



Municipal Employees' Retirement System
of Michigan

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN
ANNUAL ACTUARIAL VALUATION REPORT
MUSKEGON, CITY OF (6116)
DECEMBER 31, 2010



June 3, 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 Muskegon, City of 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. Muskegon, City of 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 94 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

TABLE OF CONTENTS

		Page
	Executive Summary	2
Table 1	Benefit Provisions Evaluated and/or Considered	7
Table 2	Membership Summary	10
Table 3	Active Members in the Valuation - Comparative Schedule	12
Table 4	Flow of Active Membership	12
Table 5	Vested Former Members in the Valuation - Comparative Schedule	13
Table 6	Flow of Vested Former Members	13
Table 7	Retirees and Beneficiaries in the Valuation - Comparative Schedule	14
Table 8	Flow of Retirees and Beneficiaries	14
Table 9	Retirees and Beneficiaries on the Rolls - Distribution by Type of Benefit	15
Table 10	Reported Assets (Market Value)	16
Table 11	Flow of Valuation Assets (Actuarial Value)	17
Table 12	Termination Liabilities	18
Table 13	Actuarial Accrued Liabilities and Valuation Assets	20
Table 14	Actuarial Accrued Liabilities - Comparative Schedule	24
Table 15	Computed Employer Contributions to the Retirement System	25
Table 16	Computed Employer Contributions by Division	26
Table 17	Computed Contributions - Comparative Statement by Division	27
Chart 17.5	Projected Contributions and Funded Percent by Division	28
Table 18	Flow of Active Membership by Division	29
Table 19	Flow of Vested Former Members by Division	29
Table 20	Flow of Retirees and Beneficiaries by Division	30
Table 21	Flow of Valuation Assets (Actuarial Value) by Division	31
Table 22	Actuarial Accrued Liabilities - Comparative Schedule by Division	31
Table 23	GASB 25 and GASB 27 Information	85
Table 24	Development of Projected Unfunded Accrued Liability	86
Table 25	Benefit Provision History	87
Appendix	Summary of MERS Provisions, Methods and Assumptions	93
	Introduction	94
	Summary of Plan Provisions - Defined Benefit Plan	95
	Summary of Plan Provisions - Hybrid Plan	102
	Actuarial Assumptions	106
	Actuarial Funding Method	115
	Asset Valuation Method	122

Muskegon, City of (6116)

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 - NonUnion Gen #	-%	-%	\$8,311	\$11,259
02 - NonUn Police #	-%	-%	157	375
05 - NonUn Fire #	-%	-%	0	0
10 - General Ret #	-%	-%	7,856	10,408
11 - Clerical #	-%	-%	1,459	2,734
12 - DPW 517M #	-%	-%	4,059	8,376
20 - PLC/Fire Ret #	-%	-%	44,723	28,440
21 - PolicePatrol #	-%	-%	11,585	19,213
22 - Police Comm	6.37%	8.58%	5,602	7,749
50 - FF Local 370 * #	-%	-%	618	7,467
Total Municipality			\$84,370	\$96,021

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

* The current year's required employer contributions reflect a change in benefit provisions or a change in member contribution rates. Please see Tables 16 and 17 for details.

This division will not have new hires. Invoices will be based on the dollar contribution amounts shown in this table (see page 120).

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

Muskegon, City of (6116)

Executive Summary (continued)

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 94). The effects of the changes are shown in the note below Table 16 for each division. For benefit provision changes see Table 1.

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 Muskegon, City of in aggregate is 100%; last year's ratio was 99%.

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.

Muskegon, City of (6116)

Executive Summary (continued)

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 86% (instead of 100%); and ii) your total employer contribution requirement for the fiscal year starting July 1, 2012 would be \$3,629,328 (instead of \$1,012,440). 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 94), 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 117 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).

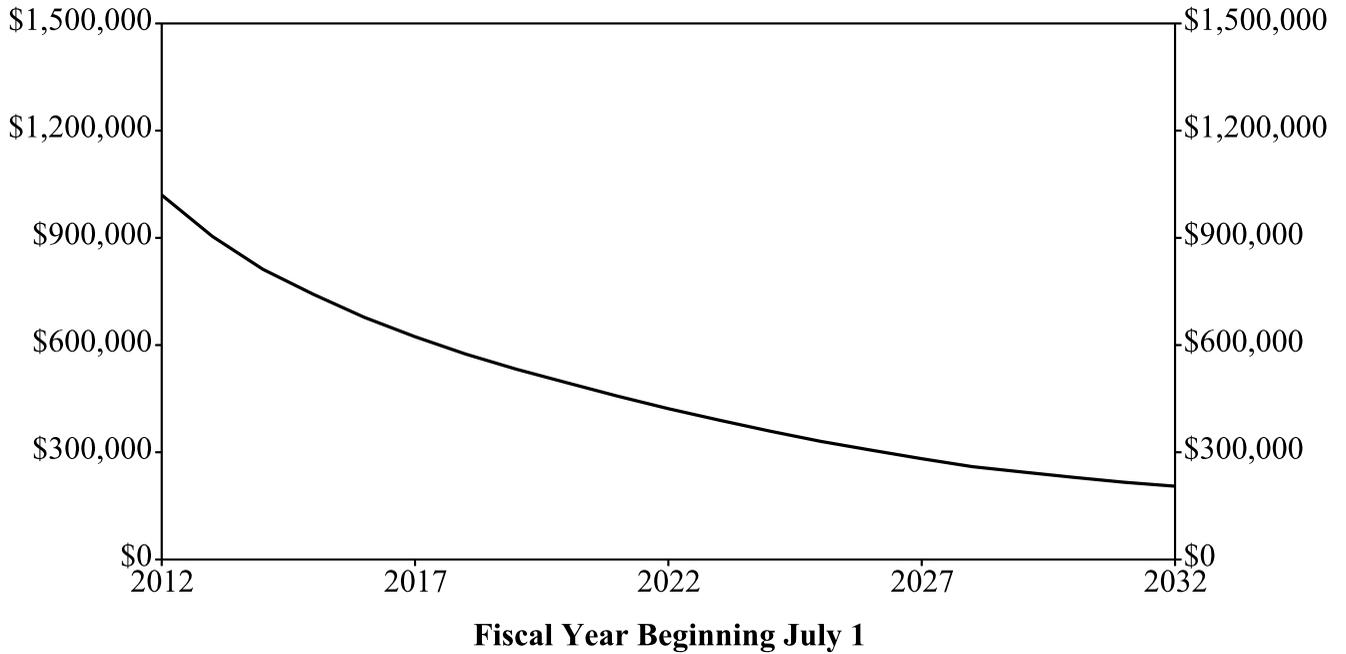
Muskegon, City of (6116)

Executive Summary (continued)

