $25,000,000	30	$17,435,151
$25,000,000 to $50,000,000	17	$36,592,716
$50,000,000 to $100,000,000	8	$77,557,666
$100,000,000 to $250,000,000	19	$154,259,981
$250,000,000 to $1,000,000,000	8	$471,123,467
> $1,000,000,000	2	$2,724,370,618
Total	84	$203,251,688
Total without 2 largest plans	82	$125,678,798

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MAPERS

Use of Investment Managers

	# of Inv Mgrs
Average	11
* Min	0
Max	48
25th Percentile	13
Median	9
75th Percentile	7
# of Responses	67

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MAPERS

Breakdown of Allocation – Traditional Investments

	Domestic Equity	Foreign Equity	Domestic Fixed Income	Foreign Fixed Income	Cash
Average	44.11%	12.35%	33.38%	6.94%	3.38%
Min	25.12%	2.85%	16.66%	1.44%	0.10%
Max	70.00% *	21.00%	51.10%	20.56%	13.57%
25th Percentile	48.90%	14.88%	38.20%	8.30%	4.89%
Median	44.80%	12.23%	33.30% *	6.01%	2.90%
75th Percentile	36.97%	9.38% *	29.15%	5.10%	1.16%
# of Responses	65	64	65	13	55
ESCANABA	60	5	35	-0-	.5

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MAPERS

Breakdown of Allocation – Alternative Investments

	Real Estate	Private Equity	Hedge Funds
Average	4.38%	2.70%	6.55%
Min	0.40%	0.10%	2.31%
Max	16.68%	9.03%	17.12%
25th Percentile	5.10%	3.30%	7.59%
Median	4.05%	1.70%	5.10%
75th Percentile	3.11%	0.88%	4.10%
# of Responses	40	12	19

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MAPERS

Plan Performance (as of 6/30/2010)

	Quarter	1 Year	3 Year	5 Year	10 Year
Average	-5.19%	12.96%	-3.58%	2.51%	3.37%
Min	-11.89%	7.60%	-9.97%	0.30%	1.86%
Max	**8.70%**	**19.83%**	**-0.19%**	**5.72%**	**5.63%**
25th Percentile	-3.99%	14.15%	-2.55%	2.96%	3.90%
Median	-5.50%	12.90%	-3.56%	2.33%	3.25%
75th Percentile	-6.67%	11.46%	-4.52%	2.00%	2.72%
# of Responses	57	58	57	51	34
ESCANABA	-5.9	16.1	-3.4	2.3	3.0

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MAPERS

Plan Performance < $100,000,000

	Quarter	1 Year	3 Year	5 Year	10 Year
Average	-4.81%	12.20%	-3.60%	2.50%	3.52%
Min	-8.73%	7.60%	-7.69%	0.30%	1.90%
Max	8.70%	16.10%	-0.19%	5.72%	5.63%
25th Percentile	-3.82%	13.17%	-3.10%	2.92%	4.34%
Median	-5.34%	12.27%	-3.51%	2.27%	3.36%
75th Percentile	-6.40%	11.15%	-4.54%	1.95%	2.67%
# of Responses	32	32	31	27	13

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MAPERS

Plan Performance > $100,000,000 to $250,000,000

	Quarter	1 Year	3 Year	5 Year	10 Year
Average	-6.12%	13.60%	-3.18%	2.68%	3.29%
Min	-11.89%	9.20%	-9.97%	0.50%	1.86%
Max	-3.07%	18.45%	-0.33%	4.10%	5.60%
25th Percentile	-5.10%	14.75%	-2.03%	3.32%	3.50%
Median	-5.70%	13.92%	-3.15%	2.71%	3.02%
75th Percentile	-7.20%	12.08%	-3.81%	2.33%	2.63%
# of Responses	17	18	18	16	14

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MAPERS

Target Allocations – Traditional Investments

	Domestic Equity	Foreign Equity	Domestic Fixed Income	Foreign Fixed Income	Cash
Average	45.9%	13.6%	29.5%	1.6%	0.7%
Min	27.0%	5.0%	12.0%	0.0%	0.0%
Max	65.0%	20.0%	40.0%	10.0%	5.0%
25th Percentile	50.0%	16.0%	35.0%	2.0%	1.0%
Median	48.0%	15.0%	30.0%	0.0%	0.0%
75th Percentile	40.0%	10.0%	25.0%	0.0%	0.0%
# of Responses	57	57	57	53	53

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MAPERS

Target Allocations – Alternative Investments

	Real Estate	Private Equity	Hedge Funds	Other
Average	4.4%	0.9%	2.3%	2.1%
Min	0.0%	0.0%	0.0%	0.0%
Max	10.0%	10.0%	17.0%	15.0%
25th Percentile	5.0%	0.0%	5.0%	4.0%
Median	5.0%	0.0%	0.0%	0.0%
75th Percentile	2.3%	0.0%	0.0%	0.0%
# of Responses	54	53	53	53
ESCANABA	-0-	-0-	-0-	-0-

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MAPERS

Survey Enhancements

Goals for Future Surveys

- Increased number of responses
- Simplification of survey process
- Ease of response – Plan can forward Actuary Report, IPS and Performance Report to MAPERs for bulk of response
- Electronic reporting – plan sponsor or consultant provides data on quarterly basis (via submission of quarterly return following receipt of performance report)
- Membership driven data needs – what do you need to know?
  - Multipliers? Social Security vs. Non? Capped FAC?

It is IMPERATIVE that you follow up with your plan administrator. MAPERs received 87 responses, from a total membership of 150.

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Municipal Employees' Retirement System of Michigan

CC: VALENTINE 6/27/11

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

ANNUAL ACTUARIAL VALUATION REPORT

CITY OF ESCANABA (2101)

DECEMBER 31, 2010

GRS

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June 16, 2011

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, 2010. The report includes the determination of liabilities and contribution rates resulting from the participation of City of Escanaba 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 Escanaba 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 revised actuarial assumptions and/or methods. Please refer to page 67 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 only in its entirety by the municipality to other interested parties (MERS or the Actuary customarily provides the full report on request to related third parties such as the auditor for the municipality).

Please contact the Finance Department at MERS if you would like to receive future annual valuations in electronic format, instead of a printed report (800-767-2308; billingteam@mersofmich.com).

Sincerely,

Alan Sonnanstine, MAAA, ASA

Cathy Nagy, MAAA, FSA

Jim Koss, MAAA, ASA

rpc_id: 43545

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City of Escanaba (2101)

Executive Summary

Required Employer Contributions

The computed minimum required employer contributions to the retirement system for the fiscal years beginning July 1, 2012 (2010 Valuation) and July 1, 2011 (2009 Valuation) are as follows:

Division	Minimum Required Monthly Employer Contributions @			
	Percentage of Payroll		$ Based on Valuation Payroll	
	2010 Valuation	2009 Valuation	2010 Valuation	2009 Valuation
01 - Teamsters #	-%	-%	$30,212	$29,110
10 - General Elct #	-%	-%	12,692	12,923
11 - Non Union #	-%	-%	31,321	29,244
12 - Dispatchers	14.63%	14.57%	3,296	3,736
13 - PartTime Emp #	-%	-%	294	566
14 - Water/Wastewater T #	-%	-%	10,798	10,717
Total Municipality			$88,613	$86,296

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

\# *This division will not have new hires. Invoices will be based on the dollar contribution amounts shown in this table (see page 93).*

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 2010 valuation reflects changes in actuarial assumptions and/or methods (please refer to page 67). The effects of the changes are shown in the note below Table 16 for each division. For benefit provision changes see Table 1.

Executive Summary (continued)

2010 System Experience

Based on the smoothed Actuarial Value of Assets, the recognized rate of investment return for MERS overall was 5.7% (up from 5.3% in 2009, but 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.

2010 Funded Position

The ratio of the Valuation Assets to the Actuarial Accrued Liability for City of Escanaba in aggregate is 66%; last year's ratio was 66%.

Comments on the Investment Markets

The dramatic price declines across the world financial markets in 2008 led to increased volatility unlike any experienced in decades. The following two years, 2009 and 2010, have been more stable and MERS' portfolio recovered with investment returns of over 17% and 14%, respectively. While economic worries continue to haunt investors world-wide, equity markets have rebounded, particularly in the United States. MERS maintains the 8% annual return assumption on investments in the belief that over the long term this is achievable.

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 (three-tenths, for 2008, 2009, and 2010) 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, 2010 the actuarial value of assets is 116% of market value (down from 125% in 2009). This means that meeting the actuarial assumption in the next few years will require average annual market returns that exceed the 8% investment return assumption.

If the December 31, 2010 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 56% (instead of 66%); and ii) your total employer contribution requirement for the fiscal year starting July 1, 2012 would be $1,281,312 (instead of $1,063,356). If the investment markets do not fully make-up for the 2008 losses, employer contribution requirements may rise. MERS' investment strategy employs diversification using various asset categories (stocks, bonds, and to a smaller

extent real estate and private equity) to capture as much of the upside return as possible while managing acceptable risk. If contribution increases do become necessary, MERS would work to impose them incrementally.

Remember that only three-tenths of the 2008 market losses are reflected in this actuarial valuation report. As was true for past market downturns, MERS expects the markets to continue to rebound. By the time the 2008 market losses would be fully recognized (over the following 7 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 7 years (as described above).

Possible Future Changes in Actuarial Assumptions

Actuarial assumptions are reviewed every five years, and sometimes more often. The most recent review of MERS actuarial assumptions was completed in March 2010, and covered the 2004-2008 valuation years. All areas of activity were studied, and the Retirement Board adopted revised actuarial assumptions that will be reflected in this valuation (see page 67), and in the December 31, 2011 valuation. MERS expects to provide employers with general updates concerning pending revised actuarial assumptions and the ongoing effects of the financial markets.

Projections of Employer Contributions and Funded Percentage - Combined for All Divisions

The following page combines the projections for each division (see chart 17.5 for each division) into a projection for the municipality as a whole. Please refer to page 90 for a discussion of the projection. As noted there, the projection should not be used for short term budgeting purposes because the assumptions are designed to be a long term expectation of future events. For example, the projection assumes that the 10-year smoothed actuarial value of assets always reflects 8% annual investment income (which would require all of the 2008 market losses to be recouped sooner than is likely).

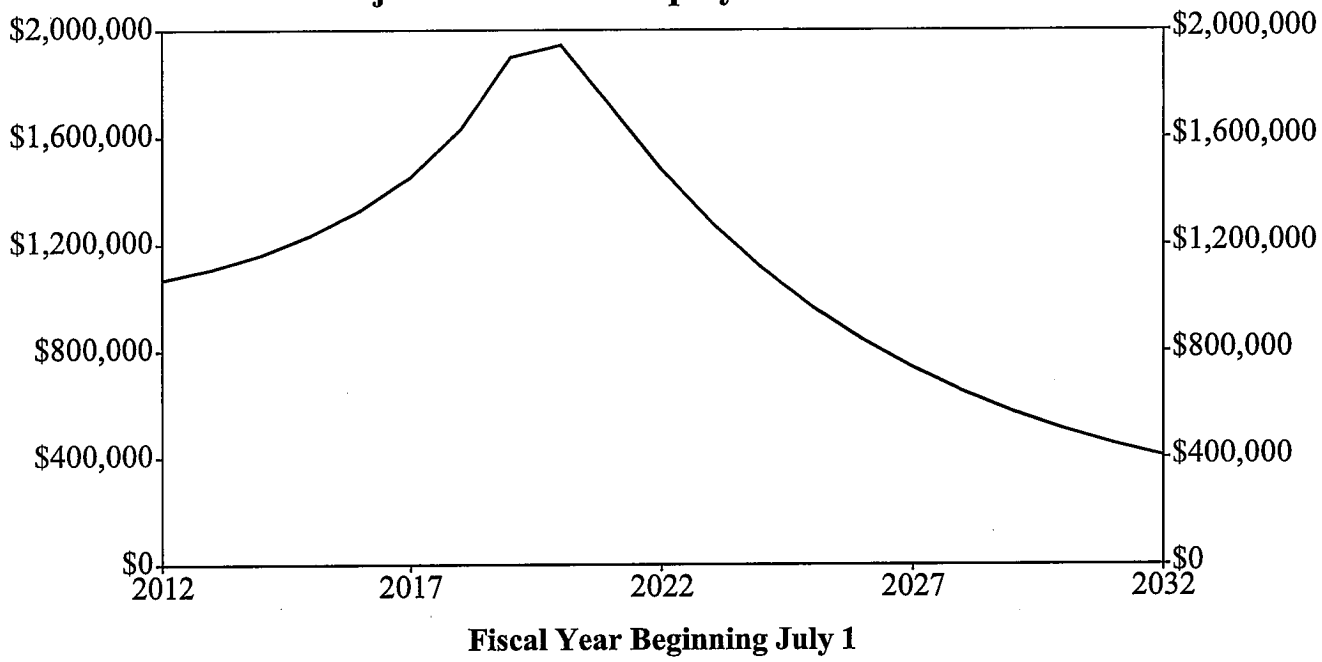
Comment on Actuarial Calculations - The projections of your future employer contributions in this report are based on the current actuarial assumptions used in the December 31, 2010 actuarial valuation. As always, your required employer contribution rate changes every year, in response to demographic changes, financial experience, benefit provision changes, etc, within your specific plan. The results of future actuarial valuations will differ from the projections, sometimes materially.

City of Escanaba (2101)

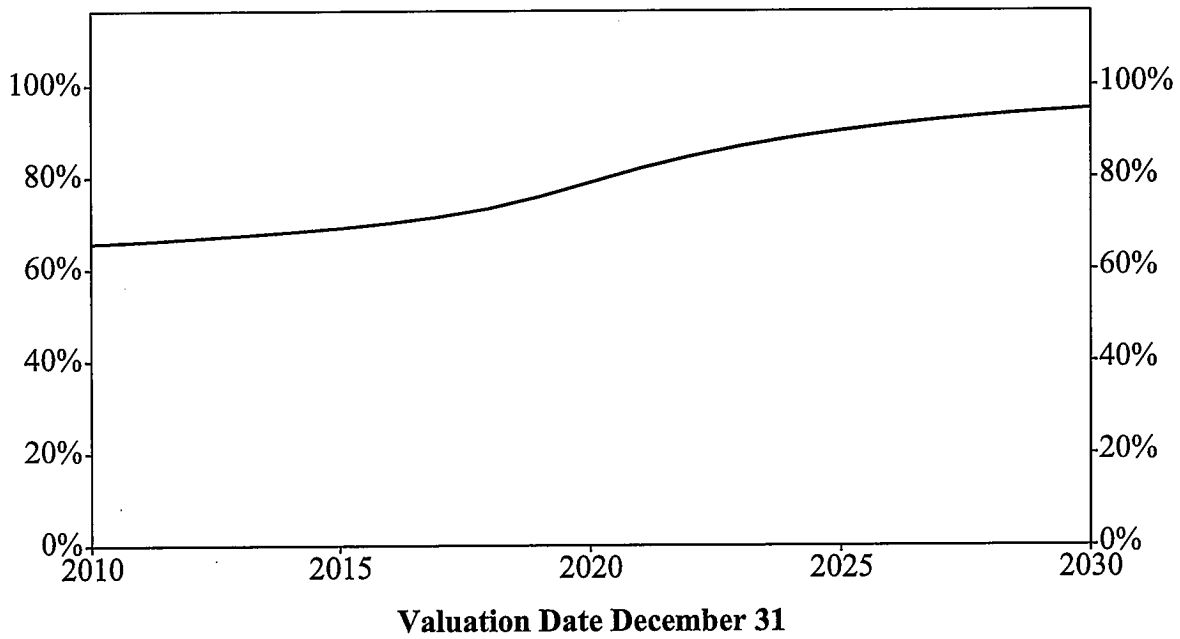
Executive Summary (concluded)

All Divisions Combined

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 90 for a discussion of the projection.

City of Escanaba (2101)

Table 1

Benefit Provisions Evaluated and/or Considered

Division	2010 Valuation	2009 Valuation
01 - Teamsters#	B-3 - 80% Max Normal Ret Age: 60 V-10 F55(25) FAC-3 E (1.0%) (01/01/2009) E-2 (1.0%) (07/01/1998) 0.00% Member Contrib. DC Plan for New Hires (07/01/2007) Act 88 Election (11/18/1965)	B-3 - 80% Max Normal Ret Age: 60 V-10 F55(25) FAC-3 E (1.0%) (01/01/2009) E-2 (1.0%) (07/01/1998) 0.00% Member Contrib. DC Plan for New Hires (07/01/2007) Act 88 Election (11/18/1965)
10 - General Elct#	B-3 - 80% Max Normal Ret Age: 60 V-10 F55(25) FAC-3 E (1.0%) (01/01/2009) E-2 (1.0%) (07/01/2000) 0.00% Member Contrib. DC Plan for New Hires (07/01/2005) Act 88 Election (11/18/1965)	B-3 - 80% Max Normal Ret Age: 60 V-10 F55(25) FAC-3 E (1.0%) (01/01/2009) E-2 (1.0%) (07/01/2000) 0.00% Member Contrib. DC Plan for New Hires (07/01/2005) Act 88 Election (11/18/1965)
11 - Non Union#	B-3 - 80% Max Normal Ret Age: 60 V-10 F55(25) FAC-3 E (1.0%) (01/01/2009) E-2 (1.0%) (07/01/2001) 0.00% Member Contrib. DC Plan for New Hires (07/01/2007) Act 88 Election (11/18/1965)	B-3 - 80% Max Normal Ret Age: 60 V-10 F55(25) FAC-3 E (1.0%) (01/01/2009) E-2 (1.0%) (07/01/2001) 0.00% Member Contrib. DC Plan for New Hires (07/01/2007) Act 88 Election (11/18/1965)
12 - Dispatchers	B-3 - 80% Max Normal Ret Age: 60 V-10 F55(25) FAC-3 E (1.0%) (01/01/2009) E-2 (1.0%) (07/01/1999) 0.00% Member Contrib. Act 88 Election (11/18/1965)	B-3 - 80% Max Normal Ret Age: 60 V-10 F55(25) FAC-3 E (1.0%) (01/01/2009) E-2 (1.0%) (07/01/1999) 0.00% Member Contrib. Act 88 Election (11/18/1965)

City of Escanaba (2101)

Table 1 (continued)

Benefit Provisions Evaluated and/or Considered

Division	2010 Valuation	2009 Valuation
13 - PartTime Emp#	B-2 Normal Ret Age: 60 V-10 F55(30) FAC-3 E (1.0%) (01/01/2009) 0.00% Member Contrib. DC Plan for New Hires (07/01/2007) Act 88 Election (11/18/1965)	B-2 Normal Ret Age: 60 V-10 F55(30) FAC-3 E (1.0%) (01/01/2009) 0.00% Member Contrib. DC Plan for New Hires (07/01/2007) Act 88 Election (11/18/1965)
14 - Water/Wastewater #	B-3 - 80% Max Normal Ret Age: 60 V-10 F55(25) FAC-3 E (1.0%) (01/01/2006) E-2 (1.0%) (07/01/2001) 0.00% Member Contrib. DC Plan for New Hires (07/01/2006) Act 88 Election (11/18/1965)	B-3 - 80% Max Normal Ret Age: 60 V-10 F55(25) FAC-3 E (1.0%) (01/01/2006) E-2 (1.0%) (07/01/2001) 0.00% Member Contrib. DC Plan for New Hires (07/01/2006) Act 88 Election (11/18/1965)

This division is closed to new hires or had no active members, so the closed division amortization policy applies. Please refer to the Amortization of Unfunded Actuarial Accrued Liability on page 89 and Open Divisions and Closed Divisions on page 93.

MERS provides the actuary with the benefit provisions in effect in Table 1 above. Any corrections to the benefit provisions should be reported to your Regional Manager in the MERS Office of Marketing and Employer services.

City of Escanaba (2101)

Table 2

Membership Summary

Division	2010 Valuation		2009 Valuation	
	Number	Annual Payroll*	Number	Annual Payroll*
01 - Teamsters				
Active Members	30	$1,154,930	31	$1,251,396
Vested Former Members	5	49,833	5	49,833
Retirees and Beneficiaries	49	624,287	49	607,484
10 - General Elct				
Active Members	9	$521,355	10	$613,812
Vested Former Members	0	0	0	0
Retirees and Beneficiaries	13	212,376	12	184,311
11 - Non Union				
Active Members	13	$761,337	14	$843,576
Vested Former Members	4	42,896	7	75,211
Retirees and Beneficiaries	38	703,295	33	657,434
12 - Dispatchers				
Active Members	6	$270,373	7	$307,654
Vested Former Members	1	11,742	0	0
Retirees and Beneficiaries	2	25,369	2	25,455
13 - PartTime Emp				
Active Members	4	$35,316	6	$63,115
Vested Former Members	2	3,034	3	3,110
Retirees and Beneficiaries	6	16,640	6	16,955
14 - Water/Wastewater Teams				
Active Members	11	$544,651	12	$616,511
Vested Former Members	0	0	0	0
Retirees and Beneficiaries	4	119,846	3	81,392
Total Municipality				
Active Members	**73**	**$3,287,962**	**80**	**$3,696,064**
Vested Former Members	**12**	**107,505**	**15**	**128,154**
Retirees and Beneficiaries	**112**	**1,701,813**	**105**	**1,573,031**
Total Participants	**197**		**200**	

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

City of Escanaba (2101)

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			
2000	134	$ 4,086,633	$ 30,497	2.6%	43.3	11.4	
2001	135	4,315,870	31,969	4.8	43.7	11.7	11.8
2002	133	4,306,914	32,383	1.3	44.6	12.6	12.7
2003	132	4,405,553	33,375	3.1	45.5	13.2	13.4
2004	123	4,417,685	35,916	7.6	46.4	14.1	14.3
2005	108	3,991,872	36,962	2.9	47.0	13.8	14.0
2006	105	3,861,932	36,780	(0.5)	46.2	13.9	13.9
2007	98	3,886,862	39,662	7.8	47.5	14.7	14.7
2008	88	3,814,034	43,341	9.3	47.7	16.7	16.8
2009	80	3,696,064	46,201	6.6	48.7	17.4	17.5
2010	73	3,287,962	45,041	(2.5)	48.9	18.7	18.8

** See description on page 86.*

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)			(2)	(8)		12	135
2002	(1)				(9)		8	133
2003	(1)		(1)		(4)		5	132
2004	(2)	(1)		(4)	(10)		8	123
2005	(13)				(5)		3	108
2006	(2)			(2)	(11)		12	105
2007	(2)	(1)		(2)	(5)	(1)	4	98
2008	(2)			(1)	(8)		1	88
2009	(5)				(3)			80
2010	(4)	(1)		(1)	(1)			73

City of Escanaba (2101)

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*
2000	11	$			
2001	13	145,215	49.2	13.9	14.1
2002	10	135,271	52.3	16.4	16.4
2003	9	123,624	52.5	16.4	16.4
2004	13	127,384	49.0	13.0	13.4
2005	14	140,060	49.3	12.7	13.2
2006	16	163,043	50.4	12.3	13.9
2007	16	138,229	48.3	10.9	12.8
2008	16	156,325	49.4	11.7	13.5
2009	15	128,154	49.3	11.0	12.9
2010	12	107,505	46.8	11.2	13.7

* *See description on page 86.*

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				(1)		3	13
2002		(1)		(2)			10
2003	(1)						9
2004	(1)					5	13
2005						1	14
2006						2	16
2007	(3)					3	16
2008	(1)					1	16
2009	(1)			(1)		1	15
2010	(3)			(1)		1	12

City of Escanaba (2101)

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		
2000		$		$	88	$ 806,897	1.5	19.7%
2001	60	681,342	24	127,666	84	809,008	1.6	18.7
2002	58	685,799	24	131,213	82	817,012	1.6	19.0
2003	59	728,600	26	149,579	85	878,179	1.6	19.9
2004	62	804,570	27	153,368	89	957,938	1.4	21.7
2005	75	1,170,553	26	161,587	101	1,332,140	1.1	33.4
2006	75	1,184,538	25	168,645	100	1,353,183	1.1	35.0
2007	78	1,263,766	26	174,838	104	1,438,604	0.9	37.0
2008	79	1,256,744	26	193,116	105	1,449,860	0.8	38.0
2009	77	1,361,848	28	211,183	105	1,573,031	0.8	42.6
2010	83	1,473,300	29	228,513	112	1,701,813	0.7	51.8

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
2000	4	$ 88,604	$	(5)	$ (21,204)	$	88	$ 806,897
2001	3	26,215	9,548	(7)	(33,654)		84	809,008
2002	3	47,608	11,503	(5)	(51,107)		82	817,012
2003	4	55,401	8,078	(1)	(2,312)		85	878,179
2004	6	66,543	19,315	(2)	(6,099)		89	957,938
2005	15	378,387	9,022	(3)	(13,207)		101	1,332,140
2006	3	44,072	14,121	(4)	(37,150)		100	1,353,183
2007	9	108,651	17,456	(5)	(40,686)		104	1,438,604
2008	5	30,788	13,648	(4)	(33,180)		105	1,449,860
2009	8	185,566	10,410	(8)	(72,087)	(718)	105	1,573,031
2010	10	132,849	15,302	(3)	(19,155)	(214)	112	1,701,813

@ *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 Escanaba (2101)

Table 9

Retirees and Beneficiaries on the Rolls as of December 31, 2010

Distribution by Type of Benefit Being Paid

Benefits Being Paid to:	Annual Benefits	
	Number	Amount
Age and service retirants	75	$1,372,635
Non-duty disability retirants	6	75,602
Duty disability retirants	2	25,063
Beneficiaries of deceased retirants*	22	159,286
Beneficiaries of deceased members:		
Non-duty death	7	69,227
Duty death	0	0
Total Benefits Being Paid	112	$1,701,813

* *Alternate Payees, if any, are all included with beneficiaries of deceased retirants.*

City of Escanaba (2101)

Table 10

Reported Assets (Market Value)

Division	2010 Valuation		2009 Valuation	
	Employer And Retiree*	Employee#	Employer And Retiree*	Employee#
01 - Teamsters	$ 5,971,204	$ 0	$ 5,512,982	$ 0
10 - General Elct	2,709,702	169,186	2,418,605	177,913
11 - Non Union	5,043,530	26,187	4,772,067	26,114
12 - Dispatchers	507,984	0	440,294	0
13 - PartTime Emp	116,427	0	105,658	0
14 - Water/Wastewater Teams	2,742,755	2,819	2,398,271	2,811
Total Municipality	**$ 17,091,602**	**$ 198,192**	**$ 15,647,877**	**$ 206,838**
Combined Reserves	**$17,289,794**		**$15,854,715**	

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

The December 31, 2010 Valuation Assets are equal to 1.162921 times the reported Market Value of assets. The derivation of Valuation Assets is described on page 95 and the detailed calculations are shown on pages 96 - 98.

City of Escanaba (2101)

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	$ 537,605	$ 0	$ 1,113,350	$ (810,139)	$ 0	$ 0	$ 15,615,958
2002	558,116	0	491,186	(831,171)	0	0	15,834,089
2003	554,909	0	1,210,510	(832,710)	0	23,141	16,789,939
2004	602,633	0	1,122,079	(902,308)	0	0	17,612,343
2005	639,364	0	1,116,759	(1,139,944)	0	0	18,228,522
2006	630,036	0	1,434,073	(1,319,868)	(164)	(291,003)	18,681,596
2007	720,021	0	1,510,885	(1,388,948)	0	46,361	19,569,915
2008	799,055	0	834,226	(1,441,590)	0	(6,643)	19,754,963
2009	819,256	0	768,323	(1,494,803)	0	(2,899)	19,844,840
2010	908,695	0	978,807	(1,625,678)	0	0	20,106,664

* *Transfers in and out are usually related to the transfer of participants between municipalities, and to employer and member payments for service credit purchases (if any) that the governing body has approved.*

City of Escanaba (2101)

Table 12

Termination Liability as of December 31, 2010

Division	Termination Liability*	Valuation Assets	Percent Funded	Unfunded (Overfunded)
01 - Teamsters				
Active Members	$ 3,246,045			
Vested Former Members	357,133			
Retirees and Beneficiaries	6,078,636			
Pending Refunds	0			
Total	$ 9,681,814	$ 6,944,039	71.7%	$ 2,737,775
10 - General Elct				
Active Members	$ 2,521,419			
Vested Former Members	0			
Retirees and Beneficiaries	1,949,410			
Pending Refunds	0			
Total	$ 4,470,829	$ 3,347,919	74.9%	$ 1,122,910
11 - Non Union				
Active Members	$ 2,085,085			
Vested Former Members	300,460			
Retirees and Beneficiaries	7,215,984			
Pending Refunds	26,187			
Total	$ 9,627,716	$ 5,895,680	61.2%	$ 3,732,036
12 - Dispatchers				
Active Members	$ 360,632			
Vested Former Members	18,770			
Retirees and Beneficiaries	263,950			
Pending Refunds	0			
Total	$ 643,352	$ 590,745	91.8%	$ 52,607
13 - PartTime Emp				
Active Members	$ 17,830			
Vested Former Members	3,600			
Retirees and Beneficiaries	128,491			
Pending Refunds	0			
Total	$ 149,921	$ 135,395	90.3%	$ 14,526
14 - Water/Wastewater				
Active Members	$ 2,813,301			
Vested Former Members	0			
Retirees and Beneficiaries	1,536,685			
Pending Refunds	0			
Total	$ 4,349,986	$ 3,192,886	73.4%	$ 1,157,100

City of Escanaba (2101)

Table 12 (continued)

Termination Liability and Present Value of Accrued Benefits as of December 31, 2010

Division	Termination Liability*	Valuation Assets	Percent Funded	Unfunded (Overfunded)
Total Municipality				
Active Members	$ 11,044,312			
Vested Former Members	679,963			
Retirees and Beneficiaries	17,173,156			
Pending Refunds	26,187			
Total	$ 28,923,618	$ 20,106,664	69.5%	$ 8,816,954

* The Termination Liability represents the present value of benefits payable in the event that all active members terminate employment on December 31, 2010, based upon the valuation interest and mortality assumptions. 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.

City of Escanaba (2101)

Table 13

Actuarial Accrued Liabilities and Valuation Assets as of December 31, 2010

Division	Actuarial Accrued Liabilities	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
01 - Teamsters				
Reserve for Employer Contributions and Benefit Payments				
Active Members	$ 3,994,852	$ 508,270	12.7%	$ 3,486,582
Vested Former Members	357,133	357,133	100.0	0
Retirees and Beneficiaries	6,078,636	6,078,636	100.0	0
Total	$ 10,430,621	$ 6,944,039	66.6%	$ 3,486,582
Reserve for Employee Contributions				
Active Members	$ 0	$ 0		
Vested Former Members	0	0		
Pending Refunds	0	0		
Total	$ 0	$ 0	0.0%	$ 0
Division Total	**$ 10,430,621**	**$ 6,944,039**	**66.6%**	**$ 3,486,582**
10 - General Elct				
Reserve for Employer Contributions and Benefit Payments				
Active Members	$ 2,594,150	$ 1,229,323	47.4%	$ 1,364,827
Vested Former Members	0	0	0.0	0
Retirees and Beneficiaries	1,949,410	1,949,410	100.0	0
Total	$ 4,543,560	$ 3,178,733	70.0%	$ 1,364,827
Reserve for Employee Contributions				
Active Members	$ 169,186	$ 169,186		
Vested Former Members	0	0		
Pending Refunds	0	0		
Total	$ 169,186	$ 169,186	100.0%	$ 0
Division Total	**$ 4,712,746**	**$ 3,347,919**	**71.0%**	**$ 1,364,827**
11 - Non Union				
Reserve for Employer Contributions and Benefit Payments				
Active Members	$ 2,610,440	$ 0	0.0%	$ 2,610,440
Vested Former Members	300,460	0	0.0	300,460
Retirees and Beneficiaries	7,215,984	5,869,493	81.3	1,346,491
Total	$ 10,126,884	$ 5,869,493	58.0%	$ 4,257,391
Reserve for Employee Contributions				
Active Members	$ 0	$ 0		
Vested Former Members	0	0		
Pending Refunds	26,187	26,187		
Total	$ 26,187	$ 26,187	100.0%	$ 0
Division Total	**$ 10,153,071**	**$ 5,895,680**	**58.1%**	**$ 4,257,391**

City of Escanaba (2101)

Table 13 (continued)

Actuarial Accrued Liabilities and Valuation Assets as of December 31, 2010

Division	Actuarial Accrued Liabilities	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
12 - Dispatchers				
Reserve for Employer Contributions and Benefit Payments				
Active Members	$ 502,599	$ 308,025	61.3%	$ 194,574
Vested Former Members	18,770	18,770	100.0	0
Retirees and Beneficiaries	263,950	263,950	100.0	0
Total	$ 785,319	$ 590,745	75.2%	$ 194,574
Reserve for Employee Contributions				
Active Members	$ 0	$ 0		
Vested Former Members	0	0		
Pending Refunds	0	0		
Total	$ 0	$ 0	0.0%	$ 0
Division Total	**$ 785,319**	**$ 590,745**	**75.2%**	**$ 194,574**
13 - PartTime Emp				
Reserve for Employer Contributions and Benefit Payments				
Active Members	$ 24,167	$ 3,304	13.7%	$ 20,863
Vested Former Members	3,600	3,600	100.0	0
Retirees and Beneficiaries	128,491	128,491	100.0	0
Total	$ 156,258	$ 135,395	86.6%	$ 20,863
Reserve for Employee Contributions				
Active Members	$ 0	$ 0		
Vested Former Members	0	0		
Pending Refunds	0	0		
Total	$ 0	$ 0	0.0%	$ 0
Division Total	**$ 156,258**	**$ 135,395**	**86.6%**	**$ 20,863**
14 - Water/Wastewater Teamsters				
Reserve for Employer Contributions and Benefit Payments				
Active Members	$ 2,877,874	$ 1,653,382	57.5%	$ 1,224,492
Vested Former Members	0	0	0.0	0
Retirees and Beneficiaries	1,536,685	1,536,685	100.0	0
Total	$ 4,414,559	$ 3,190,067	72.3%	$ 1,224,492
Reserve for Employee Contributions				
Active Members	$ 2,819	$ 2,819		
Vested Former Members	0	0		
Pending Refunds	0	0		
Total	$ 2,819	$ 2,819	100.0%	$ 0
Division Total	**$ 4,417,378**	**$ 3,192,886**	**72.3%**	**$ 1,224,492**

City of Escanaba (2101)

Table 13 (continued)

Actuarial Accrued Liabilities and Valuation Assets as of December 31, 2010

Division	Actuarial Accrued Liabilities	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
Municipality Totals				
Reserve for Employer Contributions and Benefit Payments				
Active Members	$ 12,604,082	$ 3,702,304	29.4%	$ 8,901,778
Vested Former Members	679,963	379,503	55.8	300,460
Retirees and Beneficiaries	17,173,156	15,826,665	92.2	1,346,491
Total	$ 30,457,201	$ 19,908,472	65.4%	$ 10,548,729
Reserve for Employee Contributions				
Active Members	$ 172,005	$ 172,005		
Vested Former Members	0	0		
Pending Refunds	26,187	26,187		
Total	$ 198,192	$ 198,192	100.0%	$ 0
Municipality Total	$ 30,655,393	$ 20,106,664	65.6%	$ 10,548,729

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

City of Escanaba (2101)

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
1996	$ 11,972,379	$ 10,310,926	86%	$ 1,661,453	44%
1997	13,002,934	11,166,958	86	1,835,976	50
1998	14,560,921	12,135,831	83	2,425,090	60
1999	15,437,986	13,676,911	89	1,761,075	44
2000	17,398,220	14,775,142	85	2,623,078	64
2001	18,783,991	15,615,958	83	3,168,033	73
2002	19,829,046	15,834,089	80	3,994,957	93
2003	21,330,198	16,789,939	79	4,540,259	103
2004	23,586,755	17,612,343	75	5,974,412	135
2005	26,331,412	18,228,522	69	8,102,890	203
2006	26,931,887	18,681,596	69	8,250,291	214
2007	28,323,479	19,569,915	69	8,753,564	225
2008	29,283,966	19,754,963	67	9,529,003	250
2009	29,928,075	19,844,840	66	10,083,235	273
2010	30,655,393	20,106,664	66	10,548,729	321

Notes: Actuarial assumptions were revised for the 1997, 2000, 2004, 2008, 2009 and 2010 actuarial valuations.

City of Escanaba (2101)

Table 15

Computed Employer Contributions to the Retirement System

For the Fiscal Year Beginning July 1, 2012

Division	Employer Contributions @		
	Normal Cost	Unfunded Accrued Liability #	Total Required Employer Contribution
Percentage of Payroll			
01 - Teamsters &	-%	-%	-%
10 - General Elct &	-%	-%	-%
11 - Non Union &	-%	-%	-%
12 - Dispatchers	10.90%	3.73%	14.63%
13 - PartTime Emp &	-%	-%	-%
14 - Water/Wastewater Teams &	-%	-%	-%
Estimated Monthly Contribution*			
01 - Teamsters	$ 9,568	$ 20,644	$ 30,212
10 - General Elct	4,315	8,377	12,692
11 - Non Union	5,966	25,355	31,321
12 - Dispatchers	2,456	840	3,296
13 - PartTime Emp	199	95	294
14 - Water/Wastewater Teams	3,930	6,868	10,798
Total Municipality	**$ 26,434**	**$ 62,179**	**$ 88,613**
Estimated Annual Contribution*			
Total Municipality	**$ 317,208**	**$ 746,148**	**$ 1,063,356**

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

* *For divisions that are open to new hires, estimated contributions are based on valuation payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts (usually higher). For divisions that will have no new hires, invoices will be based on the above dollar amounts which are based on projected fiscal year payroll. See Open Divisions and Closed Divisions on page 93.*

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

& *This division will not have new hires. Invoices will be based on the dollar contribution amounts shown in this table.*

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

City of Escanaba (2101)

Division 01 - Teamsters

Table 16A

Computed Employer Contributons to the Retirement System For the Fiscal Year Beginning July 1, 2012

Contribution for	Monthly Dollar Contribution *
Total Normal Cost	$9,568
Member Contributions	0
Less Potential Refunds	0
Net Member Contributions	0
Employer Normal Cost @	$9,568
Amortization of Unfunded Accrued Liability (20 years) ^	20,644 ^
Total Long Term Contribution	30,212
Overfunding Credit #	0
Total Employer Contribution @	**$30,212 ***

@ *The above Employer contribution requirement is based on Member contributions of 0.00% of pay.*

* *The monthly dollar contribution is based on projected fiscal year payroll. Monthly invoices will be based on the dollar amount shown above.*

\# *Only applies if projected assets exceed projected liabilities as of the beginning of the July 1, 2012 fiscal year (see Table 24).*

^ *This division is closed to new hires. This line displays the amortization funding requirement, and is based on a 20 year amortization (payments increase 4.5% per year). However, for reporting and disclosure purposes under Statement Nos. 25 and 27 of the Governmental Accounting Standards Board, the annual required contribution (ARC) is based on a 30 year level dollar amortization (the annual amortization payment is $303,408 and the ARC is $418,224). Note that the 20 year amortization period will decrease by 2 years each valuation year, until a minimum 5 year amortization is attained. This will result in amortization payments that increase faster than 4.5% each year.*

Note: Changes in actuarial assumptions and/or methods were reflected in the December 31, 2010 actuarial valuation. The effects of the changes are shown below:

Increase in Actuarial Accrued Liabilities:	**$12,743**
Increase in Computed Long Term Employer Contribution	
Monthly Normal Cost:	**$269**
Monthly Amortization Payment:	**$115**
Monthly Total:	**$384**

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

City of Escanaba (2101)

Division 01 - Teamsters

Table 17A

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution	
	Number	Annual Payroll	Regular Contribution	Minimum Required Contribution
1996	62	$ 1,770,471	9.99%	7.99%
1997	60	1,725,559	11.19%	11.19%
1998	60	1,887,629	11.45%	11.45%
1999	63	1,950,637	9.88%	9.88%
2000	61	1,929,441	9.96%	9.96%
2001	48	1,454,894	11.18%	11.18%
2002	46	1,477,838	12.49%	12.49%
2003	43	1,464,516	13.41%	13.41%
2004	43	1,534,279	15.82%	15.82%
2005	37	1,323,064	19.61%	19.61%
2006	35	1,270,478	20.78%	20.78%
2007	34	1,295,041	$ 25,249 #	$ 25,249 #
2008	34	1,335,314	$ 29,940	$ 29,940
2009	31	1,251,396	$ 29,110	$ 29,110
2010	30	1,154,930	$ 30,212	$ 30,212

Beginning with this valuation, a monthly dollar contribution is shown because the division will have no new hires.

Notes:

Adoption of Benefit E-2 reflected in 1997 valuation.
Actuarial assumptions were revised for the 1997 valuation.
Actuarial assumptions were revised for the 2000 valuation.
Adoption of Benefit B-3 - 80% Maximum, E (1.0%) reflected in 2001 valuation.
Adoption of Benefit E (1.0%) reflected in 2002 valuation.
Adoption of Benefit E (1.0%) reflected in 2003 valuation.
Adoption of Benefit F55(25), E (1.0%) reflected in 2004 valuation.
Actuarial assumptions were revised for the 2004 valuation.
Adoption of Benefit E (1.0%) reflected in 2005 valuation.
Adoption of Benefit E (1.0%) reflected in 2006 valuation.
Adoption of Benefit E (1.0%), DC Plan for New Hires reflected in 2007 valuation.
Adoption of Benefit E (1.0%) reflected in 2008 valuation.
Actuarial assumptions were revised for the 2008 valuation.
Actuarial assumptions were revised for the 2009 valuation.
Actuarial assumptions were revised for the 2010 valuation.

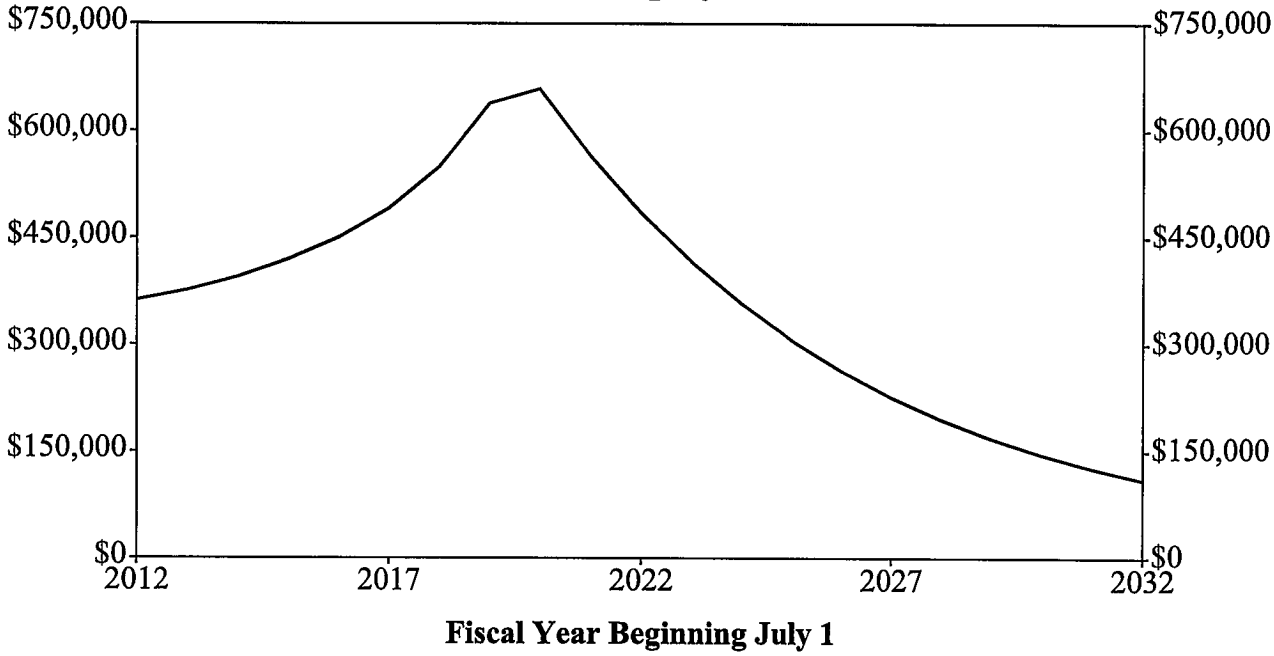
The most recent 15 years of benefit changes are reflected in this table. For a complete benefit history see Table 25.

City of Escanaba (2101)

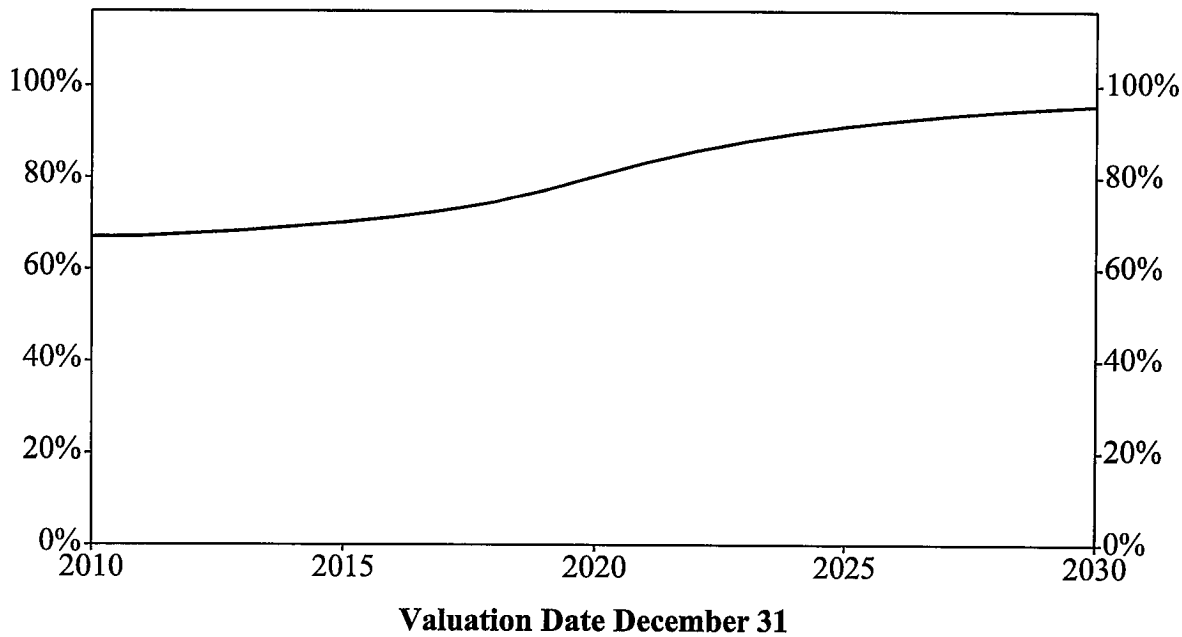
Division 01 - Teamsters

Chart 17.5A

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 90 for a discussion of the projection.

City of Escanaba (2101)

Division 01 - Teamsters

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)				(2)	(16)	1	5	48
2002					(2)				46
2003			(1)		(1)	(1)			43
2004	(1)				(1)		1	1	43
2005	(6)				(1)		1		37
2006	(1)			(1)					35
2007		(1)		(1)			1		34
2008									34
2009	(3)								31
2010		(1)							30

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								4
2002								4
2003	(1)							3
2004							1	4
2005								4
2006							1	5
2007	(1)					1	1	6
2008	(1)							5
2009								5
2010								5

City of Escanaba (2101)

Division 01 - Teamsters

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	3	$ 26,215	$ 4,112	(7)	$ (33,654)	$	44	$ 314,444
2002	1	6,066	3,055	(2)	(8,312)		43	315,253
2003	3	25,688	3,120	(1)	(2,312)		45	341,749
2004	1	23,264	3,325	(1)	(3,797)		45	364,541
2005	7	149,776	3,522	(2)	(9,146)		50	508,693
2006	1	28,598	6,344	(2)	(4,057)		49	539,578
2007	5	48,576	5,124	(2)	(18,748)		52	574,530
2008	1	1,366	5,472	(2)	(7,754)		51	573,614
2009	4	81,856	5,873	(6)	(53,859)		49	607,484
2010	2	26,188	6,948	(2)	(16,333)		49	624,287

@ *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 Escanaba (2101)

Division 01 - Teamsters

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	$ 205,966	$ 0	$ 370,091	$ (320,764)	$ 0	$ (1,078,014)	$ 0	$ 5,733,039
2002	187,872	0	176,683	(315,456)	0	0	0	5,782,138
2003	178,745	0	424,600	(318,570)	0	(14,484)	0	6,052,429
2004	195,450	0	399,685	(350,491)	0	0	1,211	6,298,284
2005	207,681	0	396,252	(435,402)	0	0	186	6,467,001
2006	201,749	0	510,647	(509,382)	0	0	0	6,670,015
2007	234,148	0	541,689	(553,037)	0	0	67,548	6,960,363
2008	269,659	0	286,839	(573,893)	0	0	0	6,942,968
2009	291,322	0	248,727	(582,594)	0	0	0	6,900,423
2010	331,134	0	329,843	(617,361)	0	0	0	6,944,039

* *Transfers out and in are usually related to the transfer of participants between divisions or municipalities, and to employer and member payments for service credit purchases (if any) that the governing body has approved.*

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	$ 6,517,952	$ 5,733,039	88%	$ 784,913	54%
2002	6,957,609	5,782,138	83	1,175,471	80
2003	7,460,176	6,052,429	81	1,407,747	96
2004	8,308,565	6,298,284	76	2,010,281	131
2005	9,162,318	6,467,001	71	2,695,317	204
2006	9,534,148	6,670,015	70	2,864,133	225
2007	10,055,870	6,960,363	69	3,095,507	239
2008	10,375,565	6,942,968	67	3,432,597	257
2009	10,236,964	6,900,423	67	3,336,541	267
2010	10,430,621	6,944,039	67	3,486,582	302

City of Escanaba (2101)

Division 10 - General Elct

Table 16B

Computed Employer Contributons to the Retirement System For the Fiscal Year Beginning July 1, 2012

Contribution for	Monthly Dollar Contribution *
Total Normal Cost	$4,315
Member Contributions	0
Less Potential Refunds	0
Net Member Contributions	0
Employer Normal Cost @	$4,315
Amortization of Unfunded Accrued Liability (19 years) ^	8,377 ^
Total Long Term Contribution	12,692
Overfunding Credit #	0
Total Employer Contribution @	**$12,692 ***

@ *The above Employer contribution requirement is based on Member contributions of 0.00% of pay.*

* *The monthly dollar contribution is based on projected fiscal year payroll. Monthly invoices will be based on the dollar amount shown above.*

\# *Only applies if projected assets exceed projected liabilities as of the beginning of the July 1, 2012 fiscal year (see Table 24).*

^ *This division is closed to new hires. This line displays the amortization funding requirement, and is based on a 19 year amortization (payments increase 4.5% per year). However, for reporting and disclosure purposes under Statement Nos. 25 and 27 of the Governmental Accounting Standards Board, the annual required contribution (ARC) is based on a 30 year level dollar amortization (the annual amortization payment is $118,692 and the ARC is $170,472). Note that the 19 year amortization period will decrease by 2 years each valuation year, until a minimum 5 year amortization is attained. This will result in amortization payments that increase faster than 4.5% each year.*

Note: Changes in actuarial assumptions and/or methods were reflected in the December 31, 2010 actuarial valuation. The effects of the changes are shown below:

Increase in Actuarial Accrued Liabilities:	**$24,873**
Increase in Computed Long Term Employer Contribution	
Monthly Normal Cost:	**$129**
Monthly Amortization Payment:	**$185**
Monthly Total:	**$314**

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

City of Escanaba (2101)

Division 10 - General Elct

Table 17B

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution	
	Number	Annual Payroll	Regular Contribution	Minimum Required Contribution
1996	10	$ 427,146	11.92%	9.54%
1997	10	438,651	10.41%	10.41%
1998	9	439,390	11.77%	11.77%
1999	10	466,397	9.31%	9.30%
2000	10	475,093	7.83%	7.83%
2001	12	538,471	10.30%	10.30%
2002	11	503,655	11.21%	11.21%
2003	11	521,093	11.72%	11.72%
2004	11	539,116	16.34%	16.34%
2005	11	550,317	16.70%	16.70%
2006	10	521,867	$ 8,740 #	$ 8,740 #
2007	10	540,444	$ 9,179	$ 9,179
2008	10	554,042	$ 10,953	$ 10,953
2009	10	613,812	$ 12,923	$ 12,923
2010	9	521,355	$ 12,692	$ 12,692

Beginning with this valuation, a monthly dollar contribution is shown because the division will have no new hires.

Notes:

Actuarial assumptions were revised for the 1997 valuation.
Actuarial assumptions were revised for the 2000 valuation.
Adoption of Benefit E-2 reflected in 2000 valuation.
Adoption of Benefit B-3 - 80% Maximum, E (1.0%) reflected in 2001 valuation.
Adoption of Benefit E (1.0%) reflected in 2002 valuation.
Adoption of Benefit E (1.0%) reflected in 2003 valuation.
Adoption of Benefit F55(25), E (1.0%) reflected in 2004 valuation.
Actuarial assumptions were revised for the 2004 valuation.
Adoption of Benefit E (1.0%) reflected in 2005 valuation.
Adoption of Benefit E (1.0%), DC Plan for New Hires reflected in 2006 valuation.
Adoption of Benefit E (1.0%) reflected in 2007 valuation.
Adoption of Benefit E (1.0%) reflected in 2008 valuation.
Actuarial assumptions were revised for the 2008 valuation.
Adoption of Benefit F55(25) reflected in 2009 valuation.
Actuarial assumptions were revised for the 2009 valuation.
Actuarial assumptions were revised for the 2010 valuation.

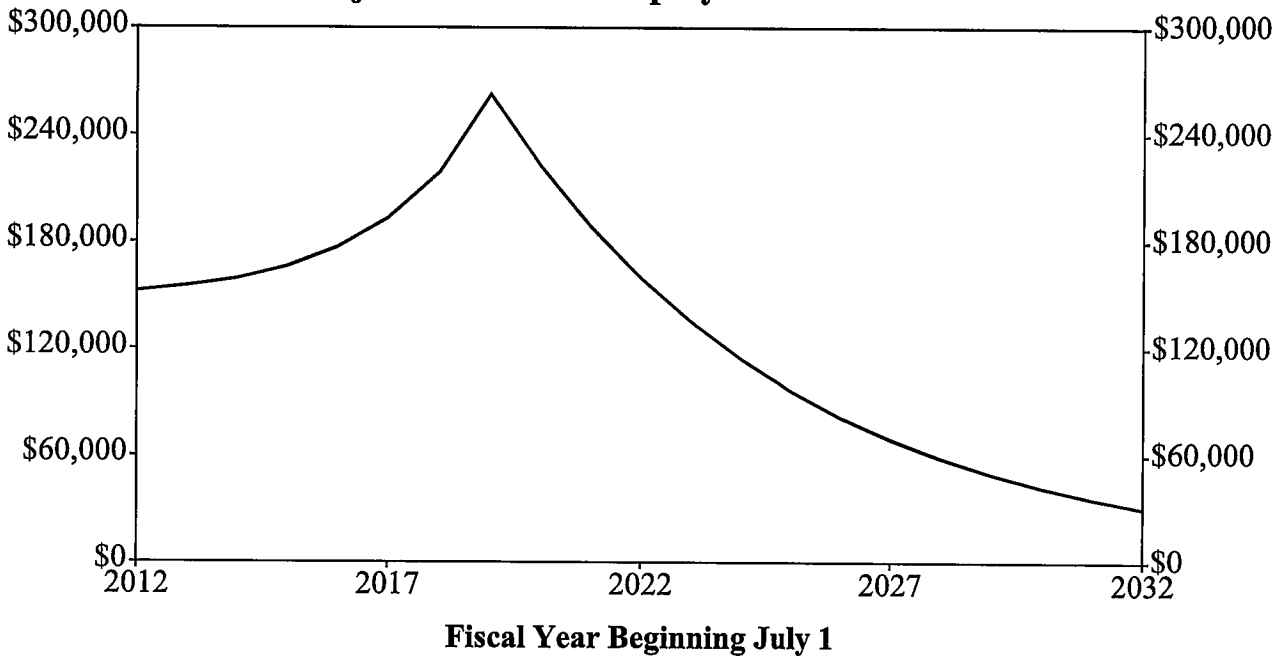
The most recent 15 years of benefit changes are reflected in this table. For a complete benefit history see Table 25.

City of Escanaba (2101)

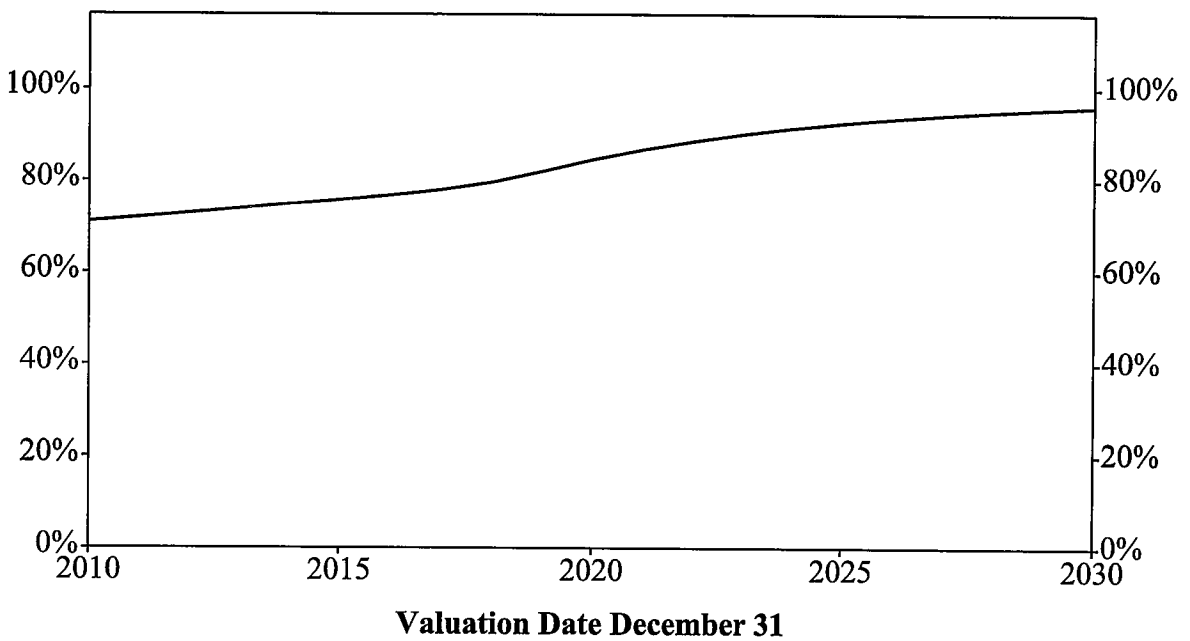
Division 10 - General Elct

Chart 17.5B

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 90 for a discussion of the projection.