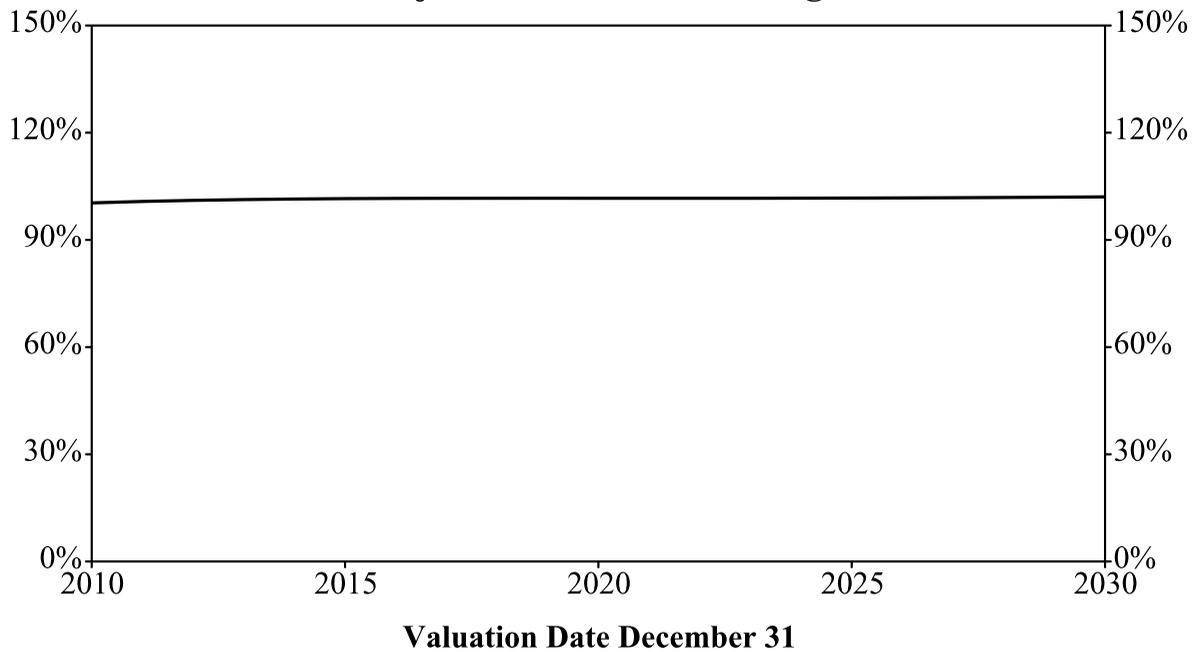
Comment on Actuarial Calculations - The projections of your future employer contributions in this report are based on the current actuarial assumptions used in the December 31, 2010 actuarial valuation. As always, your required employer contribution rate changes every year, in response to demographic changes, financial experience, benefit provision changes, etc, within your specific plan. The results of future actuarial valuations will differ from the projections, sometimes materially.

Muskegon, City of (6116)
Executive Summary (concluded)
All Divisions Combined

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 117 for a discussion of the projection.

Muskegon, City of (6116)

Table 1

Benefit Provisions Evaluated and/or Considered

Division	2010 Valuation	2009 Valuation
01 - NonUnion Gen#	B-3 - 80% Max Normal Ret Age: 60 V-5 F55(25) FAC-3 RS50% D-2 5.00% Member Contrib. DC Plan for New Hires (02/01/2006) Act 88 Election (11/10/1964) Annuity WD (8.0%)	B-3 - 80% Max Normal Ret Age: 60 V-5 F55(25) FAC-3 RS50% D-2 5.00% Member Contrib. DC Plan for New Hires (02/01/2006) Act 88 Election (11/10/1964) Annuity WD (8.0%)
02 - NonUn Police#	2.75% - 80% Max Normal Ret Age: 60 V-10 F53(25) FAC-3 RS50% D-2 6.00% Member Contrib. DC Plan for New Hires (02/01/2006) Act 88 Election (11/10/1964) Annuity WD (8.0%)	2.75% - 80% Max Normal Ret Age: 60 V-10 F53(25) FAC-3 RS50% D-2 6.00% Member Contrib. DC Plan for New Hires (02/01/2006) Act 88 Election (11/10/1964) Annuity WD (8.0%)
05 - NonUn Fire		2.75% - 80% Max Normal Ret Age: 60 V-10 F53(25) FAC-3 RS50% D-2 6.00% Member Contrib. DC Plan for New Hires (07/01/2005) Act 88 Election (11/10/1964) Annuity WD (8.0%)
10 - General Ret#	Old Plan Benefits E (0.5%) (01/01/2009) Act 88 Election (11/10/1964)	Old Plan Benefits E (0.5%) (01/01/2009) Act 88 Election (11/10/1964)

Muskegon, City of (6116)

Table 1 (continued)

Benefit Provisions Evaluated and/or Considered

Division	2010 Valuation	2009 Valuation
11 - Clerical#	B-3 - 80% Max Normal Ret Age: 60 V-5 F55(30) FAC-3 RS50% D-2 5.00% Member Contrib. DC Plan for New Hires (11/01/2006) Act 88 Election (11/10/1964)	B-3 - 80% Max Normal Ret Age: 60 V-5 F55(30) FAC-3 RS50% D-2 5.00% Member Contrib. DC Plan for New Hires (11/01/2006) Act 88 Election (11/10/1964)
12 - DPW 517M#	B-3 - 80% Max Normal Ret Age: 60 V-10 F55(30) FAC-3 RS50% D-2 5.00% Member Contrib. DC Plan for New Hires (05/01/2007) Act 88 Election (11/10/1964)	B-3 - 80% Max Normal Ret Age: 60 V-10 F55(30) FAC-3 RS50% D-2 5.00% Member Contrib. DC Plan for New Hires (05/01/2007) Act 88 Election (11/10/1964)
20 - PLC/Fire Ret#	Old Plan Benefits E (0.5%) (01/01/2009) Act 88 Election (11/10/1964) Annuity WD (8.0%)	Old Plan Benefits E (0.5%) (01/01/2009) Act 88 Election (11/10/1964) Annuity WD (8.0%)
21 - PolicePatrol#	3.00% - 75% Maximum Normal Ret Age: 55 V-10 F50(25) FAC-3 RS50% D-2 6.00% Member Contrib. DC Plan for New Hires (08/01/2006) Act 88 Election (11/10/1964) Annuity WD (8.0%)	3.00% - 75% Maximum Normal Ret Age: 55 V-10 F50(25) FAC-3 RS50% D-2 6.00% Member Contrib. DC Plan for New Hires (08/01/2006) Act 88 Election (11/10/1964) Annuity WD (8.0%)

Muskegon, City of (6116)

Table 1 (continued)

Benefit Provisions Evaluated and/or Considered

Division	2010 Valuation	2009 Valuation
22 - Police Comm	3.00% - 80% Max Normal Ret Age: 55 V-10 F53(25) FAC-3 RS50% D-2 6.00% Member Contrib. Act 88 Election (11/10/1964) Annuity WD (8.0%)	3.00% - 80% Max Normal Ret Age: 55 V-10 F53(25) FAC-3 RS50% D-2 6.00% Member Contrib. Act 88 Election (11/10/1964) Annuity WD (8.0%)
50 - FF Local 370#	2.75% - 85% Maximum Normal Ret Age: 55 V-10 F53(25) FAC-3 RS50% D-2 6.00% Member Contrib. DC Plan for New Hires (05/01/2007) Act 88 Election (11/10/1964) Annuity WD (8.0%)	2.75% - 85% Maximum Normal Ret Age: 55 V-10 F53(25) FAC-3 RS50% D-2 6.00% Member Contrib. DC Plan for New Hires (05/01/2007) Act 88 Election (11/10/1964)

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 116 and Open Divisions and Closed Divisions on page 120.

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.

Muskegon, City of (6116)

Table 2

Membership Summary

Division	2010 Valuation		2009 Valuation	
	Number	Annual Payroll*	Number	Annual Payroll*
01 - NonUnion Gen				
Active Members	34	\$2,264,338	39	\$2,694,218
Vested Former Members	5	57,571	5	57,353
Retirees and Beneficiaries	9	306,401	3	81,803
02 - NonUn Police				
Active Members	1	\$106,153	1	\$109,635
Vested Former Members	0	0	0	0
Retirees and Beneficiaries	0	0	0	0
05 - NonUn Fire				
Active Members	0	0	0	0
Vested Former Members	0	0	0	0
Retirees and Beneficiaries	0	0	0	0
10 - General Ret				
Active Members	0	0	0	0
Vested Former Members	14	150,557	16	189,568
Retirees and Beneficiaries	132	1,462,091	141	1,556,083
11 - Clerical				
Active Members	20	\$681,454	21	\$740,806
Vested Former Members	1	3,794	1	3,794
Retirees and Beneficiaries	3	39,026	3	38,915
12 - DPW 517M				
Active Members	51	\$2,245,332	54	\$2,498,414
Vested Former Members	4	53,209	3	35,612
Retirees and Beneficiaries	10	264,685	7	192,642
20 - PLC/Fire Ret				
Active Members	0	0	0	0
Vested Former Members	4	64,490	5	82,292
Retirees and Beneficiaries	136	2,822,943	138	2,856,491
21 - PolicePatrol				
Active Members	51	\$3,044,625	52	\$3,180,787
Vested Former Members	6	154,768	4	106,090
Retirees and Beneficiaries	3	102,524	3	102,524

Muskegon, City of (6116)

Table 2 (continued)

Membership Summary

Division	2010 Valuation		2009 Valuation	
	Number	Annual Payroll*	Number	Annual Payroll*
22 - Police Comm				
Active Members	15	\$1,055,318	15	\$1,083,736
Vested Former Members	1	41,150	1	41,150
Retirees and Beneficiaries	3	155,375	3	155,375
50 - FF Local 370				
Active Members	33	\$2,135,966	35	\$2,306,058
Vested Former Members	1	16,750	0	0
Retirees and Beneficiaries	2	106,301	1	60,831
Total Municipality				
Active Members	205	\$11,533,186	217	\$12,613,654
Vested Former Members	36	542,289	35	515,859
Retirees and Beneficiaries	<u>298</u>	5,259,346	<u>299</u>	5,044,664
Total Participants	539		551	

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

Muskegon, City of (6116)

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			
2006	149	\$ 7,978,933	\$ 53,550	-%	41.1	11.9	12.1
2007	243	12,684,083	52,198	(2.5)	43.5	13.6	13.8
2008	237	13,107,179	55,305	6.0	44.3	14.6	14.7
2009	217	12,613,654	58,127	5.1	45.0	15.5	15.7
2010	205	11,533,186	56,259	(3.2)	45.4	16.1	16.2

* See description on page 113.

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			
2006							149	149
2007	(1)			(1)	(2)		98	243
2008	(3)	(1)		(2)	(1)		1	237
2009	(6)	(1)	(1)	(7)	(5)			217
2010	(9)			(4)			1	205

Muskegon, City of (6116)

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*
2006	31	\$ 404,422	48.9	12.3	15.0
2007	32	432,244	48.8	12.4	15.3
2008	30	424,226	49.4	4.9	13.4
2009	35	515,859	49.1	6.4	13.4
2010	36	542,289	48.1	7.2	13.5

* See description on page 113.

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
2006						31	31
2007	(1)					2	32
2008	(2)			(2)		2	30
2009	(1)			(1)		7	35
2010	(3)				(1)	5	36

* Net transfers can include members transferring to a Defined Contribution plan or members who transfer between divisions and subsequently retire or terminate within the same plan year.

Muskegon, City of (6116)

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		
2006	210	\$ 3,920,498	98	\$ 683,471	308	\$ 4,603,969	0.5	57.7%
2007	215	4,216,389	94	720,110	309	4,936,499	0.8	38.9
2008	208	4,177,954	95	696,884	303	4,874,838	0.8	37.2
2009	208	4,373,224	91	671,440	299	5,044,664	0.7	40.0
2010	209	4,594,114	89	665,232	298	5,259,346	0.7	45.6

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
2006	308	\$ 4,603,969	\$		\$	\$	308	\$ 4,603,969
2007	11	284,136	165,244	(10)	(116,850)		309	4,936,499
2008	13	170,852	17,362	(19)	(148,387)	(101,488)	303	4,874,838
2009	11	314,095	19,049	(15)	(163,318)		299	5,044,664
2010	19	456,011	111	(20)	(241,440)		298	5,259,346

@ 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.

Muskegon, City of (6116)

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	186	\$4,236,085
Non-duty disability retirants	15	213,616
Duty disability retirants	8	144,413
Beneficiaries of deceased retirants*	88	660,273
Beneficiaries of deceased members:		
Non-duty death	1	4,959
Duty death	<u>0</u>	<u>0</u>
Total Benefits Being Paid	298	\$5,259,346

* Alternate Payees, if any, are all included with beneficiaries of deceased retirants.

Muskegon, City of (6116)

Table 10

Reported Assets (Market Value)

Division	2010 Valuation		2009 Valuation	
	Employer And Retiree*	Employee#	Employer And Retiree*	Employee#
01 - NonUnion Gen	\$ 7,965,465	\$ 2,326,741	\$ 6,258,990	\$ 2,637,802
02 - NonUn Police	201,489	64,042	161,570	57,512
05 - NonUn Fire	0	0	59,056	20,906
10 - General Ret	10,147,691	388,355	9,869,375	506,244
11 - Clerical	1,454,108	443,110	1,263,212	431,825
12 - DPW 517M	6,883,298	1,972,502	5,774,891	1,968,510
20 - PLC/Fire Ret	19,170,526	172,981	18,721,731	224,572
21 - PolicePatrol	7,186,296	2,353,201	5,641,966	2,147,599
22 - Police Comm	4,478,574	1,002,584	3,832,765	936,643
50 - FF Local 370	7,787,641	2,369,742	6,380,137	2,357,564
Total Municipality	\$ 65,275,088	\$ 11,093,258	\$ 57,963,693	\$ 11,289,177
Combined Reserves	\$76,368,346		\$69,252,870	

* 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 122 and the detailed calculations are shown on pages 123 - 125.

Muskegon, City of (6116)

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					
2006	\$ 55,956,699	\$ 4,695,235	\$ 4,324,738	\$ (1,896,331)	\$ (9,077)	\$ 580,900	\$ 63,652,164
2007	16,582,297	4,334,437	5,963,112	(4,694,268)	(72,528)	392,610	86,157,824
2008	1,166,958	731,864	3,642,050	(4,879,568)	(16,639)	125,743	86,928,232
2009	860,608	732,249	3,215,403	(5,024,244)	(105,036)	74,389	86,681,601
2010	2,215,151	662,958	4,468,557	(5,066,044)	(209,631)	57,762	88,810,354

* 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.

Muskegon, City of (6116)

Table 12

Termination Liability as of December 31, 2010

Division	Termination Liability*	Valuation Assets	Percent Funded	Unfunded (Overfunded)
01 - NonUnion Gen Active Members Vested Former Members Retirees and Beneficiaries Pending Refunds Total	\$ 7,044,252 331,721 3,261,989 <u>0</u> \$ 10,637,962	 \$ 11,969,022	 112.5%	 \$ (1,331,060)
02 - NonUn Police Active Members Vested Former Members Retirees and Beneficiaries Pending Refunds Total	\$ 260,742 0 0 <u>0</u> \$ 260,742	 \$ 308,792	 118.4%	 \$ (48,050)
10 - General Ret Active Members Vested Former Members Retirees and Beneficiaries Pending Refunds Total	\$ 0 994,393 11,719,870 <u>32,563</u> \$ 12,746,826	 \$ 12,252,589	 96.1%	 \$ 494,237
11 - Clerical Active Members Vested Former Members Retirees and Beneficiaries Pending Refunds Total	\$ 1,051,836 7,941 406,127 <u>0</u> \$ 1,465,904	 \$ 2,206,315	 150.5%	 \$ (740,411)
12 - DPW 517M Active Members Vested Former Members Retirees and Beneficiaries Pending Refunds Total	\$ 5,716,374 268,284 2,935,412 <u>0</u> \$ 8,920,070	 \$ 10,298,596	 115.5%	 \$ (1,378,526)
20 - PLC/Fire Ret Active Members Vested Former Members Retirees and Beneficiaries Pending Refunds Total	\$ 0 268,846 24,724,944 <u>0</u> \$ 24,993,790	 \$ 22,494,971	 90.0%	 \$ 2,498,819

Muskegon, City of (6116)

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)
21 - PolicePatrol				
Active Members	\$ 4,759,074			
Vested Former Members	1,029,291			
Retirees and Beneficiaries	1,194,126			
Pending Refunds	<u>31,069</u>			
Total	\$ 7,013,560	\$ 11,093,681	158.2%	\$ (4,080,121)
22 - Police Comm				
Active Members	\$ 2,972,278			
Vested Former Members	275,374			
Retirees and Beneficiaries	1,804,560			
Pending Refunds	<u>0</u>			
Total	\$ 5,052,212	\$ 6,374,154	126.2%	\$ (1,321,942)
50 - FF Local 370				
Active Members	\$ 7,578,959			
Vested Former Members	75,774			
Retirees and Beneficiaries	1,232,049			
Pending Refunds	<u>25,861</u>			
Total	\$ 8,912,643	\$ 11,812,234	132.5%	\$ (2,899,591)
Total Municipality				
Active Members	\$ 29,383,515			
Vested Former Members	3,251,624			
Retirees and Beneficiaries	47,279,077			
Pending Refunds	<u>89,493</u>			
Total	\$ 80,003,709	\$ 88,810,354	111.0%	\$ (8,806,645)

* 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.