City of Escanaba (2101)

Division 10 - General Elct

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		
2001							2		12
2002	(1)								11
2003									11
2004									11
2005									11
2006					(1)				10
2007									10
2008									10
2009									10
2010	(1)								9

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		
2001								0
2002								0
2003								0
2004								0
2005								0
2006								0
2007								0
2008								0
2009								0
2010								0

City of Escanaba (2101)

Division 10 - General Elct

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
2001		$	$ 1,502		$	$	12	$ 152,666
2002	1	37,479	1,187	(1)	(32,988)		12	158,344
2003			1,564				12	159,908
2004			12,295				12	172,203
2005			1,692				12	173,895
2006			1,702				12	175,597
2007			6,297				12	181,894
2008			1,768				12	183,662
2009	1	15,977	649	(1)	(15,977)		12	184,311
2010	1	27,416	649				13	212,376

@ *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 Escanaba (2101)

Division 10 - General Elct

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	
2001	$ 70,375	$ 0	$ 200,685	$ (151,163)	$ 0	$ 0	$ 51,949	$ 2,877,816
2002	66,514	0	76,338	(174,999)	0	0	0	2,845,669
2003	57,387	0	202,691	(158,343)	0	0	0	2,947,404
2004	62,832	0	191,409	(168,257)	0	0	0	3,033,388
2005	72,481	0	190,507	(172,203)	0	0	0	3,124,173
2006	81,642	0	236,052	(173,895)	(164)	(364,967)	73,964	2,976,805
2007	89,321	0	241,244	(178,623)	0	0	0	3,128,747
2008	97,475	0	135,833	(181,894)	0	0	0	3,180,161
2009	107,514	0	139,589	(183,663)	0	0	6,377	3,249,978
2010	120,792	0	172,884	(195,735)	0	0	0	3,347,919

* *Transfers out and in are usually related to the transfer of participants between divisions or municipalities, and to employer and member payments for service credit purchases (if any) that the governing body has approved.*

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
2001	$ 3,120,455	$ 2,877,816	92%	$ 242,639	45%
2002	3,148,911	2,845,669	90	303,242	60
2003	3,309,999	2,947,404	89	362,595	70
2004	3,774,766	3,033,388	80	741,378	138
2005	3,944,413	3,124,173	79	820,240	149
2006	3,947,362	2,976,805	75	970,557	186
2007	4,142,166	3,128,747	76	1,013,419	188
2008	4,270,835	3,180,161	74	1,090,674	197
2009	4,552,794	3,249,978	71	1,302,816	212
2010	4,712,746	3,347,919	71	1,364,827	262

City of Escanaba (2101)

Division 11 - Non Union

Table 16C

Computed Employer Contributons to the Retirement System For the Fiscal Year Beginning July 1, 2012

Contribution for	Monthly Dollar Contribution *
Total Normal Cost	$5,966
Member Contributions	0
Less Potential Refunds	0
Net Member Contributions	0
Employer Normal Cost @	$5,966
Amortization of Unfunded Accrued Liability (20 years) ^	25,355 ^
Total Long Term Contribution	31,321
Overfunding Credit #	0
Total Employer Contribution @	**$31,321 ***

@ *The above Employer contribution requirement is based on Member contributions of 0.00% of pay.*

* *The monthly dollar contribution is based on projected fiscal year payroll. Monthly invoices will be based on the dollar amount shown above.*

\# *Only applies if projected assets exceed projected liabilities as of the beginning of the July 1, 2012 fiscal year (see Table 24).*

^ *This division is closed to new hires. This line displays the amortization funding requirement, and is based on a 20 year amortization (payments increase 4.5% per year). However, for reporting and disclosure purposes under Statement Nos. 25 and 27 of the Governmental Accounting Standards Board, the annual required contribution (ARC) is based on a 30 year level dollar amortization (the annual amortization payment is $372,636 and the ARC is $444,228). Note that the 20 year amortization period will decrease by 2 years each valuation year, until a minimum 5 year amortization is attained. This will result in amortization payments that increase faster than 4.5% each year.*

Note: Changes in actuarial assumptions and/or methods were reflected in the December 31, 2010 actuarial valuation. The effects of the changes are shown below:

Increase in Actuarial Accrued Liabilities:	**$11,610**
Increase in Computed Long Term Employer Contribution	
Monthly Normal Cost:	**$157**
Monthly Amortization Payment:	**$95**
Monthly Total:	**$252**

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

City of Escanaba (2101)

Division 11 - 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
1996	32	$ 1,216,277	10.61%	8.49%
1997	31	1,175,508	9.83%	9.83%
1998	32	1,274,479	11.17%	11.17%
1999	31	1,248,207	12.17%	12.16%
2000	31	1,271,103	12.70%	12.70%
2001	31	1,328,673	14.52%	14.52%
2002	29	1,256,001	15.76%	15.76%
2003	30	1,368,415	16.61%	16.61%
2004	27	1,296,248	17.70%	17.70%
2005	20	966,026	27.25%	27.25%
2006	18	895,299	27.74%	27.74%
2007	18	960,127	$ 24,095 #	$ 24,095 #
2008	16	918,518	$ 27,291	$ 27,291
2009	14	843,576	$ 29,244	$ 29,244
2010	13	761,337	$ 31,321	$ 31,321

Beginning with this valuation, a monthly dollar contribution is shown because the division will have no new hires.

Notes:

Actuarial assumptions were revised for the 1997 valuation.
Adoption of Benefit B-3 reflected in 1999 valuation.
Actuarial assumptions were revised for the 2000 valuation.
Adoption of Benefit E (1.0%), E-2 (1.0%) reflected in 2001 valuation.
Adoption of Benefit E (1.0%) reflected in 2002 valuation.
Adoption of Benefit E (1.0%) reflected in 2003 valuation.
Adoption of Benefit E (1.0%) reflected in 2004 valuation.
Actuarial assumptions were revised for the 2004 valuation.
Adoption of Benefit E (1.0%) reflected in 2005 valuation.
Adoption of Benefit E (1.0%) reflected in 2006 valuation.
Adoption of Benefit F55(25), E (1.0%), DC Plan for New Hires reflected in 2007 valuation.
Adoption of Benefit E (1.0%) reflected in 2008 valuation.
Actuarial assumptions were revised for the 2008 valuation.
Actuarial assumptions were revised for the 2009 valuation.
Actuarial assumptions were revised for the 2010 valuation.

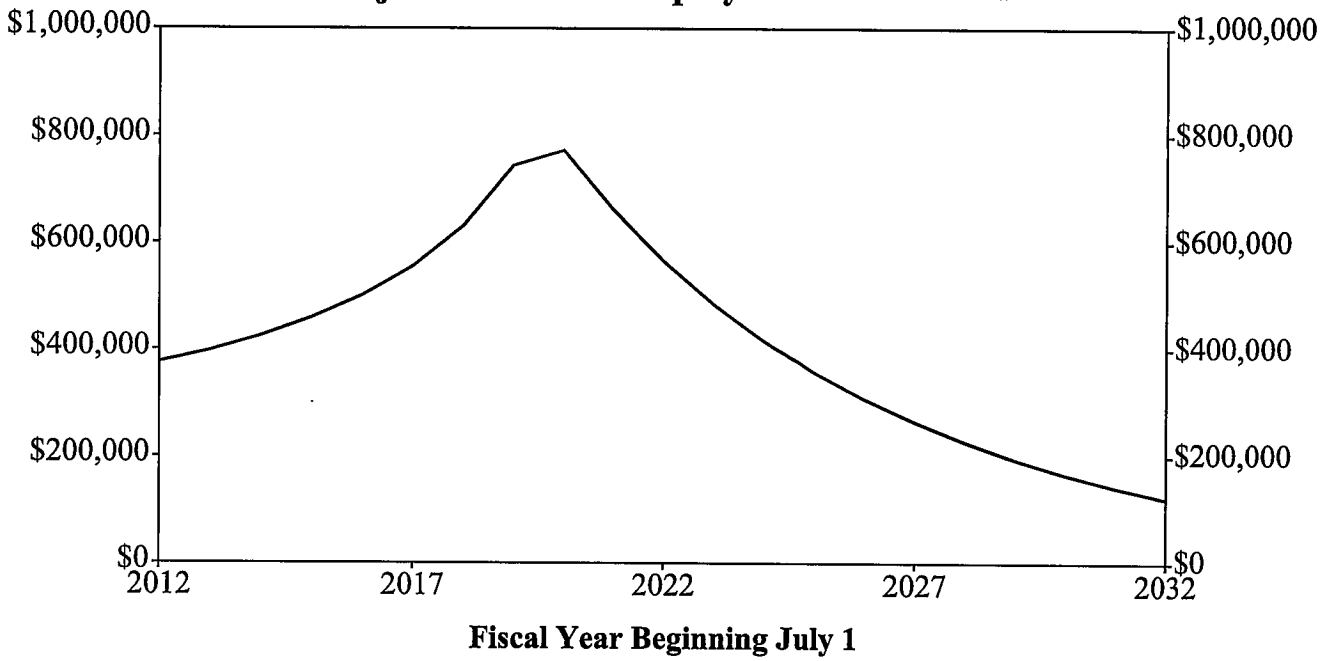
The most recent 15 years of benefit changes are reflected in this table. For a complete benefit history see Table 25.

City of Escanaba (2101)

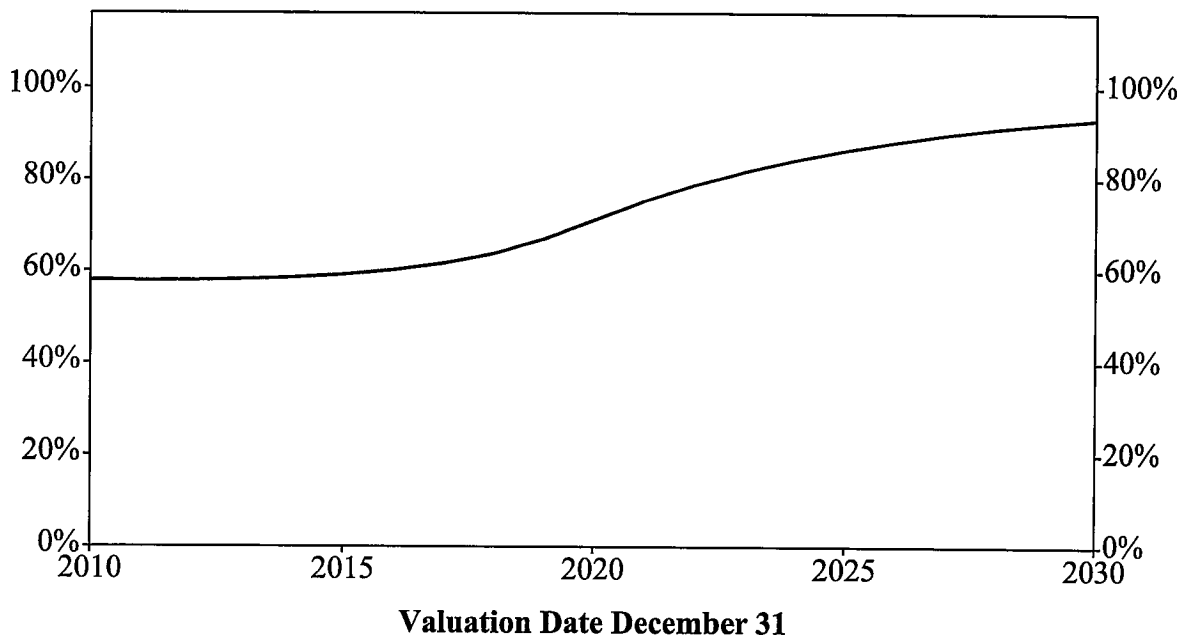
Division 11 - Non Union

Chart 17.5C

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 90 for a discussion of the projection.

City of Escanaba (2101)

Division 11 - 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				(1)		(1)		2	31
2002					(4)			2	29
2003	(1)						1	1	30
2004				(2)	(1)	(1)		1	27
2005	(7)					(1)		1	20
2006				(1)	(3)			2	18
2007									18
2008					(2)				16
2009	(1)				(1)				14
2010	(1)								13

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	7
2002		(1)						6
2003								6
2004	(1)						2	7
2005							1	8
2006							1	9
2007	(2)						1	8
2008								8
2009				(1)				7
2010	(3)							4

City of Escanaba (2101)

Division 11 - 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		$	$ 3,755		$	$	24	$ 323,748
2002	1	4,063	7,079	(2)	(9,807)		23	325,083
2003	1	29,713	3,211				24	358,007
2004	2	25,783	3,533				26	387,323
2005	8	228,611	3,470	(1)	(4,061)		33	615,343
2006	1	8,906	5,734	(2)	(33,093)		32	596,890
2007	2	24,883	5,691	(2)	(15,370)		32	612,094
2008	2	24,376	5,711	(2)	(25,426)		32	616,755
2009	1	37,948	3,449			(718)	33	657,434
2010	5	39,089	6,772				38	703,295

@ *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 Escanaba (2101)

Division 11 - 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	$ 183,085	$ 0	$ 397,260	$ (320,242)	$ 0	$ 0	$ 0	$ 5,565,296
2002	190,790	0	165,971	(322,566)	0	0	0	5,599,491
2003	197,945	0	427,565	(337,465)	0	0	44,883	5,932,419
2004	207,971	0	391,799	(360,671)	0	(1,211)	0	6,170,307
2005	198,512	0	370,578	(498,468)	0	(163,834)	0	6,077,095
2006	170,330	0	472,843	(596,361)	0	0	0	6,123,907
2007	222,029	0	492,263	(604,637)	0	0	46,361	6,279,923
2008	271,539	0	249,471	(612,095)	0	(6,643)	0	6,182,195
2009	274,056	0	181,704	(626,179)	0	(6,046)	0	6,005,730
2010	308,014	0	254,356	(672,420)	0	0	0	5,895,680

* *Transfers out and in are usually related to the transfer of participants between divisions or municipalities, and to employer and member payments for service credit purchases (if any) that the governing body has approved.*

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	$ 6,998,419	$ 5,565,296	80%	$ 1,433,123	108%
2002	7,262,289	5,599,491	77	1,662,798	132
2003	7,863,579	5,932,419	75	1,931,160	141
2004	8,251,742	6,170,307	75	2,081,435	161
2005	9,244,928	6,077,095	66	3,167,833	328
2006	9,289,231	6,123,907	66	3,165,324	354
2007	9,665,926	6,279,923	65	3,386,003	353
2008	9,857,888	6,182,195	63	3,675,693	400
2009	10,036,163	6,005,730	60	4,030,433	478
2010	10,153,071	5,895,680	58	4,257,391	559

City of Escanaba (2101)

Division 12 - Dispatchers

Table 16D

Computed Employer Contributons to the Retirement System For the Fiscal Year Beginning July 1, 2012

Contribution for	As Percentage of Active Member Payroll	Estimated Monthly Dollar Contribution *
Total Normal Cost	10.90%	$2,456
Member Contributions	0.00	0
Less Potential Refunds	0.00	0
Net Member Contributions	0.00	0
Employer Normal Cost @	10.90%	$2,456
Amortization of Unfunded Accrued Liability (28 years)	3.73	840
Total Long Term Contribution	14.63	3,296
Overfunding Credit #	0.00	0
Total Employer Contribution @	**14.63%**	**$3,296 ***

@ *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 0.89% of pay.*

* *Estimated contributions are 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, 2012 fiscal year (see Table 24).*

Note: Changes in actuarial assumptions and/or methods were reflected in the December 31, 2010 actuarial valuation. The effects of the changes are shown below:

Increase in Actuarial Accrued Liabilities:	**$(425)**
Increase in Computed Long Term Employer Contribution As a Percentage of Active Member Payroll	
Normal Cost:	**0.31%**
Amortization Payment:	**0.02%**
Total:	**0.33%**

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

City of Escanaba (2101)

Division 12 - Dispatchers

Table 17D

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution	
	Number	Annual Payroll	Regular Contribution	Minimum Required Contribution
1996	6	$ 164,833	11.57%	9.25%
1997	6	171,398	11.49%	11.49%
1998	6	168,965	9.68%	9.68%
1999	7	189,704	14.00%	14.00%
2000	7	230,733	13.69%	13.69%
2001	8	264,930	13.16%	13.16%
2002	7	250,360	13.67%	13.67%
2003	7	244,802	14.40%	14.40%
2004	5	195,824	15.61%	15.61%
2005	8	286,205	14.01%	14.01%
2006	9	309,480	12.55%	12.55%
2007	8	302,458	12.54%	12.54%
2008	8	313,301	14.91%	14.91%
2009	7	307,654	14.57%	14.57%
2010	6	270,373	14.63%	14.63%

Notes:

Actuarial assumptions were revised for the 1997 valuation.
Adoption of Benefit E-2 reflected in 1999 valuation.
Actuarial assumptions were revised for the 2000 valuation.
Adoption of Benefit E (1.0%) reflected in 2001 valuation.
Adoption of Benefit E (1.0%) reflected in 2002 valuation.
Adoption of Benefit F55(25), B-3 - 80% Maximum, E (1.0%) reflected in 2003 valuation.
Adoption of Benefit E (1.0%) reflected in 2004 valuation.
Actuarial assumptions were revised for the 2004 valuation.
Adoption of Benefit E (1.0%) reflected in 2005 valuation.
Adoption of Benefit E (1.0%) reflected in 2006 valuation.
Adoption of Benefit E (1.0%) reflected in 2007 valuation.
Adoption of Benefit E (1.0%) reflected in 2008 valuation.
Actuarial assumptions and methods were revised for the 2008 valuation.
Actuarial assumptions were revised for the 2009 valuation.
Actuarial assumptions and methods were revised for the 2010 valuation.

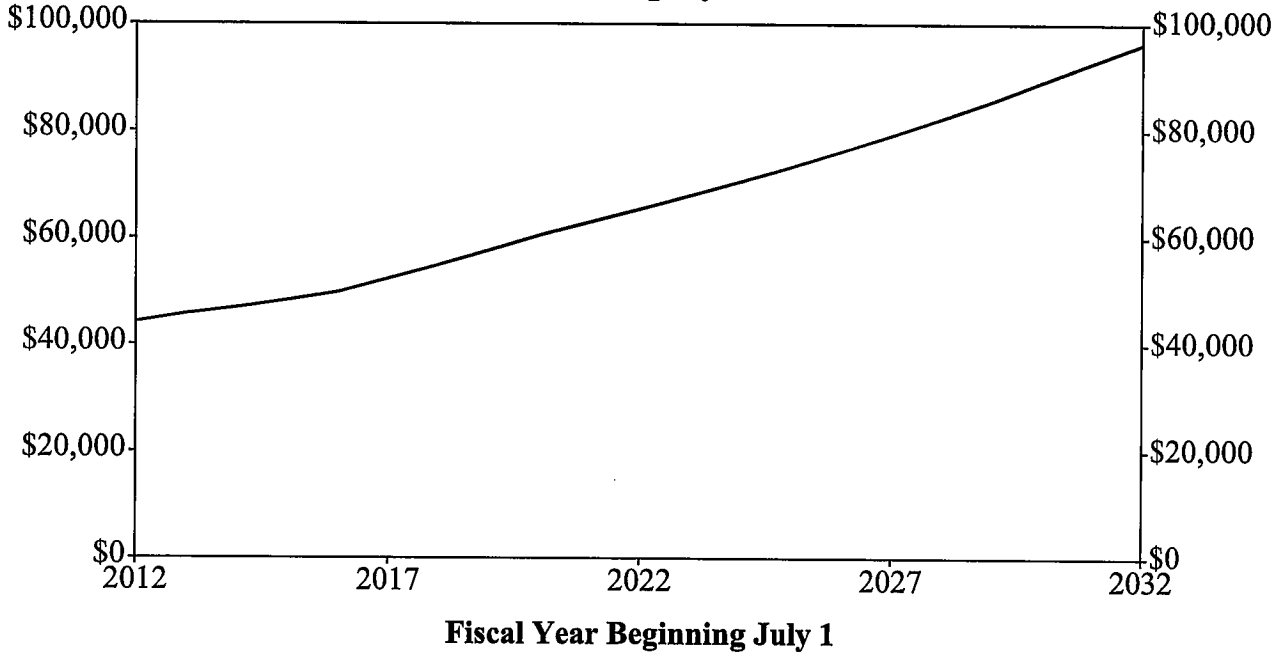
The most recent 15 years of benefit changes are reflected in this table. For a complete benefit history see Table 25.

City of Escanaba (2101)

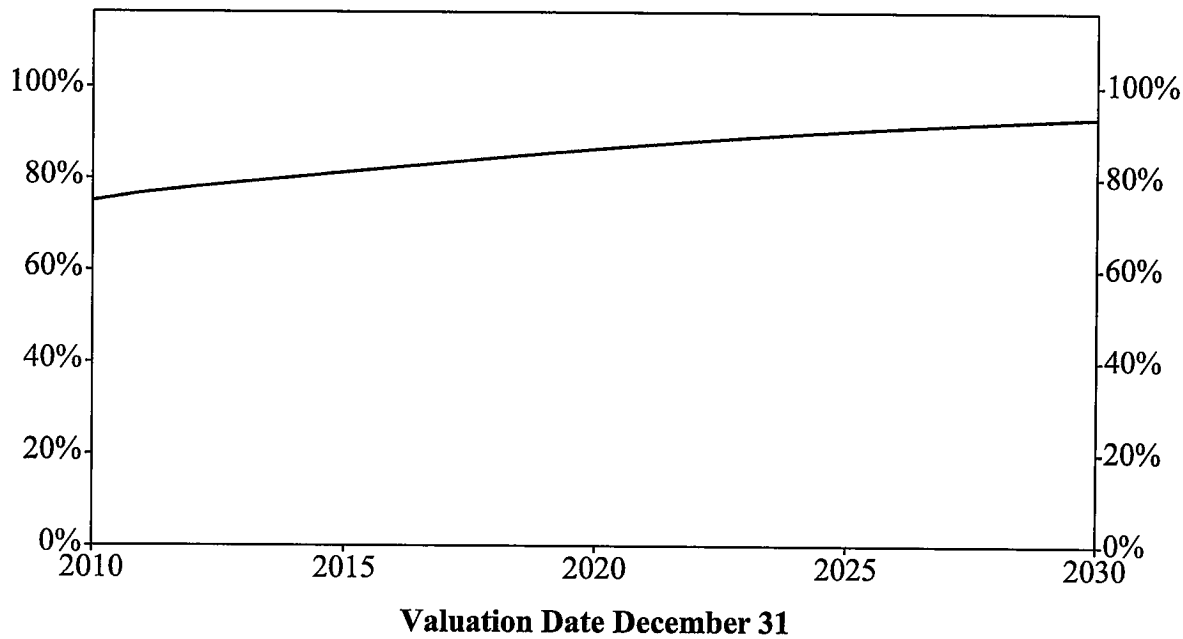
Division 12 - Dispatchers

Chart 17.5D

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 90 for a discussion of the projection.

City of Escanaba (2101)

Division 12 - Dispatchers

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								1	8
2002						(1)			7
2003					(1)		1		7
2004		(1)			(1)				5
2005							2	1	8
2006					(1)			2	9
2007					(1)				8
2008					(1)			1	8
2009					(1)				7
2010				(1)					6

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								0
2002								0
2003								0
2004								0
2005								0
2006								0
2007								0
2008								0
2009								0
2010							1	1

City of Escanaba (2101)

Division 12 - Dispatchers

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		$	$ 111		$	$	1	$ 11,162
2002			112				1	11,274
2003			112				1	11,386
2004	1	12,846	114				2	24,346
2005			243				2	24,589
2006			245				2	24,834
2007			246				2	25,080
2008			246				2	25,326
2009			129				2	25,455
2010			128			(214)	2	25,369

@ *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 Escanaba (2101)

Division 12 - Dispatchers

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	$ 32,879	$ 0	$ 14,099	$ (11,051)	$ 0	$ 0	$ 0	$ 180,943
2002	36,642	0	13,004	(11,162)	0	0	0	219,427
2003	39,322	0	24,562	(11,274)	0	0	0	272,037
2004	39,510	0	21,402	(14,598)	0	0	0	318,351
2005	38,406	0	21,785	(24,346)	0	0	3,027	357,223
2006	46,050	0	29,745	(24,589)	0	0	0	408,429
2007	45,698	0	33,267	(24,834)	0	0	0	462,560
2008	43,911	0	24,996	(25,080)	0	0	0	506,387
2009	38,594	0	31,447	(25,326)	0	0	0	551,102
2010	37,020	0	34,027	(25,294)	0	(6,110)	0	590,745

* *Transfers out and in are usually related to the transfer of participants between divisions or municipalities, and to employer and member payments for service credit purchases (if any) that the governing body has approved.*

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	$ 439,963	$ 180,943	41%	$ 259,020	98%
2002	486,943	219,427	45	267,516	107
2003	537,093	272,037	51	265,056	108
2004	587,463	318,351	54	269,112	137
2005	652,370	357,223	55	295,147	103
2006	646,249	408,429	63	237,820	77
2007	696,811	462,560	66	234,251	77
2008	785,505	506,387	64	279,118	89
2009	783,285	551,102	70	232,183	75
2010	785,319	590,745	75	194,574	72

City of Escanaba (2101)

Division 13 - PartTime Emp

Table 16E

Computed Employer Contributons to the Retirement System For the Fiscal Year Beginning July 1, 2012

Contribution for	Monthly Dollar Contribution *
Total Normal Cost	$199
Member Contributions	0
Less Potential Refunds	0
Net Member Contributions	0
Employer Normal Cost @	$199
Amortization of Unfunded Accrued Liability (22 years) ^	95 ^
Total Long Term Contribution	294
Overfunding Credit #	0
Total Employer Contribution @	**$294 ***

@ *The above Employer contribution requirement is based on Member contributions of 0.00% of pay.*

* *The monthly dollar contribution is based on projected fiscal year payroll. Monthly invoices will be based on the dollar amount shown above.*

\# *Only applies if projected assets exceed projected liabilities as of the beginning of the July 1, 2012 fiscal year (see Table 24).*

^ *This division is closed to new hires. This line displays the amortization funding requirement, and is based on a 22 year amortization (payments increase 4.5% per year). However, for reporting and disclosure purposes under Statement Nos. 25 and 27 of the Governmental Accounting Standards Board, the annual required contribution (ARC) is based on a 30 year level dollar amortization (the annual amortization payment is $1,500 and the ARC is $3,888). Note that the 22 year amortization period will decrease by 2 years each valuation year, until a minimum 5 year amortization is attained. This will result in amortization payments that increase faster than 4.5% each year.*

Note: Changes in actuarial assumptions and/or methods were reflected in the December 31, 2010 actuarial valuation. The effects of the changes are shown below:

Increase in Actuarial Accrued Liabilities:	**$60**
Increase in Computed Long Term Employer Contribution	
Monthly Normal Cost:	**$4**
Monthly Amortization Payment:	**$1**
Monthly Total:	**$5**

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

City of Escanaba (2101)

Division 13 - PartTime Emp

Table 17E

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution	
	Number	Annual Payroll	Regular Contribution	Minimum Required Contribution
1996	27	$ 159,341	12.48%	9.98%
1997	27	174,206	11.37%	11.37%
1998	29	268,959	10.96%	10.96%
1999	25	186,103	11.29%	11.29%
2000	25	180,263	11.03%	11.03%
2001	22	203,131	10.81%	10.81%
2002	26	256,958	10.35%	10.35%
2003	27	222,154	10.23%	10.23%
2004	23	251,366	9.77%	9.77%
2005	17	187,596	10.70%	10.70%
2006	18	179,105	10.32%	10.32%
2007	14	128,840	10.23%	10.23%
2008	7	62,376	$ 480 #	$ 480 #
2009	6	63,115	$ 566	$ 566
2010	4	35,316	$ 294	$ 294

Beginning with this valuation, a monthly dollar contribution is shown because the division will have no new hires.

Notes:

Actuarial assumptions were revised for the 1997 valuation.
Actuarial assumptions were revised for the 2000 valuation.
Adoption of Benefit E (1.0%) reflected in 2001 valuation.
Adoption of Benefit E (1.0%) reflected in 2002 valuation.
Adoption of Benefit E (1.0%) reflected in 2003 valuation.
Adoption of Benefit E (1.0%) reflected in 2004 valuation.
Actuarial assumptions were revised for the 2004 valuation.
Adoption of Benefit E (1.0%) reflected in 2005 valuation.
Adoption of Benefit E (1.0%) reflected in 2006 valuation.
Adoption of Benefit E (1.0%) reflected in 2007 valuation.
Adoption of Benefit E (1.0%), DC Plan for New Hires reflected in 2008 valuation.
Actuarial assumptions were revised for the 2008 valuation.
Actuarial assumptions were revised for the 2009 valuation.
Actuarial assumptions were revised for the 2010 valuation.

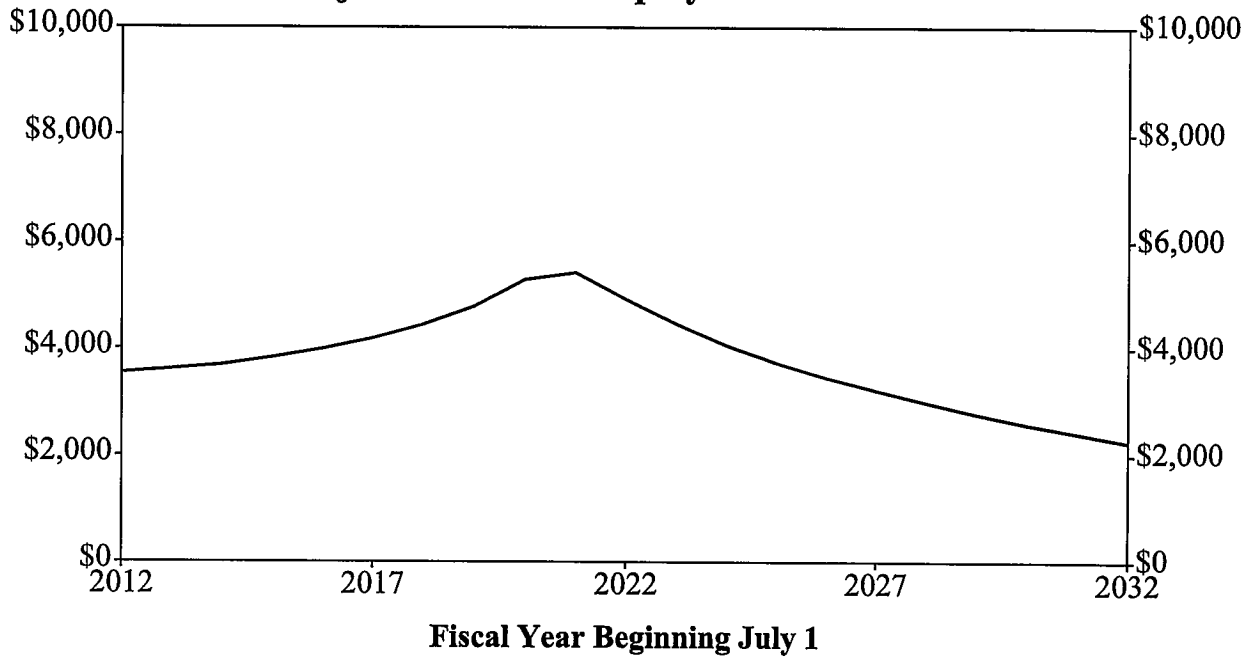
The most recent 15 years of benefit changes are reflected in this table. For a complete benefit history see Table 25.

City of Escanaba (2101)

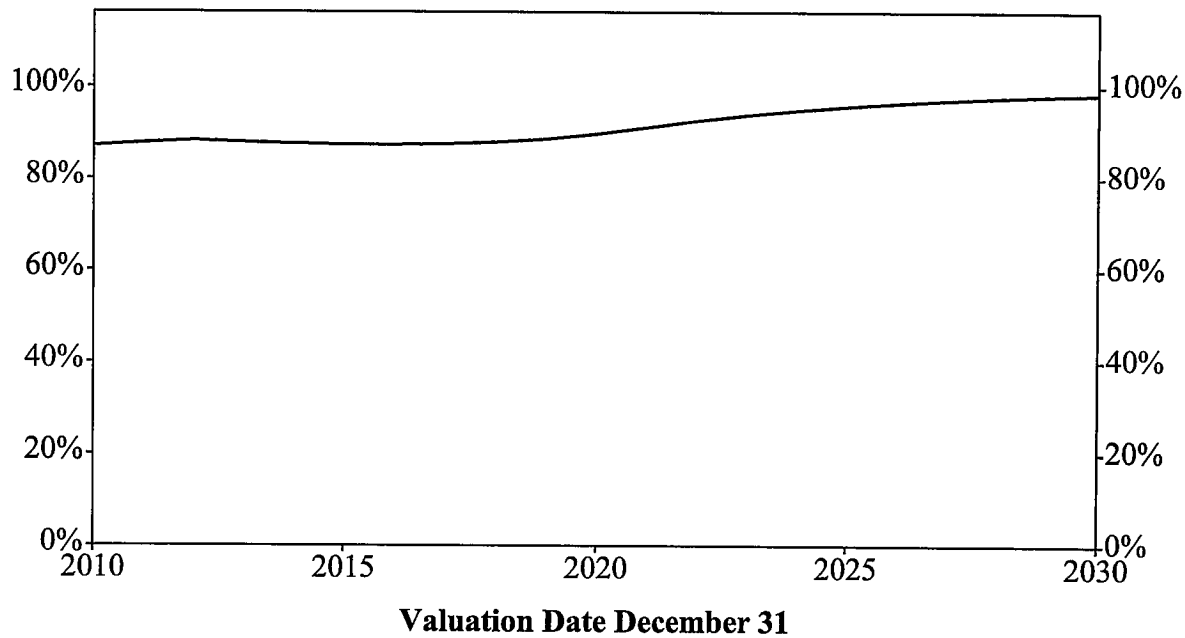
Division 13 - PartTime Emp

Chart 17.5E

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 90 for a discussion of the projection.

City of Escanaba (2101)

Division 13 - PartTime Emp

Table 18E
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)	(6)			4	22
2002					(3)		1	6	26
2003					(2)	(2)	1	4	27
2004	(1)			(2)	(7)			6	23
2005					(4)	(3)		1	17
2006	(1)				(6)			8	18
2007	(1)			(1)	(4)	(2)		4	14
2008	(2)				(5)				7
2009					(1)				6
2010	(1)				(1)				4

Table 19E
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)			2	2
2002				(2)				0
2003								0
2004							2	2
2005								2
2006								2
2007					(1)		1	2
2008								2
2009							1	3
2010				(1)				2

City of Escanaba (2101)

Division 13 - PartTime Emp

Table 20E

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		$	$ 68		$	$	3	$ 6,988
2002			70				3	7,058
2003			71				3	7,129
2004	2	4,650	48	(1)	(2,302)		4	9,525
2005			95				4	9,620
2006	1	6,568	96				5	16,284
2007	1	4,205	98	(1)	(6,568)		5	14,019
2008	2	5,046	141				7	19,206
2009				(1)	(2,251)		6	16,955
2010	1	2,507		(1)	(2,822)		6	16,640

@ *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 Escanaba (2101)

Division 13 - PartTime Emp

Table 21E

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	$ 23,836	$ 0	$ 7,034	$ (6,919)	$ 0	$ 0	$ 0	$ 87,154
2002	26,046	0	7,940	(6,988)	0	0	0	114,152
2003	26,087	0	13,710	(7,058)	0	(7,258)	0	139,633
2004	25,810	0	11,138	(8,291)	0	0	0	168,290
2005	22,551	0	11,559	(9,525)	0	(3,213)	0	189,662
2006	16,576	0	15,333	(15,641)	0	0	0	205,930
2007	12,441	0	14,172	(14,906)	0	(67,548)	0	150,089
2008	7,778	0	5,400	(17,641)	0	0	0	145,626
2009	5,653	0	1,342	(17,142)	0	(3,230)	0	132,249
2010	5,216	0	6,658	(14,838)	0	0	6,110	135,395

* *Transfers out and in are usually related to the transfer of participants between divisions or municipalities, and to employer and member payments for service credit purchases (if any) that the governing body has approved.*

Table 22E

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	$ 212,071	$ 87,154	41%	$ 124,917	61%
2002	254,760	114,152	45	140,608	55
2003	243,496	139,633	57	103,863	47
2004	252,172	168,290	67	83,882	33
2005	263,209	189,662	72	73,547	39
2006	269,887	205,930	76	63,957	36
2007	171,860	150,089	87	21,771	17
2008	181,340	145,626	80	35,714	57
2009	171,024	132,249	77	38,775	61
2010	156,258	135,395	87	20,863	59

City of Escanaba (2101)

Division 14 - Water/Wastewater Teamsters

Table 16F

Computed Employer Contributons to the Retirement System For the Fiscal Year Beginning July 1, 2012

Contribution for	Monthly Dollar Contribution *
Total Normal Cost	$3,930
Member Contributions	0
Less Potential Refunds	0
Net Member Contributions	0
Employer Normal Cost @	$3,930
Amortization of Unfunded Accrued Liability (22 years) ^	6,868 ^
Total Long Term Contribution	10,798
Overfunding Credit #	0
Total Employer Contribution @	**$10,798 ***

@ *The above Employer contribution requirement is based on Member contributions of 0.00% of pay.*

* *The monthly dollar contribution is based on projected fiscal year payroll. Monthly invoices will be based on the dollar amount shown above.*

\# *Only applies if projected assets exceed projected liabilities as of the beginning of the July 1, 2012 fiscal year (see Table 24).*

^ *This division is closed to new hires. This line displays the amortization funding requirement, and is based on a 22 year amortization (payments increase 4.5% per year). However, for reporting and disclosure purposes under Statement Nos. 25 and 27 of the Governmental Accounting Standards Board, the annual required contribution (ARC) is based on a 30 year level dollar amortization (the annual amortization payment is $107,844 and the ARC is $155,004). Note that the 22 year amortization period will decrease by 2 years each valuation year, until a minimum 5 year amortization is attained. This will result in amortization payments that increase faster than 4.5% each year.*

Note: Changes in actuarial assumptions and/or methods were reflected in the December 31, 2010 actuarial valuation. The effects of the changes are shown below:

Increase in Actuarial Accrued Liabilities:	**$43,283**
Increase in Computed Long Term Employer Contribution	
Monthly Normal Cost:	**$118**
Monthly Amortization Payment:	**$279**
Monthly Total:	**$397**

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

City of Escanaba (2101)

Division 14 - Water/Wastewater Teamsters

Table 17F

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution
	Number	Annual Payroll	
2001	14	$ 525,771	10.00%
2002	14	562,102	10.98%
2003	14	584,573	11.04%
2004	14	600,852	15.16%
2005	15	678,664	16.59%
2006	15	685,703	15.64%
2007	14	659,952	16.55%
2008	13	630,483	$ 10,314 #
2009	12	616,511	$ 10,717
2010	11	544,651	$ 10,798

Beginning with this valuation, a monthly dollar contribution is shown because the division will have no new hires.

Notes:

Adoption of Benefit V-10, F55(30), FAC-3, B-2, E-2 (1.0%), Normal Retirement: 60, 0.00% Member Contributions reflected in 2001 valuation.
Adoption of Benefit E (1.0%) reflected in 2002 valuation.
Adoption of Benefit B-3 - 80% Maximum reflected in 2004 valuation.
Actuarial assumptions were revised for the 2004 valuation.
Adoption of Benefit F55(25), E (1.0%) reflected in 2005 valuation.
Adoption of DC Plan for New Hires reflected in 2008 valuation.
Actuarial assumptions were revised for the 2008 valuation.
Actuarial assumptions were revised for the 2009 valuation.
Actuarial assumptions were revised for the 2010 valuation.

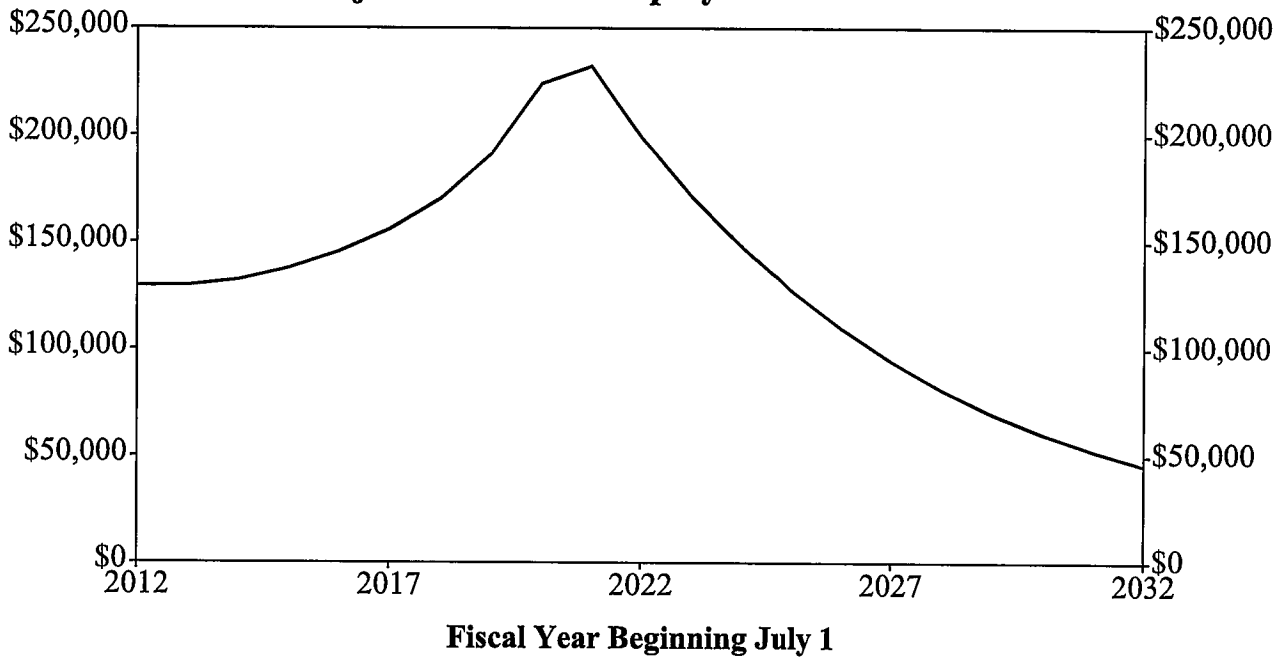
The most recent 15 years of benefit changes are reflected in this table. For a complete benefit history see Table 25.

City of Escanaba (2101)

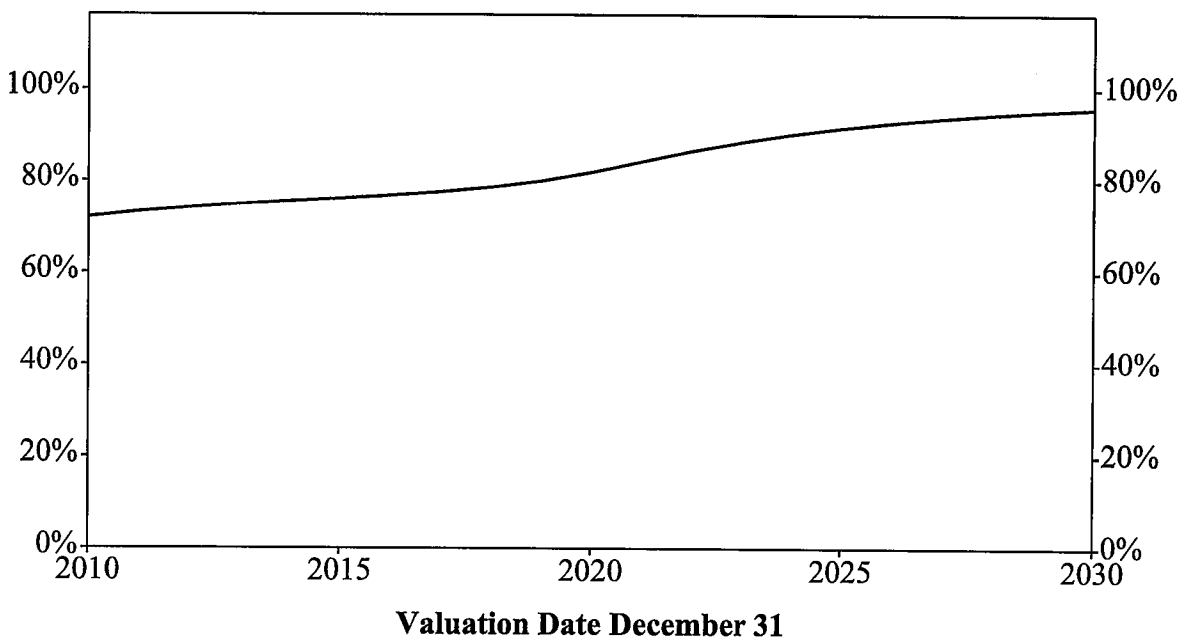
Division 14 - Water/Wastewater Teamsters

Chart 17.5F

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 90 for a discussion of the projection.

City of Escanaba (2101)

Division 14 - Water/Wastewater Teamsters

Table 18F
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							14		14
2002									14
2003									14
2004									14
2005							1		15
2006									15
2007	(1)								14
2008				(1)					13
2009	(1)								12
2010	(1)								11

Table 19F
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								0
2002								0
2003								0
2004								0
2005								0
2006								0
2007								0
2008							1	1
2009	(1)							0
2010								0

City of Escanaba (2101)

Division 14 - Water/Wastewater Teamsters

Table 20F

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							0	0
2005							0	0
2006							0	0
2007	1	30,987					1	30,987
2008			310				1	31,297
2009	2	49,785	310				3	81,392
2010	1	37,649	805				4	119,846

@ *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 Escanaba (2101)

Division 14 - Water/Wastewater Teamsters

Table 21F

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	$ 21,464	$ 0	$ 124,181	$ 0	$ 0	$ 0	$ 1,026,065	$ 1,171,710
2002	50,252	0	51,250	0	0	0	0	1,273,212
2003	55,423	0	117,382	0	0	0	0	1,446,017
2004	71,060	0	106,646	0	0	0	0	1,623,723
2005	99,733	0	126,078	0	0	0	163,834	2,013,368
2006	113,689	0	169,453	0	0	0	0	2,296,510
2007	116,384	0	188,250	(12,911)	0	0	0	2,588,233
2008	108,693	0	131,687	(30,987)	0	0	0	2,797,626
2009	102,117	0	165,514	(59,899)	0	0	0	3,005,358
2010	106,519	0	181,039	(100,030)	0	0	0	3,192,886

* *Transfers out and in are usually related to the transfer of participants between divisions or municipalities, and to employer and member payments for service credit purchases (if any) that the governing body has approved.*

Table 22F

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	$ 1,495,131	$ 1,171,710	78%	$ 323,421	62%
2002	1,718,534	1,273,212	74	445,322	79
2003	1,915,855	1,446,017	75	469,838	80
2004	2,412,047	1,623,723	67	788,324	131
2005	3,064,174	2,013,368	66	1,050,806	155
2006	3,245,010	2,296,510	71	948,500	138
2007	3,590,846	2,588,233	72	1,002,613	152
2008	3,812,833	2,797,626	73	1,015,207	161
2009	4,147,845	3,005,358	72	1,142,487	185
2010	4,417,378	3,192,886	72	1,224,492	225

City of Escanaba (2101)

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, 2010 actuarial valuation. The entry age normal actuarial method was used to determine the disclosure entries.

GASB 25 Information (as of 12/31/2010)

Actuarial Accrued Liability	
Retirees and beneficiaries currently receiving benefits	$17,173,156
Terminated employees (vested former members) not yet receiving benefits	679,963
Non-vested terminated employees (pending refunds of accumulated member contributions)	26,187
Current employees - Accumulated employee contributions including allocated investment income	172,005
Employer financed	12,604,082
Total Actuarial Accrued Liability	$30,655,393
Net Assets Available for Benefits at Actuarial Value	20,106,664
(Market Value is $17,289,794)	
Unfunded (Overfunded) Actuarial Accrued Liability	$10,548,729

GASB 27 Information (as of 12/31/2010)

Fiscal Year Beginning	July 1, 2012
Annual Required Contribution (ARC)	$ 1,231,368*
Amortization Factor Used - Underfunded Liabilities (28 years)	0.055889
Amortization Factor Used - Underfunded Liabilities (22 years)	0.065308
Amortization Factor Used - Underfunded Liabilities (20 years)	0.069773
Amortization Factor Used - Underfunded Liabilities (19 years)	0.072372
Amortization Factor Used - Underfunded Liabilities (30 year level $)	0.085453

* Based on valuation payroll (based on projected fiscal year payroll for divisions that will have no new hires). 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, 2012) 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 Escanaba (2101)

Table 24

Development of Projected Unfunded Accrued Liability At Beginning of Fiscal Year (July 1, 2012)

Division	Unfunded Accrued Liability 12/31/2010	Employer Normal Cost	Expected Employer Contrib.	Interest	Unfunded Accrued Liability 7/1/2012	Projected Fiscal Year Payroll
01 - Teamsters #	$ 3,486,582	$ 184,379	$ (528,960)	$ 408,553	$ 3,550,554	$ -
10 - General El #	1,364,827	84,474	(220,794)	160,411	1,388,918	-
11 - Non Union #	4,257,391	117,061	(514,674)	500,988	4,360,766	-
12 - Dispatcher	194,574	46,888	(63,155)	22,972	201,279	301,897
13 - PartTime E #	20,863	4,086	(9,672)	2,258	17,535	-
14 - Water/Wast #	1,224,492	83,430	(190,488)	144,555	1,261,989	-

\# *This division will have no new hires.*

The unfunded accrued liability as of December 31, 2010 (see Table 13) is projected to the beginning of the fiscal year for which employer contributions are being calculated (July 1, 2012). This allows the 2010 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 Escanaba (2101)

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 - Teamsters

Provisions by Date

1/1/2009	Flexible E 1% COLA Adopted (01/01/2009)
1/1/2009	E Cola Increase Type Percent
1/1/2009	E Cola Increase Amount 1
1/1/2009	E Cola Adoption Date 01-01-2009
1/1/2008	Flexible E 1% COLA Adopted (01/01/2008)
7/1/2007	DC Adoption Date 07-01-2007
1/1/2007	Flexible E 1% COLA Adopted (01/01/2007)
1/1/2006	Flexible E 1% COLA Adopted (01/01/2006)
5/1/2005	Temporary Benefit B-4 (80% max) (05/01/2005 - 07/03/2005)
5/1/2005	Temporary 20 Years & Out (05/01/2005 - 07/03/2005)
1/1/2005	Flexible E 1% COLA Adopted (01/01/2005)
7/1/2004	Benefit F55 (With 25 Years of Service)
1/1/2004	Flexible E 1% COLA Adopted (01/01/2004)
1/1/2003	Flexible E 1% COLA Adopted (01/01/2003)
1/1/2002	Flexible E 1% COLA Adopted (01/01/2002)
7/1/2001	Benefit B-3 (80% max)
1/1/1999	E2 1% Annual COLA for future retirees (07/01/1998)
1/1/1998	E2 1% Annual COLA for future retirees (01/01/1998) to (03/02/1998)
1/1/1998	Temporary Benefit B-3 (80% max) (01/01/1998 - 03/02/1998)
7/1/1996	Benefit F55 (With 30 Years of Service)
10/1/1995	Day of work defined as 2 Hours a Day for all employees
7/1/1994	Benefit FAC-3 (3 Year Final Average Compensation)
1/1/1994	Benefit B-2
7/1/1989	Benefit C-2/Base B-1
1/1/1983	Flexible E 1% COLA Adopted (01/01/1983)
1/1/1980	Flexible E 1% COLA Adopted (01/01/1980)
7/1/1975	Member Contribution Rate 0.00%
3/6/1975	Exclude Temporary Employees
1/1/1973	E 2% COLA Adopted (01/01/1973)
9/1/1966	Benefit C-1 (Old)
11/18/1965	Covered by Act 88
7/1/1946	Benefit C (Old)
7/1/1946	Member Contribution Rate 3.00% Under $4,200.00 - Then 5.00%
7/1/1946	Benefit FAC-5 (5 Year Final Average Compensation)
7/1/1946	10 Year Vesting
	Fiscal Month - July

City of Escanaba (2101)

Table 25 (continued)

Benefit Provision History

Division 10 - General Elct

Provisions by Date

1/1/2009	E Cola Increase Type Percent
1/1/2009	E Cola Increase Amount 1
1/1/2009	E Cola Adoption Date 01-01-2009
1/1/2009	Flexible E 1% COLA Adopted (01/01/2009)
1/1/2008	Flexible E 1% COLA Adopted (01/01/2008)
1/1/2007	Flexible E 1% COLA Adopted (01/01/2007)
1/1/2006	Flexible E 1% COLA Adopted (01/01/2006)
7/1/2005	DC Adoption Date 07-01-2005
1/1/2005	Flexible E 1% COLA Adopted (01/01/2005)
7/1/2004	Benefit F55 (With 25 Years of Service)
1/1/2004	Flexible E 1% COLA Adopted (01/01/2004)
1/1/2003	Flexible E 1% COLA Adopted (01/01/2003)
1/1/2002	Flexible E 1% COLA Adopted (01/01/2002)
7/1/2001	Benefit B-3 (80% max)
7/1/2000	E2 1% Annual COLA for future retirees (07/01/2000)
1/1/1998	E2 1% Annual COLA for future retirees (01/01/1998) to (03/02/1998)
1/1/1998	Temporary Benefit B-3 (80% max) (01/01/1998 - 03/02/1998)
10/1/1995	Day of work defined as 2 Hours a Day for all employees
7/1/1994	Benefit FAC-3 (3 Year Final Average Compensation)
1/1/1994	Benefit B-2
7/1/1992	Member Contribution Rate 0.00%
7/1/1988	Benefit C-2/Base B-1
7/1/1988	Benefit F55 (With 30 Years of Service)
1/1/1983	Flexible E 2% COLA Adopted (01/01/1983)
1/1/1980	Flexible E 1% COLA Adopted (01/01/1980)
3/6/1975	Exclude Temporary Employees
12/1/1970	10 Year Vesting
11/18/1965	Covered by Act 88
7/1/1946	Member Contribution Rate 3.00% Under $4,200.00 - Then 5.00%
7/1/1946	Benefit FAC-5 (5 Year Final Average Compensation)
	Fiscal Month - July

Division 11 - Non Union

Provisions by Date

1/1/2009	E Cola Increase Type Percent
1/1/2009	E Cola Increase Amount 1
1/1/2009	E Cola Adoption Date 01-01-2009
1/1/2009	Flexible E 1% COLA Adopted (01/01/2009)
1/1/2008	Flexible E 1% COLA Adopted (01/01/2008)
7/1/2007	DC Adoption Date 07-01-2007

City of Escanaba (2101)

Table 25 (continued)

Benefit Provision History

Division 11 - Non Union

Provisions by Date

7/1/2007	Benefit F55 (With 25 Years of Service)
1/1/2007	Flexible E 1% COLA Adopted (01/01/2007)
1/1/2006	Flexible E 1% COLA Adopted (01/01/2006)
5/1/2005	Temporary Benefit B-4 (80% max) (05/01/2005 - 07/03/2005)
5/1/2005	Temporary 20 Years & Out (05/01/2005 - 07/03/2005)
1/1/2005	Flexible E 1% COLA Adopted (01/01/2005)
1/1/2004	Flexible E 1% COLA Adopted (01/01/2004)
1/1/2003	Flexible E 1% COLA Adopted (01/01/2003)
1/1/2002	E2 1% Annual COLA for future retirees (07/01/2001)
1/1/2002	Flexible E 1% COLA Adopted (01/01/2002)
6/7/2001	Blanket Resolution (All Service)
7/1/1999	Benefit B-3 (80% max)
1/1/1998	E2 1% Annual COLA for future retirees (01/01/1998) to (03/02/1998)
1/1/1998	Temporary Benefit B-3 (80% max) (01/01/1998 - 03/02/1998)
10/1/1995	Day of work defined as 2 Hours a Day for all employees
12/1/1991	Benefit FAC-3 (3 Year Final Average Compensation)
12/1/1991	Benefit B-2
7/1/1989	Benefit C-2/Base B-1
7/1/1988	Benefit F55 (With 30 Years of Service)
7/1/1988	Member Contribution Rate 0.00%
7/1/1988	Benefit FAC-5 (5 Year Final Average Compensation)
7/1/1988	10 Year Vesting
1/1/1983	Flexible E 2% COLA Adopted (01/01/1983)
1/1/1980	Flexible E 1% COLA Adopted (01/01/1980)
3/6/1975	Exclude Temporary Employees
11/18/1965	Covered by Act 88
	Fiscal Month - July

Division 12 - Dispatchers

Provisions by Date

1/1/2009	Flexible E 1% COLA Adopted (01/01/2009)
1/1/2009	E Cola Adoption Date 01-01-2009
1/1/2009	E Cola Increase Amount 1
1/1/2009	E Cola Increase Type Percent
1/1/2008	Flexible E 1% COLA Adopted (01/01/2008)
1/1/2007	Flexible E 1% COLA Adopted (01/01/2007)
1/1/2006	Flexible E 1% COLA Adopted (01/01/2006)
1/1/2005	Flexible E 1% COLA Adopted (01/01/2005)
1/1/2004	Flexible E 1% COLA Adopted (01/01/2004)
2/1/2003	Benefit B-3 (80% max)
2/1/2003	Benefit F55 (With 25 Years of Service)

City of Escanaba (2101)

Table 25 (continued)

Benefit Provision History

Division 12 - Dispatchers

Provisions by Date

1/1/2003	Flexible E 1% COLA Adopted (01/01/2003)
1/1/2002	Flexible E 1% COLA Adopted (01/01/2002)
7/1/1999	E2 1% Annual COLA for future retirees (07/01/1999)
1/1/1996	Benefit F55 (With 30 Years of Service)
1/1/1996	Member Contribution Rate 0.00%
1/1/1996	Benefit B-2
1/1/1996	Benefit FAC-3 (3 Year Final Average Compensation)
1/1/1996	10 Year Vesting
10/1/1995	Day of work defined as 2 Hours a Day for all employees
1/1/1983	Flexible E 2% COLA Adopted (01/01/1983)
3/6/1975	Exclude Temporary Employees
11/18/1965	Covered by Act 88
	Fiscal Month - July

Division 13 - PartTime Emp

Provisions by Date

1/1/2009	Flexible E 1% COLA Adopted (01/01/2009)
1/1/2009	E Cola Adoption Date 01-01-2009
1/1/2009	E Cola Increase Amount 1
1/1/2009	E Cola Increase Type Percent
1/1/2008	Flexible E 1% COLA Adopted (01/01/2008)
7/1/2007	DC Adoption Date 07-01-2007
1/1/2007	Flexible E 1% COLA Adopted (01/01/2007)
1/1/2006	Flexible E 1% COLA Adopted (01/01/2006)
1/1/2005	Flexible E 1% COLA Adopted (01/01/2005)
1/1/2004	Flexible E 1% COLA Adopted (01/01/2004)
1/1/2003	Flexible E 1% COLA Adopted (01/01/2003)
1/1/2002	Flexible E 1% COLA Adopted (01/01/2002)
1/1/1996	10 Year Vesting
1/1/1996	Benefit FAC-3 (3 Year Final Average Compensation)
1/1/1996	Benefit B-2
1/1/1996	Member Contribution Rate 0.00%
1/1/1996	Benefit F55 (With 30 Years of Service)
10/1/1995	Day of work defined as 2 Hours a Day for all employees
1/1/1983	Flexible E 2% COLA Adopted (01/01/1983)
3/6/1975	Exclude Temporary Employees
11/18/1965	Covered by Act 88
	Fiscal Month - July

City of Escanaba (2101)

Table 25 (continued)

Benefit Provision History

Division 14 - Water/Wastewater Teamsters

Provisions by Date

7/1/2006	DC Adoption Date 07-01-2006
1/1/2006	Flexible E 1% COLA Adopted (01/01/2006)
1/1/2006	E Cola Adoption Date 01-01-2006
1/1/2006	E Cola Increase Amount 1
1/1/2006	E Cola Increase Type Percent
7/1/2005	Benefit F55 (With 25 Years of Service)
7/1/2004	Benefit B-3 (80% max)
1/1/2003	Flexible E 1% COLA Adopted (01/01/2003)
1/1/2002	E2 1% Annual COLA for future retirees (07/01/2001)
7/1/2001	10 Year Vesting
7/1/2001	Benefit FAC-3 (3 Year Final Average Compensation)
7/1/2001	Benefit B-2
7/1/2001	Member Contribution Rate 0.00%
7/1/2001	Benefit F55 (With 30 Years of Service)
10/1/1995	Day of work defined as 2 Hours a Day for all employees
11/18/1965	Covered by Act 88
	Fiscal Month - July

Division 106202 - DC - 106202

Provisions by Date

7/1/2005	Loans
7/1/2005	Pickup
7/1/2005	Rollovers
	Fiscal Month - July

Division 106471 - DC - 106471

Provisions by Date

7/1/2007	Loans
7/1/2007	Rollovers
7/1/2007	Pickup
	Fiscal Month - July

Division 106472 - DC - 106472

Provisions by Date

7/1/2007	Loans
7/1/2007	Pickup
7/1/2007	Rollovers
	Fiscal Month - July

City of Escanaba (2101)

Table 25 (continued)

Benefit Provision History

Division 106657 - DC - 106657

Provisions by Date

7/1/2006	Loans
7/1/2006	Rollovers
7/1/2006	Pickup
	Fiscal Month - July

APPENDIX

SUMMARY OF

PLAN PROVISIONS

AND

ACTUARIAL ASSUMPTIONS

AND

ACTUARIAL FUNDING METHOD

AS OF DECEMBER 31, 2010

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, 2010 actuarial valuation are those adopted by the Retirement Board. The actuarial assumptions were last revised as of December 31, 2010 to reflect the results of the study of plan experience covering the period from December 31, 2003 through December 31, 2008.