Muskegon, City of (6116)

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 - NonUnion Gen				
Reserve for Employer Contributions and Benefit Payments				
Active Members	\$ 6,080,826	\$ 6,249,416	102.8%	\$ (168,590)
Vested Former Members	216,047	216,047	100.0	0
Retirees and Beneficiaries	<u>3,261,989</u>	<u>3,261,989</u>	100.0	<u>0</u>
Total	\$ 9,558,862	\$ 9,727,452	101.8%	\$ (168,590)
Reserve for Employee Contributions				
Active Members	\$ 2,125,896	\$ 2,125,896		
Vested Former Members	115,674	115,674		
Pending Refunds	<u>0</u>	<u>0</u>		
Total	\$ 2,241,570	\$ 2,241,570	100.0%	\$ 0
Division Total	\$ 11,800,432	\$ 11,969,022	101.4%	\$ (168,590)
02 - NonUn Police				
Reserve for Employer Contributions and Benefit Payments				
Active Members	\$ 189,441	\$ 244,750	129.2%	\$ (55,309)
Vested Former Members	0	0	0.0	0
Retirees and Beneficiaries	<u>0</u>	<u>0</u>	0.0	<u>0</u>
Total	\$ 189,441	\$ 244,750	129.2%	\$ (55,309)
Reserve for Employee Contributions				
Active Members	\$ 64,042	\$ 64,042		
Vested Former Members	0	0		
Pending Refunds	<u>0</u>	<u>0</u>		
Total	\$ 64,042	\$ 64,042	100.0%	\$ 0
Division Total	\$ 253,483	\$ 308,792	121.8%	\$ (55,309)
10 - General Ret				
Reserve for Employer Contributions and Benefit Payments				
Active Members	\$ 0	\$ 0	0.0%	\$ 0
Vested Former Members	638,600	144,363	22.6	494,237
Retirees and Beneficiaries	<u>11,719,870</u>	<u>11,719,870</u>	100.0	<u>0</u>
Total	\$ 12,358,470	\$ 11,864,233	96.0%	\$ 494,237
Reserve for Employee Contributions				
Active Members	\$ 0	\$ 0		
Vested Former Members	355,793	355,793		
Pending Refunds	<u>32,563</u>	<u>32,563</u>		
Total	\$ 388,356	\$ 388,356	100.0%	\$ 0
Division Total	\$ 12,746,826	\$ 12,252,589	96.1%	\$ 494,237

Muskegon, City of (6116)

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
11 - Clerical				
Reserve for Employer Contributions and Benefit Payments				
Active Members	\$ 1,206,248	\$ 1,357,076	112.5%	\$ (150,828)
Vested Former Members	0	0	0.0	0
Retirees and Beneficiaries	<u>406,127</u>	<u>406,127</u>	100.0	<u>0</u>
Total	\$ 1,612,375	\$ 1,763,203	109.4%	\$ (150,828)
Reserve for Employee Contributions				
Active Members	\$ 435,171	\$ 435,171		
Vested Former Members	7,941	7,941		
Pending Refunds	<u>0</u>	<u>0</u>		
Total	\$ 443,112	\$ 443,112	100.0%	\$ 0
Division Total	\$ 2,055,487	\$ 2,206,315	107.3%	\$ (150,828)
12 - DPW 517M				
Reserve for Employer Contributions and Benefit Payments				
Active Members	\$ 4,730,376	\$ 5,226,356	110.5%	\$ (495,980)
Vested Former Members	164,327	164,327	100.0	0
Retirees and Beneficiaries	<u>2,935,412</u>	<u>2,935,412</u>	100.0	<u>0</u>
Total	\$ 7,830,115	\$ 8,326,095	106.3%	\$ (495,980)
Reserve for Employee Contributions				
Active Members	\$ 1,868,544	\$ 1,868,544		
Vested Former Members	103,957	103,957		
Pending Refunds	<u>0</u>	<u>0</u>		
Total	\$ 1,972,501	\$ 1,972,501	100.0%	\$ 0
Division Total	\$ 9,802,616	\$ 10,298,596	105.1%	\$ (495,980)
20 - PLC/Fire Ret				
Reserve for Employer Contributions and Benefit Payments				
Active Members	\$ 0	\$ 0	0.0%	\$ 0
Vested Former Members	95,865	0	0.0	95,865
Retirees and Beneficiaries	<u>24,724,944</u>	<u>22,321,990</u>	90.3	<u>2,402,954</u>
Total	\$ 24,820,809	\$ 22,321,990	89.9%	\$ 2,498,819
Reserve for Employee Contributions				
Active Members	\$ 0	\$ 0		
Vested Former Members	172,981	172,981		
Pending Refunds	<u>0</u>	<u>0</u>		
Total	\$ 172,981	\$ 172,981	100.0%	\$ 0
Division Total	\$ 24,993,790	\$ 22,494,971	90.0%	\$ 2,498,819

Muskegon, City of (6116)

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
21 - PolicePatrol				
Reserve for Employer Contributions and Benefit Payments				
Active Members	\$ 5,759,098	\$ 6,794,444	118.0%	\$ (1,035,346)
Vested Former Members	751,909	751,909	100.0	0
Retirees and Beneficiaries	<u>1,194,126</u>	<u>1,194,126</u>	100.0	<u>0</u>
Total	\$ 7,705,133	\$ 8,740,479	113.4%	\$ (1,035,346)
Reserve for Employee Contributions				
Active Members	\$ 2,044,751	\$ 2,044,751		
Vested Former Members	277,382	277,382		
Pending Refunds	<u>31,069</u>	<u>31,069</u>		
Total	\$ 2,353,202	\$ 2,353,202	100.0%	\$ 0
Division Total	\$ 10,058,335	\$ 11,093,681	110.3%	\$ (1,035,346)
22 - Police Comm				
Reserve for Employer Contributions and Benefit Payments				
Active Members	\$ 3,149,546	\$ 3,366,803	106.9%	\$ (217,257)
Vested Former Members	200,207	200,207	100.0	0
Retirees and Beneficiaries	<u>1,804,560</u>	<u>1,804,560</u>	100.0	<u>0</u>
Total	\$ 5,154,313	\$ 5,371,570	104.2%	\$ (217,257)
Reserve for Employee Contributions				
Active Members	\$ 927,417	\$ 927,417		
Vested Former Members	75,167	75,167		
Pending Refunds	<u>0</u>	<u>0</u>		
Total	\$ 1,002,584	\$ 1,002,584	100.0%	\$ 0
Division Total	\$ 6,156,897	\$ 6,374,154	103.5%	\$ (217,257)
50 - FF Local 370				
Reserve for Employer Contributions and Benefit Payments				
Active Members	\$ 6,876,205	\$ 8,164,913	118.7%	\$ (1,288,708)
Vested Former Members	45,529	45,529	100.0	0
Retirees and Beneficiaries	<u>1,232,049</u>	<u>1,232,049</u>	100.0	<u>0</u>
Total	\$ 8,153,783	\$ 9,442,491	115.8%	\$ (1,288,708)
Reserve for Employee Contributions				
Active Members	\$ 2,313,637	\$ 2,313,637		
Vested Former Members	30,245	30,245		
Pending Refunds	<u>25,861</u>	<u>25,861</u>		
Total	\$ 2,369,743	\$ 2,369,743	100.0%	\$ 0
Division Total	\$ 10,523,526	\$ 11,812,234	112.2%	\$ (1,288,708)

Muskegon, City of (6116)

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	\$ 27,991,740	\$ 31,403,758	112.2%	\$ (3,412,018)
Vested Former Members	2,112,484	1,522,382	72.1	590,102
Retirees and Beneficiaries	<u>47,279,077</u>	<u>44,876,123</u>	94.9	<u>2,402,954</u>
Total	\$ 77,383,301	\$ 77,802,263	100.5%	\$ (418,962)
Reserve for Employee Contributions				
Active Members	\$ 9,779,458	\$ 9,779,458		
Vested Former Members	1,139,140	1,139,140		
Pending Refunds	<u>89,493</u>	<u>89,493</u>		
Total	\$ 11,008,091	\$ 11,008,091	100.0%	\$ 0
Municipality Total	\$ 88,391,392	\$ 88,810,354	100.5%	\$ (418,962)

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

Muskegon, City of (6116)

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
2006	\$ 63,537,463	\$ 63,652,164	100%	\$ (114,701)	0%
2007	83,118,204	86,157,824	104	(3,039,620)	0
2008	86,794,286	86,928,232	100	(133,946)	0
2009	87,394,951	86,681,601	99	713,350	6
2010	88,391,392	88,810,354	100	(418,962)	0

Notes: Actuarial assumptions were revised for the 1997, 2000, 2004, 2008, 2009 and 2010 actuarial valuations.

Muskegon, City of (6116)

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 - NonUnion Gen &	-%	-%	-%
02 - NonUn Police &	-%	-%	-%
10 - General Ret &	-%	-%	-%
11 - Clerical &	-%	-%	-%
12 - DPW 517M &	-%	-%	-%
20 - PLC/Fire Ret &	-%	-%	-%
21 - PolicePatrol &	-%	-%	-%
22 - Police Comm	9.01%	(2.64)%	6.37%
50 - FF Local 370 &	-%	-%	-%
Estimated Monthly Contribution*			
01 - NonUnion Gen	\$ 10,221	\$ (1,910)	\$ 8,311
02 - NonUn Police	725	(568)	157
10 - General Ret	0	7,856	7,856
11 - Clerical	3,092	(1,633)	1,459
12 - DPW 517M	9,514	(5,455)	4,059
20 - PLC/Fire Ret	0	44,723	44,723
21 - PolicePatrol	23,093	(11,508)	11,585
22 - Police Comm	7,924	(2,322)	5,602
50 - FF Local 370	14,143	(13,525)	618
Total Municipality	\$ 68,712	\$ 15,658	\$ 84,370
Estimated Annual Contribution*			
Total Municipality	\$ 824,544	\$ 187,896	\$ 1,012,440

@ 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 120.

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.

Muskegon, City of (6116)
Division 01 - NonUnion Gen

Table 16A

Computed Employer Contributions to the Retirement System
For the Fiscal Year Beginning July 1, 2012

Contribution for	Monthly Dollar Contribution *
Total Normal Cost	\$17,708
Member Contributions	8,191
Less Potential Refunds	(704)
Net Member Contributions	7,487
Employer Normal Cost @	\$10,221
Amortization of Unfunded Accrued Liability (10 years)	(1,910)
Total Long Term Contribution	8,311
Overfunding Credit #	<u>0</u>
Total Employer Contribution @	\$8,311 *

@ The above Employer contribution requirement is based on Member contributions of 5.00% 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).

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:	\$(231,931)
Increase in Computed Long Term Employer Contribution	
Monthly Normal Cost:	\$0
Monthly Amortization Payment:	\$(3,193)
Monthly Total:	\$(3,193)

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

Muskegon, City of (6116)

Division 01 - NonUnion Gen

Table 17A

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution
	Number	Annual Payroll	
2006	43	\$ 2,494,165	\$ 10,962 #
2007	44	2,618,639	\$ 7,322
2008	44	2,719,508	\$ 11,371
2009	39	2,694,218	\$ 11,259
2010	34	2,264,338	\$ 8,311

Beginning with this valuation, a monthly dollar contribution is shown because the division will have no new hires.

Notes:

Adoption of Benefit V-5, F55(25), FAC-3, RS50%, D-2, B-3 - 80% Maximum, Normal Retirement: 60, DC Plan for New Hires, 5.00% Member Contributions reflected in 2006 valuation.

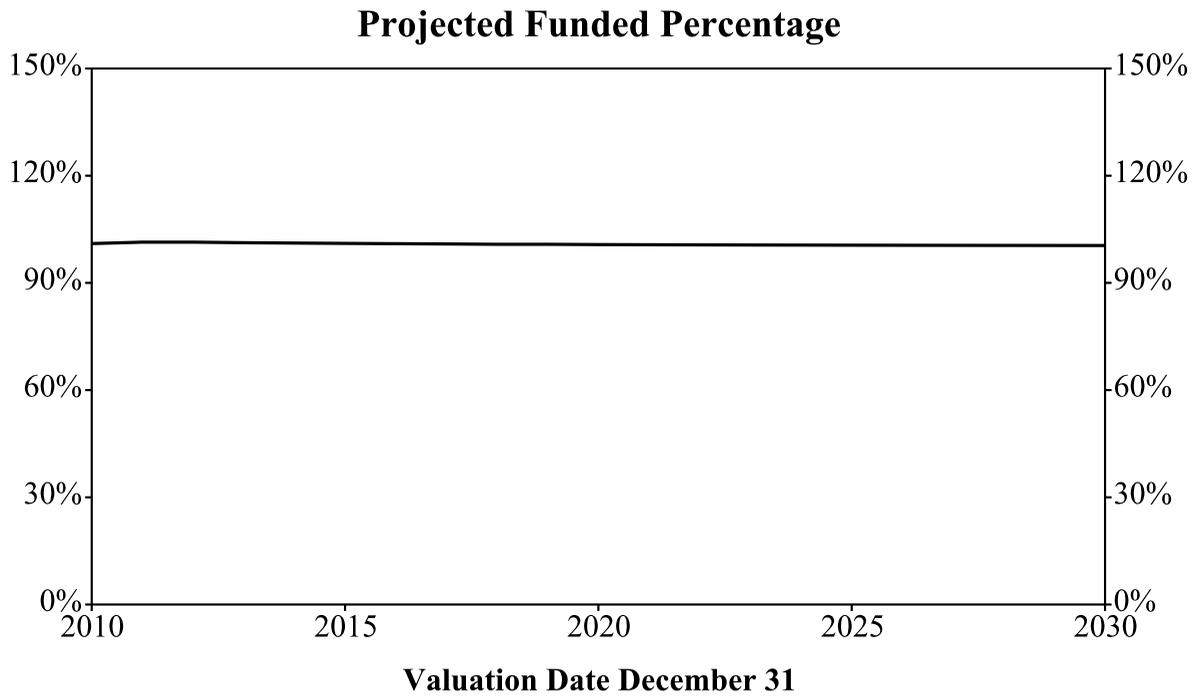
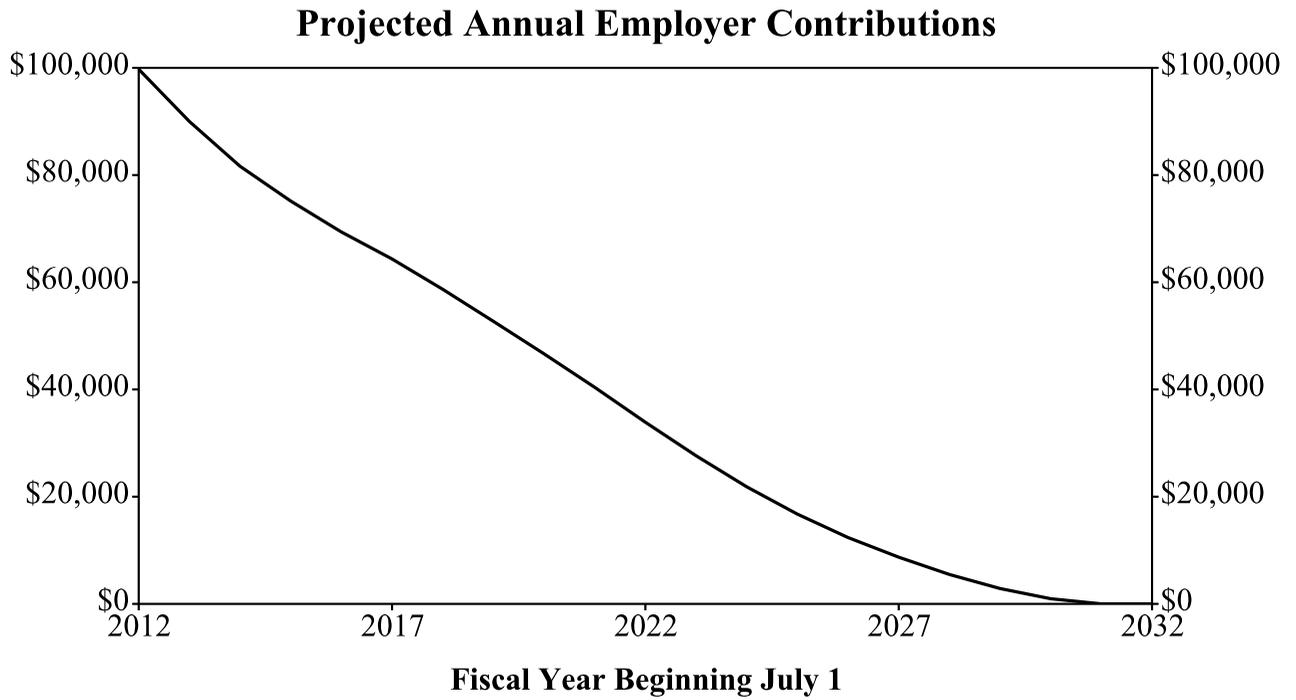
Actuarial assumptions were revised for the 2008 valuation.