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, 2010 ACTUARIAL VALUATION

The December 31, 2010 actuarial valuation reflects the following changes in the actuarial assumptions and methods:

- Temporary lower wage inflation assumption (see page 80).
- New assumption related to increases in final average compensation for some municipalities (see page 81)
- The standard amortization period for positive unfunded accrued liabilities is maintained at 28 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 ½ 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 75 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 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 66 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 78). 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. MERS maintains a statewide Act 88 adoption list:

www.mersofmich.com/images/stories/Forms/Member/form_77.pdf

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 78). 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 an Option II 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 78). 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 31. The interest rate credited for the 12-month period ending on the valuation date was 0.28%.

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 68 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 78). 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. MERS maintains a statewide Act 88 adoption list:

http://www.mersofmich.com/images/stories/Forms/Member/form_77.pdf

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 - 2011

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	$ 35,498	$ 195,000
36	37,513	195,000
37	39,655	195,000
38	41,934	195,000
39	44,361	195,000
40	46,947	195,000
41	49,705	195,000
42	52,648	195,000
43	55,793	195,000
44	59,154	195,000
45	62,753	195,000
46	66,608	195,000
47	70,744	195,000
48	75,185	195,000
49	79,961	195,000
50	85,103	195,000
51	90,649	195,000
52	96,639	195,000
53	103,118	195,000
54	110,140	195,000
55	117,764	195,000
56	126,057	195,000
57	135,094	195,000
58	144,963	195,000
59	155,763	195,000
60	167,610	195,000
61	180,638	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 - 2011

For 2011 the IRC Section 401(a)(17) limit is $245,000. This limit is indexed with inflation in $5,000 increments.

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, 2010 actuarial valuation are unchanged from the December 31, 2009 valuation assumptions, with the exceptions noted on page 67. 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 2010 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 16% higher than the market value, meeting the actuarial assumption in the next few years will require average annual market returns that 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% (1% for calendar years 2011-2014) 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% long-term 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

For calendar years 2011, 2012, 2013 and 2014, the wage inflation assumption is 1%, instead of 4.5%. This assumption was first used for the December 31, 2010 actuarial valuations.

Inflation

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

Payroll Growth

For divisions that are open 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 (1% annually for calendar years 2011 - 2014). This assumption was first used for the December 31, 1997 actuarial valuations.

Increase in Final Average Compensation

The 1999-2003 and 2004-2008 experience studies determined that for some retirees of some municipalities, the actual final average compensation (FAC) at retirement was larger than would be expected based on reported annual pays and FAC's for the years just before retirement. Some possible sources for the differences are:

- Lump sum payments for unused paid time off. Unused sick leave payouts have been excluded from FAC since the mid 1970s. However, since that time it has become popular to combine sick and vacation time into paid time off, which is included in the FAC. Consequently, the lump sums that are includible in FAC have grown over the years.
- Extra overtime pay during the final year of employment. Our studies only reflect any increase in overtime during the final year, not any increase that occurs during the full 3 to 5 year averaging period.

We analyzed the variation among municipalities. The amount of unexpected FAC increase varies quite a bit between municipalities. Some municipalities show no sign of FAC loading, while other municipalities show increases above the average increase. This is presumably the result of different personnel policies among municipalities.

The Retirement Board adopted new FAC assumptions to be first used for the December 31, 2010 annual actuarial valuations. These assumptions reflect an FAC load of 0% to 4% for each municipality, based on the municipality's experience. The FAC increase assumption(s) for your municipality are shown in the table below.

Division	FAC Increase Assumption
All divisions	3.00%

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	90%

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. The retirement rates for Normal Retirement are determined by each member's replacement index at the time of retirement. The replacement index is defined as the approximate percentage of the member's pay (after reducing for MERS member contributions) that will be replaced by the member's benefit at retirement. The index is calculated as:

Replacement Index = 100 x Accrued Benefit divided by [Pay less Member Contributions]

Retirement rates for Early (reduced) Retirement are determined by the member's age at early retirement.

The revised Normal Retirement rates below were first used for the December 31, 2009 actuarial valuations. The Early Retirement rates were first used for the December 31, 2004 actuarial valuations.

NORMAL RETIREMENT

Sample Replacement Index	Percent of Eligible Active Members Retiring Within Next Year
5	5%
10	11
15	16
20	19
25	20
30	20
35	20
40	20
45	20
50	20
55	21
60	22
65	24
70	24
75	28
80	32
85	38
90	45
95	48
100+	50

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 Payment	- Future retiring members are assumed to elect:

Form of Payment	Percentage
SL	40%
II	30
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 31, 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 page 83 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 (for divisions that are open to new hires);
- 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, 2010, 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 59 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 2010 valuation. This period will be reduced by one year in each of the next eight annual valuations, reaching 20 years in the 2018 valuation. Beginning with the 2019 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, as discussed on page 93), 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, as discussed on page 93), a 30-year level dollar amortization is used, if it results in a higher amortization payment.

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 80). If the number of active members remains constant, projected total active member payroll will increase about 4.5% annually (1% annually for calendar years 2011-2014), 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, 2012 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, transfers and rehires enter the open division - see page 93), 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, transfers and rehires - see page 93) 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 2018 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 page 93 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 was reviewed in the 2004-2008 study of MERS experience, and beginning with the December 31, 2011 valuation, a minimum contribution will become effective, based on cash flow needs. The projections in this report reflect the minimum contribution requirement, if applicable, in fiscal years starting in 2013 and later.

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, before the funded percentage begins to head up toward 100% funding. The minimum contribution requirement based on cash flow needs (see previous paragraph) will keep the funded percentage from going negative. However, 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, transfers and rehires – see page 93 for a discussion of linked divisions) will typically show a projected funded percentage that declines and may even become 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. The minimum contribution requirement based on cash flow needs will result in a positive funded percentage by 2014 or 2015. However 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 needed, 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.

Open Divisions and Closed Divisions

Open divisions will include the future new hires within an employee classification (bargaining unit). Rehired members will also become members of the open division. Members transferred to the employee classification will also become members of the open division, unless the Alternate Transfer Provision is adopted by the municipality. In the latter case, each transferring member is given a choice of entering the open division or a closed division within the employee classification (if there are still active members in the closed division, and the closed division is of the same type - defined benefit, hybrid, or defined contribution - as the division from which the member transferred).

There may also be one or more divisions within the employee classification that no longer accept new hires. These are generally referred to as closed divisions, but in some situations are linked to the open division with the new hires (for actuarial valuation purposes - see Linked Divisions below). Note that a division is also treated like a closed division if the division has no active members reported as of the valuation date.

Linked Divisions

The closed division funding policy described at the bottom of page 89 was adopted by the Retirement Board (Amortization Policy for Closed Divisions Within Open Municipalities, as revised by the Retirement Board on March 9, 2010). 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, transfers and rehires 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 2010, 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 5.74%. The corresponding amounts for 2009, 2008, 2007 and 2006 were 5.30%, 4.73%, 8.12%, and 8.14%, respectively.

For the December 31, 2010 valuation, the actuarial value of assets is equal to 116.29% of market value (compared to 125.17%, 139.15%, 98.85%, and 98.62% in 2009, 2008, 2007, and 2006, 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 96 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 16% higher than the market value, meeting the actuarial assumption in the next few years will require average annual market returns that 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:	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

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

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	$ 4,512,260,955	$ 5,276,645,338
b) Valuation Assets	5,039,071,709	5,512,924,466	6,001,040,078	6,278,731,673	6,604,608,397
2. End of Year Market Value Assets	5,590,042,317	6,071,046,914	4,512,260,955	5,276,645,338	5,971,593,444
3. Net Additions to Market Value					
a) Net Contributions	371,505,157	386,942,952	374,214,134	413,354,720	423,489,032
b) Net Investment Income = (3d) - (3a) - (3c)	622,409,716	442,377,206	(1,553,001,917)	771,066,207	733,059,352
c) Benefit Payments	(310,161,246)	(348,315,561)	(379,998,176)	(420,036,544)	(461,600,278)
d) Total Additions to Market Value = (2) - (1a)	683,753,627	481,004,597	(1,558,785,959)	764,384,383	694,948,106
4. Average Valuation Assets = (1b) + .5x[(3a) + (3c)]	5,069,743,665	5,532,238,162	5,998,148,057	6,275,390,761	6,585,552,774
5. Expected Income at Valuation Rate = 8% x (4)	405,579,493	442,579,053	479,851,845	502,031,261	526,844,222
6. Gain (Loss) = (3b) - (5)	216,830,223	(201,847)	(2,032,853,762)	269,034,946	206,215,130
7. Phased-In Recognition of Investment Return					
a) Current Year: 0.1 x (6)	21,683,022	(20,185)	(203,285,376)	26,903,495	20,621,513
b) First Prior Year	(14,753,669)	21,683,022	(20,185)	(203,285,376)	26,903,495
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)	6,929,353	6,909,168	(196,376,208)	(169,472,713)	(148,851,200)
8. Change in Valuation Assets (3a) + (3c) + (5) + (7k)	473,852,757	488,115,612	277,691,595	325,876,724	339,881,776
9. End of Year Assets					
a) Market Value = (2)	5,590,042,317	6,071,046,914	4,512,260,955	5,276,645,338	5,971,593,444
b) Valuation Assets = (1b) + (8)	5,512,924,466	6,001,040,078	6,278,731,673	6,604,608,397	6,944,490,173
c) Difference Between Market & Valuation Assets	77,117,851	70,006,836	(1,766,470,718)	(1,327,963,059)	(972,896,729)
10. Recognized Rate of Return = [(5) + (7k)] / (4)	8.14%	8.12%	4.73%	5.30%	5.74%
11. Market Rate of Return	12.61%	7.89%	(25.59%)	17.10%	13.94%
12. Valuation Asset Adjustment Factor = (9b) / (9a)	0.986204	0.988469	1.391482	1.251668	1.162921

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

Valuation Date December 31:	2011	2012	2013	2014	2015
1. Beginning of Year Assets					
a) Market Value					
b) Valuation Assets					
2. End of Year Market Value Assets					
3. Net Additions to Market Value					
a) Net Contributions					
b) Net Investment Income = (3d) - (3a) - (3c)					
c) Benefit Payments					
d) Total Additions to Market Value = (2) - (1a)					
4. Average Valuation Assets = (1b) + .5x[(3a) + (3c)]					
5. Expected Income at Valuation Rate = 8% x (4)					
6. Gain (Loss) = (3b) - (5)					
7. Phased-In Recognition of Investment Return					
a) Current Year: 0.1 x (6)					
b) First Prior Year	20,621,513				
c) Second Prior Year	26,903,495	20,621,513			
d) Third Prior Year	(203,285,376)	26,903,495	20,621,513		
e) Fourth Prior Year	(20,185)	(203,285,376)	26,903,495	20,621,513	
f) Fifth Prior Year	21,683,022	(20,185)	(203,285,376)	26,903,495	20,621,513
g) Sixth Prior Year	(14,753,669)	21,683,022	(20,185)	(203,285,376)	26,903,495
h) Seventh Prior Year		(14,753,669)	21,683,022	(20,185)	(203,285,376)
i) Eighth Prior Year			(14,753,669)	21,683,022	(20,185)
j) Ninth Prior Year				(14,753,667)	21,683,025
k) Total Recognized Investment Gain (Loss)	(148,851,200)	(148,851,200)	(148,851,200)	(148,851,198)	(134,097,528)
8. Change in Valuation Assets (3a) + (3c) + (5) + (7k)					
9. End of Year Assets					
a) Market Value = (2)					
b) Valuation Assets = (1b) + (8)					
c) Difference Between Market & Valuation Assets					
10. Recognized Rate of Return = [(5) + (7k)] / (4)					
11. Market Rate of Return					
12. Valuation Asset Adjustment Factor = (9b) / (9a)					

MUNICIPAL EMPLOYEES RETIREMENT ACT OF 1984
Act 427 of 1984

AN ACT to provide for a retirement system for municipal and judicial employees; to create a retirement board and to prescribe its powers and duties; to prescribe the powers and duties of certain other state officers and agencies; and to repeal certain acts and parts of acts.

History: 1984, Act 427, Imd. Eff. Jan. 2, 1985;—Am. 1988, Act 500, Imd. Eff. Dec. 29, 1988.

The People of the State of Michigan enact:

38.1501 Short title.

Sec. 1. This act shall be known and may be cited as the “municipal employees retirement act of 1984”.

History: 1984, Act 427, Imd. Eff. Jan. 2, 1985.

38.1502 Meanings of words and phrases.

Sec. 2. For the purposes of this act, the words and phrases defined in sections 2a to 2c have the meanings ascribed to them in those sections.

History: 1984, Act 427, Imd. Eff. Jan. 2, 1985.

38.1502a Definitions; C to J.

Sec. 2a. (1) "Certification date" means August 15, 1996.

(2) "Chief judge" means the chief judge of a judicial circuit court, a judicial district court, or a judicial probate court as provided in the revised judicature act of 1961, 1961 PA 236, MCL 600.101 to 600.9948.

(3) "Governing body" means the representative legislative body of a municipality, or the administrative board or commission of a public corporation or instrumentality that does not have a representative legislative body.

(4) "Judicial circuit court" means a judicial circuit of the circuit court as provided in section 11 of article VI of the state constitution of 1963.

(5) "Judicial district court" means a judicial district of the district court as provided in section 8101 of the revised judicature act of 1961, 1961 PA 236, MCL 600.8101.

(6) "Judicial probate court" means a county probate court or probate court district as provided in section 15 of article VI of the state constitution of 1963.

History: 1984, Act 427, Imd. Eff. Jan. 2, 1985;—Am. 1986, Act 291, Imd. Eff. Dec. 22, 1986;—Am. 1988, Act 500, Imd. Eff. Dec. 29, 1988;—Am. 1995, Act 191, Imd. Eff. Nov. 7, 1995;—Am. 1996, Act 220, Eff. Aug. 15, 1996;—Am. 2004, Act 490, Imd. Eff. Dec. 28, 2004.

Compiler's note: Section 4 of Act 220 of 1996, which amendatory act amended this section, provides:

“Section 4. (1) This amendatory act shall not take effect unless submitted to a vote of the official delegates who are certified as provided for in section 45 of the municipal employees retirement act of 1984, Act No. 427 of the Public Acts of 1984, being section 38.1545 of the Michigan Compiled Laws, and ratified by a 2/3 majority of the delegates actually voting on the question. The question of adoption of this amendatory act shall be submitted by certified mail to the delegates as certified to the most recent annual meeting of the municipal employees retirement system or, if no such delegates were certified or if previously certified delegates are no longer employed, then those delegates as certified by the participating municipality or participating court within 60 days after the enactment of this amendatory act. To be valid, each delegate's vote shall be received at the place designated by the retirement system no later than 75 days from the date of enactment of this amendatory act. The question shall be submitted in substantially the following form:

“Shall Act No. _____ of the Public Acts of 1996, entitled 'An act to amend the municipal employees retirement act of 1984', providing for the retirement system to become a public corporation be adopted?

Yes_____

No_____”.

(2) The retirement board of the municipal employees retirement system shall certify in writing the results of the voting on the question and file the certification with the secretary of state not later than the fifth business day following the tally of the votes. If a 2/3 majority of the delegates voting on the question approve the adoption of this amendatory act, the provisions of this amendatory act shall become effective on the date that is 10 calendar days after the filing of the certification with the secretary of state, which date shall be set forth in the filing and shall be known as the certification date.”

The official tally of the vote on the question having occurred at the Special Meeting of the Board held on August 1, 1996, resulting in a determination that more than a two-thirds majority of the delegates voting on the question approved the adoption of Act 220 of 1996, a certification of the results of the voting was filed with the Secretary of State on August 5, 1996. The certification provided that the effective date of Act 220 of 1996 shall be August 15, 1996, which date shall be officially known as the “certification date.”

38.1502b Definitions; M.

Sec. 2b. (1) "Member" means an individual who is included in the membership of the retirement system, as determined by the retirement board.

(2) "Municipality" means 1 or more of the following:

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(a) A county, county road commission, city, village, or township.

(b) A public corporation or instrumentality established by 1 or more counties, cities, villages, or townships.

(c) A public corporation or instrumentality charged by law with the performance of a governmental function and whose jurisdiction is coextensive with 1 or more counties, cities, villages, or townships.

(d) A political subdivision located in this state or located in this and another adjacent state of the United States, including, but not limited to, the entities named in subdivision (a), (b), or (c), or any combination of those units.

(e) A political subdivision located in this state and a metropolitan government borough, or other political subdivision of the province of Ontario, an agency of the United States, or a similar entity of adjacent states of the United States and the province of Ontario.

(f) A state university, community college, or junior college whose employees are not public school employees who are members under the public school employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1408.

(g) Any municipal corporation as defined in section 1(a) of 1951 PA 35, MCL 124.1, or other governmental entity that is eligible to join the retirement system and participate in any program under this act, as determined by the retirement board.

History: 1984, Act 427, Imd. Eff. Jan. 2, 1985;—Am. 1988, Act 500, Imd. Eff. Dec. 29, 1988;—Am. 1989, Act 51, Imd. Eff. June 12, 1989;—Am. 1990, Act 99, Imd. Eff. June 7, 1990;—Am. 1992, Act 63, Imd. Eff. May 22, 1992;—Am. 1996, Act 220, Eff. Aug. 15, 1996;—Am. 2004, Act 490, Imd. Eff. Dec. 28, 2004.

Compiler's note: Section 4 of Act 220 of 1996, which amendatory act amended this section, provides:

"Section 4. (1) This amendatory act shall not take effect unless submitted to a vote of the official delegates who are certified as provided for in section 45 of the municipal employees retirement act of 1984, Act No. 427 of the Public Acts of 1984, being section 38.1545 of the Michigan Compiled Laws, and ratified by a 2/3 majority of the delegates actually voting on the question. The question of adoption of this amendatory act shall be submitted by certified mail to the delegates as certified to the most recent annual meeting of the municipal employees retirement system or, if no such delegates were certified or if previously certified delegates are no longer employed, then those delegates as certified by the participating municipality or participating court within 60 days after the enactment of this amendatory act. To be valid, each delegate's vote shall be received at the place designated by the retirement system no later than 75 days from the date of enactment of this amendatory act. The question shall be submitted in substantially the following form:

"Shall Act No. _____ of the Public Acts of 1996, entitled 'An act to amend the municipal employees retirement act of 1984', providing for the retirement system to become a public corporation be adopted?

Yes_____

No_____".

(2) The retirement board of the municipal employees retirement system shall certify in writing the results of the voting on the question and file the certification with the secretary of state not later than the fifth business day following the tally of the votes. If a 2/3 majority of the delegates voting on the question approve the adoption of this amendatory act, the provisions of this amendatory act shall become effective on the date that is 10 calendar days after the filing of the certification with the secretary of state, which date shall be set forth in the filing and shall be known as the certification date."

The official tally of the vote on the question having occurred at the Special Meeting of the Board held on August 1, 1996, resulting in a determination that more than a two-thirds majority of the delegates voting on the question approved the adoption of Act 220 of 1996, a certification of the results of the voting was filed with the Secretary of State on August 5, 1996. The certification provided that the effective date of Act 220 of 1996 shall be August 15, 1996, which date shall be officially known as the "certification date."

38.1502c Definitions; P to V.

Sec. 2c. (1) "Participating court" means a judicial circuit court, a judicial district court, or a judicial probate court that has elected to be governed by the provisions of this act.

(2) "Participating municipality" means a municipality that has elected to be governed by the provisions of this act. Two or more municipalities may enter into an agreement with each other and the retirement system to participate as a combined unit.

(3) "Public corporation" means the retirement system on and after the certification date, which corporation is an instrumentality of the participating municipalities and participating courts.

(4) "Retirement board" means the retirement board provided for in section 36 to administer the retirement system.

(5) "Retirement system" or "system" means the municipal employees retirement system established by former Act No. 135 of the Public Acts of 1945 and continued and restated by this act.

History: 1984, Act 427, Imd. Eff. Jan. 2, 1985;—Am. 1988, Act 500, Imd. Eff. Dec. 29, 1988;—Am. 1989, Act 51, Imd. Eff. June 12, 1989;—Am. 1996, Act 220, Eff. Aug. 15, 1996.

Compiler's note: Section 4 of Act 220 of 1996, which amendatory act amended this section, provides:

"Section 4. (1) This amendatory act shall not take effect unless submitted to a vote of the official delegates who are certified as provided for in section 45 of the municipal employees retirement act of 1984, Act No. 427 of the Public Acts of 1984, being section 38.1545 of the Michigan Compiled Laws, and ratified by a 2/3 majority of the delegates actually voting on the question. The question of adoption of this amendatory act shall be submitted by certified mail to the delegates as certified to the most recent annual meeting of the municipal employees retirement system or, if no such delegates were certified or if previously certified delegates are no longer employed, then those delegates as certified by the participating municipality or participating court within 60 days after the enactment of this

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amendatory act. To be valid, each delegate's vote shall be received at the place designated by the retirement system no later than 75 days from the date of enactment of this amendatory act. The question shall be submitted in substantially the following form:

"Shall Act No. _____ of the Public Acts of 1996, entitled 'An act to amend the municipal employees retirement act of 1984', providing for the retirement system to become a public corporation be adopted?

Yes_____

No_____".

(2) The retirement board of the municipal employees retirement system shall certify in writing the results of the voting on the question and file the certification with the secretary of state not later than the fifth business day following the tally of the votes. If a 2/3 majority of the delegates voting on the question approve the adoption of this amendatory act, the provisions of this amendatory act shall become effective on the date that is 10 calendar days after the filing of the certification with the secretary of state, which date shall be set forth in the filing and shall be known as the certification date."

The official tally of the vote on the question having occurred at the Special Meeting of the Board held on August 1, 1996, resulting in a determination that more than a two-thirds majority of the delegates voting on the question approved the adoption of Act 220 of 1996, a certification of the results of the voting was filed with the Secretary of State on August 5, 1996. The certification provided that the effective date of Act 220 of 1996 shall be August 15, 1996, which date shall be officially known as the "certification date."

38.1503-38.1510a Repealed. 1996, Act 220, Eff. Aug. 15, 1996.

Compiler's note: The repealed sections pertained to credited service.

38.1511 Repealed. 1986, Act 291, Imd. Eff. Dec. 22, 1986.

38.1512-38.1535 Repealed. 1996, Act 220, Eff. Aug. 15, 1996.

Compiler's note: The repealed sections pertained to benefit programs.

38.1536 Retirement board; creation; board as public corporation; powers and duties; administrative functions; membership; rules of procedure; record of proceedings; quorum; voting; term of office; oath; expenses; absence of member from work; vacancy; chairperson and chairperson pro tem; chief executive officer.

Sec. 36. (1) A retirement board is created to administer this act. Before the certification date, the retirement board shall operate within the department of management and budget. On and after the certification date, the retirement system shall become a public corporation and shall no longer operate within the executive branch of this state.

(2) On and after the certification date, the retirement board has all of the following powers and duties:

(a) The retirement board shall determine and establish all of the provisions of the retirement system affecting benefit eligibility, benefit programs, contribution amounts, and the election of municipalities, judicial circuit courts, judicial district courts, and judicial probate courts to be governed by the provisions of the retirement system. The retirement board shall establish all retirement system provisions. As of 12:01 a.m. on the certification date, the retirement system provisions shall not differ materially from the defined benefit provisions that are in effect under this act at 11:59 p.m. on the day immediately before the certification date. This subdivision does not limit the retirement board's authority after the certification date to establish additional programs including but not limited to defined benefit, defined contribution, ancillary benefits, health and welfare benefits, and other postemployment benefit programs. The retirement board may adopt the provisions of the reciprocal retirement act, 1961 PA 88, MCL 38.1101 to 38.1106, on behalf of the employees of the retirement board.

(b) The retirement board has the full and exclusive authority and full responsibility to employ and pay for all professional services including but not limited to actuarial, investment, legal, accounting, and any other services that the retirement board considers necessary for the proper operation of the retirement system. The power granted to the retirement board in this subdivision includes complete control of the procurement process.

(c) The retirement board shall appoint a chief executive officer and any other employees for which the retirement board establishes positions. The retirement board shall establish the compensation of all persons appointed by the board. On and after the certification date, a person employed by the public corporation is not an employee of this state for any purpose.

(d) The retirement board shall arrange for an annual actuarial valuation and report of the actuarial soundness of each participating municipality and court to be prepared by an independent actuary based upon data compiled and supplied by employees of the retirement system. The retirement board shall adopt actuarial tables, assumptions, and formulas after consultation with the actuary.

(e) The retirement board shall arrange for annual audits of the records and accounts of the retirement system by a certified public accountant or by a firm of certified public accountants pursuant to generally accepted auditing standards and the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a.

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(f) The retirement board shall prepare an annual report for each fiscal year in compliance with generally accepted accounting principles. The report shall contain information regarding the financial, actuarial, and other activities of the retirement system during the fiscal year. The retirement board shall furnish a copy of the annual report to the governor and a copy in print or electronic format to each house of the legislature, each participating municipality, and each participating court. The retirement board shall make the report available to all members upon request. The report shall also contain a review of the actuarial valuation required under subdivision (d), if available.

(g) The retirement board shall appoint an attorney to be the legal advisor of the board and to represent the board in all proceedings.

(h) The retirement board shall appoint or employ custodians of the assets of the retirement system. The custodians shall perform all duties necessary and incidental to the custodial responsibility and make disbursements of authorized retirement system payments from the funds of the retirement system.

(i) The retirement board shall perform other functions that are required for the execution of the provisions of this act.

(j) The retirement board shall establish the time and location of the meetings of the retirement board and the time and location of the annual meeting of the retirement system, consistent with the provisions of the open meetings act, 1976 PA 267, MCL 15.261 to 15.275.

(3) Before the certification date, the provisions of the executive organization act of 1965, 1965 PA 380, MCL 16.101 to 16.608, and the management and budget act, 1984 PA 431, MCL 18.1101 to 18.1594, shall govern the administrative functions of the retirement system. However, any provision of law in actual conflict with the provisions of the amendatory act that added this sentence shall not apply.

(4) On and after the certification date, the retirement board consists of the following 9 members, each of whom, excepting the retiree member and the retirement board appointees, shall be from a different county at the time of appointment:

(a) Two members appointed by the retirement board who have knowledge or experience in retirement systems, administration of retirement systems, or investment management or advisory services.

(b) One member who is a retiree of the system appointed by the board.

(c) Three members of the retirement system who are officers of participating municipalities or courts, who shall be designated as officer board members.

(d) Three employee members of the retirement system who are not officers of a participating municipality or court, who shall be designated as employee board members.

(5) The retirement board shall adopt its own rules of procedure and shall keep a record of its proceedings. Five members of the retirement board shall constitute a quorum at any meeting of the retirement board and at least 5 concurring votes shall be necessary for any decision by the retirement board. Each member of the retirement board shall be entitled to 1 vote on each question before the retirement board.

(6) The regular term of office of members of the retirement board is 3 years. Each member of the retirement board shall take an oath of office before assuming the duties of the position. Members of the retirement board shall serve without compensation with respect to their duties, but shall be reimbursed by the retirement system for their actual and necessary expenses incurred in the performance of their duties. A participating municipality or court employing a member of the retirement board shall treat absences from work on account of retirement board business in such a manner that the individual does not suffer loss of pay or benefits.

(7) A vacancy shall occur on the retirement board upon the occurrence of any of the following events:

(a) An officer board member ceases to be eligible for nomination as an officer board member.

(b) An employee board member ceases to be eligible for nomination as an employee board member.

(c) Failure to attend 3 consecutive scheduled meetings of the retirement board, unless excused for cause by majority vote of the board members attending the meeting.

(8) A vacancy occurring on the retirement board at least 120 days before the expiration of a term of office shall be filled by the retirement board. Board appointments under this subsection shall be for the period ending on the December 31 next following the date of the vacancy. For the officer board members and employee board members, a replacement for any further portion of the unexpired term shall be filled pursuant to section 45. For the 2 appointed board members and the retiree board member, a replacement for any further portion of the unexpired term shall be filled pursuant to subsection (4).

(9) The retirement board shall select from its members a chairperson and a chairperson pro-tem.

(10) The retirement board shall employ a chief executive officer. The chief executive officer shall do all of the following:

(a) Manage and administer the retirement system under the supervision and direction of the retirement board.

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(b) Invest the assets of the retirement system, as directed by the retirement board, consistent with the public employee retirement system investment act, 1965 PA 314, MCL 38.1132 to 38.1140m, which act governs the investment of assets of public employee retirement systems.

(c) Annually prepare and submit to the retirement board for review, amendment, and adoption an itemized budget showing the amount required to pay the retirement system's expenses for the following fiscal year.

(d) Perform other duties as the retirement board, in its discretion, shall delegate to the chief executive officer.

History: 1984, Act 427, Imd. Eff. Jan. 2, 1985;—Am. 1988, Act 500, Imd. Eff. Dec. 29, 1988;—Am. 1996, Act 220, Eff. Aug. 15, 1996;—Am. 2004, Act 490, Imd. Eff. Dec. 28, 2004.

Compiler's note: Section 4 of Act 220 of 1996, which amendatory act amended this section, provides:

"Section 4. (1) This amendatory act shall not take effect unless submitted to a vote of the official delegates who are certified as provided for in section 45 of the municipal employees retirement act of 1984, Act No. 427 of the Public Acts of 1984, being section 38.1545 of the Michigan Compiled Laws, and ratified by a 2/3 majority of the delegates actually voting on the question. The question of adoption of this amendatory act shall be submitted by certified mail to the delegates as certified to the most recent annual meeting of the municipal employees retirement system or, if no such delegates were certified or if previously certified delegates are no longer employed, then those delegates as certified by the participating municipality or participating court within 60 days after the enactment of this amendatory act. To be valid, each delegate's vote shall be received at the place designated by the retirement system no later than 75 days from the date of enactment of this amendatory act. The question shall be submitted in substantially the following form:

"Shall Act No. _____ of the Public Acts of 1996, entitled 'An act to amend the municipal employees retirement act of 1984', providing for the retirement system to become a public corporation be adopted?

Yes _____

No _____".

(2) The retirement board of the municipal employees retirement system shall certify in writing the results of the voting on the question and file the certification with the secretary of state not later than the fifth business day following the tally of the votes. If a 2/3 majority of the delegates voting on the question approve the adoption of this amendatory act, the provisions of this amendatory act shall become effective on the date that is 10 calendar days after the filing of the certification with the secretary of state, which date shall be set forth in the filing and shall be known as the certification date."

The official tally of the vote on the question having occurred at the Special Meeting of the Board held on August 1, 1996, resulting in a determination that more than a two-thirds majority of the delegates voting on the question approved the adoption of Act 220 of 1996, a certification of the results of the voting was filed with the Secretary of State on August 5, 1996. The certification provided that the effective date of Act 220 of 1996 shall be August 15, 1996, which date shall be officially known as the "certification date."

38.1536a Repealed. 2004, Act 490, Imd. Eff. Dec. 28, 2004.

Compiler's note: The repealed section pertained to promulgation of administrative rules.

38.1537, 38.1538 Repealed. 1996, Act 220, Eff. Aug. 15, 1996.

Compiler's note: The repealed sections pertained to annual reports, tables, data, and information.

38.1539 Retirement board as trustees of money and other assets; investments; investment counsel; purpose of investments; discretionary authority.

Sec. 39. (1) The retirement board shall be the trustees of the money and other assets of the retirement system. The board shall have full power and authority to invest and reinvest the money and other assets of the retirement system subject to all terms, conditions, limitations, and restrictions imposed on the investment of assets of public employee retirement systems by Act No. 314 of the Public Acts of 1965, being sections 38.1132 to 38.1140i of the Michigan Compiled Laws. The retirement board may employ outside investment counsel to advise the board in the making and disposition of investments.

(2) All money and other assets of the retirement system shall be held and invested for the sole purpose of meeting disbursements authorized in accordance with the provisions of this act and shall be used for no other purpose. In exercising its discretionary authority with respect to the management of the money and other assets of the retirement system, the retirement board shall exercise the care, skill, prudence, and diligence under the circumstances then prevailing, that a person of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character with like aims.

History: 1984, Act 427, Imd. Eff. Jan. 2, 1985;—Am. 1988, Act 500, Imd. Eff. Dec. 29, 1988.

38.1540 Prohibited conduct.

Sec. 40. Members of the retirement board and employees of the retirement system are prohibited from:

(a) Having any beneficial interest, direct or indirect, in any investment of the retirement system.

(b) Being an endorser or obligor, or providing surety, for any money loaned to or borrowed from the retirement system.

(c) Borrowing any of the money or other assets of the retirement system.

(d) Receiving any pay or emolument from any individual or organization, other than compensation paid by the retirement system, with respect to investments of the retirement system.

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History: 1984, Act 427, Imd. Eff. Jan. 2, 1985.

38.1541-38.1544a Repealed. 1996, Act 220, Eff. Aug. 15, 1996.

Compiler's note: The repealed sections pertained to election to participate or change benefit and contribution programs.

38.1545 Annual meeting; selection of members to retirement board; transaction of business; notice of meeting; certification of delegates; conduct of election; nominating procedures; referendum.

Sec. 45. (1) The retirement board shall call an annual meeting of the retirement system for the purpose of selecting members of the retirement board and the transaction of such other business as the retirement board determines. Notice of the annual meeting shall be sent to each participating municipality and participating court, by registered mail, at least 30 days before the date of the meeting. Notice of the annual meeting shall be sent to each retiree at least 30 days before the date of the meeting.

(2) The governing body of each participating municipality shall certify the names of 2 delegates to the annual meeting. One delegate shall be a member who is an officer of the participating municipality, selected by the governing body of the participating municipality. The other delegate shall be a member who is not an officer of the participating municipality, elected by the member employees of the participating municipality. The election shall be by secret ballot and shall be conducted by an officer of the participating municipality. The election shall be conducted in a manner that affords each member employee an opportunity to vote.

(3) The chief judge of each participating court shall certify the names of 2 delegates to the annual meeting. One delegate shall be a member who is an officer of the participating court, selected by the chief judge of the participating court. The other delegate shall be a member who is not an officer of the participating court, elected by the member employees of the participating court. The election shall be by secret ballot and shall be conducted by an officer of the participating court. The election shall be conducted in a manner that affords each member employee an opportunity to vote.

(4) The nomination of candidates for election to the retirement board shall be made pursuant to procedures established by the retirement board and adopted by the delegates to an annual meeting of the retirement system. A nomination for the position of officer board member shall be made by a member who is an officer of a participating municipality or of a participating court. A nomination for the position of employee board member shall be made by a member who is not an officer of a participating municipality or of a participating court.

(5) The retirement board shall hold a referendum of the assembled delegates to elect members of the retirement board. The referendum shall be conducted pursuant to procedures established by the retirement board and adopted by the delegates to an annual meeting of the retirement system. An individual elected to the retirement board shall become a member of the retirement board on the January 1 immediately following the referendum.

History: 1984, Act 427, Imd. Eff. Jan. 2, 1985;—Am. 1988, Act 500, Imd. Eff. Dec. 29, 1988;—Am. 1996, Act 220, Eff. Aug. 15, 1996.

Compiler's note: Section 4 of Act 220 of 1996, which amendatory act amended this section, provides:

"Section 4. (1) This amendatory act shall not take effect unless submitted to a vote of the official delegates who are certified as provided for in section 45 of the municipal employees retirement act of 1984, Act No. 427 of the Public Acts of 1984, being section 38.1545 of the Michigan Compiled Laws, and ratified by a 2/3 majority of the delegates actually voting on the question. The question of adoption of this amendatory act shall be submitted by certified mail to the delegates as certified to the most recent annual meeting of the municipal employees retirement system or, if no such delegates were certified or if previously certified delegates are no longer employed, then those delegates as certified by the participating municipality or participating court within 60 days after the enactment of this amendatory act. To be valid, each delegate's vote shall be received at the place designated by the retirement system no later than 75 days from the date of enactment of this amendatory act. The question shall be submitted in substantially the following form:

"Shall Act No. _____ of the Public Acts of 1996, entitled 'An act to amend the municipal employees retirement act of 1984', providing for the retirement system to become a public corporation be adopted?

Yes_____

No_____".

(2) The retirement board of the municipal employees retirement system shall certify in writing the results of the voting on the question and file the certification with the secretary of state not later than the fifth business day following the tally of the votes. If a 2/3 majority of the delegates voting on the question approve the adoption of this amendatory act, the provisions of this amendatory act shall become effective on the date that is 10 calendar days after the filing of the certification with the secretary of state, which date shall be set forth in the filing and shall be known as the certification date."

The official tally of the vote on the question having occurred at the Special Meeting of the Board held on August 1, 1996, resulting in a determination that more than a two-thirds majority of the delegates voting on the question approved the adoption of Act 220 of 1996, a certification of the results of the voting was filed with the Secretary of State on August 5, 1996. The certification provided that the effective date of Act 220 of 1996 shall be August 15, 1996, which date shall be officially known as the "certification date."

38.1545a-38.1554 Repealed. 1996, Act 220, Eff. Aug. 15, 1996.

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Compiler's note: The repealed sections pertained to disposition of reserves.

38.1555 Repeal of MCL 38.601 to 38.669.

Sec. 55. Act No. 135 of the Public Acts of 1945, being sections 38.601 to 38.669 of the Michigan Compiled Laws, is repealed.

History: 1984, Act 427, Imd. Eff. Jan. 2, 1985.

38.1556 Repealed. 1996, Act 220, Eff. Aug. 15, 1996.

Compiler's note: The repealed section pertained to retirement system as qualified pension plan and trust as exempt organization.

38.1557 Repealed. 1993, Act 63, Eff. May 23, 1993.

Compiler's note: The repealed section pertained to a municipality participating in the retirement system.

38.1558 Repealed. 1996, Act 220, Eff. Aug. 15, 1996.

Compiler's note: The repealed section pertained to recognition of prior service credit.

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MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

PLAN DOCUMENT

(Current and up-to-date. All changes since adoption of Plan in l996 noted at the end of each section.)

A resolution to establish the retirement system provisions available to municipalities and courts within the State of Michigan who elect to participate in the Municipal Employees' Retirement System as the retirement program for their employees and the financing mechanism.

Compiler's Statement: The Plan Document in a number of instances reflects non-substantive editorial changes for uniformity and ease of reference. At the end of each section, the **History** states the origin of the section, and any **Note** reflects Plan changes made by the Retirement Board. These technical changes are intended to produce a more uniform and readable Plan Document.

See Index of Changes to MERS Plan Document for each calendar year beginning in 2002 on next page.

The entire Plan Document is available in an electronic version at http://www.mersofmich.com/ under "Legal and Legislation."

INDEX TO BOARD APPROVED PLAN DOCUMENT CHANGES

*All changes have immediate effect unless otherwise stated.

APPROVED CHANGES IN 2002*

(Consult Note at end of each section amended for further detail.)

(1) Section 2A(9)-(10) revised May 8, 2002, and August 14, 2002, to reflect changes in the Internal Revenue Code made by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA).

(2) Section 5(2)(a)(ii) (second paragraph) revised February 13, 2002.

(3) Section 7(3) revised November 13, 2002.

(4) Section 26(3)(c) revised May 8, 2002.

(5) Section 55 revised May 8, 2002, and August 14, 2002, to reflect changes in the Internal Revenue Code made by EGTRRA.

APPROVED CHANGES IN 2003*

(Consult Note at end of each section amended for further detail.)

(1) Section 46B repealed by Board action of March 12, 2003.

(2) Section 55A added March 12, 2003.

(3) Section 2C(7) amended May 14, 2003.

(4) Section 10(6) added May 14, 2003.

(5) Section 11(1)(p) and (2)(e) added May 14, 2003.

(6) Section 31(1) amended May 14, 2003.

(7) Section 34 amended May 14, 2003.

(8) Section 4(6) revised September 30, 2003.

APPROVED CHANGES IN 2004*

(Consult Note at end of each section amended for further detail.)

(1) Section 55 amended by Board action of March 10, 2004.

(2) Section 3(3) repealed May 12, 2004.

(3) Section 31(1) amended May 12, 2004.

(4) Section 23, subsection (9), added August 11, 2004.

(5) Plan Amendment Procedure revised September 21, 2004.

(6) Sections 60-64 of Article VIII added November 10, 2004.

(7) Section 2A(4), (5) and (15), Section 2B, and Section 36 amended effective December 27, 2004, to comply with amendments made by 2004 PA 490, amending the Municipal Employees' Retirement Act of 1984, Sections 2A, 2B and 36; MCLA 38.1502a, 38.1502b, and 38.1536.

APPROVED CHANGES IN 2005*

(Consult Note at end of each section amended for further detail.)

(1) Plan Amendment Procedure revised March 8, 2005.

(2) Section 55(7) amended September 20, 2005. (Second sentence added pursuant to June 15, 2005 IRS Letter of Favorable Determination.)

(3) Section 10(6)(c) amended November 8, 2005. (Final clause concerning temporary DROP+ benefits deleted.)

APPROVED CHANGES IN 2006*

(Consult Note at end of each section amended for further detail.)

(1) Section 2C(3)(b) amended March 14, 2006.

(2) Section 43C added March 14, 2006, effective July 1, 2006.

(3) Benefit Program "H" (Hybrid), Section 19B (and numerous amendments noted at the end of Section 19B) added March 14, 2006.

(4) Section 19B(1) amended May 18, 2006, to be effective March 14, 2006.

(5) Section 19A amended September 19, 2006, to be effective October 1, 2006.

APPROVED CHANGES IN 2007*

(Consult Note at end of each section amended for further detail.)

(1) Section 3(2) amended March 13, 2007.

(2) Section 2C(3)(b) amended September 18, 2007, to be effective January 1, 2008.

(3) Section 43C amended September 18, 2007, to be effective January 1, 2008.

► NO CHANGES IN 2008 ◄

APPROVED CHANGES IN 2009*

(Consult Note at end of each section amended for further detail.)

(1) Section 2A(9) amended January 14, 2009.

(2) Section 32(1) amended January 14, 2009.

(3) Section 41(3) amended January 14, 2009.

(4) Section 41A(3) amended January 14, 2009.

(5) Section 4 amended March 11, 2009.

(6) Section 43C(1) and (4) amended March 11, 2009.

(7) Section 23 amended May 13, 2009, to be effective July 1, 2009.

(8) Section 23B added May 13, 2009, to be effective July 1, 2009.

(9) Section 43C amended May 13, 2009, with effective date of July 1, 2009.

(10) Section 26 amended May 13, 2009, with immediate effect and retroactive to January 1, 2007.

(11) Section 2A(8) amended July 15, 2009.

(12) Section 10 amended July 15, 2009, with effective date retroactive to July 1, 2009.

(13) Section 19A amended July 15, 2009, with effective date retroactive to July 1, 2009.

(14) Section 19A amended September 15, 2009.

(15) Section 19B amended September 15, 2009.

(16) Section 43 conditionally approved July 15, 2009, pending Member Comment period ending September 1, 2009; amended September 15, 2009, to be effective October 1, 2009.

(17) Section 43A conditionally approved July 15, 2009, pending Member Comment period ending September 1, 2009; amended September 15, 2009, to be effective October 1, 2009.

(18) Section 6 amended November 13, 2009.

(19) Section 7 amended November 13, 2009.

(20) Section 9 amended November 13, 2009.

APPROVED CHANGES IN 2010*

(Consult Note at end of each section amended for further detail.)

(1) Section 6 amended May 12, 2010.

(2) Section 7 amended May 12, 2010.

(3) Section 19A amended May 12, 2010.

(4) Section 31 amended May 12, 2010.

(5) Section 43C amended May 12, 2010.

(6) Section 31 amended July 14, 2010; subsection (1)(b), to be effective January 1, 2011; subsections (2) and (3) with immediate effect.

(7) Section 19A(16)(b) amended September 15, 2010.

(8) Section 31 amended September 15, 2010.

(9) Section 31 amended November 10, 2010.

APPROVED CHANGES IN 2011*

(Consult Note at end of each section amended for further detail.)

(1) Section 31 amended January 12, 2011.

(2) Section 2C amended March 10, 2011.

(3) Section 43C amended March 10, 2011.

(4) Section 10 amended July 13, 2011, to be effective October 1, 2011.

(5) Section 19B amended July 13, 2011, to be effective October 1, 2011.

(6) Section 43C amended July 13, 2011, to be effective October 1, 2011.

(7) Section 53 amended November 9, 2011, with immediate and retroactive effect.

APPROVED CHANGES IN 2012*

(Consult Note at end of each section amended for further detail.)

(1) Section 2A amended January 11, 2012.

(2) Sections 19A and 19B amended January 11, 2012.

(3) Section 43C amended January 11, 2012.

(4) Section 55 amended January 11, 2012.

*All changes have immediate effect unless otherwise stated.

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- END -

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN PLAN DOCUMENT

PA 220 of 1996 provided the Municipal Employees' Retirement System with the power to establish additional retirement system provisions including, but not limited to, defined benefit and defined contribution programs for its participating municipalities and participating courts.

The Board of the Municipal Employees' Retirement System of Michigan approves:

ARTICLE I. GENERAL PROVISIONS.

Sec. 1. Short Title. [MCL 38.1501]

This act [1984 PA 427, as amended by 2004 PA 490] shall be known and may be cited as the "municipal employees retirement act of 1984." [This Plan Document shall be known and may be cited as the "Municipal Employees' Retirement System Plan Document of 1996." The Plan shall be effective commencing October 1, 1996. This Plan includes all defined benefit provisions in effect as of 12:01 a.m. on August 15, 1996 pursuant to 1996 PA 220, sec. 36(2)(a), sec. 38.1536 (2)(a) of the Michigan Compiled Laws.]

History: 1984 PA 427, Eff. Jan. 2, 1985, and 1996 PA 220, Eff. Aug. 15, 1996, and Plan Document of 1996.

Note 1: 1996 PA 220, enacting section 2, repealed effective August 15, 1996, the majority of the provisions of the Municipal Employees Retirement Act of 1984, except for 9 sections: section 1, MCL 38.1501; sections 2-2c, MCL 38.1502-1502c; section 36, MCL 38.1536; section 39, MCL 38.1539; section 40, MCL 38.1540; and section 45, MCL 38.1545.

Note 2: Bracketed text added.

Note 3: On July 8, 1997, the Internal Revenue Service issued its Letter of Favorable Determination that the Plan Document of 1996 conforms to the provisions of the Internal Revenue Code applicable to governmental plans. .

Note 4: On June 15, 2005, IRS issued its <u>Letter of Favorable Determination</u>, which applies to all Plan amendments made by the Board through November 10, 2004.

Sec. 2. Meanings of Words and Phrases. [MCL 38.1502]

For the purposes of this Act [and Plan], the words and phrases defined in sections 2A through 2C have the meanings ascribed to them in those sections.

History: 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996; see Sec. 1, Note 1 of this Plan.

Sec. 2A. Definitions; A through L. [MCL 38.1502a.]

(1) "Accumulated balance" means the total balance in a member's, vested former member's, or beneficiary's individual account under Benefit Program DC **or the defined contribution component of Benefit Program H**.

(2) "Accumulated contributions" means the sum of all amounts credited to a member's individual account in the reserve for employee contributions.

(3) "Beneficiary" means an individual who is being paid or who has entitlement to the future payment of a retirement allowance or a return of contributions on account of a reason other than the individual's membership in the retirement system.

(4) "Certification date" means **August 15, 1996.**

(5) "Chief judge" means the chief judge of a judicial circuit court, a judicial district court, or a judicial probate court as provided in the Revised Judicature Act of 1961, **1961 PA 236, MCL 600.101 to 600.9948**.

(6) "Compensation" means the salary or wages paid a member for personal services rendered the member's participating municipality or participating court while a member of the retirement system. Salary and wages shall include longevity pay, overtime pay, shift differentials; pay for periods of absence from work by reason of vacation, holiday, and sickness; deferred compensation amounts under deferred compensation programs recognized by the board, including premiums for annuities and permanent life insurance policies that are transferred to the ownership of the member upon retirement; worker's compensation weekly benefits if the participating municipality or participating court reports the worker's compensation benefit to the retirement system; and items of a similar nature that are recognized as compensation by the board. Compensation does not include any remuneration or reimbursement not specifically described in this subsection or recognized by the board, such as allowances for clothing, equipment, cleaning, and travel; reimbursement of expenses, bonuses; termination pay; severance pay; payments in consideration of unused sick leave; the value of fringe benefits; and items of remuneration that are the basis of a potential or actual benefit from another retirement program. If the participating municipality or participating court has adopted Benefit Program DC, compensation equals the Medicare taxable wages as reported by the employer on the member's federal form W-2, wage and tax statement.

(7) "Direct rollover" means a payment by the retirement system to the eligible retirement plan specified by the distributee.

(8) "Distributee" includes a member or vested former member. Distributee also includes the member's or vested former member's surviving spouse or the member's or vested former member's spouse or former spouse under an eligible domestic relations order, with regard to the interest of the spouse or former spouse. **Effective July 15, 2009, a distributee includes a nonspouse beneficiary who is a designated beneficiary as defined by section 401(a)(9)(E) of the Internal Revenue Code. A nonspouse beneficiary may rollover the distribution only to an individual retirement account or individual retirement annuity established for the purpose of receiving the distribution, and the account or annuity will be treated as an "inherited" individual retirement account or annuity.**

(9) **Beginning January 1, 2002, e**xcept as otherwise provided in this subsection, "eligible retirement plan" means **the following types of plans established under the listed sections of** the Internal Revenue Code**:**

(a) a qualified trust described in section 401(a)**;**

(b) an annuity plan described in section 403(a)**;**

(c) **a tax-sheltered annuity described in section 403(b);**

(d) an individual retirement account described in section 408(a)**;**

(e) an individual retirement annuity described in section 408(b)**;**

(f) ***a Roth IRA individual retirement account described in section 408A*; and**

(g) **a deferred compensation plan under section 457(b) that is maintained by a state, or an agency or instrumentality of a state, a political subdivision of a state, or an agency or instrumentality of a political subdivision of a state,**

that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to a surviving spouse **on or before December 31, 2001**, an eligible retirement plan means an individual retirement account or an individual retirement annuity).

(10) **Beginning January 1, 2002,** "**e**ligible rollover distribution" means a distribution of all or any portion of the balance to the credit of the distributee. Eligible rollover distribution does not include any of the following:

(a) A distribution made for the life or life expectancy of the distributee or the joint lives or joint life expectancies of the distributee and the distributee's designated beneficiary.

(b) A distribution for a specified period of 10 years or more.

(c) A distribution to the extent that the distribution is required under section 401(a)(9) of the Internal Revenue Code.

(d) The portion of any distribution that is not includable in federal gross income, determined without regard to the exclusion for net unrealized appreciation with respect to employer securities; provided, that any **portion of a distribution that is not included in federal gross income** may be an eligible rollover distribution for purposes of a rollover to (1)(i) **an eligible retirement plan listed in subsection (9)(a) or (b)** provided that the plan is a defined contribution plan that will separately account for the distribution, including the taxable and non-taxable portions of the distribution, and that the rollover is a direct trustee-to-trustee transfer, **and (ii) beginning January 1, 2007, an eligible retirement plan listed in subsection (9)(a) that is a defined benefit plan or 9(c) provided that the plan will separately account for the distribution, including the taxable and non-taxable portions of the distribution, and that the rollover is a direct trustee-to-trustee transfer,** or (2) an eligible retirement plan listed in subsection 9(d) or (e), **or (3) beginning January 1, 2008, an eligible retirement plan listed in subsection (9)(f)**.

(11) "Final average compensation" means any of the following:

(a) One-fifth of the aggregate amount of compensation paid a member during the period of 5 consecutive years of the member's credited service in which the aggregate amount of compensation paid is highest, known as FAC-5. If the member has less than 5 years of credited service, final average compensation means the aggregate amount of compensation paid the member divided by the member's credited service. A member who has credited service in force with more than 1 participating municipality or participating court shall have a separate final average compensation computed based on the member's compensation record with each participating municipality and participating court.

(b) If the participating municipality or participating court has adopted benefit program FAC-3, l/3 of the aggregate amount of compensation paid a member during the period of 3 consecutive years of the member's credited service in which the aggregate amount of compensation paid is highest. If the member has less than 3 years of credited service, final average compensation means the aggregate amount of compensation paid the member divided by the member's credited service. A member who has credited

service in force with more than 1 participating municipality or participating court shall have a separate final average compensation computed based on the member's compensation record with each participating municipality or participating court.

(c) For a member who is a judge of the district court, the recorder's court of the city of Detroit, or the circuit court, and has converted a portion or all of his or her state salary standardization payment as provided for in section 504 of the Judges Retirement Act of 1992, Act No. 234 of the Public Acts of 1992, being section 38.2504 of the Michigan Compiled Laws, as an addition to his or her state base salary under Act No. 234 of the Public Acts of 1992, being sections 38.2101 to 38.2670 of the Michigan Compiled Laws, the difference between the figure that would otherwise be used under subdivision (a) or (b) to compute the member's retirement benefits, and the amount of the state salary standardization payment converted.

(12) "Governing body" means the representative legislative body of a municipality, or the administrative board or commission of a public corporation or instrumentality that does not have a representative legislative body.

(13) "Internal Revenue Code" means the United States Internal Revenue Code of 1986.

(14) "Judicial circuit court" means a judicial circuit of the circuit court as provided in section 11 of article VI of the state constitution of 1963.

(15) "Judicial district court" means a judicial district of the district court as provided in section 8101 of the Revised Judicature Act of 1961, **1961 PA 236, MCL 600.8101**.

(16) "Judicial employee" means an individual who is paid compensation for personal service rendered for a participating court. Judicial employee does not include anyone who is a municipal employee under section 2B(3) or anyone who is specifically excluded as a municipal employee under section 2B(3).

(17) "Judicial probate court" means a county probate court or probate court district as provided in section 15 of article VI of the state constitution of 1963.

(18) "Limitation year" means, for purposes of section 415 of the Internal Revenue Code, the calendar year.

History: 1996 PA 220, Eff. Aug. 15, 1996, and Plan Document of 1996; see Sec.1, Note 1 of this Plan.

Note 1: The 1996 PA 220 amendments are reflected in text of subsections (4), (5), (12), (14), (15) and (17). Bracketed text in (4) added.

Note 2: Bold text in subsections (9) and (10) to comply with federal law changes (the Economic Growth and Tax Relief Reconciliation Act of 2001); by Board action of May 8, 2002, with retroactive effective date of January 1, 2002.

Note 3: Changes in subsection (9) (language deleted) and (10) (changes underlined) reflect Board amendments on August 14, 2002, effective January 1, 2002, pursuant to the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001.

Note 4: Bold text changes in subsections (4), (5) and (15) pursuant to 2004 PA 490, which took immediate effect December 27, 2004, amending this section 2A (and sections 2B and 36).

Note 5: Bold text in subsection (1) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1),

11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Note 6: In subsection (9), insertion of italicized new language in subsection (f), and former (f) re-lettered as (g), by Board action of January 14, 2009 with immediate effect.

Note 7: Bold text in subsection (8) to comply with federal law changes (Worker, Retiree, and Employer Recovery Act of 2008); by Board action of July 15, 2009, with immediate effect.

Note 8: Bold text in subsection (10)(d) added and subsection (18) added, by Board action of January 11, 2012, with immediate effect and retroactive to December 13, 2011.

Sec. 2B. Definitions; M through O. [MCL 38.1502b.]

(1) "Member" means an individual [municipal employee or judicial employee] who is included in the membership of the retirement system as determined by the Retirement Board.

(2) "Membership service" means personal service rendered a participating municipality or participating court while a member of the retirement system.

(3) "Municipal employee" means an individual who is paid compensation for personal services rendered for a participating municipality. Payment of compensation by a hospital, board, commission, public corporation, or instrumentality created by a municipality is considered payment by the municipality. Municipal employee does not include any of the following:

(a) The mayor, village president, or a member of the governing body of a participating municipality, unless the individual files a written application for membership with the retirement system. **By written election in the form prescribed by MERS, and signed by the member's spouse, a member whose membership exists by virtue of having filed an application for membership under this subsection (3)(a) may irrevocably elect to be excluded from membership (and any membership rights or benefits arising from service under this subsection) under the following conditions:**

(i) The election is made while the member occupies a position under this subsection (3)(a).

(ii) For the period in which the member has occupied a position under this subsection (3)(a), the member shall be paid the member's accumulated contributions, if any, and all credited service for the period shall be forfeited in all cases.

(iii) The individual shall not again become a member of the retirement system on account of occupying a position under this subsection (3)(a) for the same municipality.

(iv) **The individual's forfeited credited service and any service rendered the participating municipality during any time the individual was excluded from membership shall never be reinstated or credited to the individual** under Sections 4 or 6, or for any other purpose under the Plan Document.

(b) An individual who is employed on a basis that exempts the participating municipality from the withholding provisions of the internal revenue code.

(c) An individual, except a county elected official, who is wholly paid on a fee basis.

(d) An individual who is an active member as of January 1, 1983, of the State of Michigan probate judges retirement system created by the former Probate Judges Retirement Act,

former Act No. 165 of the Public Acts of 1954, being former sections 38.901 to 38.933 of the Michigan Compiled Laws and who continued in service as a probate judge under the successor act, the Judges' Retirement Act of 1992, 1992 PA 234, sections 38.2101 to 38.2670 of the Michigan Compiled Laws.