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.

Muskegon, City of (6116)
Division 01 - NonUnion Gen
Chart 17.5A



Note: Please refer to page 117 for a discussion of the projection.

Muskegon, City of (6116)

Division 01 - NonUnion Gen

**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		
2006								43	43
2007							1		44
2008									44
2009	(1)			(2)	(1)	(1)			39
2010	(5)			(1)			1		34

**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		
2006							2	2
2007							1	3
2008								3
2009							2	5
2010	(1)						1	5

Muskegon, City of (6116)
Division 01 - NonUnion Gen

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
2006	1	\$ 4,448	\$		\$	\$	1	\$ 4,448
2007	1	34,644					2	39,092
2008							2	39,092
2009	1	42,711					3	81,803
2010	6	224,598					9	306,401

@ 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.

Muskegon, City of (6116)

Division 01 - NonUnion Gen

**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	
2006	\$ 4,896,050	\$ 1,661,291	\$ 736,291	\$ (371)	\$ (9,077)	\$ 0	\$ 696,027	\$ 7,980,211
2007	1,066,495	130,731	674,446	(33,318)	0	(320,289)	2,696	9,500,972
2008	149,684	135,977	508,117	(39,092)	0	0	98,486	10,354,144
2009	87,601	143,115	620,593	(67,566)	(10,698)	(10,332)	18,973	11,135,830
2010	136,452	124,726	702,538	(198,641)	0	0	68,117	11,969,022

* 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
2006	\$ 7,965,831	\$ 7,980,211	100%	\$ (14,380)	0%
2007	9,165,782	9,500,972	104	(335,190)	0
2008	10,098,491	10,354,144	103	(255,653)	0
2009	10,968,166	11,135,830	102	(167,664)	0
2010	11,800,432	11,969,022	101	(168,590)	0

Muskegon, City of (6116)

Division 02 - NonUn Police

Table 16B

**Computed Employer Contributions to the Retirement System
For the Fiscal Year Beginning July 1, 2012**

Contribution for	Monthly Dollar Contribution *
Total Normal Cost	\$1,086
Member Contributions	489
Less Potential Refunds	<u>(128)</u>
Net Member Contributions	361
Employer Normal Cost @	\$725
Amortization of Unfunded Accrued Liability (10 years)	<u>(568)</u>
Total Long Term Contribution	157
Overfunding Credit #	<u>0</u>
Total Employer Contribution @	\$157 *

@ The above Employer contribution requirement is based on Member contributions of 6.00% 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).

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:	\$(8,296)
Increase in Computed Long Term Employer Contribution	
Monthly Normal Cost:	\$0
Monthly Amortization Payment:	\$(93)
Monthly Total:	\$(93)

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

Muskegon, City of (6116)

Division 02 - NonUn Police

Table 17B

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution
	Number	Annual Payroll	
2006	1	\$ 96,337	\$ 832 #
2007	1	103,120	\$ 832
2008	1	102,182	\$ 691
2009	1	109,635	\$ 375
2010	1	106,153	\$ 157

Beginning with this valuation, a monthly dollar contribution is shown because the division will have no new hires.

Notes:

Adoption of Benefit V-10, FAC-3, RS50%, D-2, 2.75% - 80% Maximum, Normal Retirement: 60, DC Plan for New Hires, 6.00% Member Contributions, F53(25) reflected in 2006 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.

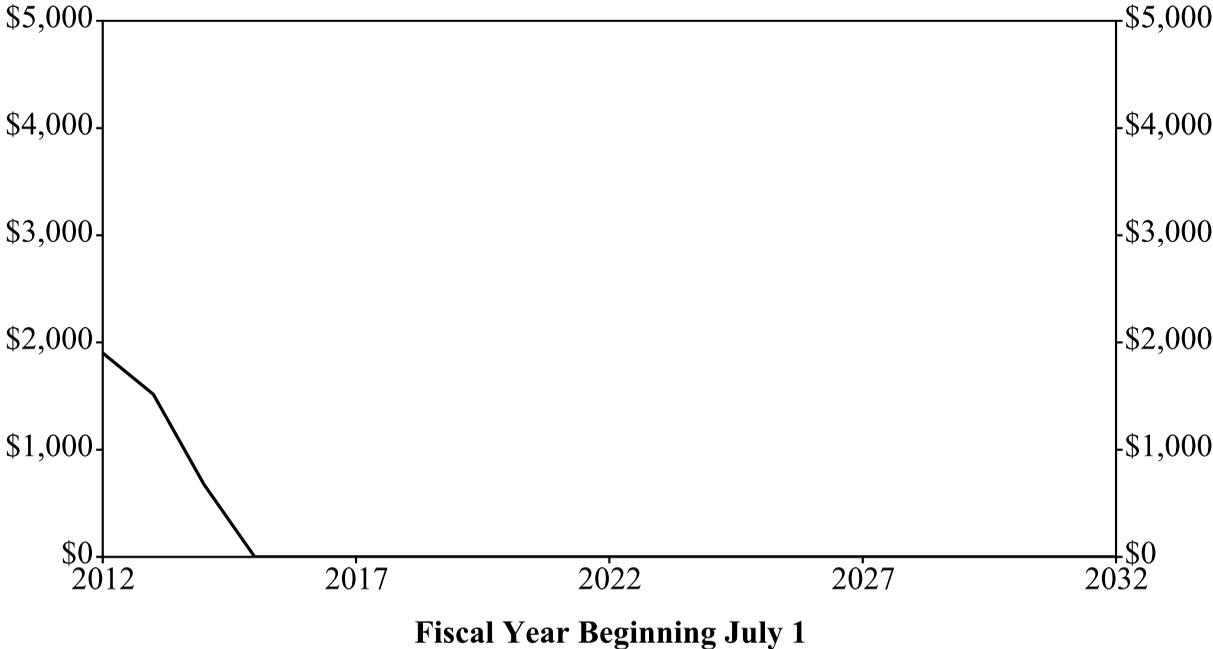
The most recent 15 years of benefit changes are reflected in this table. For a complete benefit history see Table 25.