(e) A person, not regularly employed by the participating municipality, who is employed by the municipality through participation in a program established pursuant to the Job Training Partnership Act, Public Law 97-300, 96 Stat. 1322. In addition, a person described in this subdivision shall not receive service credit for the employment described in this subdivision even though the person subsequently becomes or has been a member of the retirement system.

(f) A person, not regularly employed by the participating municipality, who is employed by the municipality through participation in a program established pursuant to the Michigan opportunity and skills training program first provided for under sections 12 to 23 of Act No. 259 of the Public Acts of 1983. In addition, a person described in this subdivision shall not receive service credit for the employment described in this subdivision even though the person subsequently becomes or has been a member of this retirement system.

(g) A person, not regularly employed by the participating municipality, who is employed by the municipality through participation in a program established pursuant to the Michigan community service corps program first provided for under sections 25 to 35 of Act No. 246 of the Public Acts of 1984. In addition, a person described in this subdivision shall not receive service credit for the employment described in this subdivision even though the person subsequently becomes or has been a member of this retirement system.

(h) A person, not regularly employed by the participating municipality, who is employed by the municipality to administer a program described in subdivision (e), (f), or (g) shall not be a member of this retirement system.

(i) An individual who is, on the effective date of the municipality's or court's participation under this Plan or the predecessor Act, a member of another retirement system that is sponsored by the participating municipality or participating court if that individual remains as a member of the other retirement system.

(4) "Municipality" means 1 or more **of the following:**

(a) **A** county, **county road commission**, city, village, or township.

(b) A public corporation or instrumentality established by 1 or more counties, cities, villages**, or** townships**.**

(c) A public corporation or instrumentality charged by law with the performance of a governmental function and whose jurisdiction is coextensive with 1 or more counties, cities, villages, **or** townships**.**

(d) **A political subdivision located in this state or located in this and another adjacent state of the United States including, but not limited to, the entities named in subdivision (a), (b), or (c),** or **any** combination of these units.

(e) **A political subdivision located in this state and a metropolitan government borough, or other political subdivision of the province of Ontario, an agency of the United States, or a similar entity of adjacent states of the United States and the province of Ontario.**

(f) **A state university, community college, or junior college whose employees are not public school employees who are members under the public school employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1408.**

(g) **Any municipal corporation as defined in section 1(a) of 1951 PA 35, MCL 124.1, or other governmental entity that is eligible to join the retirement system and participate in any program under this act, as determined by the retirement board.**

History: 1996 PA 220, Eff. Aug. 15, 1996, and Plan Document of 1996; see Sec. 1, Note 1 of this Plan.

Note 1: The 1996 PA 220 amendments are reflected in text of subsections (1) and (4). Bracketed text in (1) added.

Note 2: Bold text in subparagraph 3(a) added by Board action of February 25, 1998, with immediate effect.

Note 3: Bold text changes in subsections (4) pursuant to 2004 PA 490, which took immediate effect December 27, 2004, amending this section 2B (and sections 2A and 36).

Sec. 2C. Definitions; P through Z. [MCL 38.1502c.]

(1) "Participating court" means a judicial circuit court, a judicial district court, or a judicial probate court that has elected to be governed by the provisions of this [Plan or the predecessor] Act.

(2) "Participating municipality" means a municipality that has elected to be governed by the provisions of: [(a) this Plan; or (b)] this Act [1984 PA 427, or its predecessor 1945 PA 135]. Two or more municipalities may enter into an agreement with each other and the retirement system to participate as a combined unit.

(3) "Prior service" means certified personal service rendered a municipality or a judicial circuit court, judicial district court, or judicial probate court by a member prior to the date the municipality or judicial circuit court, judicial district court, or judicial probate court became a participating municipality or participating court. The participating municipality or participating court shall certify to the retirement system, in writing, the amount of prior service to be credited each member in its employ. The participating municipality or participating court may limit the period of certified prior service to either a percentage of the member's total period of prior service or a stated number of years. Certification of prior service shall be made prior to the retirement of a member, in the form and at the time prescribed by the Retirement Board. Prior service credit shall not be recognized for the purpose of calculating a retirement allowance under this Plan unless all of the following requirements are met:

(a) The municipality or court transfers to the retirement system **assets from the preceding qualified plan and/or other source equal to at least fifty percent (50%) of prior service accrued liabilities (as determined under MERS assumptions). Should assets actually transferred be less than fifty percent (50%) of such liabilities, then all prior service recognized shall be in strict proportion to the assets transferred.**

(b) **Unfunded actuarial accrued liabilities, if any, arising from prior service shall be funded over a 30-year amortization schedule<u>, for initial actuarial valuations requested before January 1, 2007. Unfunded actuarial accrued liabilities, if any, arising from prior service shall be funded over a 25-year amortization schedule for initial actuarial valuations requested on or after January 1, 2007</u>.**

(c) **In the event any alteration of this section 2C(3) is made or occurs, under section 43B of the Plan Document concerning collective bargaining or under any other plan provision or law, MERS prior service shall not be recognized, other than in accordance with this section.**

(4) "Public corporation" means the retirement system on and after the certification date, which corporation is an instrumentality of the participating municipalities and participating courts.

(5) "Retirant" means an individual who is being paid a retirement allowance on account of the individual's membership in the retirement system.

(6) "Retirement allowance" means an annual amount payable in monthly installments by the retirement system, whether payable for a temporary period or throughout the future life of a retirant or beneficiary.

(7) "Retirement benefit" means a retirement allowance, refund of accumulated contributions, or amounts paid to a distributee. The term includes distributions under section 19A, Benefit Program DC**, distributions under section 19B, Benefit Program H, and distributions under section 10(6), Benefit Program DROP+.** The term does not include any post-retirement or other ancillary benefit or payment, which may become available under the Plan Document or the retirement system.

(8) "Retirement board" means the retirement board provided for in section 36 to administer the retirement system.

(9) "Retirement system" or "system" means the municipal employees retirement system established by former Act No. 135 of the Public Acts of 1945, and continued and restated by this Act [1984 PA 427 and the Plan Document on and after the certification date].

(10) "Vested former member" means a person who meets the requirements of section 12.

History: 1996 PA 220, Eff. Aug. 15, 1996, and Plan Document of 1996; see Sec. 1, Note 1 of this Plan.

Note 1: The 1996 PA 220 amendments are reflected in text of subsections (1), (2), (4), (8) and (9). Bracketed text in (1) and (2) and (9) added.

Note 2: Former text at end of section 5(1) inserted verbatim in subsection (3) as last full sentence preceding (3)(a), and (3)(a)-(b), per Board action of May 20, 1998, with immediate effect.

Note 3: Bold text in subsection (3)(a)-(b) revised, and (3)(c) added, by Board action of September 28, 1999, to be effective January 1, 2000.

Note 4: Bold text in subsection (7) added by Board action of May 14, 2003, with immediate effect, along with companion amendments to section 31(1) and 34, and addition of: section 10(6), section 11(1)(p) and 11(2)(e).

Note 5: Bold underlined text in subsection (3)(b) added by Board action of March 14, 2006, with immediate effect. See Section 43C(4), also approved on March 14, 2006.

Note 6: Bold underlined text in subsection (7) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Note 7: *Italicized third sentence added to* section 2C(3)(b), as companion amendment to section 43C, both by Board action of September 18, 2007, to take effect January 1, 2008.

Note 8: Last sentence of section 2C(3)(b) – *Commencing January 1, 2011, the 25-year amortization schedule shall become 20-year amortization* – deleted per Board action of March 10, 2011, with immediate effect.

Sec. 3. Membership.

(1) Each municipal employee of a participating municipality and each judicial employee of a participating court, who is employed in a position regularly requiring at least 10 days or a specified number of hours of work in a calendar month, shall be a member of the retirement system unless excluded from membership in accordance with subsection (2). A day of work or the specified number of hours of work in a calendar month shall be defined by resolution of the governing body of each participating municipality or by administrative order of the chief judge of each participating court. The resolution or administrative order shall be uniformly applicable to all members employed by the participating municipality or participating court who are covered by the same benefit program coverage classification. Benefit program coverage classification shall be those established by the Retirement Board pursuant to the provisions of sections 41 and 41A. A certified copy of the resolution or administrative order shall be filed with the Retirement Board within 10 days after adoption or issuance.

(2) A participating municipality or participating court may exclude temporary municipal employees or judicial employees from membership in the retirement system. The participating municipality or participating court shall notify, in writing, each temporary municipal employee or judicial employee excluded from membership. A municipal employee or judicial employee shall not be designated a temporary municipal employee or judicial employee if employed in a position normally requiring **at least** 6 or more **whole** months **not to exceed 12 whole months** of work. Exclusion of a temporary municipal employee or judicial employee from membership shall be by resolution of the governing body of the participating municipality or by administrative order of the chief judge of the participating court. A certified copy of the resolution or administrative order shall be filed with the Retirement Board within 10 days after adoption or issuance.

(3) A municipal employee or judicial employee who is an active member of another retirement system shall be a member only for the portion of the member's compensation that is not considered compensation under the other retirement system.

(4) A municipal employee or judicial employee shall cease to be a member upon termination of employment by a participating municipality or participating court, or upon ceasing to be employed in a position regularly requiring at least 10 days or a specified number of hours of work in a calendar month, as provided in subsection (1), or upon being designated a temporary municipal employee or judicial employee, except as provided in subsection (5). A member who has been laid off by a participating municipality or participating court and whose layoff status continues for a period of at least 30 days may make written request to the retirement system for a return of the member's accumulated contributions. Payment of the accumulated contributions shall constitute termination of membership in the retirement system.

(5) A member who is transferred to the employ of the state, another municipality, or another judicial circuit court, judicial district court, or judicial probate court by reason of a function of the member's participating municipality or participating court being transferred to the state, the other municipality, or the other judicial circuit court, judicial district court, or judicial probate court shall remain a member of the retirement system, notwithstanding subsection (4), subject to the following conditions:

(a) Service rendered the state, the other municipality, or the other judicial circuit court, judicial district court, or judicial probate court subsequent to the transfer and standing to the member's credit in a retirement system of the state, the other municipality, or the other judicial circuit court, judicial district court, or judicial probate court may be combined with the member’s credited service in this retirement system. The combined

credited service may be used only to meet the retirement or survivor benefit credited service requirements of this retirement system.

(b) The amount of a retirement allowance that may become payable by this retirement system shall be computed on the basis of the member's credited service and final average compensation, and the benefit program applicable to the member, at the time of the member's transfer of employment.

(c) The member may not retire prior to termination of all employment with the state, the other municipality, or the other judicial circuit court, judicial district court, or judicial probate court.

(6) A member who is concurrently employed by 2 or more participating municipalities or participating courts shall remain a member upon termination of employment with 1 or more of the participating municipalities or participating courts if the remaining employment with 1 or more participating municipalities or participating courts satisfies the conditions of this section with regard to membership. Membership with respect to the participating municipalities or participating court, with whom the member terminated employment shall terminate. The member shall have the rights of a terminated member in all respects with regard to service rendered the participating municipalities or participating court, with whom employment has terminated.

(7) A member who is in receipt of worker's compensation weekly benefits on account of an employment-related injury shall continue to be a member and receive credited service until the earliest of termination of employment, retirement or death.

History: 1988 PA 500, Eff. Dec. 29, 1988, and Plan Document of 1996**.**

Note 1: Former subsection (3), which permitted the chief executive officer of a participating municipality to be excluded from MERS membership, was repealed, and subsections (4)-(8) renumbered as (3)-(7), on May 12, 2004, with immediate effect.

Note 2: Bold language in subsection (2) added by Board action of March 13, 2007, with immediate effect.

End of Article I.

ARTICLE II. SERVICE CREDIT.

Sec. 4. Credited Service; Forfeiture; Reinstatement.

(1) Prior service and membership service to which a member is entitled, including periods during which a member is in receipt of worker's compensation weekly benefits, shall be credited to the member's individual service account. Service shall be credited in years and twelfths of a year. Not more than 1 year of credited service shall be credited a member on account of all service rendered to a participating municipality or participating court in any period of 12 consecutive months. Not more than 1/12 of a year of credited service shall be credited a member on account of all service rendered to a participating municipality or participating court in a calendar month. Credited service shall not be credited for any calendar month during which a member acquires less than 10 days or a specified number of hours of work, as defined by the member's participating municipality or participating court pursuant to section 3(1). Credited service shall not be credited to a member for any calendar month during which the member is covered by Benefit Program DC, **except that periods of at least 12 months in which a participating municipality or participating court has made employer contributions on behalf of a member under MERS Benefit Program DC shall be counted towards satisfying the applicable vesting or service requirement under sections 10(1)(b) and 10(4).**

(2) All or a portion of an individuals' credited service shall be forfeited under the following conditions:

(a) All credited service shall be forfeited if the individual incurs a break in membership of more than **240** consecutive months and is not a vested former member pursuant to section 12.

(b) Credited service for which the individual has made member contributions shall be forfeited if the individual's accumulated contributions are paid to the individual, the individual's designated beneficiary, or the individual's legal representative.

(3) Credited service forfeited for a reason other than a break in membership of more than **240** consecutive months shall be reinstated in the member's service account if all of the following conditions are satisfied:

(a) The forfeited credited service was acquired while the member was in the employ of the same participating municipality or participating court.

(b) The member pays to the retirement system all accumulated contributions previously paid to the member plus compound interest from the date of payment to the member to the date of repayment to the retirement system. Payment shall be made within 5 years after the date the member reacquires membership in the retirement system on account of employment **by, and prior to termination of employment** with**,** the same participating municipality or participating court. However, a participating municipality may by resolution of its governing body, or a participating court may by administrative order of its chief judge, establish a written policy to extend beyond 5 years the period for payment required under this subdivision. The policy shall be uniformly applicable to all members employed by the participating municipality or participating court who are covered by the same benefit program coverage classification. Benefit coverage classifications are those established by the Retirement Board under section 41 or 41A.

(4) The rates of compound interest applicable to repayment of accumulated contributions shall be as determined by the Retirement Board.

(5) Forfeited credited service acquired while a member was in the employ of another participating municipality or participating court shall not be reinstated under this section but shall be creditable subject to the requirements of section 6.

(6) **A participating municipality or court may provide for the conversion of service credit earned by part-time employees to the full-time equivalent upon a member's promotion to full-time employment. The governing body must adopt the Uniform Resolution Defining Hours Per Month for Part-Time Employees and Service Credit Conversion Upon Promotion to Full-Time Status, the terms of which shall not be modified or altered as an express condition of its effectiveness**.

History: 1992 PA 63, Eff. May 22, 1992, and Plan Document of 1996.

Note 1: Addition of subsection (6) by Board action of May 20, 1997, effective January 1, 1998.

Note 2: Text of subparagraph (6)(a) revised by Board action of May 20, 1998, with immediate effect.

Note 3: Bold text at end of subsection (1) added by Board action of August 23, 2000, with immediate effect as of October 1, 2000. See companion amendment to sections 10(1), 10(4), and 19A(12).

Note 4: Former subsection (6) revised in its entirety by Board action of September 30, 2003, with immediate effect.

Note 5: Bold text in subsection (2)(a) and (3), changing 180 months (15 years) to 240 months (20 years), to correspond with amendments made to sections 4 and 5 of the Reciprocal Retirement Act (1961 PA 88) by 2008 PA 502; and addition of bold text to subsection (3)(b); by Board action of March 11, 2009, all with immediate effect.

Sec. 5. Combining Credited Service.

(1) A member who has acquired credited service with more than 1 participating municipality or participating court, other than concurrently, may combine the separate amounts of credited service for the sole purpose of satisfying the retirement or survivor benefit service credit requirements of the retirement system. Credited service concurrently acquired in more than 1 participating municipality or participating court may not be combined. Credited service of less than 1 year with a participating municipality or participating court may not be combined. **[See Note 2 at end of this section].**

(2) (a) A member who has acquired credited service for concurrent employment with more than 1 participating municipality or participating court may consolidate the member's credited service and compensation history under a single participating municipality or participating court if each of the following conditions is met:

(i) Each of the affected participating municipalities files with the Retirement Board a resolution of its governing body and each of the affected participating courts files with the Retirement Board an administrative order of its chief judge outlining the terms of the credited service and compensation consolidation, including the transfer amounts, if any, between the affected participating municipalities' and participating courts' accounts in the reserve for employer contributions.

(ii) Amounts to be transferred shall not be greater than the larger of (a) the accumulated contributions of the member whose credited service is being transferred; or (b) the actuarial present value of the retirement allowance otherwise payable by the

transferring participating municipality or participating court on the regular retirement date should the transfer not occur.

The actuarial present value of the accrued benefit shall be determined based on the rate of return on the investment of present and future assets utilized by the Retirement Board at the time of such valuation (presently 8% as of **December 31, 2001**), and the pre- and post-retirement life expectancies of participants based on the 19**94** Group Annuity Mortality Table.

(iii) Periods of concurrent credited service shall not result in more than one month of credited service for any one calendar month.

(iv) After the consolidation of credited service and compensation, the member will no longer have credited service in force with the participating municipalities or participating courts which transferred credited service and compensation histories to another participating municipality or participating court.

(b) If a member's periods of concurrent employment are consolidated, the member's compensation histories shall be combined, in order to calculate final average compensation and member contributions.

(c) If a member's periods of concurrent employment are consolidated, the member's retirement or survivor benefits and member contributions shall be determined based on the benefit programs and member contribution programs adopted by the participating municipality or participating court which agrees to accept responsibility for the consolidated employment.

(d) Each participating municipality or participating court utilizing this section shall establish a written policy to implement the provisions of this section to provide for its uniform application to all employees and former employees within the membership of the retirement system. This section shall not be applicable to any former member (or beneficiary of such member) in receipt of a retirement allowance based on the same credited service rendered for the participating municipality or participating court for which transfer is requested.

History: 1993 PA 50, Eff. June 1, 1993, and Plan Document of 1996.

Note 1: Bracketed text in subparagraph (2)(a)(ii) added to reflect Board action in 1994.

Note 2: Language formerly found at end of subsection (1) concerning prior service and based on 1993 PA 50, section 58, inserted verbatim as separate subparagraph in 2C(3) per Board action of May 20, 1998, with immediate effect.

Note 3: Subsection (2)(a)(ii) (second paragraph) as amended by Board action of February 13, 2002, with immediate effect. See also section 55, note 2.

Sec. 6. Credit for Certain Qualifying <u>Governmental</u> Service; Conditions; Crediting Payment under Subsection (1)(c).

(1) The Retirement Board shall credit a member **(**other than a member covered by Benefit Program DC, **or Benefit Program H)** for qualifying service in the employ of the United States government, a state, or a political subdivision of a state, <u>or in the governmental employ of a federally recognized Indian Tribal Government (as defined in section 414(d) of the Internal Revenue Code),</u> if all of the following conditions are satisfied.

(a) The governing body of the participating municipality that employs the member adopts a resolution, or the chief judge of the participating court that employs the member issues an administrative order, requesting the Retirement Board to credit the member with a specific period of qualifying service and files a certified copy of the resolution or administrative order with the retirement system within 10 days after the adoption or issuance. The resolution of the governing body or the administrative order of the chief judge shall be made or issued pursuant to a previously adopted written policy which provides for uniform applicability of the provisions of this section to all members employed by the participating municipality or participating court who are covered by the same benefit program coverage classification. Benefit program coverage classification shall be those established by the Retirement Board pursuant to the provision of section 41 or 41A.

(b) The qualifying governmental service was not rendered prior to any break of 240 or more months in the member's employment by the United States government, a state, or a political subdivision of a state, or in the governmental employ of a federally recognized Indian Tribal Government (as defined in section 414(d) of the Internal Revenue Code).

(c) The member pays to the retirement system the amount the participating municipality or court may require of the member in consideration for the crediting of qualifying governmental service; **any payment shall be credited to the member's individual account in the reserve for employee contributions.** The required payment, if any, shall not exceed the difference between the actuarial present value of potential benefits after crediting the specified period of qualifying service and the actuarial present value of potential benefits prior to crediting the specified period of qualifying service. The estimated actuarial present value of potential benefits shall be calculated **pursuant to procedures established by the Retirement Board** in order to derive the estimated actuarial cost.

(2) For purposes of this section, service is qualifying if it is not and will not be recognized for the purpose of obtaining or increasing a benefit under another retirement system. A member may qualify service by making an irrevocable forfeiture of all rights in and to the actual or potential benefit from the other retirement system.

(3) Service purchased under this section shall not be:

(a) Credited by MERS until the member attains the vesting requirement in effect for the participating municipality or court; or

(b) Used to satisfy the minimum years of credited service required to be a vested former member in the event of termination of membership.

(4) For a member employed by a participating municipality or court as of July 1, 1997, who has service rendered before that date that was covered service under *former* sections 6 and 9 of the Municipal Employees' Retirement Act of 1984, *former* MCL 38.1506 and 38.1509 as in effect on August 15, 1996, those provisions shall continue to apply to such members for covered service rendered before July 1, 1997.

History: 1996 PA 220, Eff. August 15, 1996, and Plan Document of 1996.

Note 1: Bold text in subparagraph (1)(c) inserted from former (4); added text in new (3), with (b) inserted from former (5); text of former (4) deleted; language in revised (4) modification of former (5) reflecting Board Plan interpretation of April 23, 1997; all changes by Board action of May 20, 1998, with immediate effect.

Note 2: The former sections 6 and 9 referred to in subsection (4) are found in the Appendix to Plan Document following Article VII. Former section 6 is found at B-1, and former section 9 at B-2.

Note 3: Bold text in subsection (1) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Note 4: Underlined language in: section Title; subsection (1) and (1)(b) regarding federally recognized Tribal Indian Governments; subsection (1)(c); and (3)(a), amended by Board action of November 13, 2009, with immediate effect.

Note 5: Bolded text in subsection (1)(c)(last sentence) added by Board action of May 12, 2010, with immediate effect. Prior to amendment, the sentence read: "The estimated actuarial present value of potential benefits shall be calculated using the earliest retirement date assumption and the experience assumptions used for the annual actuarial valuation, in order to derive the estimated actuarial cost."

Sec. 7. Generic Credited Service: Election to Purchase Not More Than 5 Years of Credited Service.

(1) The Retirement Board shall credit a member **(other than a member covered by Benefit Program DC or Benefit Program H),** including a member who is in the governmental employ of a federally recognized Indian Tribal Government (as defined in section 414(d) of the Internal Revenue Code), with not more than 5 years of credited service, if each of the following conditions is satisfied:

(a) The governing body of the participating municipality that employs the member adopts a resolution, or the chief judge of the participating court that employs the member issues an administrative order, requesting the Retirement Board to credit the member with a specific amount of credited service and files a certified copy of the resolution or administrative order with the retirement system within 10 days after adoption or issuance. The resolution of the governing body or the administrative order of the chief judge shall be made or issued pursuant to a previously adopted written policy which provides for uniform applicability of the provisions of this section to all members employed by the participating municipality or participating court who are covered by the same benefit program coverage classification. Benefit program coverage classifications shall be those established by the Retirement Board pursuant to the provisions of section 41 and 41A.

(b) The member pays to the retirement system the amount the participating municipality or court may require of the member in consideration for the crediting of service; **any payment shall be credited to the member's individual account in the reserve for employee contributions**. The required payment, if any, shall not exceed the difference between the actuarial present value of potential benefits after crediting the specified amount of credited service and the actuarial present value of potential benefits prior to crediting the specified amount of credited service. The estimated actuarial present value of potential benefits shall be calculated **pursuant to procedures established by the Retirement Board** in order to derive the estimated actuarial cost.

(2) Service purchased under this section shall not be:

(a) Credited by MERS until the member attains the vesting requirement in effect for the participating municipality or court; or

(b) Used to satisfy the minimum years of credited service required to be a vested former member in the event of termination of membership.

(3) The credited service acquired by a member under this section **7**, from all participating municipalities and courts, shall **be subject to section 415(n)(3) of the Internal Revenue Code, including the limitation that such credited service shall not exceed a total of 5 years (section 415(n)(3)(B)(i)).**

History: 1996 PA 220, Eff. Aug. 15, 1996, and Plan Document of 1996.

Note 1: Bold text in subparagraph (1)(b) inserted from former (2); added text in new (2), with (b) inserted from former (3); and former (4) and (5) renumbered as (3) and (4) respectively; by Board action of May 20, 1998, with immediate effect.

Note 2: Deletion of former subsection (3), and renumbering of former (4) as (3), by Board action of November 13, 2002, with immediate effect.

Note 3: Bold text in subsection (1) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a)

Note 4: Underlined language in: section Title; subsection (1) and (1)(b) regarding federally recognized Tribal Indian Governments; (2)(a); and subsection (3) by Board actions of November 13, 2009, with immediate effect.

Note 5: Bolded text in subsection (1)(b) (last sentence) added by Board action of May 12, 2010, with immediate effect. Prior to amendment, the sentence read: "The estimated actuarial present value of potential benefits shall be calculated using the earliest retirement date assumption and the experience assumptions used for the annual actuarial valuation, in order to derive the estimated actuarial cost."

Sec. 8. Election to Come Under Reciprocal Retirement Act.

A participating municipality or participating court which has elected to come under the provisions of the Reciprocal Retirement Act, Act No. 88 of the Public Acts of 1961, being sections 38.1101 to 38.1106 of the Michigan Compiled Laws, by resolution of its governing body, may make such provisions applicable to former members who left the employ of the participating municipality or participating court before the date the participating municipality or participating court elected to come under such provisions. Service shall not be recognized unless the member pays the retirement system withdrawn accumulated contributions applicable to such service, plus regular interest as provided by the Retirement Board from the date of withdrawal to the date of repayment. The amount shall be repaid within 2 years after the participating municipality or participating court has elected to come under the provisions of Act No. 88 of the Public Acts of 1961.

History: 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996.

Sec. 9. Credited Service for Periods of Active Duty; Conditions.

A member who leaves or left the employ of a participating municipality or participating court to enter any armed service of the United States shall be entitled to credited service for periods of active duty in accordance with section 414(u) of the Internal Revenue Code and the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), 38 US Code 4301 to 4333, and the following conditions (which shall be administered in conformity with such federal laws):

(1) The member is reemployed by the same participating municipality or participating court within 6 months after the date of termination of the minimum period of active duty required of the member, and the member is not covered by Benefit Program DC by virtue of employment with the same participating municipality or participating court.

(2) The member pays the retirement system the total amount of accumulated contributions withdrawn at the time of, or subsequent to, leaving employment by the participating municipality or participating court to enter armed service, plus regular interest as provided by the Retirement Board, from the date of withdrawal to the date of repayment.

(3) Not more than 6 years of credited service shall be granted a member under this section.

(4) Credited service shall not be granted for periods of armed service that are or could be used for obtaining or increasing a benefit from another retirement system.

History: 1988 PA 500, Eff. Dec. 29, 1988, and Plan Document of 1996.

Note: Underlined text in first paragraph added by Board action of November 13, 2009, with immediate effect.

End of Article II.

ARTICLE III. RETIREMENT REQUIREMENTS AND BENEFIT PROGRAM.

Sec. 10. Retirement; Requirements; Allowance; Benefit Programs.

(1) A member or a vested former member **(**other than a member or vested former member covered by Benefit Program DC **or Benefit Program H)** may retire upon satisfaction of all of the following requirements:

(a) A written application for retirement, on a form established by the retirement system, has been filed with the retirement system. The Retirement Board may establish required time periods, preceding or surrounding the date of retirement, for the filing of an application for retirement.

(b) One of the following applies:

(i) The member or vested former member has attained age 50 years or older and has 25 or more years of credited service.

(ii) The member or vested former member has attained age 55 years or older and has 15 or more years of credited service.

(iii) The member or vested former member has attained age 60 years or older and has 10 or more years of credited service.

(iv) The member or vested former member has attained age 60 years or older and has 8 or more years of credited service if the member's participating municipality or participating court adopts the termination of membership vesting Benefit Program V-8 for the member.

(v) The member or vested former member has attained age 60 years or older and has 6 or more years of credited service if the member's participating municipality or participating court adopts the termination of membership vesting Benefit Program V-6 for the member.

(vi) The participating municipality or participating court has adopted Benefit Program F(N) and the member or vested former member has the specified period of credited service required for retirement.

(c) The member terminates membership before the date of retirement.

Periods of at least 12 months in which a participating municipality or participating court has made employer contributions on behalf of a member under MERS Benefit Program DC shall be counted towards satisfying the applicable vesting or service requirements in this subsection (1), but not in the calculation of the retirement allowance.

(2) Upon retirement the member or vested former member shall be paid a retirement allowance computed under the benefit programs that are applicable to the member's or vested former member's credited service and the provisions of subsection (3). The benefit programs applicable to a vested former member shall be determined as of the date of termination of membership and shall not be affected by any subsequent change in benefit programs that is applicable to the classifications held by the vested former member.

(3) If the date of retirement precedes the date the member or vested former member attains the full retirement allowance age as determined under subsection (4) or (5), the amount of retirement allowance shall be reduced. The amount of reduction shall be 1/2 of 1% of the retirement allowance multiplied by the number of months, rounded to the next higher number of months

and not less than zero, by which the date of retirement precedes the date the member or vested former member attains the full retirement allowance age. The reduction called for in this subsection shall not be applied to benefit component (I) under Benefit Program B, as provided in section 14.

(4) A participating municipality or participating court may adopt Benefit Program F(N), Benefit Program F50, or Benefit Program F55, or a combination thereof. Under Benefit Program F(N), the full retirement allowance age shall be any age with the required period of credited service. The required period of credited service shall be either 20, 21, 22, 23, 24, 25, 26, 27, 28, 29 or 30 years, as specified pursuant to subsection (5). Under Benefit Program F50, the full retirement allowance age shall be age 50 years with a required period of credited service of either 25 or 30 years. Under Benefit Program F55, the full retirement allowance age shall be age 55 years with a required period of credited service of 15 years, 20 years, 25 years, or 30 years. **Periods of at least 12 months in which a participating municipality or participating court has made employer contributions on behalf of a member under MERS Benefit Program DC shall be counted toward satisfying the service requirement in this subsection (4), but not in the calculation of the retirement allowance.**

(5) Full retirement allowance age shall be age 60 years, unless the participating municipality or participating court has adopted Benefit Program F(N), Benefit Program F50 or Benefit Program F55, or a combination thereof, and the member or vested former member has the required period of credited service. The governing body of the participating municipality or chief judge of the participating court shall specify, at the time Benefit Program F(N), Benefit Program F50 or Benefit Program F55, or a combination thereof, are adopted, the required period of credited service which shall be applicable to the benefit program.

(6) Subject to sections 43 and 43A, a participating municipality or participating court may adopt Benefit Program DROP+ if, on the date of the resolution adopting Benefit Program DROP+, the total percent funded for the entire municipality or court, based on the ratio of valuation assets to actuarial accrued liabilities as of the most recent annual actuarial valuation report for the municipality or court, is at least 60% *prior to July 1, 2009, and 80%* funded prior to *July 1,* 2012, and 100% funded commencing July 1, 2012*, as provided in section 43C.* In the adoption resolution, the participating municipality or participating court shall specify the DROP+ Percentage, which shall be one of the following whole number percentages: 4%, 5%, 6%, 7%, or 8%. Upon retirement under this section, a member who is covered under Benefit Program DROP+ may elect to receive a portion of the member's retirement allowance in a lump sum distribution, and the balance as a reduced retirement allowance. The following conditions apply:

(a) The election of a lump sum distribution and the selection of the amount of the lump sum distribution shall be in writing and filed with the Retirement Board on or after the date of filing of the application for retirement but before the date the first retirement allowance payment is made.

(b) Subject to the conditions in paragraph (c) of this subsection, the amount of the lump sum distribution shall be a multiple of 12, 24, 36, 48, or 60 times the member's monthly retirement allowance provided under subsections (2) and (3) of this section; however, if the member is covered under Benefit Program C-2, as provided in section 19, the amount of the lump sum distribution shall be a multiple of 12, 24, 36, 48, or 60 times the monthly retirement allowance averaged over the first 120 months of retirement, excluding any retirement allowance increases under Benefit Program E, as provided in section 20, or Benefit Program E-1, as provided in section 21, or Benefit Program E-2, as provided in section 22.

(c) **The number of months of retirement allowance included in the lump sum distribution shall not exceed the number of complete calendar months between the date the member first attained full retirement age as determined under subsection (4) or (5) of this section, and the date of retirement; provided that the date of attainment of full retirement age shall be based on benefit programs in effect on the date of retirement and credited service imputed from the credited service at retirement using the assumption that one month of credited service is acquired each calendar month before retirement.**

(d) **The reduced retirement allowance shall be equal to the member's retirement allowance provided under subsections (2) and (3) of this section reduced by one of the following percentages:**

(i) **The DROP+ Percentage, if the lump sum distribution includes 12 months of benefits.**

(ii) **Two (2) times the DROP+ Percentage, if the lump sum distribution includes 24 months of benefits.**

(iii) **Three (3) times the DROP+ Percentage, if the lump sum distribution includes 36 months of benefits.**

(iv) **Four (4) times the DROP+ Percentage, if the lump sum distribution includes 48 months of benefits.**

(v) **Five (5) times the DROP+ Percentage, if the lump sum distribution includes 60 months of benefits.**

(e) **The member shall elect 1 or a combination of the following methods of distribution of the lump sum distribution, to the extent allowed by federal law and subject to procedures established by the Retirement Board:**

(i) **Payment of the lump sum distribution to the member.**

(ii) **To the extent allowed by federal law and subject to procedures established by the Retirement Board, the lump sum distribution shall be considered an eligible rollover distribution.**

(f) **In the event any alteration of this subsection (6) is made or occurs, under section 43B of the Plan Document concerning collective bargaining or under any other plan provision or law, adoption of DROP+ shall not be recognized, other than in accordance with this subsection.**

History: 1989 PA 51, Eff. June 12, 1989, and Plan Document of 1996.

Note 1: Bold text paragraph following subsection (1)(c), and bold text in last sentence of subsection (4), added by Board action of August 23, 2000, with immediate effect as of October 1, 2000. See companion amendment to sections 4(1) and section 19A(12).

Note 2: Subsection (6) added by Board action of May 14, 2003, with immediate effect, along with companion amendments to sections 2C(7), 31(1) and 34; and addition of section 11(1)(p) and 11(2)(e).

Note 3: Former final clause in subparagraph (6)(c) concerning temporary DROP+ benefits under section 11, deleted by Board action of November 8, 2005, with immediate effect.

Note 4: Bold text in subsection (1) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1),

11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Note 5: ***Italicized language denotes changes by Board action of July 15, 2009, with the amendments effective as indicated below:***

-- in section 10(6) increased the minimum actuarial funded percentage requirement from 60% to 80% as provided in section 43C (amendment effective July 1, 2009); and

-- addition to section 19A(2) of new first sentence; amendment to subsection (9)(c); in subsection (12)(b) after "shall not," added "be less than 80% nor"; in subsection (13), deleted adjective "previously" before "acquired", and in subsection (13)(a) changed "a" to "any" (amendments effective July 1, 2009); and

--amendments to sections 43 and 43A (effective October 1, 2009) (following Member Comment through September 1, 2009).

Important Comment: **As a continuing condition of MERS tax-qualified "governmental plan" status under Section 401(a) of the Internal Revenue Code, MERS Plan Document Section 55(1) provides: "The Retirement Board intends that the retirement system be a qualified pension plan under section 401 of the Internal Revenue Code and that the trust be an exempt organization under section 501 of the Internal Revenue Code. The Retirement Board shall administer the retirement system to fulfill this intent." A retirant is a person who has had a "bona fide termination of employment in which the employer/employee relationship is *completely severed"* (IRS Information Letter 2000-0245 (September 6, 2000); Revenue Ruling 74-254, 1974-1 CB 91); and where the person is currently receiving an accrued pension benefit payment immediately. Accordingly, to clearly show "complete severance," the employer should establish a minimum period following termination of employment of not less than 30 days before any formal actions necessary for new employment occur. Where there has been a bona fide severance of employment for at least 30 days, payment of a pension benefit during new employment is consistent with Plan Section 55(1). Where there is no bona fide termination of employment of at least 30 days before hiring, payment of a pension benefit would not be consistent with Section 55(1), could imperil MERS qualified plan status, and the rehired individual's receipt of benefits while reemployed subject to suspension by MERS. See also Michigan Attorney General Opinion #7167 (December 29, 2004). Source: MERS Legal Department February 2, 2005.**

Note 6: Subsection (6) (new language underlined) amended by Board action of July 13, 2011, to take effect October 1, 2011. On July 13, 2011 the Board also made the following fiscal responsibility related amendments (effective October 1, 2011) (new language underlined):

--section 19B(13)(c); and
-- section 43C introductory paragraph, and subsections (2) and (3).

Member Comment was requested by the Board on July 13, 2011, through September 1, 2011 on the prospective increase in the funding requirement.

Sec. 11. Adoption for Temporary Period of Benefit Programs or Combination of Benefit Programs; Contents of Resolution or Administrative Order; Retirement Under Section 10 During Temporary Period; Limitation.

(1) Subject to sections 43 and 43A, a participating municipality may by resolution of its governing body, or a participating court may by administrative order of its chief judge adopt for a temporary period any of the following benefit programs or any legitimate combination of the following benefit programs:

(a) Benefit Program E-2 under section 22.

(b) Benefit Program FAC-3 under section 2A(11)(b).

(c) Benefit Program F50 under section 10(4).

(d) Benefit Program F55 under section 10(4).

(e) Benefit Program B-1 under section 15.

(f) Benefit Program B-2 under section 16.

(g) Benefit Program B-3 under section 16A.

(h) Benefit Program B-4 under section 16B.

(i) Benefit Program C-New and C-Old under section 17.

(j) Benefit Program C-1 New and C-1 Old under section 18.

(k) Benefit Program C-2 under section 19.

(l) Benefit Program RS50% under section 23A.

(m) Benefit Program V-8 under section 10.

(n) Benefit Program V-6 under section 10.

(o) Benefit Program F(N) under section 10.

(p) Benefit Program DROP+ under section 10.

(2) The resolution or administrative order shall contain all of the following that are applicable:

(a) The benefit program or combination of benefit programs adopted under subsection (1).

(b) The beginning and ending dates of the temporary period selected under subsection (1). The temporary period selected shall be for not less than 60 days and not more than 180 days.

(c) The classification of members covered by the benefit program or combination of benefit programs for the temporary period under subsection (1).

(d) If Benefit Program F50, F55 or **F(N)** is adopted for a temporary period under subsection (1), the required period of credited service applicable to the benefit program.

(e) If Benefit Program DROP+ is adopted for a temporary period under subsection (1) of this section, the DROP+ Percentage, which shall be one of the following whole number percentages: 4%, 5%, 6%, 7%, or 8%.

(3) A member who is in the classification of members covered under the benefit program or combination of benefit programs for the temporary period under this section and who retires under section 10 during the temporary period shall receive a retirement allowance computed pursuant to the benefit program or combination of benefit programs adopted for the temporary period.

(4) A participating municipality or a participating court shall not adopt a temporary period under this section for the same classification of members on more than two (2) occasions in any period of five (5) consecutive calendar years. A participating municipality or a participating court shall not adopt a temporary period under this section for members covered by Benefit Program DC **or Benefit Program H.**

History: 1995 PA 191, Eff. Nov. 7, 1995, and Plan Document of 1996.

Note 1: Subparagraphs (1)(m) and (n) added by Board action of August 20, 1998, with immediate effect.

Note 2: Subparagraph (1)(o) and bold text in 2(d) added by Board action of November 19, 1998, with immediate effect.

Note 3: Bold text in subparagraphs 1(p) and 2(e) added by Board action of May 14, 2003, with immediate effect, along with companion amendments to sections 2C(7), 31(1) and 34; and addition of section 10(6).

Note 4: Bold text in subsection (4) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a)

Sec. 12. Vested Former Member; Requirements.

(1) A member who ceases to be a member, for a reason other than retirement or death, is a vested former member if one (1) of the following requirements is met.

(a) The member has 10 or more years of credited service at the time the membership terminates.

(b) The member has 8 or more years of credited service and is covered under the termination of membership vesting Benefit Program V-8 at the time the membership terminates.

(c) The member has 6 or more years of credited service and is covered under the termination of membership vesting Benefit Program V-6 at the time the membership terminates.

(d) The member is covered under Benefit Program DC **or Benefit Program H** at the time the membership terminates**; however, a member covered under Benefit Program H must have 6 or more years of credited service at the time the membership terminates in order to receive any benefits under the defined benefit component of Benefit Program H.**

(2) A vested former member may retire upon satisfaction of the requirements of section 10 **or section 19B**. The benefit programs applicable to a vested former member shall be determined as of the date of termination of membership and shall not be affected by a subsequent change in benefit programs applicable to the classifications held by the vested former member.

History: 1989 PA 51, Eff. June 12, 1989, and Plan Document of 1996.

Note: Bold text in subsection (1)(d) and (2) revised March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Sec. 13. Benefit Program A; Retirement Allowance.

The amount of retirement allowance under Benefit Program A shall be 1% of the member's or former vested member's final average compensation multiplied by the member's credited service. This benefit program shall cease to be available for selection after January 2, 1986.

History: 1984 PA 427, Eff. Jan 2, 1985, and Plan Document of 1996.

Sec. 14. Benefit Program B; Retirement Allowance.

(1) The amount of a retirement allowance under Benefit Program B shall be the sum of benefit components (i), (ii), (iii), and (iv), described as follows:

(a) Benefit component (i) is the amount of retirement allowance which has the same actuarial present value as the member's accumulated contributions as of the date of retirement.

(b) Benefit component (ii) is $120.00.

(c) Benefit component (iii) is 0.84% of the member's final average compensation multiplied by the member's membership service.

(d) Benefit component (iv) is 1.13% of the member's final average compensation multiplied by the member's prior service.

(2) Benefit component (ii) shall be the obligation of the last participating municipality to cover the member under Benefit Program B.

(3) Benefit Program B shall cease to be available for selection after January 2, 1986.

(4) For purposes of this section, "member" includes vested former member.

History: 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996.

Sec. 15. Benefit Program B-1; Retirement Allowance.

(1) The amount of a retirement allowance under Benefit Program B-1 shall be 1.7% of the member's final average compensation multiplied by the member's credited service.

(2) The amount of retirement allowance shall not be less than the amount of retirement allowance computed according to Benefit Program B if the participating municipality previously covered the member under Benefit Program B.

(3) For purposes of this section, "member" includes vested former member.

History: 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996.

Sec. 16. Benefit Program B-2; Retirement Allowance.

(1) The amount of a retirement allowance under Benefit Program B-2 shall be 2% of the member's final average compensation multiplied by the member's credited service.

(2) For purposes of this section, "member" includes vested former member.

History: 1986 PA 291, Eff. Dec. 22, 1986, and Plan Document of 1996.

Sec. 16A. Benefit Program B-3; Retirement Allowance.

(1) The amount of a retirement allowance under Benefit Program B-3 shall be 2.25% of the member's final average compensation multiplied by the member's credited service, subject to the maximum stated in subsection (2).

(2) The amount of retirement allowance under Benefit Program B-3 shall not exceed 80% of the member's final average compensation, or the amount of retirement allowance the member would have been entitled to had the member continued to be covered by the benefit program in effect immediately before coverage by Benefit Program B-3, whichever is greater.

(3) For purposes of this section, "member" includes vested former member.

History: 1986 PA 291, Eff. Dec. 22, 1986, and Plan Document of 1996.

Sec. 16B. Amount of Retirement Allowance Under Benefit Program B-4.

(1) The amount of a retirement allowance under Benefit Program B-4 shall be 2.5% of the member's final average compensation multiplied by the member's credited service, subject to the maximum stated in subsection (2).

(2) The amount of retirement allowance under Benefit Program B-4 shall not exceed 80% of the member's final average compensation, or the amount of retirement allowance the member would have been entitled to had the member continued to be covered by the benefit program in effect immediately before coverage by Benefit Program B-4, whichever is greater.

(3) For purposes of this section, "member" includes vested former member.

History: 1990 PA 99, Eff. June 7, 1990, and Plan Document of 1996.

Sec. 17. Benefit Program C-New and C-Old; Retirement Allowance.

(1) The amount of retirement allowance under Benefit Program C-New shall be 1.3% of the member's final average compensation multiplied by the member's credited service.

(2) The amount of retirement allowance under Benefit Program C-Old shall be the sum of benefit components (a) and (b), described as follows:

(a) 1% of the first $4,200.00 of the member's final average compensation multiplied by the member's credited service.

(b) 1.5% of the portion, if any, of the member's final average compensation in excess of $4,200.00 multiplied by the member's credited service.

(3) Benefit Program C-Old shall cease to be available for selection after January 2, 1986.

(4) For purposes of this section, "member" includes vested former member.

History: 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996.

Sec. 18. Benefit Program C-1 New and C-1 Old; Retirement Allowance.

(1) The amount of retirement allowance under Benefit Program C-1 New shall be 1.5% of the member's final average compensation multiplied by the member's credited service.

(2) The amount of retirement allowance under Benefit Program C-1 Old shall be the sum of benefit components (a) and (b):

(a) 1.2% of the first $4,200.00 of the member's final average compensation multiplied by the member's credited service; and

(b) 1.7% of the portion, if any, of the member's final average compensation in excess of $4,200.00 multiplied by the member's credited service.

(3) Benefit Program C-1 Old shall cease to be available for selection after January 2, 1986.

(4) For purposes of this section, "member" includes vested former member.

History: 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996.

Sec. 19. Benefit Program C-2; Adoption; Retirement Allowance.

(1) Benefit Program C-2 shall be adopted only as a supplement to Benefit Programs A, C, C-1 and B-1. The amount of retirement allowance under Benefit Program C-2 shall be the amount which, when added to the amount of the Benefit Program A, C, C-1, or B-1 retirement allowance, will produce a total retirement allowance of 2% of the member's final average compensation multiplied by the member's credited service.

(2) A Benefit Program C-2 retirement allowance shall be paid only for periods during which 1 of the following conditions exists:

(a) The retirement allowance is being paid pursuant to section 10 and the member has not attained the age at which an unreduced social security old age benefit is available.

(b) The retirement allowance is being paid pursuant to section 24 and the member is not being paid a monthly social security disability benefit.

(c) The retirement allowance is being paid pursuant to section 26, 27 or 28 on account of the member's death and the recipient beneficiary is not being paid a monthly social security survivor benefit. The recipient beneficiary's monthly social security survivor benefit shall be presumed payable not later than the beneficiary's attainment of the age at which an unreduced social security survivor benefit would be available in the absence of the beneficiary's own earnings related social security old age benefit.

(3) For purposes of this section, "member" includes vested former member.

History: 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996.

Sec. 19A. 2010 Restatement of Benefit Program DC (Defined Contribution); Adoption; Contribution; Distribution.

This Section 19A, together with the MERS Defined Contribution Program Adoption Agreement ("Adoption Agreement"), the MERS Restated Uniform Defined Contribution Program Resolution ("Resolution"), and the Declaration of Trust, constitute the entire MERS Benefit Program DC Plan Document ("Benefit Program DC" or "defined contribution plan"). The defined contribution plan is a benefit program option under the Municipal Employees' Retirement System of Michigan Plan Document ("MERS Plan Document" or "Plan Document").

(1) This 2010 restatement of section 19A applies to a member covered exclusively by Benefit Program DC. This section as restated repeals and replaces predecessor section 19A. The entirety of former section 19A in effect as of September 15, 2009 Restatement, *and the 2009 Restatement of section 19A prior to the May 12, 2010 revision*, shall be placed in the Appendix to Plan Document.

(2) In the event any alteration of any provision of this section 19A, or other sections of the Plan Document related to the provisions of Benefit Program DC is made or occurs, under section 43B of the Plan Document concerning collective bargaining or under any other plan provision or law, adoption of Benefit Program DC shall not be recognized, other than in accordance with this section and other sections of the Plan Document related to the provisions of Benefit Program DC.

(3) Where a member has acquired in the employ of any participating municipality or participating court:

(a) not less than 1 year of defined benefit service (including Benefit Program H) in force with any participating municipality or participating court ("court");

(b) eligible credited service where the participating municipality or court has adopted the Reciprocal Retirement Act, 1961 PA 88;

(c) at least 12 months in which employer contributions by a participating municipality or court have been made on behalf of the member under Benefit Program DC or Benefit Program H;

such service shall be applied toward satisfying the vesting schedule under both the Benefit Program H Defined Benefit Component and for employer contributions under Benefit Program DC and Benefit Program H Defined Contribution Component.

The group or groups of members eligible to participate in Benefit Program DC are those members specified in the Adoption Agreement.

<u>DEFINED CONTRIBUTION--NEW HIRES ONLY (subsections (4) – (17))</u>

(4) A participating municipality or court may adopt Benefit Program DC for new hires only **where actuarially funded at least** 80% as provided in section 43C (without application of the last sentence of subsections 43C(2) and 43C(3))**, conditioned upon compliance with the Amended Amortization Policy For Closed Divisions Within Open Municipalities.** (Form 91) **The 80% funded level requirement shall apply, notwithstanding the July 13, 2011 amendments to section 43C increasing the funded requirements for benefit changes to 100% effective July 1, 2012.** In the Resolution adopting Benefit Program DC, the member's municipality or court shall provide for the contribution of a percentage of the member's compensation to the retirement system. *Specific contribution amounts shall be specified in the Adoption Agreement for each plan year.* The municipality or court shall choose the percentage

from the available contribution programs. The contribution programs available for selection are any percentage of compensation allowed by federal law. The municipality or court shall choose the same contribution rate for all members in the same benefit program coverage classification. The Retirement Board shall determine the timing and mechanism for the remittance of employer contributions. The Retirement Board may establish a program for making transfers from the reserve for employer contributions **and benefit payments** to the reserve for defined contribution plan for the purpose of meeting all or a part of the municipality's or court's contribution under this subsection. *Contributions shall be contributed to the Trust in accordance with the payment schedule set forth in the Adoption Agreement. If so elected by the employer in the Adoption Agreement, a member shall be required to make contributions as provided in subsection (5) and in the Adoption Agreement in order to be eligible for employer contributions to be made on his/her behalf to the defined contribution plan.*

To the extent required under Section 415(c) of the Internal Revenue Code of 1986 ("Code"), in no event shall the Annual Addition for a member for any plan year exceed the lesser of:

(a) Forty Thousand Dollars ($40,000) (as increased by the cost-of-living in accordance with Code Section 415(d)); or

(b) One hundred percent (100%) of the Compensation of such member received from an employer during the plan year. The Compensation limit described in this paragraph (b) shall not apply to any contribution for medical benefits after separation from service (within the meaning of Code Section 401(h) or Code Section 419A(f)(2)) which is otherwise treated as an Annual Addition.

The defined contribution plan shall be administered so as to comply with the limitations of Code Section 415. Notwithstanding anything in this subsection (4), the contributions on behalf of any member shall be reduced to the extent necessary to comply with such limitations.

(c) For purposes of this subsection, the following definitions apply:

(i) Annual Addition: The sum of the following amounts credited to a member's account for the Limitation Year:

- *Employer contributions;*
- *Forfeitures;*
- *Employee contributions; and*
- *Allocations under a simplified employee pension.*

Amounts allocated, after March 31, 1984, to an individual medical account, as defined in section 415(l)(2) of the Code, which is part of a pension or annuity plan maintained by the employer, are treated as Annual Additions to a defined contribution plan.

(ii) Compensation: For purposes of applying section 415(c) of the Internal Revenue Code and for no other purpose, the definition of compensation where applicable will be compensation actually paid or made available during a limitation year, except as noted below and as permitted by Treasury Regulation section 1.415(c)-2, or successor regulation; provided, however, that member contributions picked up under section 414(h) of the Internal Revenue Code shall not be treated as compensation.

Compensation generally has the meaning set forth under Section 2A(6) of the MERS Plan Document and will be defined as wages within the meaning of section 3401(a) of the Internal Revenue Code and all other payments of compensation to an employee by an employer for which the employer is required to furnish the employee a written statement under sections 6041(d), 6051(a)(3) and 6052 of the Internal Revenue Code and will be determined without regard to any rules under section 3401(a) of the

Internal Revenue Code that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in section 3401(a)(2) of the Internal Revenue Code).

However, for limitation years beginning after December 31, 1997, compensation will also include amounts that would otherwise be included in compensation but for an election under section 125(a), 402(e)(3), 402(h)(1)(B), 402(k), or 457(b) of the Internal Revenue Code. For limitation years beginning after December 31, 2000, compensation shall also include any elective amounts that are not includible in the gross income of the member by reason of section 132(f)(4) of the Internal Revenue Code.

For limitation years beginning on and after January 1, 2009, compensation for the limitation year shall also include compensation paid by the later of 2½ months after a member's severance from employment or the end of the limitation year that includes the date of the member's severance from employment if:

- *the payment is regular compensation for services during the member's regular working hours, or compensation for services outside the member's regular working hours (such as overtime or shift differential), commissions, bonuses or other similar payments, and, absent a severance from employment, the payments would have been paid to the member while the member continued in employment with the employer; or*
- *the payment is for unused accrued bona fide sick, vacation or other leave that the member would have been able to use if employment had continued; or*
- *payments pursuant to a nonqualified unfunded deferred compensation plan, but only if the payments would have been paid to the member at the same time if the member had continued employment with the employer and only to the extent that the payment is includible in the member's gross income.*

Any payments not described above are not considered compensation if paid after severance from employment, even if they are paid within 2½ months following severance from employment, except for payments to the individual who does not currently perform services for the employer by reason of qualified military service (within the meaning of section 414(u)(1) of the Internal Revenue Code) to the extent these payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the employer rather than entering qualified military service.

An employee who is in qualified military service (within the meaning of section 414(u)(1) of the Internal Revenue Code) shall be treated as receiving compensation from the employer during such period of qualified military service equal to (i) the compensation the employee would have received during such period if the employee were not in qualified military service, determined based on the rate of pay the employee would have received from the employer but for the absence during the period of qualified military service, or (ii) if the compensation the employee would have received during such period was not reasonably certain, the employee's average compensation from the employer during the twelve (12) month period immediately preceding the qualified military service (or, if shorter, the period of employment immediately preceding the qualified military service).

Back pay, within the meaning of Treasury Regulation section 1.415(c)-2(g)(8), shall be treated as compensation for the limitation year to which the back pay relates to the extent the back pay represents wages and compensation that would otherwise be included under this definition.

For limitation years beginning on or after January 1, 2009, a member's compensation for purposes of subsection (k) shall not exceed the annual limit under section 401(a)(17) of the Internal Revenue Code.

(iii) Limitation Year: A calendar year, or the twelve (12) consecutive month period elected by the employer in the Adoption Agreement.

(5) Member Contributions. *If the employer so elects in the Adoption Agreement, each eligible member shall make contributions at a rate prescribed by the employer or at any of a range of specified rates, as set forth by the employer in the Adoption Agreement, as a requirement for his/her participation in the defined contribution plan. Once an eligible member becomes a participant, he/she shall not thereafter have the right to discontinue or vary the rate of such mandatory participant contributions. Such contributions shall be accounted for separately in the participant contribution account. Such account shall be at all times nonforfeitable by the member.*

If the employer so elects in the Adoption Agreement, the mandatory participant contributions shall be "picked up" by the employer in accordance with Code section 414(h)(2). The contributions so picked up shall be treated as an employer contributions pursuant to Internal Revenue Code Section 414(h)(2). The employer shall pay these picked-up contributions directly to the System, instead of paying such amounts to the participants, and such contributions shall be paid from the same funds that are used in paying salaries to the participants. Such contributions, although designated as employee contributions, shall be paid by the employer in lieu of contributions by participants. Participants may not elect to receive such contributions directly instead of having them paid by the employer to the System. Employee contributions so picked up shall be treated for all purposes of the Plan Document and Michigan law, other than federal tax law, in the same manner as employee contributions made before the date picked up.

A member may *also* voluntarily contribute additional amounts *on an after-tax basis* to his or her individual account in the reserve for defined contribution plan *for any plan year in any amount* to the extent allowed by federal law and subject to procedures established by the Retirement Board. A member may roll over qualified distributions from other qualified retirement plans into this retirement system, to the extent allowed by federal law *and as specified in the Adoption Agreement.* A member is immediately 100% vested in the member's accumulated balance *for all member contributions*.

(6) Employer Contributions. A member vests in employer contributions as provided in the vesting schedule adopted by the employer *in the Adoption Agreement*, subject to subsection (3). The vesting schedule may provide for one of the following:

(a) Immediate Vesting upon Participation; or

(b) 100% Vesting after Stated Year (participant is 100% Vested after not to exceed maximum 5 Years of Service ("cliff" vesting)); or

Stated Year (circle): 1 2 3 4 5

(c) Graded Vesting Percentage Per Year of Service (not to exceed maximum 6 Years of Service for 100% Vesting, nor be less than stated minimums below)

_____ % after 1 Year of Service.

_____ % after 2 Years of Service.

_____ % (not less than 25%) after 3 Years of Service.

_____ % (not less than 50%) after 4 Years of Service.

_____ % (not less than 75%) after 5 Years of Service.

_____ % (not less than 100%) after 6 Years of Service.

Notwithstanding the above, a member shall be vested in his/her entire employer contribution account, to the extent that the balance of such account has not previously been forfeited, if he/she is employed on or after his/her Normal Retirement Age. "Normal Retirement Age" is age 60 or as otherwise specified in the Adoption Agreement.

In addition, notwithstanding the above, in the event of disability or death, a member or his/her beneficiary shall be vested in his/her entire employer contribution account, to the extent that the balance of such account has not previously been forfeited as described below.

(7) *Forfeitures. Except as provided above or as otherwise provided in this paragraph, a member who separates from service prior to obtaining full vesting shall forfeit that percentage of his/her employer contribution account balance which has not vested as of the date such member incurs a break in service of five (5) consecutive years or, if earlier, the date such member receives, or is deemed to have received, distribution of the entire vested interest in his/her employer contribution account.*

(8) *Availability of Loans to Participants. If the employer has elected in the Adoption Agreement to make loans available to participants, a participant may apply for a loan from the defined contribution plan pursuant to uniform guidelines that have been approved by the plan administrator and subject to Internal Revenue Code Section 72(p).*

The employer shall establish a written policy governing the granting of loans that is not inconsistent with the provisions of the defined contribution plan, and which makes loans available to all participants on a reasonably equivalent basis.

(9) *Military Service. Notwithstanding any provisions of this defined contribution plan to the contrary, contributions, benefits, and service credit with respect to qualified military service will be provided in accordance with the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA"); Code Section 414(u); and effective January 1, 2007, Code Section 401(a)(37), as amended from time to time.*

If the employer has elected in the Adoption Agreement to make loans available to participants, loan repayments will be suspended under the defined contribution plan as permitted under section 414(u)(4) of the Code.

Beginning January 1, 2009, to the extent required by section 414(u)(12) of the Internal Revenue Code, an individual receiving differential wage payments (as defined under section 3401(h)(2) of the Internal Revenue Code) from an employer shall be treated as employed by that employer, and the differential wage payment shall be treated as compensation for purposes of applying the limits on annual additions under section 415(c) of the Internal Revenue Code. This provision shall be applied to all similarly situated individuals in a reasonably equivalent manner.