Muskegon, City of (6116)

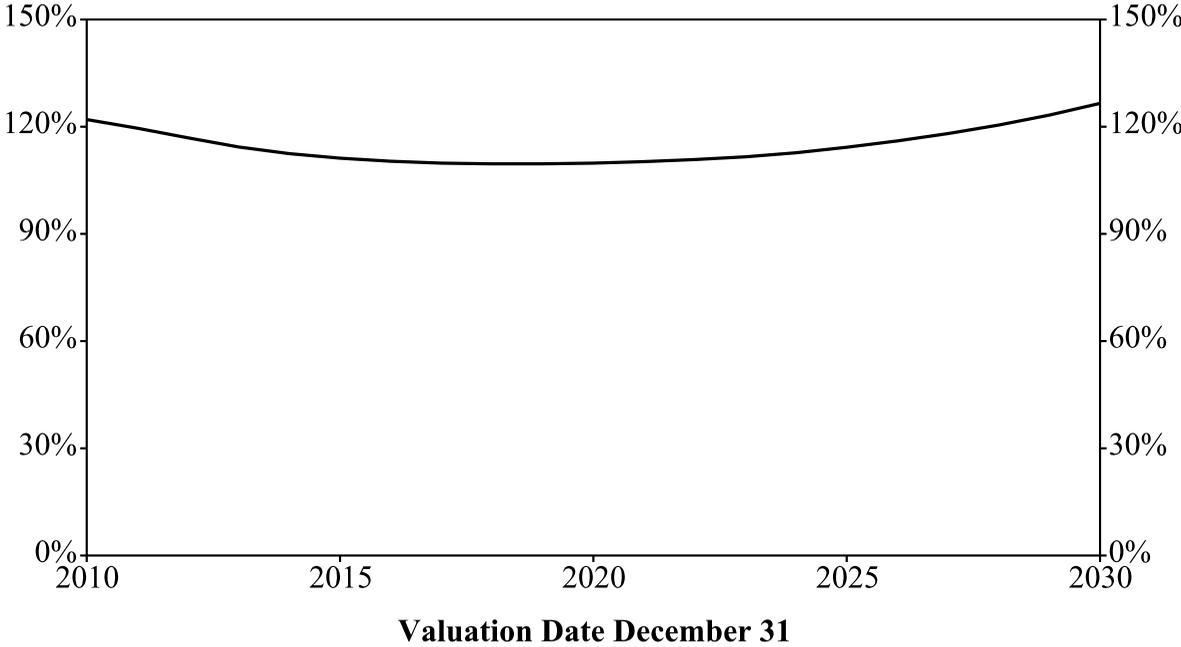
Division 02 - NonUn Police

Chart 17.5B

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 117 for a discussion of the projection.

Muskegon, City of (6116)

Division 02 - NonUn Police

**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		
2006								1	1
2007									1
2008									1
2009									1
2010									1

**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		
2006								0
2007								0
2008								0
2009								0
2010								0

Muskegon, City of (6116)

Division 02 - NonUn Police

**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
2006		\$	\$		\$	\$	0	\$ 0
2007							0	0
2008							0	0
2009							0	0
2010							0	0

@ 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.

Muskegon, City of (6116)

Division 02 - NonUn Police

**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	
2006	\$ 110,022	\$ 35,610	\$ 15,076	\$ 0	\$ 0	\$ 0	\$ 1,933	\$ 162,641
2007	10,446	6,187	8,987	0	0	0	21,040	209,301
2008	10,944	6,130	12,708	0	0	0	0	239,083
2009	9,967	6,578	18,590	0	0	0	0	274,218
2010	8,292	6,369	19,913	0	0	0	0	308,792

* 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
2006	\$ 162,347	\$ 162,641	100%	\$ (294)	0%
2007	201,918	209,301	104	(7,383)	0
2008	226,650	239,083	105	(12,433)	0
2009	238,523	274,218	115	(35,695)	0
2010	253,483	308,792	122	(55,309)	0

Muskegon, City of (6116)

Division 05 - NonUn Fire

Table 16C

**Computed Employer Contributions to the Retirement System
For the Fiscal Year Beginning July 1, 2012**

Contribution for	Monthly Dollar Contribution *
Total Normal Cost	\$0
Member Contributions	0
Less Potential Refunds	<u>0</u>
Net Member Contributions	0
Employer Normal Cost @	\$0
Amortization of Unfunded Accrued Liability (10 years)	<u>0</u>
Total Long Term Contribution	0
Overfunding Credit #	<u>0</u>
Total Employer Contribution @	\$0 *

@ *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).

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

Muskegon, City of (6116)

Division 05 - NonUn Fire

Table 17C

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution
	Number	Annual Payroll	
2006	1	\$ 70,304	\$ 607 #
2007	1	70,992	\$ 551
2008	1	72,765	\$ 522
2009	0	0	\$ 0
2010	0	0	\$ 0

Beginning with this valuation, a monthly dollar contribution is shown because the division will have no new hires.

Notes:

Adoption of Benefit V-10, FAC-3, RS50%, D-2, 2.75% - 80% Maximum, Normal Retirement: 60, DC Plan for New Hires, 6.00% Member Contributions, F53(25) reflected in 2006 valuation.

Actuarial assumptions were revised for the 2008 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.

Muskegon, City of (6116)

Division 05 - NonUn Fire

**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		
2006								1	1
2007									1
2008									1
2009					(1)				0
2010									0

**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		
2006								0
2007								0
2008								0
2009								0
2010								0

Muskegon, City of (6116)

Division 05 - NonUn Fire

**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
2006		\$	\$		\$	\$	0	\$ 0
2007							0	0
2008							0	0
2009							0	0
2010							0	0

@ 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.

Muskegon, City of (6116)

Division 05 - NonUn Fire

**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	
2006	\$ 26,446	\$ 9,013	\$ 3,088	\$ 0	\$ 0	\$ 0	\$ 5,723	\$ 44,270
2007	7,184	4,260	(906)	0	0	0	11,084	65,892
2008	7,992	4,366	5,032	0	0	0	0	83,282
2009	6,595	2,588	7,621	0	0	0	0	100,086
2010	3,654	0	(21,098)	0	(20,936)	(61,706)	0	0

* 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
2006	\$ 44,190	\$ 44,270	100%	\$ (80)	0%
2007	63,568	65,892	104	(2,324)	0
2008	78,001	83,282	107	(5,281)	0
2009	20,906	100,086	479	(79,180)	
2010	0	0	0	0	

Muskegon, City of (6116)

Division 10 - General Ret

Table 16D

**Computed Employer Contributions to the Retirement System
For the Fiscal Year Beginning July 1, 2012**

Contribution for	Monthly Dollar Contribution *
Total Normal Cost	\$0
Member Contributions	0
Less Potential Refunds	<u>0</u>
Net Member Contributions	0
Employer Normal Cost @	\$0
Amortization of Unfunded Accrued Liability (5 years) ^	<u>7,856</u> ^
Total Long Term Contribution	7,856
Overfunding Credit #	<u>0</u>
Total Employer Contribution @	\$7,856 *

@ 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. Note that the 5 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.

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

Muskegon, City of (6116)

Division 10 - General Ret

Table 17D

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution
	Number	Annual Payroll	
2006	0	\$ 0	\$ 0 #
2007	0	0	\$ 0
2008	0	0	\$ 0
2009	0	0	\$ 10,408
2010	0	0	\$ 7,856

Beginning with this valuation, a monthly dollar contribution is shown because the division will have no new hires.

Notes:

Adoption of Benefit V-5, FAC-3, B-3 - 80% Maximum, Normal Retirement: 60, 0.00% Member Contributions reflected in 2006 valuation.

Adoption of Benefit E (0.9%) reflected in 2007 valuation.

Adoption of Benefit E (0.5%) reflected in 2008 valuation.

Actuarial assumptions were revised for the 2010 valuation.