(10) *Investments.*

(a) The Retirement Board may contract with private investment managers to invest the assets in the reserve for defined contribution plan. A member, vested former member, and beneficiary may direct the investment of the individual's accumulated balance to 1 or more of the available categories of investment provided by the investment managers*;*

provided, however, that the member's investment directions shall not violate any investment restrictions established by the employer and shall not include any investment in collectibles, as defined in Section 408(m) of the Code. At least 3 categories of investment shall be made available to members, vested former members, and beneficiaries:

(i) Short-term securities.

(ii) Fixed income securities.

(iii) Equity securities.

(b) The Retirement Board shall determine the investment category for the accumulated balance of a member, vested former member, or beneficiary, if that individual does not choose to direct his or her own investments under subsection (10)(a).

(11) Beneficiaries.

(a) Upon the death of a member or vested former member, the accumulated balance of the deceased member or deceased vested former member is considered to belong to the beneficiary or beneficiaries, if any, nominated by the deceased member or deceased vested former member.

(b) To nominate a beneficiary or beneficiaries, a member shall file a written nomination with the Retirement Board, based on procedures established by the Retirement Board. Written consent by the member's spouse to the beneficiary named is required unless the spouse is beneficiary to 100% of the balance; this requirement may be waived by the Retirement Board if the signature of the member's spouse cannot be obtained because of extenuating circumstances.

(12) Distributions.

(a) Forms of Benefit. Upon termination of membership, a vested former member or a beneficiary, as applicable, shall elect 1 or a combination of several of the following methods of distribution of the vested former member's or beneficiary's accumulated balance, to the extent allowed by federal law and subject to subsection (11)(b) and procedures established by the Retirement Board:

(i) Lump sum distribution to the vested former member or beneficiary.

(ii) Lump sum direct rollover to another eligible retirement plan, to the extent allowed by federal law.

(iii) Annuity for the life of the vested former member or beneficiary.

(iv) Annuity for the joint lives of the vested former member and a beneficiary.

(v) A period certain not extending beyond the life expectancy of the vested former member.

(vi) A period certain not extending beyond the life expectancy of the join and last survivor expectancy of the vested former member and a beneficiary.

(vii) No distribution, in which case the accumulated balance shall remain in the retirement system, to the extent allowed by federal law.

(b) Commencement of Benefits. A participant who retires, becomes disabled or incurs a severance from employment for any other reason may elect by written notice to the plan administrator to have his or her vested account balance benefits commence on any

date, provided that such distribution complies with the following paragraph. A participant will be considered to be disabled if he or she is unable to engage in any substantial gainful activity due to any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration, as provided in Internal Revenue Code Section 72(m)(7). For purposes of this Section, whether a disability exists shall be determined by the Employer.

Notwithstanding anything to the contrary in this section, if the value of a participant's vested account balance is greater than $1,000, and the account balance is immediately distributable, the participant must consent to any distribution of such account balance. The participant's consent shall be obtained in writing during the ninety (90) day period ending on the date as of which benefit payments are to commence. No consent shall be required, however, to the extent that a distribution is required to satisfy Section 401(a)(9) or 415 of the Code.

A participant may upon written request withdraw a part of or the full amount of his/her voluntary contribution account. Such withdrawals may be made at any time, provided that no more than two (2) such withdrawals may be made during any calendar year. No forfeiture will occur solely as the result of any such withdrawal.

Where elected by the employer in the Adoption Agreement, a participant that has a separate account attributable to rollover contributions to the defined contribution plan, may at any time elect to receive a distribution of all or any portion of the amount held in the rollover account.

Unless otherwise elected by the employer in the Adoption Agreement, a participant who has reached age seventy and one-half (70½) regardless of his/her vested interest in his/her entire employer contribution account, shall, upon written request, receive a distribution of a part of or the full amount of the balance in any or all of his/her vested accounts. Such distributions may be requested at any time, provided that no more than two (2) such distributions may be made during any calendar year.

Notwithstanding anything to the contrary in this section, benefits shall begin no later than the participant's required beginning date, or as otherwise provided in the defined contribution plan. The "required beginning date" is April 1 of the calendar year following the later of the calendar year in which the participant attains age seventy and one-half (70½), or the calendar year in which the participant retires.

(c) Distribution Requirements. Pursuant to Section 23(9) of the MERS Plan Document, the retirement system will pay all benefits in accordance with a good faith interpretation of the requirements of section 401(a)(9) of the Internal Revenue Code and the regulations in effect under that section, as applicable to a governmental plan within the meaning of section 414(d) of the Internal Revenue Code.

The participant's entire interest will be distributed, or begin to be distributed, to the participant no later than the participant's required beginning date.

If the participant dies before distributions begin, the participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(i) If the participant's surviving spouse is the participant's sole designated beneficiary, then, distributions to the surviving spouse will begin by December 31

of the calendar year immediately following the calendar year in which the participant died, or by December 31 of the calendar year in which the participant would have attained age seventy and one-half (70½), if later.

(ii) If the participant's surviving spouse is not the participant's sole designated beneficiary, then distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the participant died.

(iii) If there is no designated beneficiary as of September 30 of the year following the year of the participant's death, the participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the participant's death.

(iv) If the participant's surviving spouse is the participant's sole designated beneficiary and the surviving spouse dies after the participant but before distributions to the surviving spouse begin, this subsection, other than paragraph (i), will apply as if the surviving spouse were the participant.

For purposes of this section, unless paragraph (iv) above applies, distributions are considered to begin on the participant's required beginning date. If paragraph (iv) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under paragraph (i). If distributions under an annuity purchased from an insurance company irrevocably commence to the participant before the participant's required beginning date (or to the participant's surviving spouse before the date distributions are required to begin to the surviving spouse under paragraph (i)), the date distributions are considered to begin is the date distributions actually commence.

(d) 2009 Distributions. Notwithstanding any other provision herein, a participant or beneficiary who would have been required to receive a minimum required distribution during 2009 and who would have satisfied that requirement with a distribution equal to the 2009 minimum required distribution or with a payment that was part of a series of substantially equal periodic payments received that distribution unless the participant or beneficiary chose not to receive such distribution. Participants and beneficiaries were given the opportunity to elect to not receive such distribution during 2009.

(13) Eligible Rollover Distributions. For purposes of compliance with section 401(a)(31) of the Internal Revenue Code, this section and Sections 2A(7)-(10) and 55(10) of the MERS Plan Document apply notwithstanding any contrary provision or retirement law that would otherwise limit a distributee's election to make a rollover. A distributee may elect, at the time and in the manner prescribed by the board, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

"Direct rollover" means a payment by the plan to the eligible retirement plan specified by the distributee.

"Distributee" means an employee or former employee. It also includes the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Internal Revenue Code. Effective January 1, 2007, a distributee further includes a nonspouse beneficiary who is a designated beneficiary as defined by section 401(a)(9)(E) of the Internal Revenue Code. However, a nonspouse beneficiary may only make a direct rollover to an individual retirement account or individual retirement annuity established for the purpose of

receiving the distribution, and the account or annuity will be treated as an "inherited" individual retirement account or annuity.

"Eligible retirement plan" means any of the following that accepts the distributee's eligible rollover distribution:

(a) a qualified trust described in section 401(a) of the Internal Revenue Code;

(b) an annuity plan described in section 403(a) of the Internal Revenue Code;

(c) effective January 1, 2002, an annuity contract described in section 403(b) of the Internal Revenue Code;

(d) an individual retirement account described in section 408(a) of the Internal Revenue Code;

(e) an individual retirement annuity described in section 408(b) of the Internal Revenue Code;

(f) effective January 1, 2008, a Roth IRA described in section 408A of the Internal Revenue Code; or

(g) effective January 1, 2002, a plan eligible under section 457(b) of the Internal Revenue Code that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or a political subdivision of a state that agrees to separately account for amounts transferred into that plan from the retirement system.

"Eligible rollover distribution" means any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or the life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Internal Revenue Code; the portion of any distribution that is not includible in gross income; and any other distribution which the Internal Revenue Service does not consider eligible for rollover treatment, such as certain corrective distributions necessary to comply with the provisions of section 415 of the Internal Revenue Code or any distribution that is reasonably expected to total less than $200 during the year. Effective January 1, 2002, a portion of a distribution will not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions that are not includible in gross income. However, such portion may be transferred only (i) to an individual retirement account or annuity described in section 408(a) or (b) of the Internal Revenue Code or to a qualified defined contribution plan described in section 401(a) of the Internal Revenue Code, **that agrees to separately account for amounts so transferred (and earnings thereon), including separately accounting for the portion of the distribution that is includible in gross income and the portion of the distribution that is not so includible** *; (ii) on or after January 1, 2007, to a qualified defined benefit plan described in section 401(a) of the Internal Revenue Code or to an annuity contract described in section 403(b) of the Internal Revenue Code, that agrees to separately account for amounts so transferred (and earnings thereon), including separately accounting for the portion of the distribution that is includible in gross income and the portion of the distribution that is not so includible; or (iii) on or after January 1, 2008, to a Roth IRA described in section 408A of the Internal Revenue Code. Effective January 1, 2002, the definition of eligible rollover distribution also includes a distribution to a surviving spouse, or to a spouse or former spouse who is an alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Internal Revenue Code.*

(14) Eligible Domestic Relations Orders. Pursuant to Section 53(2)-(3) of the MERS Plan Document, the right of an individual to a retirement allowance, to the return of accumulated contributions, the retirement allowance itself, or any other benefit under this Plan is subject to award by a court pursuant to section 18 of chapter 84 of the Revised Statutes of 1846, being section 552.18 of the Michigan Compiled Laws, and to any other order of a court pertaining to alimony or child support. The right of an individual to a retirement allowance, to the return of accumulated contributions, the retirement allowance itself, or any other benefit under this Plan is subject to an eligible domestic relations order under the Eligible Domestic Relations Order Act. However, this subsection does not permit or require a benefit to be paid or to be provided that is not otherwise available under the terms of this Plan.

If an award or order described above requires the retirement system to withhold payment of a pension, deferred pension, accumulated contributions, or other benefit from the person to whom it is due or requires the retirement system to make payment or requires the person to request that the retirement system make payment of a pension, deferred pension, accumulated contributions, or other benefit, for the purpose of meeting the person's obligations to a spouse, former spouse or child, as provided above, the withholding or payment provisions of the award or order shall be effective only against such amounts as they become payable to the person receiving a retirement allowance unless otherwise provided in an eligible domestic relations order under the Eligible Domestic Relations Order Act.

(15) Plan Amendment.

(a) Amendment by Employer. The employer reserves the right, subject to the following paragraphs, to amend the defined contribution plan from time to time by either:

(i) Filing an amended Adoption Agreement to change, delete, or add any optional provision; or

(ii) Continuing the defined contribution plan in the form of an amended and restated defined contribution plan and Trust.

No amendment to the defined contribution plan shall be effective to the extent that it has the effect of decreasing a participant's accrued benefit.

No amendment to the defined contribution plan shall be effective to eliminate or restrict an optional form of benefit. The preceding sentence shall not apply to a defined contribution plan amendment that eliminates or restricts the ability of a participant to receive payment of his or her account balance under a particular optional form of benefit if the amendment provides a single-sum distribution form that is otherwise identical to the optional form of benefit being eliminated or restricted.

(b) Amendment of Vesting Schedule. If the defined contribution plan's vesting schedule is amended, or the defined contribution plan is amended in any way that directly or indirectly affects the computation of the participant's nonforfeitable percentage, each participant may elect, within a reasonable period after the adoption of the amendment or change, to have the nonforfeitable percentage computed under the defined contribution plan without regard to such amendment or change.

(16) Plan Termination.

(a) Termination by Retirement Board. The Retirement Board reserves the right to terminate this defined contribution plan. However, in the event of such termination no

part of the Trust shall be used or diverted to any purpose other than for the exclusive benefit of the participants or their beneficiaries, except as provided in this subsection.

(b) Termination by Employer. Upon compliance with section 44(1) or 44A(1) of the MERS Plan Document, a participating municipality or court may terminate participation in this defined contribution plan. No termination of MERS participation is required where the employer replaces this defined contribution plan with MERS Benefit Program H (Hybrid).

(c) Upon plan termination or partial termination under subparagraphs (a) or (b), all account balances shall be valued at their fair market value and the participant's right to his/her employer contribution account shall be one hundred percent (100%) vested and nonforfeitable. Such amount and any other amounts held in the participant's other accounts shall be maintained for the participant until paid pursuant to the terms of the defined contribution plan.

(17) Discontinuance of Contributions. A permanent discontinuance of contributions to the defined contribution plan by the employer, unless an amended and restated plan is established, shall constitute a plan termination. In the event of a complete discontinuance of contributions under the defined contribution plan, the account balance of each affected participant shall be nonforfeitable.

MERS DEFINED CONTRIBUTION--CONVERSION FOR CURRENT MEMBERS IN MERS DEFINED BENEFIT PROGRAM (subsections (18) – (21))

(18) In the resolution adopting Benefit Program DC for new hires, the participating municipality or court may provide an opportunity for current members of the retirement system to elect coverage under Benefit Program DC if each of the following conditions are met:

(a) The member's municipality or court elects under Section 43 or 43A to change the benefit program from a benefit program other than Benefit Program DC to Benefit Program DC, for members in a benefit program coverage classification who are first hired after the effective date of the change.

(b) On the effective date of the change to Benefit Program DC, the member is a member of the retirement system and is in the benefit program coverage classification described in subdivision (a).

(c) On the date of the resolution adopting Benefit Program DC, the total funded percent of aggregate accrued liabilities and valuation assets of all reserves and for the member's defined benefit program coverage classification as specified in Table 13 (or successor table) of the most recent annual actuarial valuation report for the municipality or court shall be at least 80% funded as provided in section 43C (without application of the last sentence of subsections 43C(2) and 43C(3)). **The 80% funded level requirement shall apply, notwithstanding the July 13, 2011 amendments to section 43C increasing the funded requirements for benefit changes to 100% effective July 1, 2012.** The municipality or court may make additional contributions to the retirement system or reallocate assets among defined benefit program coverage classifications in order to meet the conditions of this subsection.

(d) The municipality or court shall comply with the Amended Amortization Policy For Closed Divisions Within Open Municipalities.(Form 91)

(19) The retirement system shall offer 1 opportunity for a member who satisfies the conditions of subsection (18) to elect coverage under Benefit Program DC, and once made, the election is irrevocable. The member shall make the election under this subsection in writing, based on procedures established by the Retirement Board. The Retirement Board shall begin accepting written elections from members on and after the effective date of the change of benefit program pursuant to subsection (18), and shall not accept written elections from members:

(a) Earlier than the end of the third month following the month in which the resolution is adopted and received by MERS; and

(b) Later than the first day of the first calendar month that is at least 6 months after MERS receipt of the resolution.

If the member is married at the time of election, the election is not effective unless the election is signed by the member's spouse, except that this requirement may be waived by the Retirement Board if the signature of the member's spouse cannot be obtained because of extenuating circumstances.

(20) A member who makes a written election under subsection (19) shall elect to do all of the following:

(a) Cease to be covered by the previous benefit program effective 12:01 a.m. on the first day of the first calendar month that is at least 6 months after the effective date of the change of benefit program.

(b) Become covered by Benefit Program DC effective 12:01 a.m. on the first day of the first calendar month that is at least 6 months after the effective date of the change of benefit program.

(c) Except as provided in subsection (21), waive all of his or her rights to a retirement allowance or any other benefit provided under the previous benefit program.

(21) For each member who, under subsection (19), elects coverage under Benefit Program DC, the Retirement Board shall transfer the following amounts from the reserve for employee contributions and the reserve for employer contributions and benefit payments to the reserve for defined contribution plan:

(a) The member's accumulated contributions, if any, as of 12:01 a.m. on the day the member becomes covered by Benefit Program DC shall be transferred from the reserve for employee contributions to the reserve for defined contribution plan.

(b) Pursuant to procedures established by the Retirement Board, the excess, if any, of the actuarial present value of the accrued benefit associated with the member's coverage under the previous benefit program, over the amount specified in subdivision (a), based upon the funded level percentage selected by the governing body in the MERS Uniform DC Program Resolution (which shall not be less than 80% nor exceed 100% funded level percentage in any case), shall be transferred from the reserve for employer contributions and benefit payments to the member's credit in the reserve for defined contribution plan. For purposes of this sub-paragraph:

(i) The actuarial present value shall be computed as of 12:01 a.m. on the day the member becomes covered by Benefit Program DC and shall be based on the actuarial assumptions adopted by the Retirement Board.

(ii) In determining final average compensation there shall not be included any accrued annual leave**, and the employer's defined benefit vesting schedule shall be disregarded**.

(iii) The earliest retirement date (for an unreduced benefit) assumption under the defined benefit program in effect on the effective date of the change of the benefit program shall be utilized.

(iv) For purposes of the actuarial present value calculation, any future benefit otherwise payable under Benefit Program E or E-1 shall be disregarded.

(v) Upon conversion, the total dollar amount of the present value calculated under (18)(c) above shall be immediately transferred or cash funded (or both) by the employer to the credit of the member in the reserve for defined contribution.

History: 1996 PA 220, Eff. Aug. 15, 1996, and Plan Document of 1996. Section 19A was enacted as part of the Plan Document of 1996, effective October 1, 1996. Section 19A became legally operative on July 8, 1997, the date on which the Internal Revenue Service issued its first Letter of Favorable Determination that the Plan Document conforms to all provisions of the Internal Revenue Code as a tax exempt governmental pension trust. The current IRS Favorable Determination Letter issued June 15, 2005, embracing all Plan Document provisions through November 2004.

Note 1: The entirety of former section 19A with History and Notes was repealed by Board action of September 19, 2006, and Restated Section 19A approved, all with immediate effect. The language, History and Notes of section 19A at the time of repeal appears in the Appendix to Plan Document.

Note 2: By Board action of July 15, 2009, with the amendments effective as indicated below:
-- addition to section 19A(2) of new first sentence; text in subsection (9)(c) added, increasing the minimum actuarial funded percentage requirement from 60% to 80% as provided in section 43C, and deleted paragraph following subsection 9(c); in subsection (12)(b) after "shall not" added "be less than 80% nor"; in subsection (13) deleted adjective "previously" before "acquired", and in subsection (13)(a) changed "a" to "any" (amendments effective July 1, 2009); and
-- in section 10(6) increased the minimum actuarial funded percentage requirement from 60% to 80% as provided in section 43C (section 10(6) amendment effective July 1, 2009); and
-- amendments to sections 43 and 43A (effective October 1, 2009) (following Member Comment through September1, 2009).

Note 3: By Board action of September 15, 2009, with immediate effect: Section title and subsection (1) amended; subsection (2) added (language has been part of Uniform Defined Contribution Resolution since Defined Contribution Program inception in 1997; former subsection (13) text moved to subsection (3); former subsections (2) through (12) renumbered as subsections (4) through (14), respectively, and all internal references revised; clarifying language added in subsections (11)(c) and (14). The amendments to section 19A complement those made on September 15, 2009 to section 19B.

Note 4: By Board action of May 12, 2010, with immediate effect: all pre-existing internal italics, underlining or bold (with exception of subsection headings) was removed; with eight new subsections (7)-(9), (13)-(17) inserted; former sections (7)-(9) now combined in subsection (10); and all new text in italics. Former section 19A as in effect prior to these 2010 amendments is found in the Appendix to this Plan Document.

Note 5: By Board action of September 15, 2010, with immediate effect: text of former subsection (16)(b) rearranged to allow DC plan termination only upon termination of MERS participation, unless MERS Benefit Program H (Hybrid) is adopted.

Note 6: First paragraph in subsection (4) amended; the third paragraph added to subsection (9); in subsection (13) "Eligible rollover distribution" text inserted; in subsection (18), subparagraph (c) amended, and subparagraph (d) added; subsection (21)(b)(ii) amended, and (b)(v) added, all by Board action of January 11, 2012 (new language bolded), with immediate effect and retroactive to December 13, 2011. These actions further implement the Board's fiscal responsibility requirements in Section 43C.

Sec. 19B. Benefit Program H; Adoption; Contribution; Distribution.

(1) This section applies only to a member covered by Benefit Program H. *A participating municipality or participating court may adopt Benefit Program H* ***for new hires only*** *without regard to the actuarial funded requirements set out in subsection (13)(c) and section 43C.* Benefit Program H includes both a defined benefit component and a defined contribution component.

(a) The defined benefit component shall be determined as provided in subsections (4) through (6), **and shall be funded exclusively by the participating municipality or participating court with no member contributions permitted.**

(b) The defined contribution component shall be determined as provided in subsections (7) through (17), **and contributions shall be made by the member and the participating municipality or participating court as provided by bargaining agreement or personnel policy applicable to the same benefit program coverage classification**. Unless specifically restricted by this Plan or the Retirement Board, a participating municipality or participating court is authorized to offer any rights, benefits, or features authorized for defined contribution plans under the Internal Revenue Code of 1986, as amended.

(2) In the event any alteration of any provision of this section 19B, or other sections of the Plan Document related to the provisions of Benefit Program H, is made or occurs, under section 43B of the Plan Document concerning collective bargaining or under any other plan provision or law, adoption of Benefit Program H shall not be recognized, other than in accordance with this section and other sections of the Plan Document related to the provisions of Benefit Program H.

(3) Where a member has acquired in the employ of any participating municipality or participating court:

(a) not less than 1 year of defined benefit *(including Benefit Program H)* service in force with a*ny* participating municipality or participating court;

(b) eligible credited service where the participating municipality or participating court has adopted the Reciprocal Retirement Act, 1961 PA 88;

(c) at least 12 months in which employer contributions by a participating municipality or participating court have been made on behalf of the member under Benefit Program DC *or Benefit Program H*;

such service shall be applied toward satisfying the vesting schedule *under both the Benefit Program H Defined Benefit Component and* for employer contributions under Benefit Program H *Defined Contribution Component.*

DEFINED BENEFIT COMPONENT (subsections (4) - (6))

(4) In the resolution adopting Benefit Program H, the member's participating municipality or participating court shall specify the defined benefit formula. The specified multiplier determines the defined benefit retirement allowance. The multiplier selected at the time of initial adoption shall be an irrevocable action and may not be subsequently changed. *The multiplier shall* be one of the following dependent upon the division's social security coverage status:

social security coverage		**no social security coverage**	
(a)	1.00 %	(d)	1.00%
(b)	1.25%	(e)	1.25 %
(c)	1.50 %	(f)	1.50 %
		(g)	1.75 %
		(h)	2.00%

(5) A member or a vested former member covered by Benefit Program H may retire upon satisfaction of all of the following requirements:

(a) A written application for retirement, on a form established by the retirement system, has been filed with the retirement system. The Retirement Board may establish required time periods, preceding or surrounding the date of retirement, for the filing of an application for retirement.

(b) The member or vested former member has attained age 60 years or older and has 6 or more years of credited service. In addition, the participating municipality or court may also allow retirement if the member or vested former member has attained age 55 years or older and has 25 or more years of credited service. Adoption of F55/25 shall be an irrevocable action and may not be subsequently changed.

(c) The member terminates membership before the date of retirement.

Periods of at least 12 months in which a participating municipality or participating court has made employer contributions on behalf of a member under MERS Benefit Program DC shall be counted towards satisfying the applicable vesting or service requirements in this subsection (5), but not in the calculation of the retirement allowance.

(6) Upon retirement under subsection (5) the member or vested former member covered by Benefit Program H shall be paid a retirement allowance computed under the multiplier adopted in subsection (4) based on FAC-3, and multiplied by the member's or vested former member's credited service. This retirement allowance is in addition to amounts payable to the member or vested former member under the defined contribution component of Benefit Program H.

DEFINED CONTRIBUTION COMPONENT (subsections (7) - (12))

(7) In the resolution adopting Benefit Program H, the member's participating municipality or participating court shall provide for the contribution under the defined contribution component of Benefit Program H of a percentage of the member's compensation to the retirement system. The participating municipality or participating court shall choose the percentage from the available contribution programs. The contribution programs available for selection are any percentage of compensation allowed by federal law. The participating municipality or participating court shall choose the same contribution rate for all members in the same benefit program coverage classification. The Retirement Board shall determine the timing and mechanism for the remittance of employer contributions. The Retirement Board may establish a program for making transfers from the reserve for employer contributions to the reserve for defined contribution plan for the purpose of meeting all or a part of the participating municipality's or participating court's contribution under this subsection.

(8) (a) Member Contributions. A member may voluntarily contribute additional amounts to his or her individual account in the reserve for defined contribution plan to the extent allowed by federal law and subject to procedures established by the Retirement Board.

A member may roll over qualified distributions from another eligible retirement plan into this retirement system, to the extent allowed by federal law. A member is immediately 100% vested in the member's accumulated balance.

(b) Employer Contributions. A member vests in employer contributions as provided in the vesting schedule adopted by the employer. The vesting schedule may provide for one of the following:

(i) Immediate vesting upon participation; or

(ii) 100% vesting after stated year (participant is 100% vested after not to exceed maximum 5 years of service ("cliff" vesting)); or

(iii) Graded vesting percentage per year of service (not to exceed maximum 6 years of service for 100% vesting, nor be less than stated minimums below)

_____ % after 1 year of service.

_____ % after 2 years of service.

_____ % (not less than 25%) after 3 years of service.

_____ % (not less than 50%) after 4 years of service.

_____ % (not less than 75%) after 5 years of service.

_____ % (not less than 100%) after 6 years of service.

(9) The Retirement Board may contract with private investment managers to invest the assets in the reserve for defined contribution plan. A member, vested former member, and beneficiary may direct the investment of the individual's accumulated balance to 1 or more of the available categories of investment provided by the investment managers. At least 3 categories of investment shall be made available to members, vested former members, and beneficiaries as follows:

(a) Short-term securities.

(b) Fixed income securities.

(c) Equity securities.

(10) The Retirement Board shall determine the investment category for the accumulated balance of a member, vested former member, or beneficiary, if that individual does not choose to direct his or her own investments under subsection (9).

(11) (a) Upon the death of a member or vested former member, the accumulated balance of the deceased member or deceased vested former member is considered to belong to the beneficiary or beneficiaries, if any, nominated by the deceased member or deceased vested former member.

(b) To nominate a beneficiary or beneficiaries, a member shall file a written nomination with the Retirement Board, based on procedures established by the Retirement Board. Written consent by the member's spouse to the beneficiary named is required unless the spouse is beneficiary to 100% of the balance; this requirement may be waived by the Retirement Board if the signature of the member's spouse cannot be obtained because of extenuating circumstances.

(12) Upon termination of membership, a vested former member or a beneficiary, as applicable, shall elect 1 or a combination of several of the following methods of distribution of the vested former

member's or beneficiary's accumulated balance, to the extent allowed by federal law and subject to subsection (11)(b) and procedures established by the Retirement Board:

(a) Lump sum distribution to the vested former member or beneficiary.

(b) Lump sum direct rollover to another eligible retirement plan, to the extent allowed by federal law.

(c) Annuity for the life of the vested former member or beneficiary, or optional forms of annuity as determined by the Retirement Board.

(d) No distribution, in which case the accumulated balance shall remain in the retirement system, to the extent allowed by federal law.

HYBRID CONVERSION—FOR CURRENT MEMBERS IN MERS DEFINED BENEFIT AND DEFINED CONTRIBUTION PROGRAMS (subsections (13) - (17))

(13) In the resolution adopting Benefit Program H, the municipality or court may provide an opportunity for current members of the retirement system to elect coverage under Benefit Program H if each of the following conditions are met:

(a) The member's municipality or court elects under Section 43 or 43A to change the benefit program from a benefit program other than Benefit Program H to Benefit Program H, for members in a benefit program coverage classification who are first hired after the effective date of the change.

(b) On the effective date of the change to Benefit Program H, the member is a member of the retirement system and is in the benefit program coverage classification described in subdivision (a).

(c) On the date of the Resolution adopting Benefit Program H, the total funded percent of aggregate accrued liabilities and valuation assets of all reserves and for the member's *defined* benefit program coverage classification as specified in Table 13 (or successor table) of the most recent annual actuarial valuation report for the municipality or court shall be at least *80%* funded *as provided in section 43C* (**including** application of the last sentence of subsections 43C(2) and 43C(3)). This condition does not apply if the current benefit program is Benefit Program DC. **The 80% funded level requirement shall apply, notwithstanding the July 13, 2011 amendments to section 43C increasing the funded requirements for benefit changes to 100% effective July 1, 2012.** The municipality or court may make additional contributions to the retirement system or reallocate assets among *defined* benefit program coverage classifications in order to meet the conditions of this subsection.

(14) The retirement system shall offer 1 opportunity for a member who satisfies the conditions of subsection (13) to elect coverage under Benefit Program H, and once made, the election is irrevocable. The member shall make the election under this subsection in writing, based on procedures established by the Retirement Board. The Retirement Board shall begin accepting written elections from members on and after the effective date of the change of benefit program pursuant to subsection (13), and shall not accept written elections from members:

(a) Earlier than the end of the third month following the month in which the resolution is adopted and received by MERS; and

(b) Later than the first day of the first calendar month that is at least 6 months after MERS receipt of the resolution.

If the member is married at the time of election, the election is not effective unless the election is signed by the member's spouse, except that this requirement may be waived by the

Retirement Board if the signature of the member's spouse cannot be obtained because of extenuating circumstances.

(15) A member who makes a written election under subsection (14) shall elect to do all of the following:

(a) Cease to be covered by the previous benefit program effective 12:01 a.m. on the first day of the first calendar month that is at least 6 months after the effective date of the change of benefit program.

(b) Become covered by Benefit Program H effective 12:01 a.m. on the first day of the first calendar month that is at least 6 months after the effective date of the change of benefit program.

(c) Except as provided in subsections (16) and (17), waive all of his or her rights to a retirement allowance or any other benefit provided under the previous benefit program.

(16) For each member who is covered by a Benefit Program other than Benefit Program DC and who, under subsection (14), elects coverage under Benefit Program H, the Retirement Board shall transfer the following amounts from the reserve for employee contributions *and* the reserve for employer contributions *and benefit payments* to the reserve for defined contribution plan:

(a) The member's accumulated contributions, if any, as of 12:01 a.m. on the day the member becomes covered by Benefit Program H shall be transferred from the reserve for employee contributions to *the member's credit in* the reserve for defined contribution, *Benefit Program H Defined Contribution Component*.

(b) Pursuant to procedures established by the Retirement Board, the funded excess present value shall be computed as the excess, if any, of the actuarial present value of the accrued benefit associated with the member's coverage under the previous benefit program, over the actuarial present value of the accrued benefit associated with the member's coverage under the Defined Benefit Component of Benefit Program H, after such excess is multiplied by the funded level percentage selected by the governing body in the MERS Uniform Hybrid Program Resolution (which shall not *be less than 80% nor* exceed 100% funded level percentage in any case). The excess, if any, of the funded excess present value over the amount specified in subparagraph (a) shall be transferred from the reserve for employer contributions *and benefit payments* to the *member's credit in the* reserve for defined contribution, *Benefit Program H Defined Contribution Component.* For purposes of this sub-paragraph:

(i) The actuarial present values shall be computed as of 12:01 a.m. on the day the member becomes covered by Benefit Program H and shall be based on the actuarial assumptions adopted by the Retirement Board.

(ii) On the effective date of the change of the benefit program the member's credited service under Benefit Program H shall be equal to the member's credited service under the previous benefit program.

(iii) In determining final average compensation there shall not be included any accrued annual leave**, and the employer's defined benefit vesting schedule shall be disregarded**.

(iv) The earliest retirement date (for an unreduced benefit) assumption under the *defined* benefit program in effect on the effective date of the change of the benefit program shall be utilized. Likewise the earliest retirement date assumption under Benefit Program H shall be utilized.

(v) For purposes of the actuarial present value calculation, any future benefit otherwise payable under Benefit Program E or E-1 shall be disregarded.

(vi) Upon conversion, the total dollar amount of the present value shall be immediately transferred or cash funded (or both) by the employer to the credit of the member in the Benefit Program H Defined Contribution Component.

(17) <u>For each member who is covered by Benefit Program DC</u> and who, under subsection (14), elects coverage under Benefit Program H:

(a) the *member's* accumulated balance *(if any)* in the reserve for defined contribution plan under Benefit Program DC as of 12:01 a.m. on the day the member becomes covered by Benefit Program H shall be transferred to *the member's credit in* the reserve for defined contribution plan under Benefit Program H, *Defined Contribution Component.*

(b) For purposes of calculating benefit amounts under the defined benefit component of Benefit Program H, only credited service earned after 12:01 a.m. on the day the member becomes covered by Benefit Program H shall be recognized.

History: Section 19B added to Plan Document of 1996 on March 14, 2006 (the Program first became available for adoption on October 1, 2006).

Note 1: Section 19B added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Note 2: Bold language added to subsection (1) May 18, 2006, with immediate effect as of March 14, 2006.

Note 3: *Italicized language* denotes changes made by Board action of September 15, 2009, with immediate effect. In subsection (1) new second sentence added; divided into two subparagraphs (a) and (b) and text added in both subparagraphs; text of former subsections (16) and (17) relocated to subsections (3) and (2), respectively; in subsection (3), deleted adjective "previously" before "acquired," and in subparagraph (a) changed "a" to "any," and added references to Benefit Program H in subparagraphs (a) and (c); subsections following (3) renumbered accordingly, and affected internal references changed; text in subsection (4) [formerly (2)] rearranged; text in subsection (13) [formerly (11)] (c) added, increasing the minimum actuarial funded percentage requirement from 60% to 80% as provided in section 43C, and deleted paragraph following subsection (13)(c); in subsection (16) [formerly (14)] subparagraph (b) added after "shall not" "be less than 80% nor"; and in subsection (17) [formerly (16)], text added to subparagraph (a).

These changes comport with the Board's July 15, 2009 amendments (effective July 1, 2009) to section 10(6), section 19A, and sections 43 and 43A; and the Board's complementary amendments to section 19A on September 15, 2009.

Note 4: Subsections (4), (5)(b), (6) and (13)(c) amended by Board action of July 13, 2011 (new language underlined), all changes to take effect October 1, 2011. Member Comment was requested on these changes though September 1, 2011. With reference to subsection (13)(c), on July 13, 2011 the Board also made the following fiscal responsibility related amendments (effective October 1, 2011)(new language underlined):

-- section 10(6); and
-- section 43C introductory paragraph, and subsections (2) and (3).

Member Comment was requested by the Board on July 13, 2011, through September 1, 2011 on the prospective increase in the funding requirement.

Note 5: By Board action of January 11, 2012, with immediate effect; in subsection (13) the parenthetical text following the reference to *section 43C* "without" was deleted, and in its place "including" was substituted. Subsections (13)(c) and (16)(b)(iii) amended; and (16)(b)(vi) added by Board action of January 11, 2012 (new language bolded), with immediate effect. These actions further implement the Board's fiscal responsibility requirements in Section 43C.

Sec. 20. Benefit Program E; Adoption or Readoption; Effective Date; Adjustment Date; Adjustment Factor; Prohibition.

(1) A participating municipality may by resolution of its governing body or a participating court may by administrative order of its chief judge adopt or readopt Benefit Program E. The resolution or administrative order shall specify:

(a) the effective date(s) of **retirement for the eligible retirants and beneficiaries; and**

(b) either (i) a percentage adjustment factor; or (ii) a fixed dollar amount.

The adjustment factor or fixed dollar amount shall specify its application to all retirees, or each retirement allowance in effect **for** the date**(s)** specified.

(2) The adjustment date under Benefit Program E shall be the first January 1 coincident with or subsequent to the effective date of the change in coverage and which is also at least 30 days after the adoption or readoption of Benefit Program E.

(3) The amount of the retirement allowance of a retirant or beneficiary whose participating municipality or participating court has adopted or readopted Benefit Program E shall be adjusted on the adjustment date. The amount of adjustment shall be **added to** the amount of retirement allowance payable immediately prior to the adjustment date.

(4) Benefit Program E shall not be applied to a retirement allowance that is subject to adjustment under the provision of Benefit Program E-1 or Benefit Program E-2.

(5) A participating municipality or a participating court shall not adopt Benefit Program E under this section for retirement allowances payable under Benefit Program H.

History: 1988 PA 500, Eff. Dec. 29, 1988, and Plan Document of 1996.

Note 1: Relocation of text from former subsection (4) (added by Board action of May 20, 1997) to subparagraph 1(b) along with following sentence; per Board action of October 22, 1998, with immediate effect.

Note 2: Bold text in subsection (1) added, and (b) and remaining text inserted from former (4); (3) revised; former (4)-(6) deleted; and former (7) renumbered as (4); by Board action of October 22, 1998, with immediate effect.

Note 3: Bold text in subsection (5) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Sec. 21. Benefit Program E-1; Adoption or Readoption; Effective Date; Applicability; Adjustment Dates; Maximum Cumulative Adjustment Limitation; Base Amount of Retirement Allowance; Adjustment Factor.

(1) A participating municipality may by resolution of its governing body or a participating court may by administrative order of its chief judge adopt or readopt Benefit Program E-1. The resolution or administrative order shall specify the effective date of the change in coverage. Benefit Program E-1 shall apply to each retirement allowance that has an effective date prior to the effective date of the change in coverage and is not subject to adjustment under Benefit Program E-2.

(2) The first adjustment date under Benefit Program E-1 shall be the first January 1 coincident with or subsequent to the effective date of change in coverage and which is also at least 30 days after the adoption of Benefit Program E-1. Subsequent adjustment dates shall occur on each January 1 after the first adjustment date.

(3) The amount of the retirement allowance of a retirant whose participating municipality or participating court has adopted or readopted Benefit Program E-1 shall be adjusted on each adjustment date except the adjustment date, if any, that is less than 6 months after the effective date of the retirement allowance. The amount of adjustment, subject to application of the maximum cumulative adjustment limitation, shall be equal to the adjustment factor multiplied by the amount of base retirement allowance.

(4) Effective January 1, 1987, the maximum cumulative adjustment limitation is 100% of the percentage increase, if any, in the average consumer price index monthly values from the base index period to the current index period. The base index period is the 12-month period ending on the September 30 that is 15 months before the first adjustment date. The current index period is the 12-month period ending on the September 30 that is immediately before the current adjustment date. The limitation shall be applied to the base amount of retirement allowance. For purposes of this subsection, "consumer price index" means the consumer price index for all urban consumers, as published by the United States department of labor. If this index is discontinued or restructured after 1983 in a manner materially changing its character, the Retirement Board shall select the alternative index that most closely preserves the intent implied in the selection of the specified index. The Retirement Board shall select the index most closely resembling the specified index for application to periods for which the specified index was not published.

(5) The base amount of retirement allowance is the amount that would be payable if the retirement allowance had never been adjusted under the provisions of Benefit Program E-1.

(6) The adjustment factor shall be 2.5%.

(7) Effective for annual adjustment dates commencing on and after January 1, 1999, all adoptions or readoptions of Benefit Program E-1 under subsection (1) shall provide for an annual, automatic non-compounded adjustment amount of 2.5% of the base amount of retirement allowance, without application of the last sentence of subsection (3) and subsection (4) in its entirety.

(8) A participating municipality or a participating court shall not adopt Benefit Program E-1 under this section for retirement allowances payable under Benefit Program H.

History: 1989 PA 51, Eff. June 12, 1989, and Plan Document of 1996.

Note 1: Subsection (7) added by Board action of November 19, 1998, with immediate effect as of November 1, 1998.

Note 2: Bold text in subsection (8) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Sec. 22. Benefit Program E-2; Adoption; Effective Date; Applicability; Adjustment Dates; Maximum Cumulative Adjustment Limitation; Base Amount of Retirement Allowance; Adjustment Factor.

(1) A participating municipality may by resolution of its governing body or a participating court may by administrative order of its chief judge adopt Benefit Program E-2. The resolution shall specify the effective date of the change in coverage. Benefit Program E-2 shall apply to each retirement allowance that has an effective date on or after the effective date of the change in coverage.

(2) The first adjustment date under Benefit Program E-2 shall be the first January 1 coincident with or subsequent to the effective date of the change in coverage and which is also at least 30 days after the adoption of Benefit Program E-2. Subsequent adjustment dates shall occur on each January 1 after the first adjustment date.

(3) The amount of a retirement allowance shall be adjusted on each adjustment date except the adjustment date, if any, that is less than 6 months after the effective date of the retirement allowance. The amount of adjustment, subject to application of the maximum cumulative adjustment limitation, shall be equal to the adjustment factor multiplied by the amount of base retirement allowance.

(4) Effective January 1, 1987, the maximum cumulative adjustment limitation is 100% of the percentage increase, if any, in the average consumer price index monthly values from the base index period to the current index period. The base index period is the 12-month period ending on the September 30 that is 15 months before the first adjustment date. The current index period is the 12-month period ending on the September 30 that is immediately before the current adjustment date. The limitation shall be applied to the base amount of retirement allowance. For purpose of this subsection, "consumer price index" means the consumer price index for all urban consumers, as published by the United States department of labor. If this index is discontinued or restructured subsequent to 1983 in a manner materially changing its character, the Retirement Board shall select the alternative index that most closely preserves the intent implied in the selection of the specified index. The Retirement Board shall select the index most closely resembling the specified index for application to periods for which the specified index was not published.

(5) The base amount of retirement allowance is the amount that would be payable if the retirement allowance had never been adjusted under the provisions of Benefit Program E-2.

(6) The adjustment factor shall be 2.5%.

(7) Effective for annual adjustment dates commencing on and after January 1, 1999, all adoptions of Benefit Program E-2 under subsection (1) and all readoptions shall provide for an annual, automatic non-compounded adjustment amount of 2.5% of the base

amount of retirement allowance, without application of the last sentence of subsection (3) and subsection (4) in its entirety.

(8) A participating municipality or a participating court shall not adopt Benefit Program E-2 under this section for retirement allowances payable under Benefit Program H.

History: 1989 PA 51, Eff. June 12, 1989, and Plan Document of 1996.

Note 1: Subsection (7) added by Board action of November 19, 1998, with immediate effect as of November 1, 1998.

Note 2: Bold text in subsection (8) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Sec. 23. Forms of Payment; Election; Naming of Survivor Beneficiary; Failure to Make Timely Election; Amount of Retirement Allowance; Election if Member Married at Retirement Allowance Effective Date; Signature of Spouse; Effect on Election if Retirant Divorced From Spouse Named as Survivor Beneficiary.

(1) A member or a vested former member may elect to have retirement allowance payments made under 1 of the forms of payment described in subsection (2), and may name a survivor beneficiary. The election of a form of payment and the naming of a survivor beneficiary shall be in writing and filed with the Retirement Board before the date the first retirement allowance payment is made. Except as otherwise provided in section 23B, an election of form of payment shall not be changed on or after the date the first retirement allowance payment is made. A named survivor beneficiary shall not be changed on or after the date the first retirement allowance payment is made if form of payment II or III is elected. A named survivor beneficiary may be more than 1 person if form of payment IV is elected. A named survivor beneficiary shall have an insurable interest in the life of the member or vested former member at the time of naming.

(2) The member or vested former member may elect 1 of the following forms of payment:

(a) Form of Payment SL - Straight Life Retirement Allowance. Except as otherwise provided in section 23B, under form of payment SL the retirant is paid a retirement allowance for life. The amount shall be determined as provided in section 10 **or section 19B**.

(b) Form of Payment II - Life With Full Continuation to Survivor Beneficiary. Under form of payment II the retirant is paid a reduced retirement allowance until either the retirant or the named survivor beneficiary dies. Except as otherwise provided in section 23B, upon the death of the named survivor beneficiary, the retirant is paid the form of payment SL retirement allowance over the retirant's remaining life. Upon the death of the retirant during the lifetime of the named survivor beneficiary, the named survivor beneficiary is paid the full amount of the reduced form of payment II retirement allowance over the named survivor beneficiary's remaining life.

(c) Form of Payment IIA - Life With 3/4 Continuation to Survivor Beneficiary. Under form of payment IIA the retirant is paid a reduced retirement allowance until either the retirant or the named survivor beneficiary dies. Except as otherwise provided in section 23B, upon the death of the named survivor beneficiary, the retirant is paid the form of payment SL retirement allowance over the retirant's remaining life. Upon the death of

the retirant during the lifetime of the named survivor beneficiary, the named survivor beneficiary is paid 3/4 of the amount of the reduced form of payment IIA retirement allowance over the named survivor Beneficiary's remaining life.

(d) Form of Payment III - Life With l/2 Continuation to Survivor Beneficiary. Under form of payment III the retirant is paid a reduced retirement allowance until either the retirant or the named survivor beneficiary dies. Except as otherwise provided in section 23B, upon the death of the named survivor beneficiary, the retirant is paid the form of payment SL retirement allowance over the retirant's remaining life. Upon the death of the retirant during the lifetime of the named survivor beneficiary, the named survivor beneficiary is paid ½ of the amount of the reduced form of payment III retirement allowance over the named survivor beneficiary's remaining life.

(e) Form of Payment IV - Life With Period Certain Guarantee. Under form of payment IV the retirant is paid a reduced retirement allowance for life. Upon the death of the retirant during the guaranteed period, the named survivor beneficiary is paid the full amount of the reduced form of payment IV retirement allowance for the remainder of the guaranteed period. The guaranteed period shall be selected by the retirant at the time of election of form of payment IV and shall be either 60 months, 120 months, 180 months, or 240 months but the guaranteed period shall not exceed the retirant's life expectancy as of the date of the retirement. The actuarial present value of remaining guaranteed retirement allowance payments shall be paid to the legal representative of the retirant or the named survivor beneficiary, whichever survives the longest if both the retirant and named survivor beneficiary die during the guaranteed period.

(f) Form of Payment V - Life with Accelerated Payment. Under form of payment V the retirant is paid a retirement allowance for life. The amount of retirement allowance is increased over the amount under form of payment SL until the retirant attains the adjustment age specified by the board and is reduced from the amount under form of payment SL after the retirant attains the adjustment age. The amount of increase and reduction shall be determined pursuant to procedures adopted by the Retirement Board. Form of payment V shall not be elected with respect to a retirement allowance computed under Benefit Program C-2 as provided in section 19. **This form of payment shall cease to be available for selection after June 25, 1998.**

(3) Payment shall be made under form of payment SL if there is not a timely election of form of payment, except as otherwise provided in subsection (5)

(4) The amount of retirement allowance under forms of payment II, IIA, III, IV, and V shall have the same actuarial present value as the amount of retirement allowance under form of payment SL, computed as of the date of retirement.

(5) If a retiring member or vested former member is married at the retirement allowance effective date, an election under subsection (2), other than an election under subsection (2)(b), (c), or (d) naming the spouse as survivor beneficiary, is not effective unless the election is signed by the spouse, except that this requirement may be waived by the Retirement Board if the signature of a spouse cannot be obtained because of extenuating circumstances.

(6) If a retirant receiving a reduced retirement allowance under subsection (2)(b) to (e) is divorced from the spouse who had been named the retirant's survivor beneficiary under subsection (2)(b) to (e), the election of a reduced retirement allowance form of payment shall be considered void by the retirement system if the judgment of divorce or award or order of the court, or an amended judgment of divorce or award or order of the court, described in section 53 and dated after [June 27, 1991] the effective date of [1991 PA 50] that added this subsection [(6)] provides that the election of a reduced retirement allowance form of payment under subsection (2)(b) to

(e) is to be considered void by the retirement system and the retirant provides a certified copy of the judgment of divorce or award or order of the court, or an amended judgment of divorce or award or order of the court, to the retirement system. If the election of a reduced retirement allowance form of payment under subsection (2)(b) to (e) is considered void by the retirement system under this subsection, the retirant's retirement allowance shall revert to a straight life retirement allowance, including post-retirement adjustments, if any, subject to an award or order of the court as described in section 53. The retirement allowance shall revert to a straight life retirement allowance under this subsection effective the first of the month after the date the retirement system receives a certified copy of the judgment of divorce or award or order of the court. This subsection does not supersede a judgment of divorce or award or order of the court in effect on the effective date of the amendatory act that added this subsection. This subsection does not require the retirement system to distribute or pay retirement assets on behalf of a retirant in an amount that exceeds the actuarially determined amount that would otherwise become payable if a judgment of divorce had not been rendered.

(7) A retirement allowance payable under a form of payment provided in this section is subject to an eligible domestic relations order under the Eligible Domestic Relations Order Act.

(8) Each member or vested former member who applies for retirement shall be given a written explanation, prior to retirement, of the optional forms of payment provided in section 23. The explanation shall be written in simple language.

(9) Pursuant to 26 CFR §1.401(a)(9)-6, Q&A-16, the Board has determined that this Section 23, as in effect on April 17, 2002, contains distribution options that satisfy 26 U.S.C. §401(a)(9) based upon the Board's reasonable and good faith interpretation of the provisions of that section. Any additions or amendments to this section, or to any other provisions of this plan dealing with distribution options, after April 17, 2002, must meet the requirements of U.S.C. §401(a)(9) and 26 CFR §1.401(a)(9), except to the extent that U.S.C. §401(a)(9) provides specific rules or exceptions for governmental plans.

History: 1991 PA 50, Eff. June 27, 1991, and Plan Document of 1996.

Note 1: Bracketed explanatory text added to subsection (6).

Note 2: Bold text in subparagraph (2)(f) added by Board action of June 25, 1998, with immediate effect.

Note 3: Subsection (9) added on August 11, 2004, with immediate effect.

Note 4: Bold text in subsection (2)(a) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Note 5: Underlined text in subsection (1) and (2)(a)-(d) added by Board action of May 13, 2009, effective July 1, 2009.

Sec. 23A. Adoption of Benefit Program RS50%; Specifying Effective Date of Change in Coverage; Duration and Amount of Payment to Surviving Spouse; "Surviving Spouse" Defined.

(1) A participating municipality may by resolution of its governing body or a participating court may by administrative order of its chief judge adopt Benefit Program RS50%. The resolution or administrative order shall specify the effective date of the change in coverage.

(2) Under Benefit Program RS50%, a surviving spouse of a deceased retirant shall be paid a retirement allowance for life if both of the following conditions are met:

(a) The deceased retirant's retirement allowance effective date was on or after the effective date of the change in coverage.

(b) All payments of the deceased retirant's retirement allowance were made pursuant to form of payment SL as prescribed in section 23(2)(a).

(3) The amount of the retirement allowance payable to a surviving spouse under Benefit Program RS50% is 50% of the retirement allowance payable to the deceased retirant at the time of his or her death.

(4) As used in this section, "surviving spouse" means a person who meets both of the following requirements:

(a) He or she was married to the deceased retirant during the period beginning 1 year before the deceased retirant's retirement allowance effective date and ending on the retirement allowance effective date.

(b) He or she was married to the deceased retirant on the date of the deceased retirant's death.

(5) A participating municipality or a participating court shall not adopt Benefit Program RS50% under this section for retirement allowances payable under Benefit Program H.

History: 1990 PA 99, Eff. June 7, 1990, and Plan Document of 1996.

Note: Bold text in subsection (5) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Sec. 23B. Adoption of Benefit Program PRO (Post-Retirement Option); Changing Form of Payment or Survivor Beneficiary Designation after Retirement; Effective July 1, 2009.

(1) A participating municipality may by resolution of its governing body or a participating court may by administrative order of its chief judge adopt Benefit Program PRO, commencing July 1, 2009. The resolution or administrative order shall specify the effective date of the change in coverage, which shall not be earlier than the actual date of adoption. The resolution of the governing body or the administrative order of the chief judge shall be uniformly applicable to all members employed by the participating municipality or court.

(2) Under benefit program PRO, a retirant who was not married on his or her retirement allowance effective date and who elected form of payment SL under section 23(2)(a), or a retirant whose retirement allowance has reverted to a straight life retirement allowance pursuant to section 23(6), may change the form of payment and name a survivor beneficiary under section 23(2)(b), (c), or (d), if all of the following apply:

(a) The retirant marries on or after the actual date of adoption, and after the date the first retirement allowance payment is made.

(b) The named survivor beneficiary is the retirant's spouse.

(c) The retirant files a written request with the Retirement Board to name his or her spouse as the survivor beneficiary not earlier than one year and not later than 2 years after the marriage of the retirant and the spouse.

(3) A retirant who elected a form of payment under section 23(2)(b), (c), or (d), may change the survivor beneficiary if all of the following apply:

(a) The named survivor beneficiary predeceases the retirant on or after the actual date of adoption, and after the date the first retirement allowance payment is made.

(b) The new survivor beneficiary is the retirant's spouse.

(c) The retirant files a written request with the Retirement Board to name his or her spouse as the survivor beneficiary not earlier than one year and not later than 2 years after the later of:

(i) The death of the named survivor beneficiary; and

(ii) The marriage of the retirant and the spouse.

(4) The retirement allowance of the retirant who makes an election under subsection (2) or (3) shall not be greater than the actuarial equivalent of the retirement allowance as determined by the Retirement Board that the retirant would otherwise be entitled to under section 23(2)(a), form of payment SL, as determined and effective as of the first day of the month the recomputed benefit is paid following the filing of the written request with the Retirement Board.

(5) If the retirant dies no later than 12 months after the effective date of his or her election under subsection (2) or (3), the retirement allowance for the surviving beneficiary established under subsection (2) or (3) shall terminate 12 months after the death of the retirant.

(6) All provisions of Section 43C, except for the requirement of supplemental valuation, shall apply as preconditions to the adoption of Benefit Program PRO, and MERS implementation, including but not limited to:

(a) The employer must be current in the payment of all required employer and employee contributions.

(b) The employer must satisfy the minimum funded level requirement set forth in section 43C(2) and (3).

(7) In the event any alteration of this section 23B is made or occurs, under section 43B of the Plan Document concerning collective bargaining or under any other plan provision or law, MERS shall not recognize such action, other than in accordance with this section.

Note: Section 23B added May 13, 2009 (with companion amendment to Section 23(1) and (2)(a)-(d)), effective July 1, 2009.

Sec. 24. Retirement of Incapacitated Member; Conditions; Medical Examinations; Effective Date of Disability Retirement; Amount of Disability Retirement Allowance; Exceptions.

(1) The Retirement Board may retire a member, other than a member covered by Benefit Program DC, who becomes incapacitated for continued employment by the member's participating municipality or participating court if each of the following conditions is met:

(a) Application for disability retirement is filed with the retirement system by either the member or the member's participating municipality or participating court within 1 year after the date the member ceases to be paid by the participating municipality or participating court.

(b) The member has the minimum years of credited service required to be a vested former member in the event of termination of membership.

(c) The member undergoes the medical examinations and tests ordered by the retirement system.

(d) The medical adviser certifies all of the following to the Retirement Board:

(i) The member is mentally or physically incapacitated for any continued employment by the participating municipality or participating court.

(ii) The incapacity is likely to be permanent.

(iii) The member should be retired.

(2) Medical examination shall be made by or under the direction of a medical adviser selected by the Retirement Board. The effective date of a disability retirement shall not predate either of the following:

(a) The date of the disability.

(b) The date the member ceases to be paid by the participating municipality or participating court.

(3) The amount of a disability retirement allowance shall be computed in accordance with the benefit programs that are applicable to the disability retirant's credited service. The early retirement reduction provisions of section 10(3) shall not be applied.

(4) The following exceptions to the provisions of subsections (1) to (3) shall apply if the Retirement Board finds that the member's disability was the natural and proximate result of a personal injury or disease arising out of and in the course of the member's actual performance of duty in the employ of the participating municipality or participating court.

(a) The credited service requirement of subsection (1)(b) shall be waived.

(b) The amount of retirement allowance shall not be less than 25% of the member's final average compensation.

(5) A participating municipality or participating court may adopt Benefit Program D-2 **but may not for members covered under Benefit Program H**. Under Benefit Program D-2, the following exceptions to the provisions of subsections (1) to (3) shall apply if the Retirement Board finds that the member's disability was the natural and proximate result of a personal injury or disease arising out of and in the course of the member's actual performance of duty in the employ of the participating municipality or participating court:

(a) The credited service requirement of subsection (1)(b) shall be waived.

(b) There shall be paid a retirement allowance in an amount which is the greater of:

(i) 25% of the member's final average compensation; or

(ii) 10 years of credited service in addition to the member's actual period of credited service provided that the total years of credited service may not exceed the greater of 30 years or the member's actual period of credited service. **In all cases where the retirement allowance Benefit Program in effect imposes a limitation on the maximum amount of retirement allowance payable, including but not limited to Benefit Programs B-3 and B-4, then the Benefit Program D-2 allowance shall not exceed such limitation.**

History: 1988 PA 500, Eff. Dec. 29, 1988, and Plan Document of 1996.

Note 1: Bold text in last sentence of subparagraph (5)(b)(ii) added by Board action of November 19, 1998, with immediate effect.

Note 2: Bold text in subsection (5) revised March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Sec. 25. Disability Retirant Under Age 60; Periodic Medical Examination; Suspension, Revocation, or Discontinuance of Disability Pension; Conditions to Restoration of Terminated Disability Retirant's Actual Credited Service; Service Not Credited for Period of Disability; Terminated Disability Retirant as Vested Former Member.

(1) The Retirement Board may require a disability retirant who has not attained age 60 years to undergo periodic medical examination by or under the direction of a medical adviser selected by the Retirement Board. If a disability retirant refuses to submit to a medical examination, payment of the retirement allowance may be suspended by the Retirement Board until withdrawal of the refusal. If the refusal continues for 1 year, all of the disability retirant's rights in and to a disability pension may be revoked by the Retirement Board. A disability retirement allowance shall be discontinued if following the medical examination the medical adviser certifies that the disability retirant is mentally and physically able and capable of resuming gainful employment with the participating municipality or participating court from which retired, and the Retirement Board concurs in the certification of the medical adviser.

(2) The membership status of a terminated disability retirant who is subsequently employed by a participating municipality or participating court shall be governed by the provisions of section 3. The terminated disability retirant's actual credited service at the time of disability retirement shall be restored upon again acquiring membership if both of the following conditions are satisfied:

(a) Membership is on account of employment with the same participating municipality or participating court from which the member previously retired.

(b) Membership is reacquired within 5 years from the date of termination of the disability retirement allowance.

(3) Service shall not be credited for the period a disability retirant is being paid a disability retirement allowance.

(4) A terminated disability retirant who does not again become a member with restoration of credited service pursuant to subsection (2) shall become a vested former member.

History: 1988 PA 500, Eff. Dec. 29, 1988, and Plan Document of 1996.

Sec. 26. Conditions to Payment of Retirement Allowance for Life to Surviving Spouse; Commencement and Amount of Payment; Conditions to Payment of Retirement Allowance to Surviving Child; Restriction; Termination and Amount of Surviving Child's Retirement Allowance; Presumptions.

(1) A retirement allowance shall be paid for life to the surviving spouse of a deceased member or a deceased vested former member, other than a member or vested former member covered by Benefit Program DC, if each of the following conditions is met:

(a) The member or vested former member has the minimum years of credited service required to be a vested former member in the event of termination of membership.

(b) The member or vested former member was married to the surviving spouse at the time of death.

(c) The member or vested former member does not have a section 28 named contingent survivor beneficiary at the time of death.

(2) Payment of a retirement allowance to the surviving spouse of a deceased vested former member shall not commence before the date the member would have first satisfied age and service requirement**s** for retirement **under section 10 (without regard to** section 10(3)**) or section 19B**. 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, except that the amount shall not be less than the amount that would be paid under section 28 if the spouse had been named the contingent survivor beneficiary of the deceased member or deceased vested former member.

(3) A retirement allowance shall be paid to each surviving child of a deceased member or a deceased vested former member, other than a member or vested former member covered by Benefit Program DC, if each of the following conditions is met:

(a) The member or vested former member has the minimum years of credited service required to be a vested former member in the event of termination of membership.

(b) The child is unmarried and has not attained age 21 years.

(c) The member or vested former member does not have a section 28 named contingent survivor beneficiary **other than the member's spouse** at the time of death.

(4) Payment of a retirement allowance to a surviving child shall not be made for any month for which a surviving spouse is paid a retirement allowance. A surviving child's retirement allowance shall terminate upon the child's twenty-first birthday or upon the prior marriage or death of the child. The amount of a surviving child's retirement allowance shall be an equal share of 50% of the deceased member's or the deceased vested former member's accrued retirement allowance. A child's share shall be recomputed each time there is a change in the number of surviving children eligible for payment of a retirement allowance.

(5) A deceased member's or a deceased vested former member's accrued retirement allowance shall be computed under the following presumptions:

(a) The deceased member or deceased vested former member shall be presumed to have retired under the provisions of section 10 **(without regard to** section 10(3)**) or section 19B**, on the day preceding death.

(b) The deceased member shall be presumed to have elected form of payment SL.

(6) The presumptions of retiring and election of form of payment shall be effective notwithstanding the failure to satisfy the specific requirements of section**s** 10, **19B** and 23 with regard to such activities.

(7) In the case of a member who dies while performing qualified military service as defined in section 414(u) of the Internal Revenue Code, the survivors of the deceased member who died on or after January 1, 2007 shall be entitled to any additional benefits, other than benefit accruals relating to the period of qualified military service, provided under the plan had the member resumed and then terminated employment on account of death.

History: 1986 PA 291, Eff. Dec. 22, 1986, and Plan Document of 1996.

Note 1: Subsection (3)(c) as amended by Board action of May 8, 2002, with immediate effect.

Note 2: Bold text in subsections (2), (5)(a), and (6) as amended March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Note 3: Subsection (7) added May 13, 2009, with immediate effect and retroactive to January 1, 2007, pursuant to Section 104(a) of the Heroes Earnings Assistance and Relief Act of 2008.

Sec. 27. Death Resulting From Injury or Disease Arising Out of and in Course of Duty; Additional Provision Applicable to Section 26.

If the death of a member is found by the Retirement Board to be the natural and proximate result, independent of all other causes, of a personal injury or disease arising out of and in the course of the member's actual performance of duty with a participating municipality or participating court, the following additional provisions shall apply to section 26.

(1) The credited service requirement specified in section 26 shall be waived.

(2) The amount of retirement allowance paid a surviving spouse shall not be less than 25% of the deceased member's final average compensation.

(3) The amount of retirement allowance paid a surviving child shall not be less than an equal share of 25% of the deceased member's final average compensation.

(4) If the participating municipality or participating court has adopted Benefit Program D-2, the amount of retirement allowance paid a surviving spouse or surviving child shall not be less than the amount computed as if the member had acquired 10 years of credited service in addition to the member's actual period of credited service, provided that the total years of credited service may not exceed the greater of 30 years or the member's actual period of credited service. **In all cases where the retirement allowance Benefit Program in effect imposes a limitation on the maximum amount of retirement allowance payable, including but not limited to Benefit Programs B-3 and B-4, then the Benefit Program D-2 allowance shall not exceed such limitation. <u>A participating municipality or a participating court shall not adopt Benefit Program D-2 for members covered under Benefit Program H.</u>**

History: 1988 PA 500, Eff. Dec. 29, 1988, and Plan Document of 1996.

Note 1: Bold text in subsection (4) added by Board action of November 19, 1998, with immediate effect.

Note 2: Bold underlined text in last sentence of subsection (4) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Sec. 27A. Remarriage of Surviving Spouse.

The remarriage of a surviving spouse shall not render the surviving spouse ineligible to receive the pension or retirement allowance provided for in section 51a or 58 of former Act No. 135 of the Public Act of 1945, or in the predecessor sections to section 51a or 58 of former Act No. 135 of the Public Acts of 1945. A surviving spouse whose pension or retirement allowance under section 51a or 58 of former Act No. 135 of the Public Acts of 1945 or under a predecessor section to section 51a or 58 of former Act No. 135 of the Public Acts of 1945 was terminated due to the surviving spouse's remarriage shall be eligible to receive that pension or allowance beginning on the first day of the month following the month in which written application for reinstatement is filed with the board, but shall not be eligible to receive the pension or allowance attributable to any month beginning before the effective date of reinstatement under this section. This section shall apply to a participating municipality upon approval by resolution of the participating municipality.

History: 1986 PA 26, Eff. Mar. 10, 1986, and Plan Document of 1996.

Sec. 28. Contingent Survivor Beneficiary.

(1) A member or a vested former member other than a member covered by Benefit Program DC may name a contingent survivor beneficiary for the exclusive purpose of being paid a retirement allowance under this section. The naming of a contingent survivor beneficiary shall be in writing and filed with the retirement system. The contingent survivor beneficiary of a member may be revoked or changed at any time before termination of membership. The contingent survivor beneficiary of a vested former member may be revoked or changed at any time prior to the effective date of retirement.

(2) A retirement allowance shall be paid to the contingent survivor beneficiary for life, if each of the following conditions is met:

(a) The member dies while still a member employed by a participating municipality or participating court or the vested former member dies prior to the effective date of retirement.

(b) The member at time of death has the minimum years of credited service required to be a vested former member in the event of termination of membership.

(c) The contingent survivor beneficiary is found by the Retirement Board to have an insurable interest in the life of the deceased member or deceased vested former member.

(d) A spouse, if married to the member or vested former member at the time of the election, has agreed in writing to the naming of the contingent survivor beneficiary if that beneficiary is a person other than the spouse.

(3) Payment of a retirement allowance to the contingent survivor beneficiary of a deceased vested former member shall not commence prior to the date the vested former member would have first satisfied age and service requirement**s** for retirement **under section 10 (**without **regard to** section 10(3) **or section 19B**. The amount of retirement allowance payable to a contingent survivor beneficiary shall be computed under the following presumptions:

(a) The deceased member shall be presumed to have retired under section 10 **(without regard to** section 10(3)**) or section 19B**, on the day preceding the member's death. The deceased vested former member shall be presumed to have retired under section 10 **or section 19B** on the date the vested former member would have first satisfied age and

service requirements for retirement **under section 10 (**without **regard to** section 10(3) **or section 19B**.

(b) The deceased member or deceased vested former member shall be presumed to have elected form of payment II and named the contingent survivor beneficiary as survivor beneficiary.

(c) If the contingent survivor beneficiary is the spouse of the deceased member or deceased vested former member, the amount of retirement allowance payable to the contingent survivor beneficiary shall not be less than the amount that would have been payable under section 26 if there had been no named contingent survivor beneficiary.

(4) The presumptions of retiring, election of form of payment, and naming of survivor beneficiary shall be effective notwithstanding the failure to satisfy the specific requirements of sections 10**, 19B** and 23 with regard to such activities.

History: 1988 PA 500, Eff. Dec. 29, 1988, and Plan Document of 1996.

Note: Bold text in subsections (3), (3)(a), and (4) as amended March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Sec. 29. Provisions Applicable During Period Between Effective Date of Disability Retirement Allowance and Date Disability Retirant Attains Age 60, or Where Adopted by Resolution, the Age for Age and Service Retirement.

(1) This section shall apply during the period between the effective date of retirement allowance arising from disability retirement under section 24 and the date the disability retirant attains age 60 years. **As an alternative to age 60, where provided for by Resolution of the governing body of the participating municipality or by administrative order of the chief judge of a participating court filed with the Retirement Board, there may be adopted instead for all current and future disability retirants the age required for age and service retirement under the benefit program in effect on the date the disability retirant ceased to be paid so long as the service requirement was met on such date**. Application of the limitation shall be to the amount of retirement allowance under form of payment SL. The effect of an election of any other form of payment shall be taken into account after application of this section.

(2) The amount of a retirement allowance shall not exceed the difference between:

(a) One hundred percent of the retired member's final average compensation.

(b) The amount of the retired member's considered income.

(3) A retired member's considered income is the annual sum of income from the following sources:

(a) Remuneration for personal services rendered in any gainful employment. Gainful employment existing at the time of disability retirement, other than with the participating municipality or participating court from which retired, shall not be considered to the extent of the amount of remuneration in the last calendar year preceding retirement.

(b) Worker's compensation weekly benefits, redemptions, and settlements, on account of the same disability for which retired. Worker's compensation benefits for bona fide medical expenses shall not be considered.

(c) Payments from any program of salary continuance, sickness and accident insurance, disability insurance, or program of similar purpose, financed in whole or in part by a participating municipality or participating court.

(d) Payments received by the member from the federal social security old-age, survivors, disability and health insurance program. Payments received by dependents from the federal social security old-age, survivors, disability and health insurance program are not considered income under this subsection.

(4) Cost of living increases in the amount of considered income from worker's compensation and federal social security shall be disregarded for the purposes of this section.

(5) The retirement system shall compute the initial amount of retirement allowance on the presumption that the retirant is receiving social security disability benefits and worker's compensation weekly benefits. The presumed amounts shall be determined on the basis of the retirant's final average compensation and the single person statutory benefits. The retirant may, at any time, submit evidence of receipt of a lesser amount of social security and worker's compensation. The retirement system shall adjust the amount of retirement allowance to reflect the actual amount of social security and worker's compensation being received if it finds the submitted evidence substantiates the retirant's claim.

(6) A disability retirant may submit an affidavit declaring that applications for social security and worker's compensation benefits have not and will not be made to avoid application of the presumption of receipt. The affidavit shall also contain the promise that the disability retirant will immediately notify the retirement system if an application for social security or worker's compensation benefits is filed at a later date.

(7) The retirement system shall periodically request substantiated income information from retirants subject to this section. Failure to provide requested information within 90 days of the request shall cause suspension of payment of the retirement allowance until the information is received.

History: 1988 PA 500, Eff. Dec. 29, 1988, and Plan Document of 1996.

Note: Bold text in subsection (1) added by Board action of February 25, 1998, with immediate effect.

Sec. 30. Commencement, Termination, and Change in Retirement Allowance.

(1) A service or disability retirement allowance under section 10**, 19B** or 24 shall commence the first day of the calendar month coincident with or next following the member's or vested former member's date of retirement. A pre-retirement survivor retirement allowance under section 26 or 28 shall commence the first day of the calendar month in which occurs the event causing payment of the retirement allowance.

(2) Termination of a retirement allowance shall occur at the end of the month in which occurs the event causing termination. Payment shall be made for the full month of termination.

(3) A change in the amount of a retirement allowance shall occur on the first day of the calendar month next following the month in which occurs the event causing the change.

History: 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996.

Note: Bold text in subsection (1) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Sec. 31. Employment by Participating Municipality or Court; Special Conditions.

The following special conditions shall apply if a retiree becomes employed **(full-time or part-time, by contract, or otherwise)** by a participating municipality or court.

(1) Retiree employed by the same participating municipality or court from which reduced or unreduced normal age and service retirement occurred. Beginning with the month of January 2011, the employer shall include in their monthly wage and service report to the retirement system the salary and hours of service for all reemployed retirees without regard to the date reemployment commenced.

(a) **Voter-Elected Official or Appointed Official (defined as a person appointed to an elective office) (effective May 12, 2010).** A retiree who retired as an elected or appointed official (or who had served in such official capacity within one (1) year prior to his or her retirement allowance effective date), or a person who had not retired at the time of his or her election to, or appointment to a vacant position in elective office, who is:

(i) elected, re-elected, appointed, or re-appointed to the same office (whether in a new term of office or not); or

(ii) employed in any other capacity (elective, appointive, or otherwise)

shall have his or her benefit suspended during service in such office or other employment unless at least two (2) years have elapsed since the retirement allowance effective date.

The individual shall not be a member of the retirement system for any purpose. Upon termination of service in such office or other employment, the pension benefit shall cease to be suspended and shall resume the first day of the month following such termination of service or employment without change in amount, and no payment for any amount of the suspended benefit shall accrue or otherwise be made by the retirement system. *This subsection (a) shall take effect May 12, 2010, and shall apply to any retiree whose post-retirement service or employment had commenced on or after that date until the expiration of the present term or occupancy of the office held after retirement (where applicable), provided that such service or employment was commenced in compliance with former subsection (1) of section 31 (see former text in Note 3 below).*

(b) All employees not addressed in subsection (1)(a), including retirees subsequently reemployed as a result of becoming an elected or appointed official (effective January 1, 2011). A reemployed *retiree who is not addressed in subsection (1)(a) shall not be a member of the retirement system for any purpose and shall have his or her pension suspended during any further period (or periods) of reemployment unless all* of the following conditions *are met*:

(i) Thirty (30) calendar days (or more) shall have elapsed since the date the reemployed retiree terminated employment and retired.

(ii) The reemployed retiree shall *have* filed a "Return to Work Certification" form with the retirement system, *in the form and manner provided for administratively by the system* prior to the date of reemployment acknowledging that the reemployment *followed a bona fide termination of employment and* is not the result of a*ny* pre-retirement agreement or understanding with the employer from whom they retired.

(iii) The reemployed retiree shall not work in excess of 720 hours in a calendar year. *This condition shall not apply to a retiree who is elected, re-elected, appointed or re-appointed to public office.*

(*iv*) A reemployed retiree shall not have his or her pension suspended if either (A) or (B) is met:

(A) The retiree was elected, re-elected, appointed, or reappointed to office prior to January 1, 2011. This exception shall expire not later than the date the office is vacated or the term of office or appointment in effect prior to January 1, 2011 ends.

(B) The retiree was reemployed and had worked as a reemployed employee prior to January 1, 2011, had filed his or her retirement application with the retirement system not later than November 30, 2010, with a retirement allowance effective date not later than December 1, 2010.

A reemployed retiree who satisfies (A) or (B) shall not be subject to subparagraph (b)(ii) or (b)(iii).

(c) With the exception of the passage of a minimum thirty (30) days from the date the reemployed retiree retired to the date of re-employment, this subsection (1) shall not apply to:

(i) re-employment under a third-party contract; or

(ii) distributions under the MERS Defined Contribution Program, or the Hybrid Program Defined Contribution Component.

(2) Retiree employed by different participating municipality or court than the one from which the person retired. Payment of the retiree's retirement benefit shall continue, without change in amount or conditions by reason of the employment. The retiree shall be considered, for the purposes of membership and potential benefit entitlement, in the same manner as an individual with no previous record of employment by any participating municipality or court, except as otherwise provided in section 5(1) or where the municipality has adopted the Reciprocal Retirement Act, 1961 PA 88.

(3) The provisions of this section constitute Board action in its exclusive capacity of fiduciary and trustee for the retirement system, the participating municipalities and courts, and all MERS trust assets, as provided in MCLA 38.1536(2)(a) and 38.1539(1); Plan sections 36(2)(a) and 39(1). In the event any alteration of this section 31 is made or occurs, under section 43B of the Plan Document concerning collective bargaining or under any other plan provision or law, MERS shall not recognize such action, other than in accordance with this section.

History: 1992 PA 63, Eff. May 22, 1992, and Plan Document of 1996.

Note 1: Former subsection (1) amended by Board action of August 9, 2001, effective January 1, 2002. The prior earnings limit (effective January 1, 1998) was $10,000 until age 70. The 2001 amendment increased the earnings limit to $15,000, and decreased the age limit to age 65.

Note 2: On May 12, 2004, the Board repealed (with immediate effect) the former annual earnings limitation language in former subsection (1). The repealed language stated that where a retiree was employed by the same participating municipality or court the person retired from, the MERS pension was suspended when annual earnings reached $15,000 (or age 65 attained). Subsection (1) as amended reaffirms the prohibition against MERS membership.

Important Comment: **As a continuing condition of MERS tax-qualified "governmental plan" status under Section 401(a) of the Internal Revenue Code, MERS Plan Document Section 55(1) provides: "The Retirement Board intends that the retirement system be a qualified pension plan under section 401 of the Internal Revenue Code and that the trust be an exempt organization under section 501 of the Internal Revenue Code. The Retirement Board shall administer the retirement system to fulfill this intent." A** retiree [retirant] **is a person who has had a "bona fide termination of employment in which the employer/employee relationship is *completely severed"* (IRS Information Letter 2000-0245 (September 6, 2000); Revenue Ruling 74-254, 1974-1 CB 91); and where the person is currently receiving an accrued pension benefit payment immediately. Accordingly, to clearly show "complete severance," the employer should establish a minimum period following termination of employment of not less than 30 days any formal actions necessary for new employment occur. Where there has been a bona fide severance of employment for at least 30 days, payment of a pension benefit during new employment is consistent with Plan Section 55(1). Where there is no bona fide termination of employment of at least 30 days before rehiring, payment of a pension benefit would not be consistent with Section 55(1), could imperil MERS qualified plan status, and the reemployed individual's receipt of benefits while reemployed is subject to suspension by MERS. See also Michigan Attorney General Opinion #7167 (December 29, 2004). Source: MERS Legal Department February 2, 2005.**

Note 3: By Board action of May 12, 2010:

- **Text in former subsection (1) repealed; introduction sentence amended (new language in bold text); new subsection (1)(a) added, and (1)(b) reserved, with all these actions having immediate effect; and,**
- **subsection (2) text internally rearranged.**

The text of former subsection (1) of section 31 prior to amendment stated: "*If a retiree becomes employed by the participating municipality or participating court from which the person retired, the retiree shall not be a member during the period of employment.*" With respect to all employees other than elected or appointed officials, former section 31(1) shall be considered to remain in effect (as though repeal had not occurred) until such time as the Board adopts the language for subsection (1)(b).

Note 4: By Board action of July 14, 2010, to take effect as follows:

1. **Subsection (1)(b) text added, effective January 1, 2011.**
2. **The following sections have immediate effect:**
    - **subsection (2), concluding clause added to reflect MERS administrative practice;**
    - **subsection (3) added; and**
    - **"retiree" substituted for "retirant" throughout.**

Note 5: By Board action of September 15, 2010, with immediate effect [added language underlined]: The former first sentence in subparagraph (1)(b)(ii) was relocated to subsection (1) as the new second sentence; and subparagraph (1)(b)(iii) revised to establish January 1, 2011 as the date on which the provisions of subsection (1)(b) shall apply to all reemployed retirees.

Note 6: By Board action of November 10, 2010, with immediate effect (added language underlined), September 15, 2010 amendments reconsidered, and upon reconsideration:

1. **Language in subsection (1)(a) added (no change in first two sentences of subsection (1)).**
2. **Within subsection (1)(b), text added:**
    - **at beginning of (b); and**
    - **(b)(iii) former text struck, and new text inserted.**

Note 7: By Board action of January 12, 2011, subsection (1)(b) was revised (new language italicized):

1. **Second sentence of subsection (1)(b) revised;**
2. **Within subsection (1)(b), the Conditions formerly listed under (i)(A)-(C) were re-numbered as *(i)-(iii)* respectively and Conditions (D)-(F) were struck. Former (1)(b)(ii) was also struck and former (1)(b)(iii) was respectively re-numbered to *(iv)*.**
3. **Subsection (1)(c) added.**

End of Article III.

ARTICLE IV. CONTRIBUTIONS.

Sec. 32. Contribution Programs.

(1) A member shall contribute the percentage of compensation selected by the participating municipality or participating court from the available contribution programs. The contribution programs available for selection are any percentage of compensation from 0% to 10% in increments of 0.1%**, subject to modification under Plan Section 43B**.

(2) Contribution programs selected before January 2, 1985 under former Act No. 135 of the Public Acts of 1945 shall continue to be applicable until a different contribution **or benefit** program is selected.

(3) A participating municipality or participating court may select contribution program P as provided in section 33 in conjunction with any of the above contribution programs except the 0% contribution program and contribution programs continued under subsection (2).

(4) Contribution Program DC is governed by section 19A.

(5) Contribution Program H is governed by section 19B.

History: 1990 PA 99, Eff. June 7, 1990, and Plan Document of 1996.

Note 1: Bold text in subsection (2) added by Board action of November 8, 2000, with immediate effect as of and retroactive to January 2, 1985.

Note 2: Bold text in subsection (5) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Note 3: Bold text at end of subsection (1) added by Board action on January 14, 2009, with immediate effect, pursuant to OAG, No. 6678 (March 27, 1991).

Sec. 33. Contribution Program P.

(1) A participating municipality or participating court that requires, on May 22, 1992, member contributions on account of compensation earned, by resolution of the governing body of the participating municipality or by administrative order of the chief judge of the participating court, shall adopt Contribution Program P before January 1, 1993. The resolution or administrative order adopting Contribution Program P shall allow each member of the retirement system of the participating municipality or participating court to elect whether the participating municipality or participating court shall pick up that member's required contributions on account of compensation earned after the effective date of Contribution Program P. The participating municipality or participating court shall provide for the election within 30 days of the date of the resolution or administrative order. For each member who elects to have his or her contributions picked up under Contribution Program P, the program shall become effective on the date of the resolution or the administrative order, or on the date the retirement system receives notification from the United States Internal Revenue Service of approval of this program, whichever occurs later. For each member who elects to not have his or her contributions picked up under Contribution Program P, the program shall not become effective. A member who is employed by the participating municipality or participating court

after the date of the resolution or administrative order adopting Contribution Program P shall have his or her required contributions picked up under Contribution Program P.

(2) A participating municipality or court that **first** requires member contributions on account of compensation earned after May 22, 1992 shall pick up member contributions.

(3) The picked up contributions shall be treated as participating municipality or participating court contributions for the purpose of determining tax treatment under the Internal Revenue Code. The participating municipality or participating court shall pay contributions picked up under Contribution Program P from the same source of funds that are used for paying compensation to the member.

(4) A participating municipality or participating court shall pick up member contributions by a reduction in the member's cash salary or an offset against a future salary increase, or both. The participating municipality or participating court shall designate contributions that are picked up and paid to the retirement system as employer contributions in lieu of employee contributions to the retirement system. The members who participate in Contribution Program P shall not have the option of receiving the contributed amounts directly instead of having those amounts paid to the retirement system.

History: 1993 PA 50, Eff. June 1, 1993, and Plan Document of 1996.

Note 1: The 1993 amendments reflected language necessary to conform to the Internal Revenue Service's notification of October 22, 1991, granting conditional pick-up approval subject to amendments. Initial conforming language was contained in 1992 PA 63, which took immediate effect on May 22, 1992.

Note 2: Obsolete language in subsections (2) and (4) deleted by Board action of November 19, 1998, with immediate effect.

Sec. 34. Difference Between Retirant's Accumulated Contributions and Aggregate Amount of Retirement Allowance Payments Made; Payment.

If all retirement allowance payments terminate before there has been paid an aggregate amount, **including any lump sum distribution under Benefit Program DROP+ provided in section 10**, equal to the retirant's accumulated contributions at the date retirement was effective, the difference between the retirant's accumulated contributions and the aggregate amount of retirement allowance payments made **and any lump sum distribution made under Benefit Program DROP+** shall be paid to such individual or individuals as the retirant shall have designated in writing and filed with the board. Written consent by the member's spouse to the beneficiary named is required unless the spouse is beneficiary to 100% of the balance; this requirement may be waived by the Retirement Board if the signature of the member's spouse cannot be obtained because of extenuating circumstances. If there is no such individual surviving the retirant, the difference shall be paid to the deceased individual's estate.

History: 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996.

Note: Bold text added by Board action of May 14, 2003, with immediate effect, along with companion amendments to sections 2C(7) and 31(1); and addition of section 10(6), 11(1)(p) and 11(2)(e).

Sec. 35. Payment of Accumulated Contributions.

(1) The accumulated contributions of a former member **whether vested or not** shall be paid to the member upon satisfaction of each of the following conditions:

(a) The former member files a written application for payment with the Retirement Board.

(b) The break in membership is at least 30 days or the request is made as a result of being laid off for at least 30 days as provided in section 3.

(c) The member's spouse has consented in writing to the payment. This requirement may be waived by the Retirement Board if the signature of the member's spouse cannot be obtained because of extenuating circumstances.

(2) If a member or former member dies and no retirement allowance becomes payable by the retirement system on account of the death, the deceased individual's accumulated contributions shall be paid to such individual or individuals as the deceased individual shall have designated in writing and filed with the Retirement Board. Written consent by the member's spouse to the beneficiary named is required unless the spouse is beneficiary to 100% of the balance; this requirement may be waived by the Retirement Board if the signature of the member's spouse cannot be obtained because of extenuating circumstances. If there is no such named individual surviving the deceased individual, the accumulated contributions shall be paid to the deceased individuals' estate.

(3) Payment of accumulated contributions as provided in this section may be made in installments.

(4) The accumulated contributions of a former member or a deceased member or a deceased former member which remain on deposit in the reserve for employee contributions shall be transferred from the reserve for employee contributions to the reserve for employer contributions of the former employer(s) if each of the following conditions is met.

(a) No retirement allowance is payable or will become payable on account of the service for which member contributions were made.

(b) One year and eleven months has passed since the latter of the former member's termination of employment or the former member's or deceased member's death.

History: 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996.

Note: Bold text added to subsection (1) and (1)(c) by Board action of August 20, 1998, with immediate effect.

End of Article IV.

ARTICLE V. RETIREMENT BOARD ADMINISTRATION.

Sec. 36. Retirement Board; Creation; Board as Public Corporation; Powers and Duties; Administrative Functions; Membership; Rules of Procedure; Record of Proceedings; Quorum; Voting; Term of Office; Oath; Expenses; Absence of Member from Work; Vacancy; Chairperson and Chairperson Pro tem; Chief Executive Officer. [MCL 38.1536]

(1) A Retirement Board is created to administer this Act. Before the certification date, the Retirement Board shall operate within the department of management and budget. On and after the certification date, the retirement system shall become a public corporation and shall no longer operate within the executive branch of this state.

(2) On and after the certification date, the Retirement Board has all of the following powers and duties:

(a) The Retirement Board shall determine **and establish** all of the provisions of the retirement system affecting benefit eligibility, benefit programs, contribution amounts, and the election of municipalities, judicial circuit courts, judicial district courts and judicial probate courts to be governed by the provisions of the retirement system. The Retirement Board shall establish all retirement system provisions. As of 12:01 a.m. on the certification date, [the Retirement Board by action taken at a special meeting on August 1, 1996, affirmed by resolution that the] retirement system provisions shall not differ materially from the defined benefit provisions that are in effect under this Act at 11:59 p.m. on the day immediately **before** the certification date. This subdivision does not limit the Retirement Board's authority after the certification date to establish additional programs including but not limited to defined benefit**,** defined contribution**, ancillary benefits, health and welfare benefits, and other postemployment benefit** programs. [Effective September 24, 1996], [t]he Retirement Board [may] adopt[ed] the provisions of the Reciprocal Retirement Act, 1961 **PA 88**, **MCL** 38.1101 to 38.1106 on behalf of the employees of the Retirement Board.

(b) The Retirement Board has the full and exclusive authority and full responsibility to employ and pay for all professional services including but not limited to actuarial, investment, legal, accounting, and any other services that the Retirement Board considers necessary for the proper operation of the retirement system. The power granted to the Retirement Board in this subdivision includes complete control of the procurement process.

(c) The Retirement Board shall appoint **a chief** executive **officer** and any other employees for which the Retirement Board establishes positions. The Retirement Board shall establish the compensation of all persons appointed by the board.

(d) The Retirement Board shall arrange for an annual actuarial valuation and report of the actuarial soundness of each participating municipality **and court** to be prepared by an independent actuary based upon data compiled and supplied by employees of the retirement system. The Retirement Board shall adopt actuarial tables, assumptions, and formulas after consultation with the actuary.

(e) The Retirement Board shall arrange for annual audits of the records and accounts of the retirement system by a certified public accountant or by a firm of certified public accountants pursuant to generally accepted auditing standards and the Uniform Budgeting and Accounting Act, 1968 **PA 2, MCL** 141.421 to 141.440a.

(f) The Retirement Board shall prepare an annual report for each fiscal year in compliance with generally accepted accounting principles. The report shall contain information

regarding the financial, actuarial, and other activities of the retirement system during the fiscal year. The Retirement Board shall furnish a copy of the annual report to the governor **and a copy in print or electronic format to** each **house** of the legislature, each participating municipality, and each participating court. The Retirement Board shall make the report available to all members upon request. The report shall also contain a review of the actuarial valuation required under subdivision (d), if available.

(g) The Retirement Board shall appoint an attorney to be the legal advisor of the board and to represent the board in all proceedings.

(h) The Retirement Board shall appoint or employ custodians of the assets of the retirement system. The custodians shall perform all duties necessary and incidental to the custodial responsibility and make disbursements of authorized retirement system payments from the funds of the retirement system.

(i) The Retirement Board shall perform other functions that are required for the execution of the provisions of this Act.

(j) The Retirement Board shall establish the time and location of the meetings of the Retirement Board and the time and location of the annual meeting of the retirement system, consistent with the provisions of the Open Meetings Act, 1976 **PA 267**, **MCL** 15.261 to 15.275.

(3) Before the certification date, the provisions of the Executive Organization Act of 1965, 1965 **PA 380**, **MCL** 16.101 to 16.608, and the Management and Budget Act, 1984 **PA 431**, **MCL** 18.1101 to 18.1594, shall govern the administrative functions of the retirement system. However, any provision of law in actual conflict with the provisions of the amendatory act that added this sentence [1996 PA 220] shall not apply.

(4) On and after the certification date, the Retirement Board consists of the following nine (9) members, each of whom, excepting the retiree member and the Retirement Board appointees, shall be from a different county at the time of appointment:

(a) Two (2) members appointed by the Retirement Board who have knowledge or experience in retirement systems, administration of retirement systems, or investment management or advisory services.

(b) One (1) member who is a retiree of the system, **appointed** by the board.

(c) Three (3) members of the retirement system who are officers of a participating municipality or court, who shall be designated as officer board members.

(d) Three (3) employee members of the retirement system who are not officers of a participating municipality or court, who shall be designated as employee board members.

(5) The Retirement Board shall adopt its own rules of procedure and shall keep a record of its proceedings. Five (5) members of the Retirement Board shall constitute a quorum at any meeting of the Retirement Board and at least five (5) concurring votes shall be necessary for any decision by the Retirement Board. Each member of the Retirement Board shall be entitled to one (1) vote on each question before the Retirement Board.

(6) The regular term of office of members of the Retirement Board is three (3) years. Each member of the Retirement Board shall take an oath of office before assuming the duties of the position. Members of the Retirement Board shall serve without compensation with respect to their duties, but shall be reimbursed by the retirement system for their actual and necessary expenses incurred in the performance of their duties. A participating municipality or court employing a

member of the Retirement Board shall treat absences from work on account of Retirement Board business in such a manner that the individual does not suffer loss of pay or benefits.

(7) A vacancy shall occur on the Retirement Board upon the occurrence of any of the following events:

(a) An officer board member ceases to be eligible for nomination as an officer board member.

(b) An employee board member ceases to be eligible for nomination as an employee board member.

(c) Failure to attend three (3) consecutive scheduled meetings of the Retirement Board, unless excused for cause by majority vote of the board members attending the meeting.

(8) A vacancy occurring on the Retirement Board at least 120 days before the expiration of a term of office shall be filled by the Retirement Board. Board appointments under this subsection shall be for the period ending on the December 31 next following the date of the vacancy. For the officer board members and employee board members, a replacement for any further portion of the unexpired term shall be filled pursuant to section 45. For the 2 appointed board members and the retiree board member, a replacement for any further portion of the unexpired term shall be filled pursuant to subsection (4).

(9) The Retirement Board shall select from its members a chairperson and a chairperson pro-tem.

(10) The Retirement Board shall employ **a chief** executive **officer**. The **chief** executive **officer** shall do all of the following:

(a) Manage and administer the retirement system under the supervision and direction of the Retirement Board.

(b) Invest the assets of the retirement system, as directed by the Retirement Board, consistent with **the public employee retirement system investment act,** 1965 **PA 314**, **MCL** 38.1132 to 38.1140**m**, which act governs the investments of assets of public employee retirement systems.

(c) Annually prepare and submit to the Retirement Board for review, amendment, and adoption an itemized budget showing the amount required to pay the retirement system's expenses for the following fiscal year.

(d) Perform other duties as the Retirement Board, in its discretion, shall delegate to the **chief** executive **officer**.

History: 1996 PA 220, Eff. Aug. 15, 1996, and Plan Document of 1996; see Sec. 1, Note 1 of this Plan.

Note 1: Bracketed text in subparagraph (2)(a) and subsection (3) added.

Note 2: Bold text changes pursuant to 2004 PA 490, which took immediate effect December 27, 2004, amending this section 36 (and sections 2A and 2B).

Sec. 36A. Denial of Benefits; Hearing Process; Appeal to Retirement Board.

(1) Where a claim for benefits is denied by the retirement system, the claimant shall be notified in writing with the reasons for denial.

(2) Within 60 days of the date of mailing of the written denial, the claimant may appeal the denial, and request a hearing to be conducted by the Board's hearing officer.

(3) Hearings shall be conducted in accordance with the provisions of Chapter IV of the Administrative Procedures Act, 1969 PA 306, sections 24.271-24.287 of the Michigan Compiled Laws.

(4) At a hearing, the claimant may appear in person, by authorized agent or through counsel, and the retirement system may be represented by staff or through counsel.

(5) Following issuance of a proposal for decision by the hearing officer and the opportunity to file exceptions, the Retirement Board shall review the proposal for decision and issue a final decision.

History: 1996 PA 220, Eff. Aug. 15, 1996, and Plan Document of 1996.

Sec. 36B. Indemnification.

The Retirement Board shall indemnify to the extent authorized or permitted by law (and consistent with the Plan's favorable tax qualified status under section 401 of the Internal Revenue Code) any person, and such person's heirs and legal representatives, who is made or threatened to be made a party to any action, suit or proceeding (whether civil, criminal, administrative or investigative) whether brought by or in the right of the Retirement Board or system or otherwise, by reason of the fact that such person is or was a trustee, director, officer, employee or agent of the Retirement Board or system or such person served on any formally constituted advisory body or committee of the Retirement Board. There is no duty to indemnify where such person is judicially determined to have incurred liability due to fraud, gross neglect, or malfeasance in the exercise and performance of their duties.

History: 1996 PA 220, Eff. Aug. 15, 1996, and Plan Document of 1996.

Sec. 37. Audit Report.

The reports provided for under section 36(2)(e) and (f) shall be submitted to the Retirement Board not later than the end of the fifth (5th) month that follows the end of the fiscal year.

History: 1989 PA 51, Eff. June 12, 1989, and Plan Document of 1996.

Note 1: Section 37 revised by Board action of August 20, 1998, with immediate effect.

Note 2: Per Board action of March 12, 1997, the Retirement System's fiscal year was changed from the prior State fiscal year (October 1–September 30) to January 1 to December 31, effective January 1, 1998.

Sec. 38. Experience Tables; Data and Information; Actuarial Operation and Investigations.

The Retirement Board shall adopt the experience tables which are necessary for the operation of the retirement system on the actuarial basis determined as provided in section 45A. Sufficient data and information shall be kept by the retirement system to facilitate the actuarial investigations of the actual experience of the retirement system.

History: 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996.

Sec. 39. Retirement Board as Trustees of Money and Other Assets; Investments; Investments Counsel; Purpose of Investments; Discretionary Authority. [MCL 38.1539]

(1) The Retirement Board shall be the trustees of the money and other assets of the retirement system, except as otherwise provided in section 19A **and section 19B**. The Board shall have full power and authority to invest and reinvest the money and other assets of the retirement system subject to all terms, conditions, limitations, and restrictions imposed on the investment of assets of public employee retirement systems by Act No. 314 of the Public Acts of 1965, being sections 38.1132 *et seq.* of the Michigan Compiled Laws as amended. The Retirement Board may employ outside investment counsel to advise the Board in the making and disposition of investments.

(2) All money and other assets of the retirement system shall be held and invested for the sole purpose of meeting disbursements authorized under this act and shall be used for no other purpose. In exercising its discretionary authority with respect to the management of the money and other assets of the retirement system, the Retirement Board shall exercise the care, skill, prudence and diligence under the circumstances then prevailing, that a person of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character with like aims.

History: 1988 PA 500, Eff. Dec. 29, 1988, and 1996 PA 220, and Plan Document of 1996; see Sec. 1, Note 1 of this Plan.

Note: Bold text in subsection (1) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Sec. 40. Prohibited Conduct. [MCL 38.1540]

Members of the Retirement Board and employees of the retirement system are prohibited from:

(1) Having any beneficial interest, direct or indirect, in any investment of the retirement system.

(2) Being an endorser or obligor, or providing surety, for any money loaned to or borrowed from the retirement system.

(3) Borrowing any of the money or other assets of the retirement system.

(4) Receiving any pay or emolument from any individual or organization, other than compensation paid by the retirement system, with respect to investments of the retirement system.

History: 1984 PA 427, Eff. Jan. 2, 1985, and 1996 PA 220, and Plan Document of 1996; see Sec. 1, Note 1 of this Plan.

Sec. 41. Election to Become Participating Municipality; Vote; Specifying Effective Date of Participation and Applicable Benefit and Contribution Programs; Establishment of Benefit and Contribution Program Coverage Classifications; Certification of Participation; Conditions to Participation.

(1) A municipality may elect to become a participating municipality by either an affirmative vote by a majority of the members on the municipality's governing body, or an affirmative vote by the qualified electors of the municipality. The municipality's governing body shall specify the

effective date of participation and the benefit programs and member contribution programs that shall apply to the employees of the municipality. The Retirement Board shall establish benefit program coverage classifications and member contribution program coverage classifications. All employees of a municipality who are in the same benefit program coverage classification shall be covered by the same benefit program. All employees of a municipality who are in the same member contribution program classification shall be covered by the same member contribution program.

(2) The clerk or secretary of the municipality shall certify to the retirement system, in the manner and form prescribed by the Retirement Board, the determination of the municipality to participate in the retirement system. The certification shall be made within 10 days from the date of the vote by the governing body or the date of the canvass of votes of the qualified electors.

(3) A municipality **(or bargaining unit or non-bargaining group)** shall not participate under this Plan unless on the effective date of participation 10% or more of all employees of the municipality **(or bargaining unit or non-bargaining group)** are included as members of the retirement system. However, a municipality that includes less than 10% of all municipal employees as members **(or bargaining unit or non-bargaining group)** of a retirement system under this Plan may participate if the municipality has elected to include **[**only**] all** individuals first hired after the effective date of the municipality's participation.

History: 1989 PA 51, Eff. June 12, 1989, and Plan Document of 1996.

Note: Subsection (3) amended by bold text added and [bracketed] language deleted, by Board action of January 14, 2009, with immediate effect. The added language reflects MERS longstanding interpretation since 1989.

Sec. 41A. Election to Become Participating Court; Administrative Order; Resolution; Specifying Effective Date of Participation and Applicable Benefit and Contribution Programs; Classifications; Certification of Participation; Conditions to Participation.

(1) A judicial circuit court, judicial district court, or judicial probate court may elect to become a participating court by administrative order of the court's chief judge that is concurred in by resolution of the governing bodies of the municipalities that are required by law to fund the judicial circuit court, judicial district court, or judicial probate court, or by resolution of the joint board or commission of the municipalities that are required by law to fund the judicial circuit court, judicial district or judicial probate court if those municipalities have entered into a contract to transfer functions and responsibilities pursuant to Act No. 8 of the Public Acts of the Extra Session of 1967, being sections 124.531 to 124.536 of the Michigan Compiled Laws. The chief judge, in the administrative order, shall specify the effective date of participation and the benefit programs and member contribution programs that shall apply to the employees of the court. The Retirement Board shall establish benefit program coverage classification and member contribution program coverage classifications. All employees of a court who are in the same benefit program coverage classification shall be covered by the same benefit program. All employees of a court who are in the same member contribution program coverage classification shall be covered by the same member contribution program.

(2) The chief judge of the judicial circuit court, judicial district court, or judicial probate court shall certify to the retirement system, in the manner and form prescribed by the Retirement Board, the determination of the court to participate in the retirement system. The certification shall be made within 10 days after the date of concurrence of the governing bodies of the municipalities

that are required by law to fund the court or the joint board or commission of the municipalities that are required by law to fund the court.

(3) A court **(or bargaining unit or non-bargaining group)** shall not participate under this Plan unless on the effective date of participation 10% or more of all employees of the court **(or bargaining unit or non-bargaining group)** are included as members of the retirement system. However, a court that includes less than 10% of all judicial employees **(or bargaining unit or non-bargaining group)** as members of a retirement system under this Plan may participate if the court has elected to include **[**only**] all** individuals first hired after the effective date of the court's participation.

History: 1989 PA 51, Eff. June 12, 1989, and Plan Document of 1996.

Note: Subsection (3) amended by bold text added and [bracketed] language deleted, by Board action of January 14, 2009, with immediate effect. The added language reflects MERS longstanding interpretation since 1989.

Sec. 42. Actuarial Determination of Contribution Requirements.

A municipality, a judicial circuit court, a judicial district court, or a judicial probate court or the retirement system may request the system's actuary to make an actuarial determination of the contribution requirements that would be associated with the municipality's or court's participation in the retirement system. The municipality or court shall furnish the employee information needed for the actuarial determination, as specified by the Retirement Board. The cost of this actuarial determination shall be paid as determined by the Retirement Board.

History: 1988 PA 500, Eff. Dec. 29, 1988, and Plan Document of 1996.

Sec. 43. Election to Change Benefit and Contribution Programs; Vote; Specifying Effective Date of Change in Coverage and Applicable Benefit and Contribution Programs; Coverage Classification and Certification Conditions; Accrued Benefit Not Reduced by Change; Certification of Determination; Actuarial Determination of Contribution Requirements.

(1) **(a)** A participating municipality may elect to change the benefit programs and member contribution programs which apply to the employees of the participating municipality by an affirmative vote by a majority of the members of the participating municipality's governing body. The participating municipality shall specify the effective date of the change in coverage and the benefit programs and member contribution programs which shall apply to the employees of the participating municipality from the effective date of the change. The effective date of the change in coverage shall be the first day of a calendar month. The coverage classification and certification conditions imposed by section 41 shall apply to a change in coverage under this section. A change in benefit program or member contribution program shall not reduce the accrued benefit of any member **based on the member's credited service and final average compensation as of the effective date of the change in coverage.**

(b) A participating municipality may adopt on a one-time irrevocable basis the Bridged Benefit Program which shall be applicable only to all active employees in the employee division that are covered at the time of adoption by the same MERS defined benefit program multiplier percentage (excluding the Hybrid Program) coverage classification.

(i) The bridged benefit amount that may become due and payable shall be the combined sum of:

A. The accrued benefit amount based on the member's credited service under a MERS defined benefit program multiplier percentage (excluding the Hybrid Program) as of the effective date of the change in coverage; and

B. The benefit amount (amounts) that accrues (accrue) for the member's credited service under a MERS defined benefit program multiplier percentage (excluding the Hybrid Program) acquired after the effective date of the change in coverage.

In all cases, the combined bridged benefit amount shall not exceed the larger of:

- **the amount in paragraph A;**
- **80% of final average compensation as of the date of termination of employment under the final average compensation benefit program in effect on the termination date**.

(ii) In calculating the benefit amount under subparagraph (i), "final average compensation" shall be determined for all credited service as of the date of termination of employment under the final average compensation benefit program in effect on the termination date. As an alternative, the participating municipality may adopt "frozen FAC" for calculating the benefit amount under subparagraph (i)(A), with "final average compensation" to be determined as of the effective date of the change in coverage. The actuarial valuation for a proposed bridged benefit shall separately determine the actuarial impact for termination date FAC and frozen FAC.

(iii) In the event any alteration of the Bridged Benefit Program is made or occurs, under section 43B of the Plan Document concerning collective bargaining or under any other plan provision or law, MERS shall not recognize such action, other than in accordance with this subsection (b).

(2) The clerk or secretary of the municipality shall certify to the retirement system, in the manner and form prescribed by the Retirement Board, the determination of the participating municipality. The certification shall be made within 10 days after the date of the vote by the governing body.

(3) The participating municipality or the board may request the actuary to make an actuarial determination of the participating municipality's contribution requirements associated with a change in coverage. The cost of the actuarial determination shall be paid by the participating municipality in either case.

History: 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996.

Note 1: Subsection (1) separated into (a) and (b); bold text added at end of subsection (1)(a) and new subparagraph (1)(b) added, by Board action of July 15, 2009, to take effect October 1, 2009. Companion amendment was also made to Plan section 43A.

Sec. 43A. Election of Participating Court to Change Benefit and Contribution Programs; Administrative Order; Resolution; Specifying Effective Date of Change in Coverage and Applicable Benefit and Contribution Programs; Coverage Classification and Certification Conditions; Accrued Benefit Not Reduced by Change; Certification of Determination; Actuarial Determination of Contribution Requirements.

(1) **(a)** A participating court may elect to change the benefit programs and member contribution programs that apply to the employees of the participating court by administrative order of the

chief judge that is concurred in by resolution of the governing bodies of the municipalities that are required by law to fund the court or by resolution of the joint board or commission of the municipalities that are required by law to fund the court if those municipalities have entered into a contract to transfer functions and responsibilities pursuant to Act No. 8 of the Public Acts of the Extra Session of 1967, being sections 124.531 to 124.536 of the Michigan Compiled Laws. The chief judge, in the administrative order shall specify the effective date of the change in coverage and the benefit programs and member contribution programs that shall apply to the employees of the participating court from the effective date of the change. The effective date of the change in coverage shall be the first day of a calendar month. The coverage classification and certification conditions imposed by section 41A shall apply to a change in coverage under this section. A change in benefit program or member contribution program shall not reduce the accrued benefit of any member **based on the member's credited service and final average compensation as of the effective date of the change in coverage**.

(b) A participating court may adopt on a one-time irrevocable basis the Bridged Benefit Program which shall be applicable only to all active employees in the employee division that are covered at the time of adoption by the same MERS defined benefit program multiplier percentage (excluding the Hybrid Program) coverage classification.

(i) The bridged benefit amount that may become due and payable shall be the combined sum of:

A. The accrued benefit amount based on the member's credited service under a MERS defined benefit program multiplier percentage (excluding the Hybrid Program) as of the effective date of the change in coverage; and

B. The benefit amount (amounts) that accrues (accrue) for the member's credited service under a MERS defined benefit program multiplier percentage (excluding the Hybrid Program) acquired after the effective date of the change in coverage.

In all cases, the combined bridged benefit amount shall not exceed the larger of:

- **the amount in paragraph A;**
- **80% of final average compensation as of the date of termination of employment under the final average compensation benefit program in effect on the termination date**.

(ii) In calculating the benefit amount under subparagraph (i), "final average compensation" shall be determined for all credited service as of the date of termination of employment under the final average compensation benefit program in effect on the termination date. As an alternative, the participating court may adopt "frozen FAC" for calculating the benefit amount under subparagraph (i)(A), with "final average compensation" to be determined as of the effective date of the change in coverage. The actuarial valuation for a proposed bridged benefit shall separately determine the actuarial impact for termination date FAC and frozen FAC.

(iii) In the event any alteration of the Bridged Benefit Program is made or occurs, under section 43B of the Plan Document concerning collective bargaining or under any other plan provision or law, MERS shall not recognize such action, other than in accordance with this subsection (b).

(2) The chief judge of the participating court shall certify to the retirement system, in the manner and form prescribed by the Retirement Board, the determination of the participating court under subsection (1). The certification shall be made within 10 days after the date of the concurrence

of the governing bodies of the municipalities that are required by law to fund the court or the joint board or commission of the municipalities that are required by law to fund the court.

(3) The participating court or the board may request the actuary to make an actuarial determination of the participating court's contribution requirements associated with a change in coverage. The cost of the actuarial determination shall be paid by the participating court.

History: 1988 PA 500, Eff. Dec. 29, 1988, and Plan Document of 1996.

Note 1: Subsection (1) separated into (a) and (b); bold text added at end of subsection (1)(a) and new subparagraph (1)(b) added, by Board action of July 15, 2009, to take effect October 1, 2009. Companion amendment was also made to Plan section 43.

Sec. 43B. Collective Bargaining Agreements; Benefit Modifications; Extension of Modified Benefits to Non-Bargaining Groups.

(1) Pursuant to a collective bargaining agreement entered into pursuant to 1947 PA 336, being sections 423.201 *et seq.* of the Michigan Compiled Laws, a participating municipality or participating court may provide for retirement benefits which are modifications of standard retirement benefits otherwise included in the plan.

(2) In the manner provided in section 43 or section 43A, the participating municipality or participating court may extend such collectively bargained retirement benefit modifications to other employees of the participating municipality or participating court.

(3) As a condition of the retirement system administering retirement benefit modifications under this section 43B, the participating municipality or participating court shall agree to compensate the system for all reasonable and necessary additional costs of administering such benefit modifications.

History: 1996 PA 220, Eff. Aug. 15, 1996, and Plan Document of 1996.

Sec. 43C. Fiscal Responsibility: Benefit Adoption Eligibility Requirements Effective July 1, 2006.

The Board administers the plan and the benefit promises made by participating municipalities and courts to their employees, for the exclusive benefit of the members, vested former members, retirees and beneficiaries. Benefit changes have a substantial financial impact on long-term contribution requirements for each participating entity that must finance the constitutionally protected benefit promises made to employees under the Michigan Constitution, article 9, section 24. The adverse impact of benefit changes on plans that are actuarially funded at low levels, which the Board determines to be less than 50% funded **prior to January 1, 2008, and 60% funded commencing January 1, 2008,** and ***80% funded commencing July 1, 2009***, <u>and 100% funded commencing July 1, 2012,</u> requires remedial action. To further safeguard the long-term actuarial and financial integrity of the retirement system and its individual member plans, and to promote understanding of the impact that benefit changes have on plan integrity and taxpayer-financed employer contributions to fund benefit obligations, the Board enacts this section in the exercise of its duties as fiduciary and trustee for the retirement system, and for each participating municipality and court, and all MERS trust assets, as provided in MCLA 38.1536(2)(a) and 38.1539(1); Plan sections 36(2)(a) and 39(1)

(1) At the time a supplemental actuarial valuation is requested under sections 11, <u>20, 21,</u> 43 or 43A, and at the time a new benefit provision is adopted, the employer must be current in the payment of all required employer and member contributions.

(a) Benefit E (Plan section 20). Benefit E may be adopted without regard to the requirements of subsections (2) and (3) where the governing body immediately contributes to MERS an amount that will fund 100% of the increase in actuarial liabilities that would otherwise result from its adoption.

(b) Service Credit Purchases. For all purchases of service credit under this Plan Document the employee to be benefitted (or the municipality, or both) shall immediately contribute to MERS an amount equal to 100% of the estimated actuarial cost related to the purchase.

(2) Both the requesting division and the participating municipality or court must be not less than ***80%*** funded on an actuarial basis **commencing *July 1, 2009*,** and not less than 100% funded commencing July 1, 2012, as of the last December 31 valuation date, based on the actual benefit provisions in effect when the supplemental valuation is requested or completed. **For the Defined Contribution Program, 80% funded level s required (i) for adoption and (ii) for all conversions from defined benefit, including the Hybrid Benefit Program Defined Benefit Component.** The governing body may make a cash contribution, or transfer employer assets from a different division, or both, in order to meet the applicable funding requirement. If the requirement is not met, MERS and its actuary will not complete the requested supplemental valuation. ***This subsection shall not preclude a participating municipality or court whose actuarial funded level is below the required funded level from requesting a valuation, where the purpose of the valuation is to reduce actuarial liabilities by the proposed change in the existing benefit program.***

(3) The proposed benefit provisions may not be adopted if the results of the supplemental valuation disclose there would be a funded percentage less than ***80***% on an actuarial basis (using the same valuation date as in subsection (2)) commencing ***July 1, 2009***, and not less than 100% funded commencing July 1, 2012, for either the division or the entire municipality or court. **For the Defined Contribution Program, 80% funded level is required (i) for adoption and (ii) for all conversions from defined benefit, including the Hybrid Benefit Program Defined Benefit Component.** The governing body may make a cash contribution, or transfer employer assets from a different division, or both, in order to meet the applicable funding requirement. ***This subsection shall not preclude a participating municipality or court whose actuarial funded level is below the required funded level from adopting a change in the existing benefit program, where the valuation results indicate the change(s) reduce(s) actuarial liabilities.***

(4) Beginning with the December 31, 2006 annual actuarial valuations, the 30-year maximum amortization period for unfunded accrued liability shall be reduced each following valuation year by one year, to a **20**-year maximum amortization period:

December 31, 2005 Valuation: 30 years
December 31, 2006 Valuation: 29 years
December 31, 2007 through 2010 Valuations: 28 years, declining one year each subsequent valuation year until 20 years amortization attained.

(5) The provisions of this section constitute Board action in its exclusive capacity of fiduciary and trustee for the retirement system, the participating municipalities and courts, and all MERS trust assets, as provided in MCLA 38.1536(2)(a) and 38.1539(1); Plan sections 36(2)(a) and 39(1). In the event any alteration of this section 43C is made or occurs, under section 43B of the Plan Document concerning collective bargaining or under any other plan provision or law, MERS shall not recognize such action, other than in accordance with this section.

Note 1: Section 43C added by Board action of March 14, 2006, with an effective date of July 1, 2006. The language of subsection (2) is based on Requirements to Foster Fiscal Responsibility for Participating Municipalities with Respect to Benefit Increases, adopted by the Board on September 22, 2005, and effective October 1, 2005. To further implement subsection (4), section 2C(3)(b) was also amended March 14, 2006.

Note 2: Bold language added September 18, 2007, increasing minimum funded percentage from 50% to 60%, and declining the amortization schedule five more years from 25 to 20 years, with an effective date of January 1, 2008. Companion amendment was simultaneously made to Plan section 2C(3)(b).

Note 3: Underlined language in subsection (1) added, and subsection (4) revised, with immediate effect, by Board action of March 11, 2009.

Note 4: *Italicized language* conditionally added by Board action of May 13, 2009, increasing the minimum actuarial funded percentage requirement from 60% to 80% due to adverse market conditions, to be effective July 1, 2009. Member Comment was requested through July 13. At the July 15 meeting, the section 43C amendments were approved unanimously, along with the same change to 80% in sections 10(6) and 19A(9)(c), with all amendments effective July 1, 2009.

Note 5: Subsection (1) amended by addition of subparagraphs (a) and (b) by Board action of May 12, 2010, with immediate effect.

Note 6: Subsection (4) amended, to extend 28 year amortization to the 2010 Valuation year, and restate the language for the decline in amortization by one year each subsequent valuation year, until 20 years amortization attained; by Board action of March 10, 2011, with immediate effect.

Note 7: Increase from 80% funding to 100% funding for all benefit changes effective July 1, 2012 in the opening paragraph, and subsections (2) and (3), by Board action of July 13, 2011 (new language underlined); with all changes to take effect October 1, 2011. The Board on July 13, 2011 also made fiscal responsibility related amendments (effective October 1, 2011) (new language underlined):

-- section 10(6); and
-- section 19B(13)(c).

Member Comment was requested through September 1, 2011 on the prospective increase in the funding requirement.

Note 8: By Board action of January 11, 2012, addition of second sentence in subsections (2) and (3), (new language bolded) with immediate effect. Complementary amendments were also made in Sections 19A and 19B.

Sec. 44. Election to Terminate Participation; Vote; Certification of Determination; Effective Date of Termination of Participation; Effect of Termination; Disposition of Balance in Reserve.

(1) A participating municipality may elect to terminate participation by an affirmative vote by the qualified electors of the participating municipality. The clerk or secretary of the participating municipality shall certify to the retirement system, in the manner and form prescribed by the Retirement Board, the determination of the participating municipality to terminate participation. The certification shall be made within 10 days after the canvass of votes of the qualified electors. The effective date of termination of participation shall be the first day of the participating municipality's fiscal year that is at least 6 months after the date of the vote by the qualified electors. Termination of participation shall preclude a municipality from again becoming a participating municipality during the 5-year period immediately following the effective date of the termination of participation.

(2) The disposition of balances in the reserve for employee contributions, the reserve for defined contribution plan and the reserve for employer contributions when a participating municipality terminates participation in the retirement system pursuant to subsection (1) shall be as follows:

(a) The balance standing to each person's credit in the reserve for employee contributions shall be distributed to the person in the form of either a single sum payment or an annuity which is the actuarial equivalent of the single sum payment, as determined by the Retirement Board.

(b) The balance standing to each person's credit in the reserve for defined contribution plan shall be distributed to the person as provided in section 19A **and section 19B**.

(c) The Retirement Board shall adjust the balance in the reserve for employer contributions to a market value basis for the purpose of determining the amount of an insufficiency or the amount of an overage under this subdivision. The adjusted balance in the reserve for employer contributions shall be periodically compared to the actuarial accrued liabilities, including a margin for experience fluctuation, for accrued pensions payable and to be paid persons on account of the municipality's participation in the retirement system. If at the time of a comparison the adjusted balance is insufficient to fully cover the actuarial accrued liabilities, the insufficiency shall be an obligation of the municipality and shall be liquidated as determined by the Retirement Board. If at the time of a comparison the adjusted balance is more than sufficient to fully cover the actuarial accrued liabilities, the overage shall be returned to the municipality in a single sum or, at the request of the municipality, transferred to another retirement plan covering the employees of the municipality.

History: 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996.

Note: Bold text in subsection (2)(b) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Sec. 44A. Election of Participating Court to Terminate Participation; Vote, Certification of Determination; Effective Date of Termination of Participation; Effect of Termination; Disposition of Balance in Reserve.

(1) A participating court may elect to terminate participation by an affirmative vote by the qualified electors of the municipalities that are required by law to fund the court. The chief judge of the participating court shall certify to the retirement system, in the manner and form prescribed by the Retirement Board, the determination of the participating court to terminate participation. The certification shall be made within 10 days after the canvass of votes of the qualified electors. The effective date of termination of participation shall be the first day of the participating court's fiscal year that is at least 6 months after the date of the vote by the qualified electors. Termination of participation shall preclude a court from again becoming a participating court during the 5-year period immediately following the effective date of the termination of participation.

(2) The disposition of balances in the reserve for employee contributions, the reserve for defined contributions and the reserve for employer contributions when a participating court terminates participation in the retirement system pursuant to subsection (1) shall be as follows:

(a) The balance standing to each person's credit in the reserve for employee contributions shall be distributed to the person in the form of either a single sum payment or an

annuity that is the actuarial equivalent of the single sum payment, as determined by the Retirement Board.

(b) The balance standing to each person's credit in the reserve for defined contribution plan shall be distributed to the person as provided in section 19A **and section 19B**.

(c) The Retirement Board shall adjust the balance in the reserve for employer contributions to a market value basis for the purpose of determining the amount of an insufficiency or the amount of an overage under this subdivision. The adjusted balance in the reserve for employer contributions shall be periodically compared to the actuarial accrued liabilities, including a margin for experience fluctuation for accrued pensions payable and to be paid persons on account of the court's participation in the retirement system. If at the time of a comparison the adjusted balance is insufficient to fully cover the actuarial accrued liabilities, the insufficiency shall be an obligation of the court and shall be liquidated as determined by the Retirement Board. If at the time of a comparison the adjusted balance is more than sufficient to fully cover the actuarial accrued liabilities, the overage shall be returned to the court in a single sum or, at the request of the chief judge of the court, transferred to another retirement plan covering the employees of the court.

History: 1988 PA 500, Eff. Dec. 29, 1988, and Plan Document of 1996.

Note: Bold text in subsection (2)(b) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Sec. 45. Annual Meeting; Selection of Members to Retirement Board; Transaction of Business; Notice of Meeting; Certification of Delegates; Conduct of Election; Nominating Procedures; Referendum. [MCL 38.1545]

(1) The Retirement Board shall call an annual meeting of the retirement system for the purpose of selecting members of the Retirement Board and the transaction of such other business as the Retirement Board determines. Notice of the annual meeting shall be sent to each participating municipality and participating court, by registered mail, at least 30 days before the date of the meeting. Notice of the annual meeting shall be sent to each retiree at least 30 days before the date of the meeting.

(2) The governing body of each participating municipality shall certify the names of 2 delegates to the annual meeting. One delegate shall be a member who is an officer of the participating municipality, selected by the governing body of the participating municipality. The other delegate shall be a member who is not an officer of the participating municipality, elected by the member employees of the participating municipality. The election shall be by secret ballot and shall be conducted by an officer of the participating municipality. The election shall be conducted in a manner that affords each member employee an opportunity to vote.

(3) The chief judge of each participating court shall certify the names of 2 delegates to the annual meeting. One delegate shall be a member who is an officer of the participating court, selected by the chief judge of the participating court. The other delegate shall be a member who is not an officer of the participating court, elected by the member employees of the participating court. The election shall be by secret ballot and shall be conducted by an officer of the participating court. The election shall be conducted in a manner that affords each member employee an opportunity to vote.

(4) The nomination of candidates for election to the Retirement Board shall be made pursuant to procedures established by the Retirement Board and adopted by the delegates to an annual meeting of the retirement system. A nomination for the position of officer board member shall be made by a member who is an officer of a participating municipality or of a participating court. A nomination for the position of employee board member shall be made by a member who is not an officer of a participating municipality or of a participating court.

(5) The Retirement Board shall hold a referendum of the assembled delegates to elect members of the Retirement Board. The referendum shall be conducted pursuant to procedures established by the Retirement Board and adopted by the delegates to an annual meeting of the retirement system. An individual elected to the Retirement Board shall become a member of the Retirement Board on the January 1 immediately following the referendum.

History: 1996 PA 220, Eff. Aug. 15, 1996, and Plan Document of 1996; see Sec. 1, Note 1 of this Plan.

End of Article V.

ARTICLE VI. FUNDING AND RESERVES.

Sec. 45A. Funding Objective of Retirement System; Contribution Requirement; Notice and Payment of Contribution Obligation; Interest and Penalty Charge.

(1) The funding objective of the retirement system is to establish and receive contributions during each fiscal year that are sufficient to fully cover the actuarial cost of benefits likely to be paid on account of service rendered by members during the fiscal year, the normal cost requirements of the retirement system, and amortize the unfunded actuarial costs of benefits likely to be paid on account of service rendered before the fiscal year, the unfunded actuarial accrued liability of the retirement system. Distinct contribution requirements shall be established for each participating municipality and participating court.

(2) Contribution requirements shall be actuarially determined using experience assumptions and level percent of payroll actuarial cost methods adopted by the Retirement Board.

(3) The retirement system shall annually inform each participating municipality and participating court of its contribution obligation for the fiscal year. The contribution requirement shall be paid to the retirement system pursuant to procedures and schedules established by the Retirement Board. The retirement system may assess an interest charge and a penalty charge on any payment not made within 15 days after its due date.

History: 1996 PA 220, enacting section 2, Eff. Aug. 15, 1996, and Plan Document of 1996.

Sec. 46. Reserve for Employee Contributions; Subaccounts; Deduction of Contributions from Compensation of Member; Consent and Agreement to Deduction; Discharge and Acquittance of Claims and Demands; Certification of Compensation Paid; Payment of Aggregate Amount of Contributions to Retirement System; Remittance of Member Contributions; Interest and Penalty Charge.

(1) The reserve for employee contributions is the account in which member contributions, **(**other than the contributions of members covered by Benefit Program DC **or Benefit Program H)**, are accumulated and from which shall be made refunds and transfers of accumulated member contributions. The retirement system shall maintain 1 or more separate individual accounts for each person having an interest in this reserve.

(2) A participating municipality or participating court shall cause the applicable member contributions to be deducted from the compensation of each member in its employ. Continuation of employment by the member shall constitute consent and agreement to the deduction of the applicable member contribution. Payment of compensation less the deduction shall be a complete discharge of all claims for compensation for service rendered by the member to the participating municipality or participating court.

(3) A participating municipality or participating court shall certify to the retirement system the amount of compensation paid a member employed by the participating municipality or participating court. A participating municipality or participating court shall pay to the retirement system the aggregate amount of member contributions collected. Remittance of member contributions shall be made in accordance with procedures and schedules established by the Retirement Board. The retirement system may assess an interest charge and a penalty charge on any payment not made within 15 days after its due date.

(4) Accumulated member contributions shall be transferred from the reserve for employee contributions to the reserve for retired benefit payments upon the retirement or death of a member or vested former member.

History: 1988 PA 500, Eff. Dec. 29, 1988, and Plan Document of 1996.

Note: Bold text in subsection (1) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Sec. 46A. Reserve for Defined Contribution Plan.

(1) The reserve for defined contribution plan is the account to which member contributions and contributions by or on behalf of participating municipalities and participating courts for members covered by Benefit Program DC **or the defined contribution component of Benefit Program H** are credited, and to which investment income earned on the contributions is credited. The reserve for defined contribution plan is the account from which distributions of accumulated balances shall be made and from which transfers shall be made to the reserve for administrative expenses. The retirement system shall maintain 1 or more separate individual accounts for each person having an interest in this reserve.

(2) A participating municipality or participating court shall cause the applicable member contributions to be deducted from the compensation of each member in its employ. Continuation of employment by the member shall constitute consent and agreement of the deduction of the applicable member contributions. Payment of compensation less the deduction shall be a complete discharge of all claims for compensation for service rendered by the member to the participating municipality or participating court.

(3) A participating municipality or participating court shall certify to the retirement system the amount of compensation paid a member employed by the participating municipality or participating court. A participating municipality or participating court shall pay to the retirement system the aggregate amount of member contributions collected. Remittance of member contributions shall be made under procedures and schedules established by the Retirement Board. The retirement system may assess an interest charge and a penalty charge on any payment not made within 15 days after its due date.

History: 1996 PA 220, Eff. Aug. 15, 1996, and Plan Document of 1996.

Note: Bold text in subsection (1) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

[Sec. 46B. Transfers of Excess Assets to Reserve for Defined Contribution Plan.]

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Note 1: Section 46B conditionally adopted, subject to IRS approval, by Board action of November 10, 1999.

Note 2: Section 46B repealed by Board action of March 12, 2003.

Sec. 47. Reserve for Employer Contributions and Benefit Payments; Subaccounts.

(1) The reserve for employer contributions **and benefit payments** is the **consolidated** account:

(a) to which contributions by or on behalf of participating municipalities and participating courts shall be credited, other than contributions made on account of members covered by Benefit Program DC **or the defined contribution component of Benefit Program H**;

(b) from which shall be paid all retirement allowances and residual refunds of accumulated contributions.

(2) The retirement system shall maintain a separate subaccount for each participating municipality and participating court.

(3) Effective with the system's fiscal year ending December 31, 1998, the reserve for employer contributions and the reserve for retired benefit payments shall be consolidated into the Section 47 Reserve for Employer Contributions and Benefit Payments. All references in this Plan to the reserve for employer contributions shall be deemed to be references to the consolidated Section 47 Reserve.

History: 1988 PA 500, Eff. Dec. 29, 1988, and Plan Document of 1996.

Note 1: Language in subparagraph (1)(a) from former section 47, and (1)(b) from section 48(1); language in subsection (2) from former sections 47 and 48(1); language in subsection (3) added; and revised section heading by Board action of October 22, 1998, with immediate effect.

Note 2: Bold text in subsection (1)(a) added March 14, 2006, with immediate effect: all provisions then amended create the Hybrid Plan, Benefit Program H, and include: sections 2A(1), 2C(7), 6(1), 7(1), 10(1), 11(4), 12(1)(d) and (2), 19B added, 20(5), 21(8), 22(8), 23(2)(a), 23A(5), 24(5), 26(2) and (5)(a) and (6), 27(4), 28(3), (3)(a) and (4), 30(1), 32(5), 39(1), 44(2)(b), 44A(2)(b), 46(1), 46A(1), and 47(1)(a).

Sec. 48. Reserve for Retired Benefit Payments, Subaccounts.

Effective with the system's fiscal year ending December 31, 1998, the reserve for retired benefit payments shall be consolidated into the Section 47 Reserve for Employer Contributions and Benefit Payments. All references in this Plan to the reserve for retired benefit payments shall be deemed to be references to the consolidated Section 47 Reserve.

History: 1988 PA 500, Eff. Dec. 29, 1988, and Plan Document of 1996.

Note: Language of former subsection 48 (1) incorporated into section 47(1)(b) and (2), and former section 48(2) deleted, by Board action of October 22, 1998, with immediate effect.

Sec. 49. Reserve for Excess Casualty Experience; Transfers; Stop Loss Program.

(1) The reserve for excess casualty experience is the account in which shall be accumulated contributions by participating municipalities and participating courts pursuant to an excess casualty experience stop loss program that the Retirement Board may implement from time to time. Excess casualty experience, determined in accordance with the stop loss program, shall be charged to the reserve for excess casualty experience by transfers to the affected participating municipality or participating court subaccounts in the reserve for retired benefit payments. This

section shall not be construed as mandating the establishment and continuation of a stop loss program.

(2) The following transfers shall be made on September 30, [1989]:

(a) The liabilities for disability and survivor retirement allowance being paid shall be transferred to the reserve for retired benefit payments account and charged to the participating municipalities' or participating courts' subaccounts from which the retirants have retired.

(b) The assets of the reserve for excess casualty experience account shall be transferred to the participating municipalities' or participating courts' subaccounts in the reserve for retired benefit payments account in proportion to the liabilities transferred in subdivision (a).

History: 1988 PA 500, Imd. Eff. Dec. 29, 1988, and Plan Document of 1996.

Note: Bracketed year in subsection (2) added.

Sec. 50. Reserve for Expenses and Undistributed Income; Transfer; Contingency Reserves.

(1) The reserve for **expenses and** undistributed income is the **consolidated** account **which shall be** credited with all interest, dividends, and other income from the investment of retirement system assets, other than assets in the reserve for defined contribution plan; all gifts and bequests received by the retirement system; all unclaimed accumulated contributions and retirement allowances; and all other money received by the retirement system, the disposition of which is not specifically provided. There shall be transferred from the reserve for **expenses and** undistributed income **the section 52 allocations to** the reserve for employer contributions **and benefit payments, including** all amounts required to credit interest to the reserve for employee contributions. If the Retirement Board determines the balance in the reserve for **expenses and** undistributed income is more than sufficient to cover current charges to the reserve, all of any part of the excess may be used to provide contingency reserves or to meet special requirements of the other reserve accounts of the retirement system. If the balance in the reserve for **expenses and** undistributed income is insufficient to meet the current charges to the account, the amount of the insufficiency shall be transferred from the reserve for employer contributions **and benefit payments.**

(2) **There shall be paid from the reserve** the expenses for the administration of the retirement system.

(3) **Effective with the system's fiscal year ending December 31, 1998, the reserve for undistributed investment income and the reserve for administrative expenses account shall be consolidated into the Section 50 Reserve for Expenses and Undistributed Income. All references in this Plan to the reserve for undistributed investment income shall be deemed to be references to the consolidated Section 50 Reserve.**

History: 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996.

Note: Language in subsection (1) from former section 50, as revised; language in (2) from former section 51, as revised; language in (3) added; and revised section heading by Board action of October 22, 1998, with immediate effect.

Sec. 51. Expenses for Administration of Retirement System; Payment.

Effective with the system's fiscal year ending December 31, 1998, the reserve for administrative expenses account shall be consolidated into the Section 50 Reserve for Expenses and Undistributed Income. All references in this Plan to the reserve for administrative expenses account shall be deemed to be references to the consolidated Section 50 Reserve.

History: 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996.

Note: Language from former section 51 incorporated into section 50(1)(b) as revised, by Board action of October 22, 1998, with immediate effect.

Sec. 52. Allocation of Undistributed Investment Income.

The retirement system shall at least annually allocate all or a portion of undistributed investment income to the reserve for employer contributions **and benefit payments, including all amounts required to credit interest to t**he individual balances in the reserve for employee contributions, and on the aggregate balance in the reserve for excess casualty experience. The amounts allocated shall be charged to the reserve for **expenses and** undistributed investment income. The allocation rates shall be determined by the Retirement Board. Allocation rates may vary by reserve account but shall be uniformly applied to each subaccount within a reserve account. Allocations to the reserve for employer contributions **and benefit payments** shall apply only to subaccounts of participating municipalities and participating courts on the date the allocation is adopted by the Retirement Board. Before accumulated contributions are paid under section 35, the retirement system may allocate the portion of investment earnings attributable to the accumulated contributions for the number of complete months between the date that investment earnings were last allocated under this section and the date the accumulated contributions are paid.

History: 1992 PA 63, Eff. May 22, 1992, and Plan Document of 1996.

Note: Bold text added by Board action of October 22, 1998, with immediate effect, to conform to revisions in sections 47, 48, 50 and 51.

End of Article VI.

ARTICLE VII. MISCELLANEOUS.

Sec. 53. Rights Neither Subject to Process of Law Nor Assignable; Exceptions; Limitation; Right of Setoff; Transfers of Money and Assets to Another Retirement System; Transfer of Member Account Balance to MERS from Another MERS or Non-MERS Plan of the Same Employer to Repay Refunded Contributions or Purchase Service Credit.

(1) The right of an individual to a retirement allowance, to the return of accumulated contributions, the retirement allowance itself, any other right accrued or accruing to an individual under this Plan, and any money belonging to the retirement system is not subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency law, or any other process of law whatsoever and is unassignable, except as is otherwise specifically provided in this Plan.

(2) The right of an individual to a retirement allowance, to the return of accumulated contributions, the retirement allowance itself, or any other benefit under this Plan is subject to award by a court pursuant to section 18 of chapter 84 of the Revised Statutes of 1846, being section 552.18 of the Michigan Compiled Laws, and to any other order of a court pertaining to alimony or child support. The right of an individual to a retirement allowance, to the return of accumulated contributions, the retirement allowance itself, or any other benefit under this Plan is subject to an eligible domestic relations order under the Eligible Domestic Relations Order Act. However, this subsection does not permit or require a benefit to be paid or to be provided that is not otherwise available under the terms of this Plan.

(3) If an award or order described in subsection (2) requires the retirement system to withhold payment of a pension, deferred pension, accumulated contributions, or other benefit from the person to whom it is due or requires the retirement system to make payment or requires the person to request that the retirement system make payment of a pension, deferred pension, accumulated contributions, or other benefit, for the purpose of meeting the person's obligations to a spouse, former spouse or child, as provided in subsection (2), the withholding or payment provisions of the award or order shall be effective only against such amounts as they become payable to the person receiving a retirement allowance unless otherwise provided in an eligible domestic relations order under the Eligible Domestic Relations Order Act. The limitations contained in this subsection do not apply to the accumulated contributions of a person who terminates employment before acquiring a vested member status.

(4) The retirement system shall have the right of setoff to recover overpayments made by the retirement system and to satisfy any claim arising from embezzlement or fraud by a member, retirant, or beneficiary.

(5) A transfer of money and assets to another retirement system authorized by an affirmative vote by a majority of the members on the municipality's governing body is not a violation of this section.

(6) A transfer by a member of his or her account balance for the purpose of repaying accumulated contributions previously paid to the member under plan section 4(3)(b), or purchasing qualifying governmental or generic credited service under plan sections 6 or 7, respectively, is governed exclusively by this subsection (6).

(a) Subject to any limitations or conditions imposed by Internal Revenue Code regulations, a member may elect to have any portion of his or her account balance transferred to the MERS defined benefit plan from any MERS or non-MERS plan

maintained by the member's employer that is a (i) tax-qualified defined contribution plan or (ii) governmental 457(b) plan. The transfer must be permitted under the plan from which the transfer will originate and may be made from that plan before the member has had a severance from employment.

(b) The transfer is for the repayment of accumulated contributions previously paid to the member pursuant to plan section 4(3)(b), or for the purchase of permissive service credit (as defined in Code Section415(n)(3)(A)), pursuant to plan section 6 or 7. The transfer amount shall not exceed the amount required by the retirement system in order to repay contributions or for service credit to be granted.

History: 1991 PA 50, Eff. June 27, 1991, and Plan Document of 1996.

Note: By Board action of November 9, 2011, with immediate and retroactive effect, last clause in the section title was inserted, last sentence of (4) removed and relocated as new subsection (5), and subsection (6) added.

Sec. 54. Correction of Errors in Records; Recovery of Overpayments; Making up Underpayments.

The retirement system shall correct errors in the records of the retirement system. The retirement system shall seek to recover any overpayments, and shall make up any underpayments, which have been made. The recovery of overpayments may be accomplished by reducing the amount of future payments so that the actuarial present value of actual payments to the recipient is equal to the actuarial present value of the payments to which the recipient was correctly entitled.

History: 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996.

Sec. 55. Intent; Retirement System as Qualified Pension Plan and Trust as Exempt Organization; Administration; Employer-financed Benefit Limitations; Annual Adjustment; Use and Investment of Assets; Return of Post-Tax Member Contributions; Beginning Date of Distributions; Termination of Participation in Retirement System; Election to Rollover to Retirement Plan; Interest Rate; Compliance with Section 415 of Internal Revenue Code and Regulations.

(1) This section is enacted pursuant to federal law that imposes certain administrative requirements and benefit limitations for qualified governmental plans. The Retirement Board intends that the retirement system be a qualified pension plan under section 401 of the Internal Revenue Code and that the trust be an exempt organization under section 501 of the Internal Revenue Code. The Retirement Board shall administer the retirement system to fulfill this intent.

(2) Notwithstanding any other provision of this Plan, the retirement system shall be administered in compliance with the provisions of section 415 of the Internal Revenue Code and revenue service regulations under that section that are applicable to governmental plans. If there is a conflict between this section and another section of this Plan, this section prevails.

(3) The annual benefit otherwise payable to a member at any time shall not exceed the maximum permissible amount under section 415(b) of the Internal Revenue Code. Except as otherwise provided in this section, benefits provided by the retirement system shall not

exceed the dollar limit in effect under Section 415(b)(1)(A) of the Internal Revenue Code. **This limitation is subject to the following conditions:**

(a) **The dollar limit must be reduced where a member** has fewer than ten **(10)** years of participation in the Plan, **when retirement benefits under the Plan commence. This adjustment is made by multiplying the dollar limit** by a fraction: (i) the numerator of which is the number of years (or part thereof) of participation in the Plan **as of, and including, the current limitation year,** and (ii) the denominator of which is 10. **If the $10,000 minimum benefit under section 415(b)(4) is applicable, that dollar amount must be reduced where a member has fewer than ten (10) years of service with the employer at the time the member begins to receive retirement benefits under the Plan. This adjustment is made by multiplying the $10,000 minimum benefit by a fraction: (i) the numerator of which is the number of years (or part thereof) of service with the employer as of, and including the current limitation year, and (ii) the denominator of which is 10.**

(b) **If benefits in any form other than a straight life annuity is selected (other than Form of Payment II, IIA, or III with a spouse as named survivor beneficiary) or if the benefit as determined includes after-tax employee contributions or rollovers, then the benefit to be tested under this Section must be adjusted to an actuarial equivalent straight life annuity, beginning at the same age. For limitation years beginning on or after January 1, 1995, the actuarially equivalent straight life annuity for purposes of applying the limitations under section 415(b) to benefits:**

(i) **that are not subject to section 417(e)(3)** (generally, a monthly benefit) **is equal to the greater of** (A) **the equivalent annual benefit computed using the interest rate and mortality table, or tabular factor, specified in the Plan for actuarial equivalence for the particular form of benefit payable, or** (B) **the equivalent annual benefit computed using a 5 percent interest rate assumptions and the applicable mortality table. The applicable mortality table is**: (A) for years prior to January 1, 2009, **the** applicable **mortality** tables described in Treasury Regulation section 1.417(e)-1(d)(2) (Revenue Ruling 2001-62 or any subsequent Revenue Ruling modifying the applicable provisions of Revenue Rulings 2001-62), and (B) for years after December 31, 2008, the applicable mortality tables described in section 417(e)(3)(B) of the Internal Revenue Code (Notice 2008-85 or any subsequent Internal Revenue Service guidance implementing section 417(e)(3)(B) of the Internal Revenue Code).

(ii) paid in a form to which Internal Revenue Code Section 417(e)(3) applies (generally, a lump sum benefit), is equal to the greatest of (or the reduced Internal Revenue Code Section 415(b) limit applicable at the annuity starting date which is the "least of" when adjusted in accordance with the following assumptions):

(A) The annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable, computed using the interest rate and mortality table, or tabular factor, specified in the plan for actuarial experience;

(B) The annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable, computed using a 5.5 percent interest assumption (or the applicable statutory interest assumption) and (i) for years prior to January 1, 2009, the applicable mortality tables for the distribution under Treasury Regulation section 1.417(e)-1(d)(2) (the mortality table specified in Revenue Ruling 2001-62 or any subsequent Revenue Ruling modifying the applicable

provisions of Revenue Ruling 2001-62), and (ii) for years after December 31, 2008, the applicable mortality tables described in section 417(e)(3)(B) of the Internal Revenue Code (Notice 2008-85 or any subsequent Internal Revenue Service guidance implementing section 417(e)(3)(B) of the Internal Revenue Code); or

(C) The annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable (computed using the applicable interest rate for the distribution under Treasury Regulation section 1.417(e)-1(d)(3) (the 30-year Treasury rate (prior to January 1 2007, using the rate in effect for the month prior to retirement, and on and after January 1, 2007, using the rate in effect for the first day of the plan year with a one-year stabilization period)) and (i) for years prior to January 1, 2009, the applicable mortality tables for the distribution under Treasury Regulation section 1.417(e)-1(d)(2) (the mortality table specified in Revenue Ruling 2001-62 or any subsequent Revenue Ruling modifying the applicable provisions of Revenue Ruling 2001-62), and (ii) for years after December 31, 2008, the applicable mortality tables described in section 417(e)(3)(B) of the Internal Revenue Code (Notice 2008-85 or any subsequent Internal Revenue Service guidance implementing section 417(e)(3)(B) of the Internal Revenue Code), divided by 1.05.

The annual benefit does not include any benefits attributable to employee contributions or rollover contributions, or assets transferred from a qualified plan that was not maintained by the employer.

The actuary may adjust the 415(b) limit at the annuity starting date in accordance with this subsection.

(c) **For limitation years beginning on or after January 1, 1995,** if the benefit of a member begins **before** age 62, the defined benefit dollar limitation applicable to the member at such earlier age is an annual benefit payable in the form of a straight life annuity beginning at the earlier age that is the actuarial equivalent of the defined benefit dollar limitation applicable to the member at age 62 (adjusted under (a) above, if required). The defined benefit dollar limitation applicable at an age prior to age 62 is determined as **the lesser of (i) the equivalent amount computed using the interest rate and mortality table (or tabular factor) used in the Plan for actuarial equivalence for early retirement benefits, or (ii)** the actuarial equivalent (at such age) of the defined benefit dollar limitation computed the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using a 5 percent interest rate and the applicable mortality table. Any decrease in the defined benefit dollar limitation determined in accordance with this paragraph (**c**) shall not reflect a mortality decrement if benefits are not forfeited upon the death of the member. If any benefits are forfeited upon death, the full mortality decrement is taken into account.

(d) If the benefit of a member begins after the member attains age 65, the defined benefit dollar limitation applicable to the member at the later age is the annual benefit payable in the form of a straight life annuity beginning at the later age that is actuarially equivalent to the defined benefit dollar limitation applicable to the member at age 65 (adjusted under (a) above, if required). The actuarial equivalent of the defined benefit dollar limitation applicable at an age after age 65 is determined as **the lesser of (i) the equivalent amount computed using the interest rate and mortality table (or tabular factor) used in the Plan for actuarial equivalence for late retirement benefits, or (ii)** the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using a 5 percent interest rate assumption and the applicable mortality table.

(e) For purposes of this section, the following benefits shall not be taken into account in applying these limits:

(i) Any ancillary benefit which is not directly related to retirement income benefits;

(ii) That portion of any joint and survivor annuity that constitutes a qualified joint and survivor annuity;

(iii) Any other benefit not required under Internal Revenue Code Section 415(b)(2) and Treasury Regulations thereunder to be taken into account for purposes of the limitation of Internal Revenue Code Section 415(b)(1).

(f) The 415(b) limit with respect to any member who at any time has been a member in any other defined benefit plan as defined in Internal Revenue Code Section 414(j) maintained by the member's employer in this plan shall apply as if the total benefits payable under all such defined benefit plans in which the member has been a member were payable from one (1) plan.

(g) Effective on and after July 1, 2009, for purposes of applying the 415(b) limit to a member with no lump sum benefit, the following will apply:

(i) a member's applicable 415(b) limit will be applied to the member's annual benefit in the member's first limitation year without regard to any automatic cost of living adjustments;

(ii) to the extent that the member's annual benefit equals or exceeds the limit, the member will no longer be eligible for cost of living increases until such time as the benefit plus the accumulated increases are less than the 415(b) limit;

(iii) thereafter, in any subsequent limitation year, a member’s annual benefit, including any automatic cost of living increases, shall be tested under the then applicable 415(b) limit including any adjustment to the Internal Revenue Code Section 415(b)(1)(A) dollar limit under Internal Revenue Code Section 415(d), and the Treasury Regulations thereunder.

(h) On and after July 1, 2009, with respect to a member who receives a portion of the member's annual benefit in a lump sum, a member's applicable limit will be applied taking into consideration cost of living increases as required by Internal Revenue Code Section 415(b) and applicable Treasury Regulations.

(i) Effective for permissive service credit contributions made in limitation years beginning after December 31, 1997, if a member makes one or more contributions to purchase permissive service credit under the plan, then the requirements of Internal Revenue Code Section 415(n) will be treated as met only if:

(i) the requirements of Internal Revenue Code Section 415(b) are met, determined by treating the accrued benefit derived from all such contributions as an annual benefit for purposes of Internal Revenue Code Section 415(b), or

(ii) the requirements of Internal Revenue Code Section 415(b) are met, determined by treating all such contributions as annual additions for purposes of Internal Revenue Code Section 415(c).

(iii) For purposes of applying this section, the plan will not fail to meet the reduced limit under Internal Revenue Code Section 415(b)(2)(C) solely by reason of this subparagraph and will not fail to meet the percentage limitation under Internal Revenue Code Section 415(c)(1)(B) solely by reason of this section.

(iv) For purposes of this section the term "permissive service credit" means service credit—

(A) specifically allowed by state statute for purposes of calculating a member's benefit under the plan,

(B) which such member has not received under the plan, and

(C) which such member may receive only by making a voluntary additional contribution, in an amount determined under the plan, which does not exceed the amount necessary to fund the benefit attributable to such service credit.

Effective for permissive service credit contributions made in limitation years beginning after December 31, 1997, such term may include service credit for periods for which there is no performance of service, and, notwithstanding clause (B), may include service credited in order to provide an increased benefit for service credit which a member is receiving under the plan.

(v) The plan will fail to meet the requirements of this section if—

(A) more than five years of nonqualified service credit are taken into account for purposes of this subparagraph or

(B) any nonqualified service credit is taken into account under this paragraph before the member has at least five years of participation under the plan.

(vi) For purposes of paragraph (v), effective for permissive service credit contributions made in limitation years beginning after December 31, 1997, the term "nonqualified service credit" means permissive service credit other than that allowed with respect to—

(A) service (including parental, medical, sabbatical, and similar leave) as an employee of the Government of the United States, any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing (other than military service or service for credit which was obtained as a result of a repayment described in Internal Revenue Code Section 415(k)(3)),

(B) service (including parental, medical, sabbatical, and similar leave) as an employee (other than as an employee described in clause (A)) of an education organization described in Internal Revenue Code Section 170(b)(1)(A)(ii) which is a public, private, or sectarian school which provides elementary or secondary education (through grade 12), or a comparable level of education, as determined under the applicable law of the jurisdiction in which the service was performed,

(C) service as an employee of an association of employees who are described in clause (A), or

(D) military service (other than qualified military service under section 414(u)) recognized by the plan.

In the case of service described in clause (A), (B), or (C), such service will be nonqualified service if recognition of such service would cause a Member to receive a retirement benefit for the same service under more than one plan.

(vii) In the case of a trustee-to-trustee transfer after December 31, 2001, to which Internal Revenue Code Section 403(b)(13)(A) or Internal Revenue Code Section 457(e)(17)(A) applies (without regard to whether the transfer is made between plans maintained by the same employer)—

(A) the limitations of paragraph (v) will not apply in determining whether the transfer is for the purchase of permissive service credit, and

(B) the distribution rules applicable under federal law to the plan will apply to such amounts and any benefits attributable to such amounts.

(viii) For an eligible participant, the limitation of Internal Revenue Code Section 415(c)(1) shall not be applied to reduce the amount of permissive service credit which may be purchased to an amount less than the amount which was allowed to be purchased under the terms of the plan as in effect on August 5, 1997. For purposes of this paragraph, an eligible participant is an individual who first became a participant in the plan before January 1, 1998.

(j) Notwithstanding any other provision of law to the contrary, the plan may modify a request by a member to make a contribution under this rule if the amount of the contribution would exceed the limits provided in Internal Revenue Code Section 415 by using the following methods:

(i) If the law requires a lump sum payment for the purchase of service credit, the plan may establish a periodic payment plan for the member to avoid a contribution in excess of the limits under Internal Revenue Code Section 415(c) or 415(n).

(ii) If payment pursuant to subparagraph (i) will not avoid a contribution in excess of the limits imposed by Internal Revenue Code Section 415(c) or 415(n), the plan may either reduce the member's contribution to an amount within the limits of those sections or refuse the member's contribution.

(k) Any repayment of contributions (including interest thereon) to the plan with respect to an amount previously refunded upon a forfeiture of service credit under the plan shall not be taken into account for purposes of Internal Revenue Code Section 415, in accordance with applicable Treasury Regulations.

(l) Reduction of benefits and/or contributions to all plans, where required, shall be accomplished by first reducing the member's defined benefit component under any defined benefit plans in which the member participated, such reduction to be made first with respect to the plan in which the member most recently accrued benefits and thereafter in such priority as shall be determined by the plan and the plan administrator of such other plans; and next, by reducing the member's defined contribution component benefit under any defined benefit plans; and next by reducing or allocating excess forfeitures for defined contribution plans in which the member participated, such

reduction to be made first with respect to the plan in which the member most recently accrued benefits and thereafter in such priority as shall be established by the plan and the plan administrator for such other plans provided, however, that necessary reductions may be made in a different manner and priority pursuant to the agreement of the plan and the plan administrator of all other plans covering such member.

(4) Annual additions to any member's account shall not exceed the limit specified in section 415(c). For years beginning on or before December 31, 2001 the limit is the lesser of 25% of the member's compensation or $30,000, as adjusted for cost-of-living increases under subsection (5). For years beginning after December 31, 2001, the limit is the lesser of 100% of the member's compensation or $40,000, as adjusted for cost-of-living increases under subsection (5). This limit subject to the following definitions and conditions:

(a) For limitation years beginning after December 31, 1997, compensation paid or made available during such limitation year shall include any elective deferral (as defined in Code section 401(g)(3), and any amount which is contributed or deferred by the employer at the election of the member and which is not includible in gross income of the employee by reason of section 125 or 457. For Plan and limitation years beginning on and after January 1, 2001, compensation paid or made available during such plan and limitation years shall include elective amounts that are not includable in the gross income of the member by reason of section 132(f)(4) of the Internal Revenue Code.

For limitation years beginning on and after January 1, 2009, compensation for the limitation year shall also include compensation paid by the later of 2½ months after a member's severance from employment or the end of the limitation year that includes the date of the member's severance from employment if:

(i) the payment is regular compensation for services during the member's regular working hours, or compensation for services outside the member's regular working hours (such as overtime or shift differential), commissions, bonuses or other similar payments, and, absent a severance from employment, the payments would have been paid to the member while the member continued in employment with the employer; or

(ii) the payment is for unused accrued bona fide sick, vacation or other leave that the member would have been able to use if employment had continued; or

(iii) payments pursuant to a nonqualified unfunded deferred compensation plan, but only if the payments would have been paid to the member at the same time if the member had continued employment with the employer and only to the extent that the payment is includible in the member's gross income.

Any payments not described in the second paragraph of this subsection (a) are not considered compensation if paid after severance from employment, even if they are paid within 2½ months following severance from employment, except for payments to the individual who does not currently perform services for the employer by reason of qualified military service (within the meaning of section 414(u)(1) of the Internal Revenue Code) to the extent these payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the employer rather than entering qualified military service.

An employee who is in qualified military service (within the meaning of section 414(u)(1) of the Internal Revenue Code) shall be treated as receiving compensation

from the employer during such period of qualified military service equal to (i) the compensation the employee would have received during such period if the employee were not in qualified military service, determined based on the rate of pay the employee would have received from the employer but for the absence during the period of qualified military service, or (ii) if the compensation the employee would have received during such period was not reasonably certain, the employee's average compensation from the employer during the twelve (12) month period immediately preceding the qualified military service (or, if shorter, the period of employment immediately preceding the qualified military service).

Beginning January 1, 2009, to the extent required by section 414(u)(12) of the Internal Revenue Code, an individual receiving differential wage payments (as defined under section 3401(h)(2) of the Internal Revenue Code) from an employer shall be treated as employed by that employer, and the differential wage payment shall be treated as compensation for purposes of applying the limits on annual additions under section 415(c) of the Internal Revenue Code. This provision shall be applied to all similarly situated individuals in a reasonably equivalent manner.

Back pay, within the meaning of Treasury Regulation section 1.415(c)-2(g)(8), shall be treated as compensation for the limitation year to which the back pay relates to the extent the back pay represents wages and compensation that would otherwise be included under this definition.

(b) **All defined contribution plans of an employer shall be treated as one defined contribution plan for the purposes of the limitations under section 415(c).**

(c) **"Annual Additions" are defined by Treasury Regulation Section 1.415-6(b). For defined benefit plan purposes, annual additions generally include after-tax mandatory and voluntary employee contributions. Excluded from the definition of annual additions are picked-up contributions to the defined benefit plan, repayments of refunded contributions, rollovers, and trustee-to-trustee transfers.**

(5) Section 415(d) of the Internal Revenue Code requires the Commissioner of Internal Revenue to adjust the dollar limit described in subsection**s (3) and (4)** to reflect cost of living increases. **These** subsection**s** shall be administered using the limitations applicable to each calendar year as adjusted by the Commissioner of Internal Revenue under section 415(d) of the Internal Revenue Code. The retirement system shall adjust the benefits subject to the limitation each year to conform with the adjusted limitation.

(6) The assets of the retirement system shall be held and invested for the sole purpose of meeting the legitimate obligations of the retirement system and shall not be used for any other purpose. The assets shall not be used for or diverted to a purpose other than for the exclusive benefit of the members, vested former members, retirants, and beneficiaries before satisfaction of all retirement system liabilities.

(7) The retirement system shall return post-tax member contributions made by a member and received by the retirement system to a member upon retirement, pursuant to internal revenue service regulations and approved internal revenue service exclusion ratio tables. **For Benefit Program DROP+ authorized under section 10(6), the interest rate and mortality table used for calculating the portion of the lump sum attributable to a member's post-tax member contributions shall be as provided under subsection (11) of this section 55.**

(8) The required beginning date for retirement allowances and other distributions shall not be later than **the later of (i)** April 1 of the calendar year following the calendar year in which the

employee attains age 70-l/2 or **(ii)** April 1 of the calendar year following the calendar year in which the employee retires.

(9) If a participating municipality or participating court discontinues participation in the retirement system, or if the retirement system is terminated, the interest of the members, vested former members, retirants, and beneficiaries in the plan is nonforfeitable to the extent funded as described in section 411(d)(3) of the Internal Revenue Code and the related Internal Revenue Service regulations applicable to governmental plans.

(10) Notwithstanding any other provision of this Plan to the contrary that would limit a distributee's election under this Plan, a distributee may elect, at the time and in the manner prescribed by the Retirement Board, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. This subsection applies to distributions made on or after January 1, 1993.

(11) For purposes of determining actuarial equivalent retirement allowances under section 23(2)(b) through (e), the actuarially assumed interest rate **shall be** 8% as of December 31, 2001, with utilization of the 1994 Group Annuity Mortality Table.

(12) Any distribution made under the Plan shall be made in accordance with section 401(a)(9) of the Code and the regulations issued thereunder.

(13) Notwithstanding any other provision of this Plan, the compensation of a member of the retirement system shall be taken into account for any year under the retirement system only to the extent that it does not exceed the compensation limit established in section 401(a)(17) of the Internal Revenue Code, as adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Internal Revenue Code. For purposes of determining benefit accruals in a plan year beginning after December 31, 2001, compensation for any prior determination period shall be limited to $200,000. This subsection applies only to any person who first becomes a member of the retirement system on or after October 1, 1996 ("noneligible participants"), and shall be effective for noneligible participants as of October 1, 1996.

(14) Notwithstanding any other provision of this Plan, contributions, benefits, and service credit with respect to qualified military service will be provided under the retirement system in accordance with section 414(u) of the Internal Revenue Code. This subsection applies to all qualified military service on or after December 12, 1994.

History: 1995 PA 191, Eff. Nov. 7, 1995, and Plan Document of 1996.

Note 1: On July 8, 1997, the Internal Revenue Service issued its Letter of Favorable Determination that the Plan Document of 1996 conforms to the provisions of the Internal Revenue Code applicable to governmental plans.

Note 2: Subsection (9) originally subsection (10) as amended by Board action of February 13, 2002, with immediate effect. See also Plan section 5, note 3.

Note 3: Revisions to subsections (2)—(5), (10), (12) and (13); renumbering of former (4)—(12); and addition of subsections (14) and (15), to comply with federal law changes (the Economic Growth and Tax Relief Reconciliation Act of 2001); by Board action of May 8, 2002, with retroactive effective date of January 1, 2002.

Note 4: The Board took the following action on August 14, 2002, to be effective January 1, 2002 (unless a different effective date is otherwise specified): combined in subsection (2) language formerly appearing in subsections (2)—(4), renumbered former subsection (5) as (3), and restated or added language in (2) and (3), pursuant to the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001;

renumbered subsections (6) to (13) as subsections (4) to (11); and renumbered former subsection (14) as subsection (12), pursuant to the provisions of Omnibus Budget Reconciliation Act of 1993; renumbered former subsection (15) as subsection (13).

Note 5: Pursuant to MERS' 2002 IRS Favorable Determination Request, on March 10, 2004, the Board amended section 55, with immediate effect, as follows (new language in bold): subsection (2) contains language formerly in (11); in (3), formerly (2), language struck and language added throughout; (4) new language; (5), formerly (3) with revision noted; former subsections (4)—(10) renumbered as (6)—(12), with revisions in (8) and (11); and former (12)—(13) renumbered as (13)—(14).

Note 6: Second sentence in subsection (7) added, pursuant to June 15, 2005 IRS Letter of Favorable Determination on MERS Plan Document (see note 5): by Board action of September 20, 2005, with immediate effect.

Note 7: Subsection (3)(b) amended, subsection (3)(e)-(l) added, and subsection (4)(a) language added, all by Board action of January 11, 2012 (new language underlined), with immediate effect and retroactive to December 13, 2011.

Sec. 55A. Qualified Excess Benefit Arrangement.

(1) This section is enacted pursuant to section 415(m) of the Internal Revenue Code and 2002 PA 100, the Michigan Public Employee Retirement Benefit Protection Act.

(2) A qualified excess benefit arrangement (QEBA) is established. The arrangement shall be governed by a separate plan document and trust, executed by the Retirement Board.

(3) The amount of any retirement allowance that would exceed the limitations imposed by section 415 of the Internal Revenue Code, as set forth in section 55 of the Plan, shall be paid from the QEBA in accordance with necessary and appropriate procedures established by the Retirement Board for the administration of the QEBA.

(4) The QEBA shall be a separate portion of the Plan. The QEBA is subject to the following requirements:

(a) The QEBA shall be maintained solely for the purpose of providing to retirants and beneficiaries that part of the retirant's or beneficiary's retirement allowance otherwise payable under the terms of the Plan, but which exceed the limitations imposed by section 415 of the Internal Revenue Code, as set forth in section 55 of the Plan; and

(b) Retirants and beneficiaries do not have an election, directly or indirectly, to defer compensation to the QEBA.

Note 1: Section 55A added by Board action of March 12, 2003, with immediate effect.

Note 2. On December 15, 2003, the Internal Revenue Service issued its Private Letter Ruling approving the QEBA established by Section 55A.

Sec. 56. Severability.

This Plan shall be governed by the laws of the state of Michigan. Wherever necessary, pronouns of any gender shall be deemed synonymous, as shall singular and plural pronouns. The table of contents and the hearings of sections and paragraphs are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Plan. If any section or part of a section of this Plan is for any reason

held to be invalid or unconstitutional, such holding shall not be construed as affecting the validity of the remaining sections of the Plan or the Plan in its entirety.

History: 1996 PA 220, Eff. Aug. 15, 1996, and Plan Document of 1996.

Sec. 57. Repeal.

This Plan Document shall repeal in its entirety, and replace, the MERS Plan as of August 15, 1996. Pursuant to 1996 PA 220, section 36(2)(a), MCL 38.1536(2)(a), the Municipal Employees' Retirement System Plan Document of 1996 contains retirement system provisions that do not differ materially from the defined benefit provisions that were in effect under 1984 PA 427, as amended, as of 11:59 p.m. on August 14, 1996 (the date preceding the certification date). This 1996 Plan Document establishes additional programs "including, but not limited to, defined benefit and defined contribution programs" as set forth in section 36 of 1996 PA 220. All resolutions and policies of the Retirement Board previously enacted which are inconsistent with the provisions of this 1996 Plan Document are hereby also repealed to the extent of such inconsistency.

History: 1996 PA 220, Eff. Aug. 15, 1996, and Plan Document of 1996.

End of Article VII.

ARTICLE VIII. ESTABLISHMENT OF 401(h) ACCOUNT FOR MERS PARTICIPATING EMPLOYERS.

Sec. 60. Authorization and Establishment.

The Board is authorized by MCL 38.1536(2)(a) to establish additional programs within MERS, including ancillary benefits, health and welfare benefits, and other post-employment benefits. A 401(h) Account shall be established for each MERS Participating Employer that adopts a 401(h) Account Uniform Resolution and a 401(h) Account Participation Agreement specifying optional terms of the 401(h) Account. Each 401(h) Account shall be a separate account within the Trust Fund and shall be established pursuant to Internal Revenue Code Section 401(h). The assets held in each 401(h) Account shall be accounted for separately from all assets of the Trust Fund not held in any 401(h) Account. However, 401(h) Account assets may be commingled with other assets of the Trust Fund for investment purposes. Investment earnings and expenses will be allocated on a reasonable basis. The purpose of each such 401(h) Account shall be to provide a funding structure for the payment of certain Medical Care costs as provided in the applicable 401(h) Account Participation Agreement.

Note: Section 60, Article VIII, added by Board action of November 10, 2004, with immediate effect.

Sec. 61. Defined Terms.

(1) "Covered Group" means any class or group of employees of a Participating Employer so designated by the Participating Employer in the Participation Agreement.

(2) "Eligible Employee" means any employee of a Participating Employer so designated by the Participating Employer in the Participation Agreement.

(3) "Medical Care" has the meaning set forth in Section 213(d)(1) of the Internal Revenue Code.

(4) "Participant(s)" means any Eligible Employee of any Participating Employer, on whose behalf rights to benefits from the 401(h) Account become payable upon his or her receipt of a retirement benefit from the Participating Employer.

(5) "Participating Employer" means any participating court or participating municipality which chooses to establish a 401(h) Account pursuant to this Article VIII.

Note: Section 61, Article VIII, added by Board action of November 10, 2004, with immediate effect.

Sec. 62. Section 401(h) Account Participation.

Any Participating Employer may choose to establish a 401(h) Account pursuant to this Article. The Participating Employer shall adopt the 401(h) Account Uniform Resolution and 401(h) Account Participation Agreement and provide the same to MERS. A 401(h) Account shall not be established for any Participating Employer until MERS receives such duly adopted and executed 401(h) Account Uniform Resolution and 401(h) Account Participation Agreement.

Note: Section 62, Article VIII, added by Board action of November 10, 2004, with immediate effect.

Sec. 63. Mandatory Terms.

Any 401(h) Account established under this section must comply with the following conditions:

(1) Trust Status.

(a) All assets held in the 401(h) Account, including all contributions received pursuant to the Plan Document and the Participation Agreement, all property and rights acquired or purchased with such amounts and all income attributable to such amounts, property or rights shall be held in trust for the exclusive benefit of Participants in the Participating Employer's 401(h) Account.

(b) To the extent required by Code Section 401(h), all contributions received pursuant to the Plan Document and the Participation Agreement, all property and rights acquired or purchased with such amounts and all income attributable to such amounts, property or rights held as part of the 401(h) Account shall be held, managed, invested and distributed as part of the Trust Fund in accordance with the provisions of the Plan Document and the Participation Agreement.

(2) Discrimination. The 401(h) Account does not permit any condition for eligibility or benefits that would discriminate in favor of any class of Participants to the extent such discrimination is prohibited by applicable law.

(3) Non-Diversion and Reversion Rules.

(a) At no time prior to the satisfaction of all liabilities under the 401(h) Account or termination of the 401(h) Account shall any assets in the 401(h) Account be used for, or diverted to, any purpose other than the providing of the benefits under this Article VIII and the payment of administrative expenses. Assets in the 401(h) Account may not be used for retirement or disability benefits or any other purpose for which other assets held in the Trust Fund are used.

(b) As provided by Code Section 401(h)(5), upon the satisfaction of all liabilities under law and the 401(h) Account, any remaining amounts shall returned to the Participating Employer.

(4) Amendment for Qualification of Plan. It is the intent of the Board that the 401(h) Account shall be and remain a Code Section 401(h) account. The Plan Administrator shall promptly submit the Plan Document and the Participation Agreement to the Internal Revenue Service for approval under the Code, and all expenses incident thereto shall be borne by the 401(h) Account. The Board may make any modifications, alterations, or amendments to the Plan Document, Participation Agreement or Plan operations necessary to obtain and retain approval of the Secretary of the Treasury or the Secretary's delegate of the 401(h) Account as qualified under the provisions of the Code or other federal legislation, as now in effect or hereafter enacted, and the regulations issued thereunder. Any modification, alteration, or amendment of the Plan Document or the Participation Agreement, made in accordance with this Section, may be made retroactively, if necessary or appropriate. A certified copy of the resolution of the Board making such amendment shall be delivered to the Plan Administrator, and the Plan Document or Participation Agreement shall be amended in the manner and effective as of the date set forth in such resolution. The Board and the Participating Employer, Eligible Employees, Participants, their Spouses and Dependents, and all others having any interest under the 401(h) Account shall be bound thereby.

(5) Coverage. Benefits from the 401(h) Account may only be paid to a Participant, a Participant's Spouse (an individual to whom the Participant is married as determined under Michigan law)

and Dependents (as defined in Code Section 152) for Medical Care specified in the applicable Participation Agreement. A Participant (and his or her Spouse and Dependents) has no rights to benefits from the 401(h) Account until he or she becomes a Retired Participant.

(6) Benefits Payable from the 401(h) Account.

(a) Benefits payable from a 401(h) Account shall include only payments or reimbursements for Medical Care (as defined in Code Section 213(d)(1). Benefits may be further limited by the terms of the Participation Agreement of a Participating Employer, which shall specify the specific benefits to be paid from a 401(h) Account.

(b) The Board shall administer the DB Component, if any, of each 401(h) Account on an actuarially sound basis.

(c) Medical Care payments shall only be paid pursuant to an application.

(d) No refunds of contributions shall be made. All contributions remain in the 401(h) Account until used for Medical Care payments.

(e) Reimbursements may not be made for any expense for which the Retired Participant or his or her Spouse or Dependents receive, or are eligible to receive, payment or reimbursement from another source.

(f) In order to receive benefits from the 401(h) Account, the Retired Participant must agree to provide appropriate documentation of the expenditure, subject to the following conditions:

(i) In the case of premiums for insurance provided by the Retired Participant's employer, a certification of coverage by the employer is required before payments may be made directly to the insurance provider.

(ii) For Medicare B premiums, the Retired Participant must provide evidence of coverage in order for direct payments to be made.

(iii) Other Medical Care reimbursements shall be made to the Retired Participant only upon receipt of verified claims or pursuant to the certification procedure.

(7) Protection of Benefits.

(a) A Retired Participant may assign the payment of benefits from the 401(h) Account in order to pay for Medical Care insurance if otherwise permitted by the applicable Participation Agreement. With this exception, no Eligible Employee or his or her Spouse or Dependent, or designee, may commute, sell, assign, transfer or otherwise convey the right to receive any payment under the 401(h) Account.

(b) The rights of Eligible Employees or their Spouses or Dependents under this Article shall not be subject to the rights of their creditors, and shall be exempt from execution, attachment, prior assignment or any other judicial relief or order for the benefit of creditors or other third person, including a domestic relations order.

(8) Subordination of Contributions.

(a) Contributions to the 401(h) Account must be subordinate to the contributions to the System for retirement benefits. At no time shall contributions to the 401(h) Account be in excess of twenty-five percent (25%) of the total aggregate actual contributions made to the System Trust Fund (not including contributions to fund past service credits). The Plan Administrator shall annually determine whether the twenty-five percent (25%) test has been met. If at any time the 401(h) Account contributions would exceed the

twenty-five percent (25%) test, the excess amount of contributions shall be directed first to the Pension Assets.

(b) Forfeitures shall not be allocated to individual accounts under any Participating Employer's 401(h) Account, but shall be used for account expenses.

(9) Treatment of Contributions for 415(c) Purposes. Contributions shall be treated as an annual addition to a defined contribution plan for purposes of Code Section 415(c) in accordance with Code Section 415(l).

Note: Section 63, Article VIII, added by Board action of November 10, 2004, with immediate effect.

Sec. 64. Optional Terms.

(1) DB Component. A Participating Employer may elect a defined benefit component. A Participating Employer which so elects shall be subject to the following provisions:

(a) For each Participating Employer which so elects, the Board will establish in the 401(h) Account a sub-account to be known as the DB Component. The DB Component shall be credited with the contributions made by the Participating Employer, contributions made by Eligible Employees (which shall be deposited in individual accounts within the DB Component), and all investments, receipts, disbursements, and other transactions thereunder; which amounts shall be used solely for the payment of benefits, expenses and other charges properly allocable to the DB Component and shall not be used for the payment of benefits, expenses or other charges properly allocable to any other purpose.

(b) As authorized by law, and if so elected in the Participation Agreement, the Board shall pay monthly to each Retired Participant who is eligible for medical insurance coverage under part B of "The Social Security Amendments of 1965," 79 Stat. 301, 42 U.S.C.A. 1395j, as amended, an amount established by Board rule that does not exceed the basic premium for such coverage.

(c) As authorized by law, and if so elected in the Participation Agreement, the Board shall pay monthly to each Retired Participant an amount determined by the Participation Agreement for Medical Care as defined by the Participation Agreement.

(2) DC Component. A Participating Employer may elect a defined contribution component. A Participating Employer which so elects shall be subject to the following provisions.

(a) For each Participating Employer which so elects, the Board will establish in the 401(h) Account a sub-account to be known as the DC Component.

(b) Within the DC Component, separate accounts shall be maintained reflecting the contributions made by each Participant and all investments, receipts, disbursements, and other transactions thereunder; which amounts shall be used solely for the payment of benefits, expenses and other charges properly allocable to each Participant and shall not be used for the payment of benefits, expenses or other charges properly allocable to any other purpose.

(c) A Retired Participant's DC Component account balance may be used for the purpose of funding any Medical Care costs specified in the Participation Agreement for a Retired Participant or his or her Spouse or Dependents.

(d) The Board, in its sole discretion, may by Rule permit Participants participating in the DC Component to direct the investment of their DC Component Account among Investment Funds selected by the Board. The Board may by Rule establish one or more

default options for a Participant that does not have a valid investment direction on file with the System. The Board may establish the default option based upon various factors, including but not limited to, market value, stability and rate of return. Any Rule adopted under this Section may provide for the setting and changing of administrative and investment fees.

(3) Employee Contributions: DB Component or DC Component.

(a) The Participation Agreement may require mandatory employee contributions and/or may establish a procedure for a one-time elective employee contribution.

(b) Employee Contributions shall be made by payroll deduction from the Salary of the Participants, unless the Participant's Employer elects to pay all or a portion of his or her contribution

(c) The Participating Employer may elect to pick up all of the Participant's contributions in the Participation Agreement. The contributions so picked up shall be treated as Employer contributions pursuant to Internal Revenue Code Section 414(h)(2). The Employer shall pay these picked-up contributions directly to the System, instead of paying such amounts to the Participants, and such contributions shall be paid from the same funds that are used in paying salaries to the Participants. Such contributions, although designated as employee contributions, shall be paid by the Employer in lieu of contributions by Participants. Participants may not elect to receive such contributions directly instead of having them paid by the Participating Employer to the 401(h) Account. Employee contributions so picked up shall be treated for all purposes of the Plan Document and Michigan law, other than federal tax law, in the same manner as employee contributions made before the date picked up.

(4) The Participation Agreement may provide for Employer Contributions.

(5) A Participating Employer may identify Covered Groups in the Participation Agreement.

(6) A Participating Employer may specify the types of Medical Care covered in the Participation Agreement. However, Medical Care must be payments or reimbursement for health benefits as defined by Code Section 213 and excludable from income under Code Sections 105 and 106, as amended from time to time. Medical Care excludes health benefits provided by Social Security, Medicaid, Medicare, or any other medical and health insurance contracts covering the Retired Participants, their Spouse and Dependents, and the reimbursements may not be made for items payable by any other insurance contract.

The permissible types of Medical Care are:

(a) To any Retired Participant who is eligible for medical insurance coverage under part B of "The Social Security Amendments of 1965," 79 Stat. 301, 42 U.S.C.A. 1395j, as amended.

(b) Premiums paid for any group health insurance plan provided by the Participating Employer. A "health insurance plan" means an individual or group accident or health insurance policy, but does not include dental or vision coverage. The term includes, but is not limited to, a hospital policy or certificate, a medical policy or certificate, a service policy or certificate, a hospital or medical service plan contract, a health maintenance organization, and a preferred provider organization.

(c) Premiums paid for a health insurance plan for single, two-party, or family coverage for Medical Care for a Retired Participant. A "health insurance plan" means an individual or group accident or health insurance policy, and may include dental or vision coverage.

The term includes, but is not limited to, a hospital policy or certificate, a medical policy or certificate, a service policy or certificate, a hospital or medical service plan contract, a health maintenance organization, and a preferred provider organization.

(d) Payment or reimbursement of amounts (i) for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body, or (ii) for transportation primarily for and essential to medical care. Medical Care must be payments or reimbursement for health benefits as defined by Code Section 213 and excludable from income under Code Section 105 and 106, as amended from time to time. Medical Care excludes health benefits provided by Social Security, Medicaid, Medicare, or any other medical and health insurance contracts covering the Retired Participant, his Spouse and Dependents, and the reimbursements may not be made for any item covered by any other insurance contract.

Note: Section 64, Article VIII, added by Board action of November 10, 2004, with immediate effect.

End of Article VIII.

APPENDIX TO PLAN DOCUMENT

Appendix

Procedure for Review of Formal Requests for Changes to MERS Plan Document ..... A

Former Section 38.1506 ..... B

Former Section 38.1509 C

Former Section 19A - Benefit Program DC; Adoption; Contribution; Distribution (as in effect prior to 9/19/06) D-1

Former Section 19A – Restated Benefit Program DC; Adoption; Contribution; Distribution (as in effect 9/19/06 to 9/14/09) D-2

Former Section 19A – 2009 Restatement of Benefit Program DC; Adoption; Contribution; Distribution (as in effect 9/15/09 to 5/11/10) D-3

REVISED PROCEDURE FOR REVIEW OF FORMAL REQUESTS FOR CHANGES TO MERS PLAN DOCUMENT

Approved by the Retirement Board March 8, 2005.
(Adopted January 22, 1997, revised September 21, 2004)

The purpose of this policy is to ensure a consistent pattern of handling the review of proposed changes to the Plan Document.

With the enactment of PA 220 of 1996, the MERS Board now has the exclusive authority to determine the provisions of the retirement system affecting the following: benefit eligibility, benefit programs, contribution amounts, and the election of municipalities, judicial circuit courts, judicial district courts and judicial probate courts to be governed by the provisions of the retirement system. Since it will be necessary to review and make changes to the Plan Document, the Board has established the following guidelines for reviewing the Plan Document on a regular basis for such things as: legislative changes resulting in a need to comply with federal and/or state law, requests received from participating municipalities or courts, or a change or addition to Board policy.

- Staff will review and make recommendations to the Board on any changes that need to be made to comply with legislative changes in Federal and State law.
- Staff will review and the Chief Executive Officer will make recommendations to the Board on all requests received in the office from participating municipalities or courts.
- Upon receipt of a request, staff will notify the requestor by letter of the date the request will be considered by the Board at its next scheduled meeting. The requestor will be advised that they have the opportunity to address the Board regarding their request.
- Following Board review, staff will notify the requestor of Board action.
- Following Board approval for Plan Document changes, notification will be sent to all member employers within the same month. For changes that the Board determines will likely have a substantial effect on the membership, a comment period of not less than ninety (90) days will be observed before implementation will take place. [Added March 8, 2005.]
- Requests received and approved are to be normally implemented on the following January 1, unless there is need for more immediate action.

Appendix A

LANGUAGE OF FORMER SECTION 38.1506

Credit for certain qualifying service; conditions; crediting payment under subsection (1)(c).

Sec. 6. (1) The retirement board shall credit a member for qualifying service in the employ of the United States government, a state, or a political subdivision of a state, if each of the following conditions is satisfied:

(a) The governing body of the participating municipality that employs the member adopt a resolution, or the chief judge of the participating court that employs the member issues an administrative order, requesting the retirement board to credit the member with a specific period of qualifying service and files a certified copy of the resolution or administrative order with the retirement system within 10 days after adoption or issuance.

(b) The qualifying governmental service was not rendered prior to any break of 180 or more months in the member's employment by the United States government, a state, or a political subdivision of a state.

(c) The member pays to the retirement system the amount the participating municipality or participating court may require of the member in consideration for the crediting of qualifying governmental service. The required payment shall not exceed the larger of the following amounts multiplied by the period of qualifying governmental service to be credited the member:

(i) Five percent of the member's annual compensation at time of payment.

(ii) The member's annual compensation at time of payment multiplied by the percent specified under the member contribution program applicable to the member.

(2) For purposes of this section, service is qualifying if it is not and will not be recognized for the purpose of obtaining or increasing a benefit under another retirement system. A member may, qualify service by making an irrevocable forfeiture of all rights in and to the actual or potential benefit from the other retirement system.

(3) Service in the armed forces of the United States is not qualifying service and shall not be credited to a member under this section.

(4) The payment under subsection (1)(c) shall be credited to the member's individual account in the reserve for employee contributions.

Comment: The language above was section 6 of the Municipal Employees Retirement Act of 1984. This section, repealed on August 15, 1996 by 1996 PA 220, enacting section 2, had been last amended by 1989 PA 51. For application of the language of former MCL 38.1506, see Section 6(4) of the Plan Document, and accompanying Notes 1 and 2.

Appendix B

LANGUAGE OF FORMER SECTION 38.1509

Credited service for periods of continuous active duty lasting 30 or more days; conditions.

Sec. 9. A member who enters or entered any armed service of the United States may acquire credited service for periods of continuous active duty lasting 30 or more days, subject to the following conditions:

(a) The governing body of the member's participating municipality authorizes the acquisition of credited service under this section by an affirmative vote by a majority of its members or the chief judge of the member's participating court authorized the acquisition of credited service under this section by an administrative order.

(b) The member has at least 10 years of credited service, not including any credited service acquired under this section and section 8 [former MCL 38.1508, now Plan Document Section 9].

(c) The member pays the retirement system 5% of the member's annual compensation multiplied by the period of credited service being claimed. Annual compensation, for the purpose of this condition, means the aggregate amount of compensation paid the member during the 4 most recent calendar quarters for each of which the member was credited 3/12 of a year of credited service.

(d) Fractional months of armed service shall not be recognized for the purposes of this section.

(e) Armed service credited a member under section 8 [now Plan Document Section 9] shall not be the basis of credited service under this section.

(f) Armed service credited a member under this section shall not exceed either 5 years or the difference between 6 years and the armed service credited the member under section 8 [now Plan Document Section 9].

(g) Credited service shall not be granted for periods of armed service that are or could be used for obtaining or increasing a benefit from another retirement system.

Comment: The language above was section 9 of the Municipal Employees Retirement Act of 1984. This section, repealed on August 15, 1996 by 1996 PA 220, enacting section 2, had been last amended by 1988 PA 500. For application of the language of former MCL 38.1509, see section 6(4) of the Plan Document, and accompanying notes 1 and 2.

Appendix C

LANGUAGE OF FORMER SECTION 19A

(as in effect prior to 9/19/06)

Sec. 19A. Benefit Program DC; Adoption; Contribution; Distribution.

(1) This section applies to a member covered by Benefit Program DC. Unless specifically restricted by this Plan or the Retirement Board, a participating municipality or participating court is authorized to offer any rights, benefits, or features authorized for defined contribution plans under the Internal Revenue Code of 1986, as amended.

(2) In the resolution adopting Benefit Program DC, the member's participating municipality or participating court shall provide for the contribution of a percentage of the member's compensation to the retirement system. The participating municipality or participating court shall choose the percentage from the available contribution programs. The contribution programs available for selection are any percentage of compensation from 1% to the maximum percentage allowed by federal law, in increments of 0.1%. The participating municipality or participating court shall choose the same contribution rate for all members in the same benefit program coverage classification. The Retirement Board shall determine the timing and mechanism for the remittance of employer contributions. The Retirement Board may establish a program for making transfers from the reserve for employer contributions to the reserve for defined contribution plan for the purpose of meeting all or a part of the participating municipality's or participating court's contribution under this subsection.

(3) A member may voluntarily contribute additional amounts to his or her individual account in the reserve for defined contribution plan to the extent allowed by federal law and subject to procedures established by the Retirement Board. A member may roll over qualified distributions from other qualified retirement plans into this retirement system, to the extent allowed by federal law. A member is immediately 100% vested in the member's accumulated balance.

(4) The Retirement Board may contract with private investment managers to invest the assets in the reserve for defined contribution plan. A member, vested former member, and beneficiary may direct the investment of the individual's accumulated balance to 1 or more of the available categories of investment provided by the investment managers. At least 3 categories of investment shall be made available to members, vested former members, and beneficiaries as follows:

(a) Short-term securities.

(a) Fixed income securities.

(b) Equity securities.

(5) The Retirement Board shall determine the investment category for the accumulated balance of a member, vested former member, or beneficiary, if that individual does not choose to direct his or her own investments under subsection (4).

(6) (a) Upon the death of a member or vested former member, the accumulated balance of the deceased member or deceased vested former member is considered to belong to the beneficiary or beneficiaries, if any, nominated by the deceased member or deceased vested former member.

(b) To nominate a beneficiary or beneficiaries, a member shall file a written nomination with the Retirement Board, based on procedures established by the Retirement Board. Written consent by the member's spouse to the beneficiary named is required unless the spouse is beneficiary to 100% of the balance; this requirement may be waived by the Retirement Board if the signature of the member's spouse cannot be obtained because of extenuating circumstances.

(7) Upon termination of membership, a vested former member or a beneficiary, as applicable, shall elect 1 or a combination of several of the following methods of distribution of the vested former member's or beneficiary's accumulated balance, to the extent allowed by federal law and subject to subsection 6(b) and procedures established by the Retirement Board:

(a) Lump sum distribution to the vested former member or beneficiary.

(b) Lump sum direct rollover to another qualified retirement or pension plan, to the extent allowed by federal law.

(c) Annuity for the life of the vested former member or beneficiary, or optional forms of annuity as determined by the Retirement Board.

(d) No distribution, in which case the accumulated balance shall remain in the retirement system, to the extent allowed by federal law.

(8) In the resolution adopting the Benefit Program DC, the participating municipality or participating court may provide an opportunity for current members of the retirement system to elect coverage under Benefit Program DC if each of the following conditions are met:

(a) The member's participating municipality or participating court elects under Section 43 or 43A to change the benefit program from a benefit program other than Benefit Program DC to Benefit Program DC, for members in a benefit program coverage classification who are first hired after the effective date of the change.

(b) On the effective date of the change to Benefit Program DC, the member is a member of the retirement system and is in the benefit program coverage classification described in subdivision (a).

(c) On the date of the resolution adopting Benefit Program DC, the total funded percent of aggregate accrued liabilities and valuation assets of all reserves specified in Table 11 (or successor table [see Table 13]) of the most recent annual actuarial valuation report for the municipality or court is at least sixty percent (60%).

(9) The retirement system shall offer 1 opportunity for a member who satisfies the conditions of subsection (8) to elect coverage under Benefit Program DC, and once made, the election is irrevocable. The member shall make the election under this subsection in writing, based on procedures established by the Retirement Board. The Retirement Board shall begin accepting written elections from members on and after the effective date of the change of benefit program pursuant to subsection (8), and shall not accept written elections from members:

(a) Earlier than the end of the third month following the month in which the resolution is adopted and received by MERS; and

(b) Later than the first day of the first calendar month that is at least 6 months after MERS receipt of the resolution.

If the member is married at the time of election, the election is not effective unless the election is signed by the member's spouse, except that this requirement may be waived by the Retirement Board if the signature of the member's spouse cannot be obtained because of extenuating circumstances.

(10) A member who makes a written election under subsection (9) shall elect to do all of the following:

(a) Cease to be covered by the previous benefit program effective 12:01 a.m. on the first day of the first calendar month that is at least 6 months after the effective date of the change of benefit program.

(b) Become covered by Benefit Program DC effective 12:01 a.m. on the first day of the first calendar month that is at least 6 months after the effective date of the change of benefit program.

(c) Except as provided in subsection (11), waive all of his or her rights to a retirement allowance or any other benefit provided under the previous benefit program.

(11) For each member who, under subsection (9), elects coverage under Benefit Program DC, the Retirement Board shall transfer the following amounts from the reserve for employee contributions and the reserve for employer contributions to the reserve for defined contribution plan:

(a) The member's accumulated contributions, if any, as of 12:01 a.m. on the day the member becomes covered by Benefit Program DC shall be transferred from the reserve for employee contributions to the reserve for defined contribution plan.

(b) Pursuant to procedures established by the Retirement Board, the excess, if any, of the actuarial present value of the accrued benefit associated with the member's coverage under the previous benefit program, over the amount specified in subdivision (a), **based upon the funded level percentage selected by the governing body in the MERS Uniform DC Program Resolution (which shall not exceed 100% funded level percentage in any case),** shall be transferred from the reserve for employer contributions to the reserve for defined contribution plan. For purposes of this sub-paragraph:

(i) The actuarial present value shall be computed as of 12:01 a.m. on the day the member becomes covered by Benefit Program DC and shall be based on the actuarial assumptions adopted by the Retirement Board.

(ii) In determining final average compensation there shall not be included any accrued annual leave.

(iii) The earliest retirement date (for an unreduced benefit) assumption under the benefit program in effect on the effective date of the change of the benefit program shall be utilized.

(iv) For purposes of the actuarial present value calculation, any future benefit otherwise payable under Benefit Program E or E-1 shall be disregarded.

(12) Where a member has previously acquired in the employ of any participating municipality or participating court:

(a) not less than 1 year of defined benefit service in force with a participating municipality or participating court;

(b) eligible credited service where the participating municipality or participating court has adopted the Reciprocal Retirement Act, 1961 PA 88;

(c) at least 12 months in which employer contributions by a participating municipality or participating court have been made on behalf of the member under Benefit Program DC, such service shall on the member's written request to the employer and MERS' verification of such service be applied toward satisfying the vesting schedule for employer contributions. This requirement shall apply to all adoptions of Benefit Program DC on and after October 1, 2000; where previously adopted, the participating municipality or participating court may adopt this subsection (12) with full effectiveness as of the original defined contribution adoption date for the employer division involved.

History: 1996 PA 220, Eff. Aug. 15, 1996, and Plan Document of 1996.

Note 1: Subparagraph (8)(c) added by Board action of November 12, 1997, with immediate effect.

Note 2: Bold text in subparagraph (11)(b) added by Board action of November 12, 1997, with immediate effect.

Note 3: Deletion of prior reference to E-2 in subparagraph (11)(b)(4) by Board action of November 12, 1997, with immediate effect.

Note 4: Addition of subsection (12) by Board action of August 23, 2000, with immediate effect. See companion amendments to sections 4(1), 10(1), and 10(4).

Note 5: Subsection (8)(c), effective with the December 31, 2001 Annual Valuations, Table 13 contains data formerly found in Table 11.

LANGUAGE OF FORMER SECTION 19A

(as in effect 9/19/06 to 9/14/09)

Sec. 19A. Restated Benefit Program DC; Adoption; Contribution; Distribution.

(1) This restated section 19A applies to a member covered exclusively by Benefit Program DC. This section as restated repeals and replaces predecessor section 19A. The entirety of former section 19A as in effect on the day of repeal shall be placed in the Appendix to Plan Document.

(2) In the resolution adopting Benefit Program DC, the member's participating municipality or participating court shall provide for the contribution of a percentage of the member's compensation to the retirement system. The participating municipality or participating court shall choose the percentage from the available contribution programs. The contribution programs available for selection are any percentage of compensation allowed by federal law. The participating municipality or participating court shall choose the same contribution rate for all members in the same benefit program coverage classification. The Retirement Board shall determine the timing and mechanism for the remittance of employer contributions. The Retirement Board may establish a program for making transfers from the reserve for employer contributions to the reserve for defined contribution plan for the purpose of meeting all or a part of the participating municipality's or participating court's contribution under this subsection.

(3) Member Contributions. A member may voluntarily contribute additional amounts to his or her individual account in the reserve for defined contribution plan to the extent allowed by federal law and subject to procedures established by the Retirement Board. A member may roll over qualified distributions from other qualified retirement plans into this retirement system, to the extent allowed by federal law. A member is immediately 100% vested in the member's accumulated balance.

(4) Employer Contributions. A member vests in employer contributions as provided in the vesting schedule adopted by the employer, subject to subparagraph (13). The vesting schedule may provide for one of the following:

(a) Immediate Vesting upon Participation; or

(b) 100% Vesting after Stated Year (participant is 100% Vested after not to exceed maximum 5 Years of Service ("cliff" vesting)); or

Stated Year: 1 2 3 4 5

_____

(c) Graded Vesting Percentage Per Year of Service (not to exceed maximum 6 Years of Service for 100% Vesting, nor be less than stated minimums below)

_____ % after 1 Year of Service.
_____ % after 2 Years of Service.
_____ % (not less than 25%) after 3 Years of Service.
_____ % (not less than 50%) after 4 Years of Service.
_____ % (not less than 75%) after 5 Years of Service.
_____ % (not less than 100%) after 6 Years of Service.

(5) The Retirement Board may contract with private investment managers to invest the assets in the reserve for defined contribution plan. A member, vested former member, and beneficiary may direct the investment of the individual's accumulated balance to 1 or more of the available

categories of investment provided by the investment managers. At least 3 categories of investment shall be made available to members, vested former members, and beneficiaries.

(a) Short-term securities.

(b) Fixed income securities.

(c) Equity securities.

(6) The Retirement Board shall determine the investment category for the accumulated balance of a member, vested former member, or beneficiary, if that individual does not choose to direct his or her own investments under subsection (5).

(7) (a) Upon the death of a member or vested former member, the accumulated balance of the deceased member or deceased vested former member is considered to belong to the beneficiary or beneficiaries, if any, nominated by the deceased member or deceased vested former member.

(b) To nominate a beneficiary or beneficiaries, a member shall file a written nomination with the Retirement Board, based on procedures established by the Retirement Board. Written consent by the member's spouse to the beneficiary named is required unless the spouse is beneficiary to 100% of the balance; this requirement may be waived by the Retirement Board if the signature of the member's spouse cannot be obtained because of extenuating circumstances.

(8) Upon termination of membership, a vested former member or a beneficiary, as applicable, shall elect 1 or a combination of several of the following methods of distribution of the vested former member's or beneficiary's accumulated balance, to the extent allowed by federal law and subject to subsection (7)(b) and procedures established by the Retirement Board:

(a) Lump sum distribution to the vested former member or beneficiary.

(b) Lump sum direct rollover to another eligible retirement plan, to the extent allowed by federal law.

(c) Annuity for the life of the vested former member or beneficiary, or optional forms of annuity as determined by the Retirement Board.

(d) No distribution, in which case the accumulated balance shall remain in the retirement system, to the extent allowed by federal law.

(9) In the resolution adopting the Benefit Program DC, the participating municipality or participating court may provide an opportunity for current members of the retirement system to elect coverage under Benefit Program DC if each of the following conditions are met:

(a) The member's participating municipality or participating court elects under Section 43 or 43A to change the benefit program from a benefit program other than Benefit Program DC to Benefit Program DC, for members in a benefit program coverage classification who are first hired after the effective date of the change.

(b) On the effective date of the change to Benefit Program DC, the member is a member of the retirement system and is in the benefit program coverage classification described in subdivision (a).

(c) On the date of the resolution adopting Benefit Program DC, the total funded percent of aggregate accrued liabilities and valuation assets of all reserves and for the member's benefit program coverage classification as specified in Table 13 (or successor table) of the most recent annual actuarial valuation report for the municipality or court shall be at least sixty percent (60%). The participating municipality or participating court may make additional contributions to the retirement system or reallocate assets among benefit program coverage classifications in order to meet the conditions of this subsection.

In the resolution adopting Benefit Program DC, the participating municipality or participating court may require all current members of the retirement system to elect coverage under Benefit Program DC if the conditions (a), (b) and (c) of this subsection are met.

(10) The retirement system shall offer 1 opportunity for a member who satisfies the conditions of subsection (9) to elect coverage under Benefit Program DC, and once made, the election is irrevocable. The member shall make the election under this subsection in writing, based on procedures established by the Retirement Board. The Retirement Board shall begin accepting written elections from members on and after the effective date of the change of benefit program pursuant to subsection (9), and shall not accept written elections from members:

(a) Earlier than the end of the third month following the month in which the resolution is adopted and received by MERS; and

(b) Later than the first day of the first calendar month that is at least 6 months after MERS receipt of the resolution.

If the member is married at the time of election, the election is not effective unless the election is signed by the member's spouse, except that this requirement may be waived by the Retirement Board if the signature of the member's spouse cannot be obtained because of extenuating circumstances.

(11) A member who makes a written election under subsection (10) shall elect to do all of the following:

(a) Cease to be covered by the previous benefit program effective 12:01 a.m. on the first day of the first calendar month that is at least 6 months after the effective date of the change of benefit program.

(b) Become covered by Benefit Program DC effective 12:01 a.m. on the first day of the first calendar month that is at least 6 months after the effective date of the change of benefit program.

(c) Except as provided in subsection (12), waive all of his or her rights to a retirement allowance or any other benefit provided under the previous benefit program.

(12) For each member who, under subsection (10), elects coverage under Benefit Program DC, the Retirement Board shall transfer the following amounts from the reserve for employee contributions and the reserve for employer contributions to the reserve for defined contribution plan:

(a) The member's accumulated contributions, if any, as of 12:01 a.m. on the day the member becomes covered by Benefit Program DC shall be transferred from the reserve for employee contributions to the reserve for defined contribution plan.

(b) Pursuant to procedures established by the Retirement Board, the excess, if any, of the actuarial present value of the accrued benefit associated with the member's coverage under the previous benefit program, over the amount specified in subdivision (a), based upon the funded level percentage selected by the governing body in the MERS Uniform DC Program Resolution (which shall not exceed 100% funded level percentage in any case), shall be transferred from the reserve for employer contributions to the reserve for defined contribution plan. For purposes of this sub-paragraph:

(i) The actuarial present value shall be computed as of 12:01 a.m. on the day the member becomes covered by Benefit Program DC and shall be based on the actuarial assumptions adopted by the Retirement Board.

(ii) In determining final average compensation there shall not be included any accrued annual leave.

(iii) The earliest retirement date (for an unreduced benefit) assumption under the benefit program in effect on the effective date of the change of the benefit program shall be utilized.

(iv) For purposes of the actuarial present value calculation, any future benefit otherwise payable under Benefit Program E or E-1 shall be disregarded.

(13) Where a member has previously acquired in the employ of any participating municipality or participating court:

(a) not less than 1 year of defined benefit service in force with a participating municipality or participating court;

(b) eligible credited service where the participating municipality or participating court has adopted the Reciprocal Retirement Act, 1961 PA 88;

(c) at least 12 months in which employer contributions by a participating municipality or participating court have been made on behalf of the member under Benefit Program DC,

such service shall be applied toward satisfying the vesting schedule for employer contributions.

History: 1996 PA 220, Eff. Aug. 15, 1996, and Plan Document of 1996. Section 19A was enacted as part of the Plan Document of 1996, effective October 1, 1996. Section 19A became legally operative on July 8, 1997, the date on which the Internal Revenue Service issued its first Letter of Favorable Determination that the Plan Document conforms to all provisions of the Internal Revenue Code as a tax exempt governmental pension trust. The current IRS Favorable Determination Letter issued June 15, 2005, embracing all Plan Document provisions through November 2004.

Note: The entirety **of former section 19A with History and Notes** was repealed by Board action of September 19, 2006, and Restated Section 19A approved, all with immediate effect. The language, History and Notes of section 19A at the time of repeal appears in the **Appendix to Plan Document.**

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[Editor's Note: Section 19A amended by Board action of September 15, 2009, with immediate effect. Section entitled: **2009 Restatement of Benefit Program DC; Adoption; Contribution; Distribution.**]

LANGUAGE OF FORMER SECTION 19A

(as in effect 9/15/09 to 5/11/10)

Sec. 19A. 2009 Restatement of Benefit Program DC; Adoption; Contribution; Distribution.

(1) This 2009 restatement of section 19A applies to a member covered exclusively by Benefit Program DC. This section as restated repeals and replaces predecessor section 19A. The entirety of former section 19A in effect as of September 15, 2009 shall be placed in the Appendix to Plan Document.

(2) In the event any alteration of any provision of this section 19A, or other sections of the Plan Document related to the provisions of Benefit Program DC is made or occurs, under section 43B of the Plan Document concerning collective bargaining or under any other plan provision or law, adoption of Benefit Program DC shall not be recognized, other than in accordance with this section and other sections of the Plan Document related to the provisions of Benefit Program DC.

(3) Where a member has acquired in the employ of any participating municipality or participating court:

(a) not less than 1 year of defined benefit service (including Benefit Program H) in force with ***any*** participating municipality or participating court;

(b) eligible credited service where the participating municipality or participating court has adopted the Reciprocal Retirement Act, 1961 PA 88;

(c) at least 12 months in which employer contributions by a participating municipality or participating court have been made on behalf of the member under Benefit Program DC or Benefit Program H;

such service shall be applied toward satisfying the vesting schedule under both the Benefit Program H Defined Benefit Component and for employer contributions under Benefit Program DC and Benefit Program H Defined Contribution Component.

DEFINED CONTRIBUTION--NEW HIRES ONLY (subsections (4) – (10))

(4) ***A participating municipality or participating court may adopt Benefit Program DC for new hires only upon compliance with the 80% actuarial funded requirements as provided in section 43C (without application of the last sentence of subsections 43C(2) and 43C(3)).*** In the resolution adopting Benefit Program DC, the member's participating municipality or participating court shall provide for the contribution of a percentage of the member's compensation to the retirement system. The participating municipality or participating court shall choose the percentage from the available contribution programs. The contribution programs available for selection are any percentage of compensation allowed by federal law. The participating municipality or participating court shall choose the same contribution rate for all members in the same benefit program coverage classification. The Retirement Board shall determine the timing and mechanism for the remittance of employer contributions. The Retirement Board may establish a program for making transfers from the reserve for employer contributions to the reserve for defined contribution plan for the purpose of meeting all or a part of the participating municipality's or participating court's contribution under this subsection.

(5) Member Contributions. A member may voluntarily contribute additional amounts to his or her individual account in the reserve for defined contribution plan to the extent allowed by federal

law and subject to procedures established by the Retirement Board. A member may roll over qualified distributions from other qualified retirement plans into this retirement system, to the extent allowed by federal law. A member is immediately 100% vested in the member's accumulated balance.

(6) Employer Contributions. A member vests in employer contributions as provided in the vesting schedule adopted by the employer, subject to subsection (3). The vesting schedule may provide for one of the following:

(a) Immediate Vesting upon Participation; or

(b) 100% Vesting after Stated Year (participant is 100% Vested after not to exceed maximum 5 Years of Service ("cliff" vesting)); or

Stated Year: 1 2 3 4 5

_____

(c) Graded Vesting Percentage Per Year of Service (not to exceed maximum 6 Years of Service for 100% Vesting, nor be less than stated minimums below)

_____ % after 1 Year of Service.

_____ % after 2 Years of Service.

_____ % (not less than 25%) after 3 Years of Service.

_____ % (not less than 50%) after 4 Years of Service.

_____ % (not less than 75%) after 5 Years of Service.

_____ % (not less than 100%) after 6 Years of Service.

(7) The Retirement Board may contract with private investment managers to invest the assets in the reserve for defined contribution plan. A member, vested former member, and beneficiary may direct the investment of the individual's accumulated balance to 1 or more of the available categories of investment provided by the investment managers. At least 3 categories of investment shall be made available to members, vested former members, and beneficiaries.

(a) Short-term securities.

(b) Fixed income securities.

(c) Equity securities.

(8) The Retirement Board shall determine the investment category for the accumulated balance of a member, vested former member, or beneficiary, if that individual does not choose to direct his or her own investments under subsection (7).

(9) (a) Upon the death of a member or vested former member, the accumulated balance of the deceased member or deceased vested former member is considered to belong to the beneficiary or beneficiaries, if any, nominated by the deceased member or deceased vested former member.

(b) To nominate a beneficiary or beneficiaries, a member shall file a written nomination with the Retirement Board, based on procedures established by the Retirement Board. Written consent by the member's spouse to the beneficiary named is required unless the spouse is beneficiary to 100% of the balance; this requirement may be waived by the Retirement Board if the signature of the member's spouse cannot be obtained because of extenuating circumstances.

(10) Upon termination of membership, a vested former member or a beneficiary, as applicable, shall elect 1 or a combination of several of the following methods of distribution of the vested former member's or beneficiary's accumulated balance, to the extent allowed by federal law and subject to subsection (9)(b) and procedures established by the Retirement Board:

(a) Lump sum distribution to the vested former member or beneficiary.

(b) Lump sum direct rollover to another eligible retirement plan, to the extent allowed by federal law.

(c) Annuity for the life of the vested former member or beneficiary, or optional forms of annuity as determined by the Retirement Board.

(d) No distribution, in which case the accumulated balance shall remain in the retirement system, to the extent allowed by federal law.

MERS DEFINED CONTRIBUTION--CONVERSION FOR CURRENT MEMBERS IN MERS DEFINED BENEFIT PROGRAM (subsections (11) – (14))

(11) In the resolution adopting Benefit Program DC for new hires, the participating municipality or participating court may provide an opportunity for current members of the retirement system to elect coverage under Benefit Program DC if each of the following conditions are met:

(a) The member's participating municipality or participating court elects under Section 43 or 43A to change the benefit program from a benefit program other than Benefit Program DC to Benefit Program DC, for members in a benefit program coverage classification who are first hired after the effective date of the change.

(b) On the effective date of the change to Benefit Program DC, the member is a member of the retirement system and is in the benefit program coverage classification described in subdivision (a).

(c) On the date of the resolution adopting Benefit Program DC, the total funded percent of aggregate accrued liabilities and valuation assets of all reserves and for the member's defined benefit program coverage classification as specified in Table 13 (or successor table) of the most recent annual actuarial valuation report for the municipality or court shall be at least 60% ***prior to July 1, 2009, and 80% commencing July 1, 2009 as provided in section 43C (without application of the last sentence of subsections 43C(2) and 43C(3)).*** The participating municipality or participating court may make additional contributions to the retirement system or reallocate assets among defined benefit program coverage classifications in order to meet the conditions of this subsection.

(12) The retirement system shall offer 1 opportunity for a member who satisfies the conditions of subsection (11) to elect coverage under Benefit Program DC, and once made, the election is irrevocable. The member shall make the election under this subsection in writing, based on procedures established by the Retirement Board. The Retirement Board shall begin accepting written elections from members on and after the effective date of the change of benefit program pursuant to subsection (11), and shall not accept written elections from members:

(a) Earlier than the end of the third month following the month in which the resolution is adopted and received by MERS; and

(b) Later than the first day of the first calendar month that is at least 6 months after MERS receipt of the resolution.

If the member is married at the time of election, the election is not effective unless the election is signed by the member's spouse, except that this requirement may be waived by the

Retirement Board if the signature of the member's spouse cannot be obtained because of extenuating circumstances.

(13) A member who makes a written election under subsection (12) shall elect to do all of the following:

(a) Cease to be covered by the previous benefit program effective 12:01 a.m. on the first day of the first calendar month that is at least 6 months after the effective date of the change of benefit program.

(b) Become covered by Benefit Program DC effective 12:01 a.m. on the first day of the first calendar month that is at least 6 months after the effective date of the change of benefit program.

(c) Except as provided in subsection (14), waive all of his or her rights to a retirement allowance or any other benefit provided under the previous benefit program.

(14) For each member who, under subsection (12), elects coverage under Benefit Program DC, the Retirement Board shall transfer the following amounts from the reserve for employee contributions and the reserve for employer contributions and benefit payments to the reserve for defined contribution plan:

(a) The member's accumulated contributions, if any, as of 12:01 a.m. on the day the member becomes covered by Benefit Program DC shall be transferred from the reserve for employee contributions to the reserve for defined contribution plan.

(b) Pursuant to procedures established by the Retirement Board, the excess, if any, of the actuarial present value of the accrued benefit associated with the member's coverage under the previous benefit program, over the amount specified in subdivision (a), based upon the funded level percentage selected by the governing body in the MERS Uniform DC Program Resolution (which shall not ***be less than 80% nor*** exceed 100% funded level percentage in any case), shall be transferred from the reserve for employer contributions and benefit payments to the member's credit in the reserve for defined contribution plan. For purposes of this sub-paragraph:

(i) The actuarial present value shall be computed as of 12:01 a.m. on the day the member becomes covered by Benefit Program DC and shall be based on the actuarial assumptions adopted by the Retirement Board.

(ii) In determining final average compensation there shall not be included any accrued annual leave.

(iii) The earliest retirement date (for an unreduced benefit) assumption under the defined benefit program in effect on the effective date of the change of the benefit program shall be utilized.

(iv) For purposes of the actuarial present value calculation, any future benefit otherwise payable under Benefit Program E or E-1 shall be disregarded.

History: 1996 PA 220, Eff. Aug. 15, 1996, and Plan Document of 1996. Section 19A was enacted as part of the Plan Document of 1996, effective October 1, 1996. Section 19A became legally operative on July 8, 1997, the date on which the Internal Revenue Service issued its first Letter of Favorable Determination that the Plan Document conforms to all provisions of the Internal Revenue Code as a tax exempt governmental pension trust. The current IRS Favorable Determination Letter issued June 15, 2005, embracing all Plan Document provisions through November 2004.

Note 1: The entirety of former section 19A with History and Notes was repealed by Board action of September 19, 2006, and Restated Section 19A approved, all with immediate effect. The language, History and Notes of section 19A at the time of repeal appears in the Appendix to Plan Document.

Note 2: ***Italicized language*** **denotes changes by Board action of July 15, 2009, with the amendments effective as indicated below:**

-- addition to section 19A(2) of new first sentence; text in subsection (9)(c) added, increasing the minimum actuarial funded percentage requirement from 60% to 80% as provided in section 43C, and deleted paragraph following subsection 9(c); in subsection (12)(b) after "shall not" added "be less than 80% **nor"**; ***in subsection (13) deleted adjective "previously" before "acquired", and in subsection (13)(a) changed "a" to "any" (amendments effective July 1, 2009); and***

-- in section 10(6) increased the minimum actuarial funded percentage requirement from 60% to 80% as provided in section 43C (section 10(6) amendment effective July 1, 2009); and

-- amendments to sections 43 and 43A (effective October 1, 2009) (following Member Comment through September 1, 2009).

Note 3: By Board action of September 15, 2009, with immediate effect (new text underlined): Section title and subsection (1) amended; subsection (2) added (language has been part of Uniform Defined Contribution Resolution since Defined Contribution Program inception in 1997; former subsection (13) text moved to subsection (3); former subsections (2) through (12) renumbered as subsections (4) through (14), respectively, and all internal references revised; clarifying language added in subsections (11)(c) and (14). The amendments to section 19A complement those made on September 15, 2009 to section 19B.

—END OF PLAN DOCUMENT—

Counties	68
Tribes	2
Courts	7
Cities and Villages	280
Townships	102
County Road Commissions	59
Authorities, Districts and Others	227
Total Active Municipalities	**745**
Closed Groups	16
Total	**761**

DB-only or mix of DB, DC, and/or Hybrid	719
DC-only	42

MERS Newest Participating Municipalities

(joining in 2011)

Cities and Villages

7806	Constantine, Village of
0506	Elk Rapids, Village of
6343	Farmington, City of
8255	Garden City, City of
6214	Hesperia, Village of
2706	Ironwood, City of
5016	New Baltimore, City of
1911	Ovid, Village of

Townships

7714	Kimball Township

Authorities, Districts and Others

2407	Lakeview Cemetery

F76 partic munis as of 7-1-11

*MERS Defined Contribution (DC)-only municipalities underlined,
all others are Defined Benefit (DB)-only or mix of DB, DC and/or Hybrid.

Counties (68)

0101 Alcona County
0203 Alger County
0302 Allegan County
0401 Alpena County
0502 Antrim County
0603 Arenac County
0702 Baraga County
0802 Barry County
1003 Benzie County
1205 Branch County (Sheriff)
1311 Calhoun County
1402 Cass County
1503 Charlevoix County
1603 Cheboygan County
1703 Chippewa County
1802 Clare County
1903 Clinton County
2001 Crawford County
2102 Delta County
2206 Dickinson County
2302 Eaton County
2602 Gladwin County
2803 Grand Traverse County
2905 Gratiot County
3005 Hillsdale County (Sheriff)
3102 Houghton County
3204 Huron County
3303 Ingham County
3408 Ionia County
3501 Iosco County
3606 Iron County
3703 Isabella County
3807 Jackson County
4003 Kalkaska County
4202 Keweenaw County
4301 Lake County
4403 Lapeer County
4501 Leelanau County
4703 Livingston County
4804 Luce County
4901 Mackinac County
5101 Manistee County
5202 Marquette County
5301 Mason County
5403 Mecosta County
5502 Menominee County
5702 Missaukee County
5907 Montcalm County
6001 Montmorency County
6103 Muskegon County
6201 Newaygo County
6402 Oceana County
6502 Ogemaw County
6602 Ontonagon County
6701 Osceola County
6801 Oscoda County
6902 Otsego County
7003 Ottawa County
7104 Presque Isle County
7201 Roscommon County
7303 Saginaw County
7503 Schoolcraft County
7602 Shiawassee County
7803 St. Joseph County
7902 Tuscola County
8006 Van Buren County
8113 Washtenaw County (Sheriff)
8302 Wexford County

*MERS Defined Contribution (DC)-only municipalities underlined,
all others are Defined Benefit (DB)-only or mix of DB, DC and/or Hybrid.

Indian Tribal Governments (2)

MI02 Lac Vieux Desert Band
MI01 Pokagon Band of Potawatomi

Courts (7)

5014 Forty-One B (41B) District Court
8234 Thirty-Fifth (35) District Court
8235 Thirty-Fourth (34) District Court
8256 Twenty-Fifth (25) District Court
8243 Twenty-First (21) District Court
0403 Twenty-Sixth (26) Judicial Circuit Court
8223 Twenty-Third (23) District Court

*MERS Defined Contribution (DC)-only municipalities underlined,
all others are Defined Benefit (DB)-only or mix of DB, DC and/or Hybrid.

Cities and Villages (280)

4601 Adrian, City of
0309 Allegan, City of (Police)
8239 Allen Park, City of
1301 Albion, City of
7707 Algonac, City of
2901 Alma, City of
4407 Almont, Village of
3614 Alpha, Village of
0602 Au Gres, City of
0905 Auburn, City of
3211 Bad Axe, City of
7610 Bancroft, Village of
8003 Bangor, City of
0704 Baraga, Village of
8107 Barton Hills, Village of
1302 Battle Creek, City of
0901 Bay City, City of
3410 Belding, City of
8213 Belleville, City of
2606 Beaverton, City of
6304 Berkley, City of
1102 Berrien Springs, Village of
2702 Bessemer, City of
6321 Beverly Hills, Village of
5402 Big Rapids, City of
6332 Bingham Farms, Village of
7315 Birch Run, Village of
4606 Blissfield, Village of
6302 Bloomfield Hills, City of
1506 Boyne City, City of
2906 Breckenridge, Village of
1110 Bridgman, City of
4704 Brighton, City of
4604 Britton, Village of
1204 Bronson, City of
3801 Brooklyn, Village of
7409 Brown City, City of
1101 Buchanan, City of
2508 Burton, City of
8301 Cadillac, City of
7705 Capac, Village of
5805 Carleton, Village of
3207 Caseville, Village of
3608 Caspian, City of
4105 Cedar Springs, City of
5001 Center Line, City of
0504 Central Lake, Village of
1505 Charlevoix, City of
2301 Charlotte, City of
1602 Cheboygan, City of
8103 Chelsea, City of
7313 Chesaning, Village of
1804 Clare, City of
6305 Clawson, City of
4602 Clinton, Village of
2523 Clio, City of
1201 Coldwater, City of
5603 Coleman, City of
1118 Coloma, City of
4406 Columbiaville, Village of
7806 Constantine, Village of
7005 Coopersville, City of
7604 Corunna, City of
7401 Croswell, City of
3603 Crystal Falls, City of
2516 Davison, City of
8251 Dearborn, City of
4603 Deerfield, Village of
1706 DeTour, Village of
1908 DeWitt, City of
8217 Dexter, Village of
2304 Dimondale, Village of
0303 Douglas, Village of
1401 Dowagiac, City of
4405 Dryden, Village of
5803 Dundee, Village of
7603 Durand, City of
4101 East Grand Rapids, City of

*MERS Defined Contribution (DC)-only municipalities underlined,
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1504 East Jordan, City of
3301 East Lansing, City of
2307 Eaton Rapids, City of
1104 Eau Claire, Village of
8206 Ecorse, City of
0506 Elk Rapids, Village of
3206 Elkton, Village of
2101 Escanaba, City of
0903 Essexville, City of
6705 Evart, City of
6343 Farmington, City of
1805 Farwell, Village of
2505 Fenton, City of
7106 Ferrysburg, City of
8212 Flat Rock, City of
2502 Flushing, City of
1904 Fowler, Village of
4705 Fowlerville, Village of
7306 Frankenmuth, City of
1002 Frankfort, City of
6323 Franklin, Village of
6203 Fremont, City of
3617 Gaastra, City of
8255 Garden City, City of
6903 Gaylord, City of
8245 Gibraltar, City of
2106 Gladstone, City of
2605 Gladwin, City of
1117 Grand Beach, Village of
2513 Grand Blanc, City of
7010 Grand Haven, City of
2312 Grand Ledge, City of (Police)
4102 Grandville, City of
2003 Grayling, City of
5906 Greenville, City of
8201 Grosse Pte. Park, City of
8205 Hamtramck, City of
3107 Hancock, City of
3201 Harbor Beach, City of
2405 Harbor Springs, City of
1803 Harrison, City of
0801 Hastings, City of
6336 Hazel Park, City of
6214 Hesperia, Village of
3001 Hillsdale, City of
7001 Holland, City of
6317 Holly, Village of
1304 Homer, Village of
3109 Houghton, City of
5902 Howard City, Village of
4702 Howell, City of
7004 Hudsonville, City of
6303 Huntington Woods, City of
4404 Imlay City, City of
3403 Ionia, City of
2201 Iron Mountain, City of
3601 Iron River, City of
2706 Ironwood, City of
5204 Ishpeming, City of
2904 Ithaca, City of
4001 Kalkaska, Village of
6322 Keego Harbor, City of
3209 Kinde, Village of
2202 Kingsford, City of
0705 L'Anse, Village of
7608 Laingsburg, City of
3105 Lake Linden, Village of
3402 Lake Odessa, Village of (resumed in 2008)
6318 Lake Orion, Village of
4401 Lapeer, City of
6311 Lathrup Village, City of
3104 Laurium, Village of
8004 Lawrence, Village of
3313 Leslie, City of
7708 Lexington, Village of
3006 Litchfield, City of
4104 Lowell, City of
5302 Ludington, City of
5802 Luna Pier, City of
3411 Lyons, Village of
1606 Mackinaw City, Village of
6308 Madison Heights, City of
5105 Manistee, City of
7504 Manistique, City of
8304 Manton, City of
6704 Marion, Village of

*MERS Defined Contribution (DC)-only municipalities underlined,
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7405 Marlette, City of
5201 Marquette, City of
1306 Marshall, City of
3304 Mason, City of
8215 Melvindale, City of
5501 Menominee, City of
0803 Middleville, Village of
5601 Midland, City of
5801 Milan, City of
6313 Milford, Village of
7904 Millington, Village of
6112 Montague, City of
2509 Montrose, City of
3701 Mt. Pleasant, City of
3405 Muir, Village of
0202 Munising, City of
6116 Muskegon, City of
6102 Muskegon Heights, City of
5203 Negaunee, City of
5016 New Baltimore, City of
4802 Newberry, Village of
1113 New Buffalo, City of
6104 North Muskegon, City of
8208 Northville, City of
6106 Norton Shores, City of
2204 Norway, City of
6320 Novi, City of
6334 Oak Park, City of
7105 Onaway, City of
6603 Ontonagon, Village of
6312 Orchard Lake, City of
2506 Otisville, Village of
4408 Otter Lake, Village of
1911 Ovid, Village of
7607 Owosso, City of
6326 Oxford, Village of
3901 Parchment, City of
8002 Paw Paw, Village of
2404 Pellston, Village of
6401 Pentwater, Village of
2909 Perrinton, Village of
5807 Petersburg, City of
2402 Petoskey, City of
3407 Pewamo, Village of
3203 Pigeon, Village of
4706 Pinckney, Village of
0904 Pinconning, City of
6301 Pleasant Ridge, City of
8202 Plymouth, City of
3208 Port Austin, Village of
7702 Port Huron, City of
7403 Port Sanilac, Village of
3401 Portland, City of
2313 Potterville, City of
1206 Quincy, Village of
6111 Ravenna, Village of
3003 Reading, City of
6702 Reed City, City of
5012 Richmond, City of
6307 Rochester, City of
4103 Rockford, City of
5810 Rockwood, City of
7102 Rogers City, City of
5005 Romeo, Village of
8225 Romulus, City of
6107 Roosevelt Park, City of
7204 Roscommon, Village of
6504 Rose City, City of
7301 Saginaw, City of
8105 Saline, City of
7402 Sandusky, City of
0307 Saugatuck, City of
1701 Sault Ste. Marie, City of
5308 Scottville, City of
3205 Sebewaing, Village of
3704 Shepherd, Village of
8001 South Haven, City of
6315 South Lyon, City of
4107 Sparta, Village of
7015 Spring Lake, Village of
1303 Springfield, City of
7308 St. Charles, Village of
7703 St. Clair, City of
4904 St. Ignace, City of
1902 St. Johns, City of
2902 St. Louis, City of

*MERS Defined Contribution (DC)-only municipalities underlined,
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0601 Standish, City of
5504 Stephenson, City of
0605 Sterling, Village of
3316 Stockbridge, Village of
2504 Swartz Creek, City of
6314 Sylvan Lake, City of
7801 Three Rivers, City of
2801 Traverse City, City of
8203 Trenton, City of
3212 Ubly, Village of
5008 Utica, City of
7903 Vassar, City of
3902 Vicksburg, Village of
2701 Wakefield, City of
4112 Walker, City of
6324 Walled Lake, City of
0304 Wayland, City of
8242 Wayne, City of
3314 Webberville, Village of
6505 West Branch, City of
8211 Westland, City of
1907 Westphalia, Village of
6206 White Cloud, City of
6105 Whitehall, City of
7804 White Pigeon, Village of
3310 Williamston, City of
6316 Wixom, City of
8240 Woodhaven, City of
6329 Wolverine Lake, Village of
8101 Ypsilanti, City of

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Townships (102)

3322 Alaiedon Twp
5804 Ash Twp
1109 Baroda Twp
3616 Bates Twp
1909 Bath Twp (Charter)
3806 Blackman Twp (Charter)
6333 Brandon Twp (Charter)
2208 Breitung Twp (Charter)
7307 Bridgeport Twp (Charter)
4711 Brighton Twp (Charter)
8247 Brownstown Twp (Charter)
7312 Buena Vista Twp (Charter)
8233 Canton Twp (Charter)
7320 Carrollton Twp
4110 Cascade Twp (Charter)
5009 Chesterfield Twp (Charter)
1112 Chikaming Twp
5218 Chocolay Twp (Charter)
7706 Clay Twp
4005 Clearwater Twp
5002 Clinton Twp (Charter)
1107 Coloma Twp (Charter)
6904 Corwith Twp
8010 Covert Twp
2519 Davison Twp
2306 Delta Twp (Charter)
1910 DeWitt Twp (Charter)
8111 Dexter Twp
1708 Drummond Island Twp
7701 East China Twp (Charter)
1310 Emmett Twp (Charter)
5812 Erie Twp
2512 Flint Twp (Charter)
2515 Flushing Twp (Charter)
5212 Forsyth Twp
2510 Genesee Twp (Charter)
4713 Genoa Twp
2511 Grand Blanc Twp (Charter)
4708 Green Oak Twp (Charter)
8207 Grosse Ile Twp
6335 Groveland Twp
4709 Hamburg Twp
4718 Hartland Twp
1106 Howard Twp
8224 Huron Twp (Charter)
6328 Independence Twp (Charter)
7905 Indianfields Twp
5216 Ishpeming Twp
3320 Lansing Twp (Charter)
3907 Kalamazoo Twp (Charter)
7714 Kimball Twp
5606 Larkin Twp (Charter)
3804 Leoni Twp
3319 Leslie Twp
8112 Lima Twp
5306 Logan Twp
4605 Madison Twp (Charter)
0311 Manlius Twp
2704 Marenisco Twp
5215 Marquette Twp (Charter)
3315 Meridian Twp (Charter)
4409 Metamora Twp
2520 Montrose Twp (Charter)
2503 Mt. Morris Twp (Charter)
2517 Mundy Twp (Charter)
6108 Muskegon Twp (Charter)
5217 Negaunee Twp
8117 Northfield Twp
8230 Northville Twp (Charter)
4717 Oceola Twp
7009 Olive Twp
1114 Oronoko Twp (Charter)
3503 Oscoda Twp (Charter)
6327 Oxford Twp (Charter)
1312 Pennfield Twp (Charter)
5307 Pere Marquette Twp (Charter)
8110 Pittsfield Twp (Charter)
8238 Plymouth Twp (Charter)
7711 Port Huron Twp (Charter)
7018 Port Sheldon Twp

*MERS Defined Contribution (DC)-only municipalities underlined,
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0805 Prairieville Twp
8209 Redford Twp (Charter)
2514 Richfield Twp (Genesee County)
7202 Richfield Twp (Roscommon County)
7310 Richland Twp
6506 Rose Twp
6306 Royal Oak Twp (Charter)
7314 Saginaw Twp (Charter) (Police)
0305 Saugatuck Twp
8116 Scio Twp
3615 Stambaugh Twp
3803 Summit Twp
8226 Sumpter Twp
8109 Superior Twp (Charter)
7309 Swan Creek Twp
7322 Tittabawassee Township
8236 Van Buren Twp (Charter)
3318 Vevay Twp
2522 Vienna Twp (Charter)
2707 Watersmeet Township
6325 White Lake Twp (Charter)
8104 Ypsilanti Twp (Charter)

*MERS Defined Contribution (DC)-only municipalities underlined,
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County Road Commissions (59)

0201 Alger County Road Comm
0301 Allegan County Road Comm
0402 Alpena County Road Comm
0501 Antrim County Road Comm
0604 Arenac County Road Comm
0701 Baraga County Road Comm
1001 Benzie County Road Comm
1307 Calhoun County Road Comm
1501 Charlevoix County Road Comm
1601 Cheboygan County Road Comm
1704 Chippewa County Road Comm
1801 Clare County Road Comm
1901 Clinton County Road Comm
2002 Crawford County Road Comm
2105 Delta County Road Comm
2203 Dickinson County Road Comm
2401 Emmet County Road Comm
2601 Gladwin County Road Comm
2802 Grand Traverse County Road Comm
2903 Gratiot County Road Comm
3004 Hillsdale County Road Comm
3103 Houghton County Road Comm
3202 Huron County Road Comm
3302 Ingham County Road Comm
3404 Ionia County Road Comm
3502 Iosco County Road Comm
3602 Iron County Road Comm
3702 Isabella County Road Comm
4002 Kalkaska County Road Comm
4111 Kent County Road Comm
4201 Keweenaw County Road Comm
4302 Lake County Road Comm
4402 Lapeer County Road Comm
4503 Leelanau County Road Comm
4701 Livingston County Road Comm
4801 Luce County Road Comm
4903 Mackinac County Road Comm
5103 Manistee County Road Comm
5211 Marquette County Road Comm
5305 Mason County Road Comm
5401 Mecosta County Road Comm
5503 Menominee County Road Comm
5602 Midland County Road Comm
5905 Montcalm County Road Comm
6101 Muskegon County Road Comm
6212 Newaygo County Road Comm
6503 Ogemaw County Road Comm
6604 Ontonagon County Road Comm
6703 Osceola County Road Comm
6901 Otsego County Road Comm
7002 Ottawa County Road Comm
7101 Presque Isle County Road Comm
7304 Saginaw County Road Comm
7410 Sanilac County Road Comm
7501 Schoolcraft County Road Comm
7601 Shiawassee County Road Comm
7908 Tuscola County Road Comm
8102 Washtenaw County Road Comm
8303 Wexford County Road Comm

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Authorities, Districts and Others (227)

Airports (5)
2507 Bishop International Airport
3305 Capital Region Airport Authority
5210 Marquette County Airport
0902 MBS International Airport
6802 Oscoda Wurtsmith Airport Authority

Housing Commissions (33)
0906 Bay City Housing Commission
5406 Big Rapids Housing Commission
1207 Coldwater Housing Commission
8241 Detroit Housing Commission
1405 Dowagiac Housing Commission
5011 Eastpointe Housing Commission
8222 Elderly Housing Commission
6345 Ferndale Housing Commission
2608 Gladwin City Housing Commission
4108 Grand Rapids Housing Commission
8250 Hamtramck Housing Commission
8257 Highland Park Housing Commission
3406 Ionia Housing Commission
3611 Iron County Housing Commission
3311 Lansing Housing Commission
4905 Mackinac County Housing Commission
5107 Manistee Housing Commission
8220 Melvindale Housing Commission
5808 Monroe Housing Commission
6115 Muskegon Heights Housing Commission
6113 Muskegon Housing Commission
8008 Village of Paw Paw Housing Comm
7712 Port Huron Housing Commission
7321 Saginaw Housing Commission
3413 Saranac Housing Commission
4906 Sault Ste Marie Housing Commission
7715 St. Clair Housing Commission
5007 St. Clair Shores Housing Commission
2908 St. Louis Housing Commission
7805 Sturgis Housing Commission
8231 Taylor Housing Commission
8252 Wayne Housing Commission
8115 Ypsilanti Housing Commission

Hospitals (7)
0405 Alpena General Hospital
0703 Baraga County Memorial Hospital
7311 Health Source of Saginaw
4805 Helen-Newberry Joy Hospital
2521 Hurley Medical Center
4902 Mackinac Straits Hospital and Hlth Ctr
7505 Schoolcraft Memorial Hospital

Libraries (58)
7407 Aitkin Memorial District Library
1315 Albion District Library
3214 Bad Axe Area District Library
1702 Bayliss Public Library
8254 Belleville Area District Library
1005 Benzie Shores District Library
1108 Buchanan District Library
8232 Canton Public Library
3317 Capital Area District Library
1404 Cass District Library
2309 Charlotte District Library
5010 Chesterfield Township Library
3707 Chippewa River District Library
7011 Coopersville Area District Library
(formerly Northeast Ottawa District Library)
1406 Dowagiac District Library
6319 Farmington Community Library
2518 Flint Public Library
4710 Fowlerville District Library
6209 Fremont Area District Library
2607 Gladwin County District Library
6114 Hackley Public Library
0505 Helena Twp Public Library
0310 Henika District Library
7012 Herrick District Library
7203 Houghton Lake Public Library
4707 Howell-Carnegie District Library
3412 Ionia Community Library
3802 Jackson District Library
1507 Jordan Valley District Library
3903 Kalamazoo Public Library

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4106 Lakeland Library Cooperative
4410 Lapeer District Library
8218 Library Network
7013 Loutit District Library
5303 Mason County District Library (formerly Ludington-Mason District Library)
1309 Marshall District Library
8306 Mid-Michigan Library League
5806 Milan Library
6117 Muskegon Area District Library
1105 Niles District Library
7011 Northeast Ottawa District Library
8229 Northville District Library
8221 Plymouth District Library
8228 Redford Township District Library
3906 Richland Community Library
5006 Romeo District Library
7317 Saginaw Public Libraries
7404 Sandusky District Library
7606 Shiawassee District Library
7016 Spring Lake District Library
5208 Superiorland Library Cooperative
2807 Traverse Area District Library
8007 Van Buren District Library
3904 Vicksburg District Library
6509 West Branch District Library
6208 White Cloud Community Library
5904 White Pine Library
1308 Willard Public Library

Mental Health, Health Depts (28)
0804 Barry County Comm Mental Health
2303 Barry-Eaton District Health Dept
4504 Benzie/Leelanau Distr Health Dept
1202 Branch-Hillsdale-St Joseph Dist Hlth
3705 Central Mich District Health Dept
3308 Clinton-Eaton Ingham Mental Health
3708 Comm Mental Health for Central Mich
2103 Delta-Menominee District Health Dept
8248 Detroit Wayne Co Health Authority
3605 Dickinson-Iron District Health Dept
6501 District Health Dept. #2
7103 District Health Dept. #4
5104 District Health Dept. #10
1707 Hiawatha Comm Mental Health Auth
4712 Livingston County CMH Authority
4803 Luce-Mackinac-Alger-Schoolcraft District Health Dept
5901 Mid-Michigan District Health Dept
4109 Network 180/Kent Co CMH Authority
6207 Newaygo County Mental Health
2808 Northern Lakes Comm Mental Health (formerly Great Lakes CMH)
1502 Northwest Mich Comm Health Agency
2207 Northpointe Behavioral Healthcare Sys
7318 Saginaw County CMH Authority
7609 Shiawassee County CMH Authority
7907 Tuscola County Comm Mental Health
7901 Tuscola County Health Department
5304 West Michigan Comm Mental Health
3101 Western UP District Health Dept

Police, Fire, EMS (22)
4607 Addison Fire Department
4715 Brighton Area Fire Authority
6109 Central Dispatch of Muskegon Co
8118 Chelsea Area Fire Authority
8219 Dexter Area Fire Dept
2310 Grand Ledge Area Emergency Svc Auth
4716 Hartland Deerfield Tyrone Fire Authority
4714 Howell Area Fire Authority
2311 Looking Glass Regional Fire Authority
1313 Marshall Area Fire Ambulance Authority
6403 Mason-Oceana Co Enh 911 Ctrl Disp
5405 Meceola Central Dispatch
5604 Midland County Central Dispatch Auth
6508 Ogemaw County EMS Authority
7008 Ottawa County Central Dispatch Auth
7316 Saginaw Co 911 Comm Ctr Authority
0313 Saugatuck Twp Fire District
8005 South Haven Emergency Serv Authority
7611 SW Shiawassee Emergency Svc Alliance
7710 St. Clair Area Fire Authority
3504 Tawas Police Authority
1604 Tuscarora Township (Police)

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Transportation (18)

2810 Bay Area Transportation Authority
0907 Bay Metro Transit Authority
1007 Benzie Transportation Authority
7709 Blue Water Area Transp Commission
8305 Cadillac/Wexford Trans Authority
1806 Clare County Transit Authority
2004 Crawford County Transportation Auth
1705 Eastern UP Transportation Authority
0308 Interurban Transit Authority
3709 Isabella County Transportation Comm
3805 Jackson Transportation Authority
4004 Kalkaska Public Transit Authority
5809 Lake Erie Transportation Comm
5206 Marquette County Transit Authority
7019 MAX Trans Authority
7205 Roscommon County Transit Authority
7319 Saginaw Transit System Authority
8216 SMART

Utilities (24)

2501 Beecher Metro Distr Swg & Water
8214 Central Wayne Co Sanitation Authority (Resumed participation 2003)
6213 Chain of Lakes Sewer Authority
1203 Coldwater Board of Public Utilities
2703 Gogebic-Iron Wastewater Authority
2406 Harbor Springs Sewage Authority
2205 Iron Mountain-Kingsford Sewage Trmt Plant
5207 Ishpeming Area Joint Wastewater Trmt Fac
306 Kalamazoo Lake Sewer & Water Auth
5209 Marquette Board of Light & Power
5213 Marquette County Solid Waste Mgmt
3002 Michigan South Central Power Agency
6002 MOA Solid Waste Management Auth
3106 N Houghton Co Water & Sewage Auth
4113 North Kent Sewer Authority
1103 Paw Paw Lake Reg Jt Swg Disp Bd
3210 Port Austin Area Sewer & Water Auth
7305 Saginaw-Midland Muni Wtr Supply Corp
6309 SE Oakland Co Water Authority
0606 Sims-Whitney-Utilities Authority
1905 So Clinton County Muni Utilities Auth
3612 West Iron Co Sewer Authority
8253 Western Twps Utilities Authority
6211 White Cloud/Sherman Utilities
8106 Ypsilanti Comm Utilities Authority

Others (32)

0404 Alpena Senior Citizens Center
1006 Benzie County Council on Aging
1004 Benzie County MCF (The Maples)
1403 Cass County Medical Care Facility
8114 Chelsea Area Const Agency
2525 Davison Richfield Sr Citizens
1709 Eastern UP Reg Planning & Devl Auth
2305 Eaton County Medical Care Facility
6706 Evart Local Develop Finance Authority
2524 Genesee County Land Bank Authority
2809 Grand Traverse Pavilions
7014 Holland Swimming Pool Authority
3213 Huron County Economic Devl
7007 Lakeshore Coordinating Council
2407 Lakeview Cemetery
2308 MERS (for MERS Staff)
8237 Michigan Municipal Risk Mgmt Auth
6204 Newaygo Medical Care Facility
6205 Newaygo Soil & Water Conserv
2805 Northwestern Regional Airport Comm
6605 Ontonagon County Economic Dev Corp
5214 Pathways
6210 Pride Youth Programs, Inc
7406 Sanilac Co Economic Devl Corp
8210 SE Michigan Council of Gov't (SEMCOG)
6310 SE Oakland Resource Rec Authority
7605 Shiawassee Council on Aging
6331 Southfield Downtown Dev Authority
1111 Southwestern Michigan Commission
3307 Tri-County Aging Consortium
7906 Tuscola County Medical Care Facility
6110 West Mich Shoreline Reg Dev Comm
3108 Western UP Planning & Dev Region (WUPPDR)

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Closed Groups (16)

2604	Butman Township	Privatized (2000)
3618	Crystal Falls Comm Hospital	Privatized (1996)
1906	Elsie, Village of	Withdrew (2005 special election)
5003	Fraser, City of	Withdrew (1975 special election)
5004	Grosse Pointes-Clinton Refuse Disposal Authority	Privatized (2004)
7006	Holland Community Hospital	Privatized (1988)
7704	Marine City, City of	Withdrew (1978 general election)
3613	Mastodon Twp (No full time employees in future)	1 retiree (2000)
5404	Mecosta County General Hospital	Withdrew (1995 hospital board)
3306	Mich Grand River Watershed	Dissolved (1997)
3609	Mid Peninsula Library Cooperative	Dissolved (2004)
2403	N Mich Comm Mental Health	Withdrew (1984 special election)
5903	Stanton, City of	Withdrew (1992 special election)
7802	Three Rivers Hospital	Withdrew (1980 hospital board)
6507	Trio Council on Aging	Dissolved (1997)
3610	Twin Cities Public Safety Auth	Dissolved (1996)

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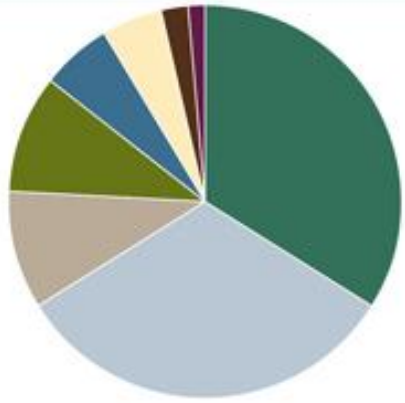
MERS TOTAL MARKET FUND PERFORMANCE
and
ASSET ALLOCATION

Current Asset Allocation as of December 31, 2011: *$6,342,091,862.00*



Domestic Equity	34.10%
Fixed Income	32.90%
International Equity	9.20%
Private Equity	9.80%
Real Estate	6.20%
Commodities	5.00%
Cash	1.70%
Overlay	1.10%

Performance Data – *as of December 31, 2011*

Portfolio	One Month	YTD	One Year	Three Years	Five Years	Ten Years
MERS Total Market Fund	0.08	2.30	2.30	11.15	2.32	5.98
MERS Policy Benchmark	0.06	2.05	2.05	11.03	2.25	5.94
Excess Return	**0.02**	**0.25**	**0.25**	**0.12**	**0.07**	**0.04**

CITY OF ESCANABA	1.0	2.1	2.1	15.8	2.8	5.8

Note: Participation in MERS Total Market Fund requires payment of an annual 45 basis point participation fee, the cost of which is not reflected in the above returns.