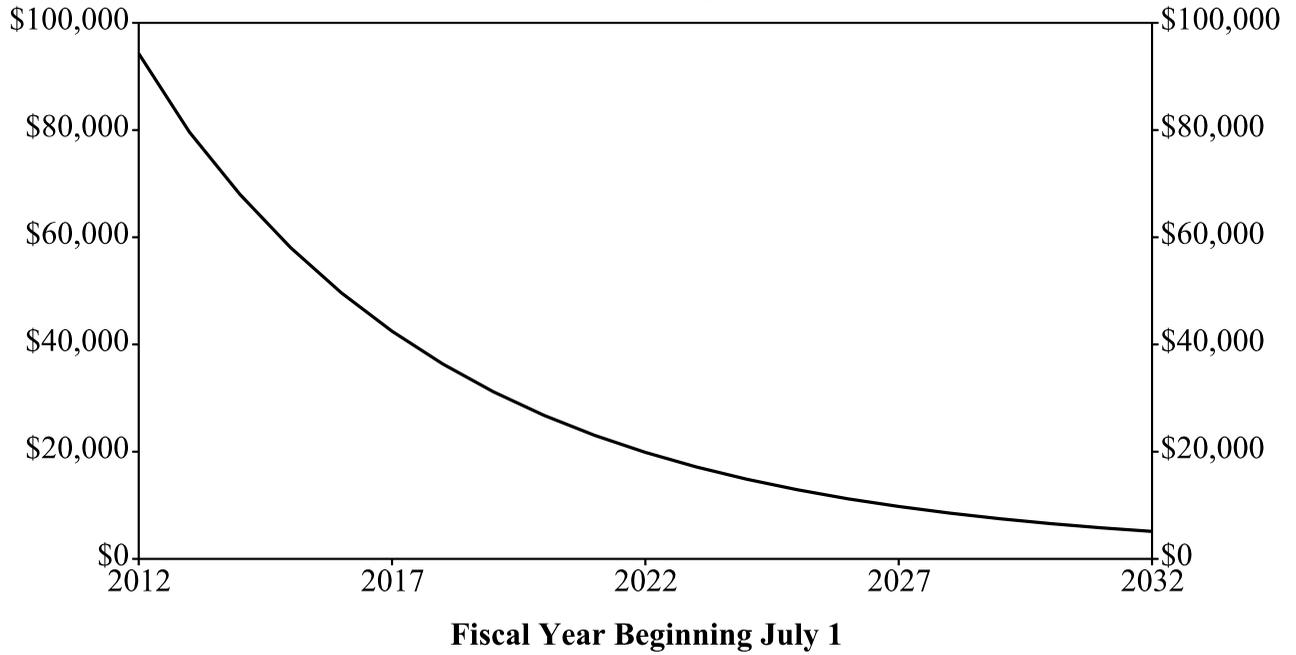
The most recent 15 years of benefit changes are reflected in this table. For a complete benefit history see Table 25.

Muskegon, City of (6116)

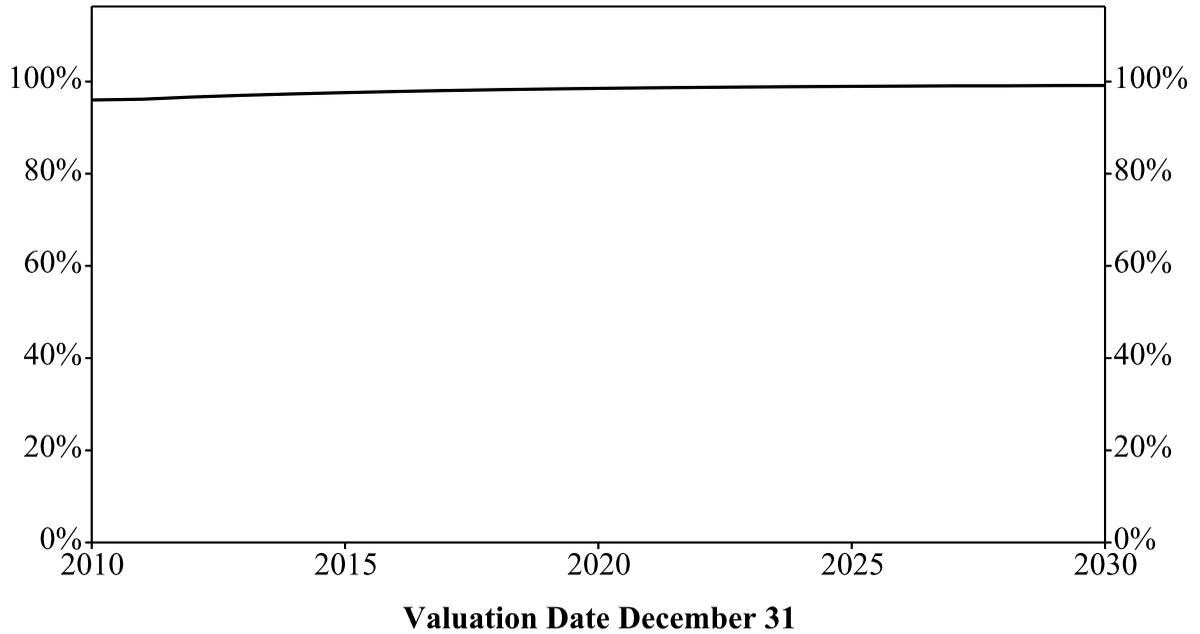
Division 10 - General Ret

Chart 17.5D

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 117 for a discussion of the projection.

Muskegon, City of (6116)

Division 10 - General Ret

**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		
2006									0
2007									0
2008									0
2009									0
2010									0

**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		
2006							20	20
2007	(1)							19
2008				(2)				17
2009	(1)							16
2010	(1)				(1)			14

Muskegon, City of (6116)

Division 10 - General Ret

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
2006	156	\$ 1,641,643	\$				156	\$ 1,641,643
2007	5	52,396	76,077	(6)	(63,824)		155	1,706,292
2008	5	31,120	2,424	(14)	(91,339)	(55,109)	146	1,593,388
2009	1	9,173		(6)	(46,478)		141	1,556,083
2010	3	12,148		(12)	(106,140)		132	1,462,091

@ 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.

Muskegon, City of (6116)

Division 10 - General Ret

**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	
2006	\$ 13,474,436	\$ 0	\$ 883,396	\$ (659,883)	\$ 0	\$ 0	\$ 997,586	\$ 14,695,535
2007	3,027,347	0	1,243,489	(1,647,192)	(22,949)	(1,888,938)	174,894	15,582,186
2008	0	0	480,258	(1,645,209)	0	0	0	14,417,235
2009	0	0	137,542	(1,567,947)	0	0	0	12,986,830
2010	500,000	0	432,571	(1,511,685)	0	(155,127)	0	12,252,589

* 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
2006	\$ 14,669,054	\$ 14,695,535	100%	\$ (26,481)	%
2007	15,032,451	15,582,186	104	(549,735)	
2008	14,041,769	14,417,235	103	(375,466)	
2009	13,666,958	12,986,830	95	680,128	
2010	12,746,826	12,252,589	96	494,237	

Muskegon, City of (6116)

Division 11 - Clerical

Table 16E

Computed Employer Contributions to the Retirement System For the Fiscal Year Beginning July 1, 2012

Contribution for	Monthly Dollar Contribution *
Total Normal Cost	\$5,535
Member Contributions	2,721
Less Potential Refunds	(278)
Net Member Contributions	2,443
Employer Normal Cost @	\$3,092
Amortization of Unfunded Accrued Liability (10 years)	(1,633)
Total Long Term Contribution	1,459
Overfunding Credit #	0
Total Employer Contribution @	\$1,459 *

@ The above Employer contribution requirement is based on Member contributions of 5.00% 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).

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:	\$(60,455)
Increase in Computed Long Term Employer Contribution	
Monthly Normal Cost:	\$0
Monthly Amortization Payment:	\$(679)
Monthly Total:	\$(679)

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

Muskegon, City of (6116)

Division 11 - Clerical

Table 17E

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution
	Number	Annual Payroll	
2006	25	\$ 804,225	\$ 3,491 #
2007	24	762,786	\$ 2,373
2008	23	763,135	\$ 3,142
2009	21	740,806	\$ 2,734
2010	20	681,454	\$ 1,459

Beginning with this valuation, a monthly dollar contribution is shown because the division will have no new hires.

Notes:

Adoption of Benefit V-5, F55(30), FAC-3, RS50%, D-2, B-3 - 80% Maximum, Normal Retirement: 60, DC Plan for New Hires, 5.00% Member Contributions reflected in 2006 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.

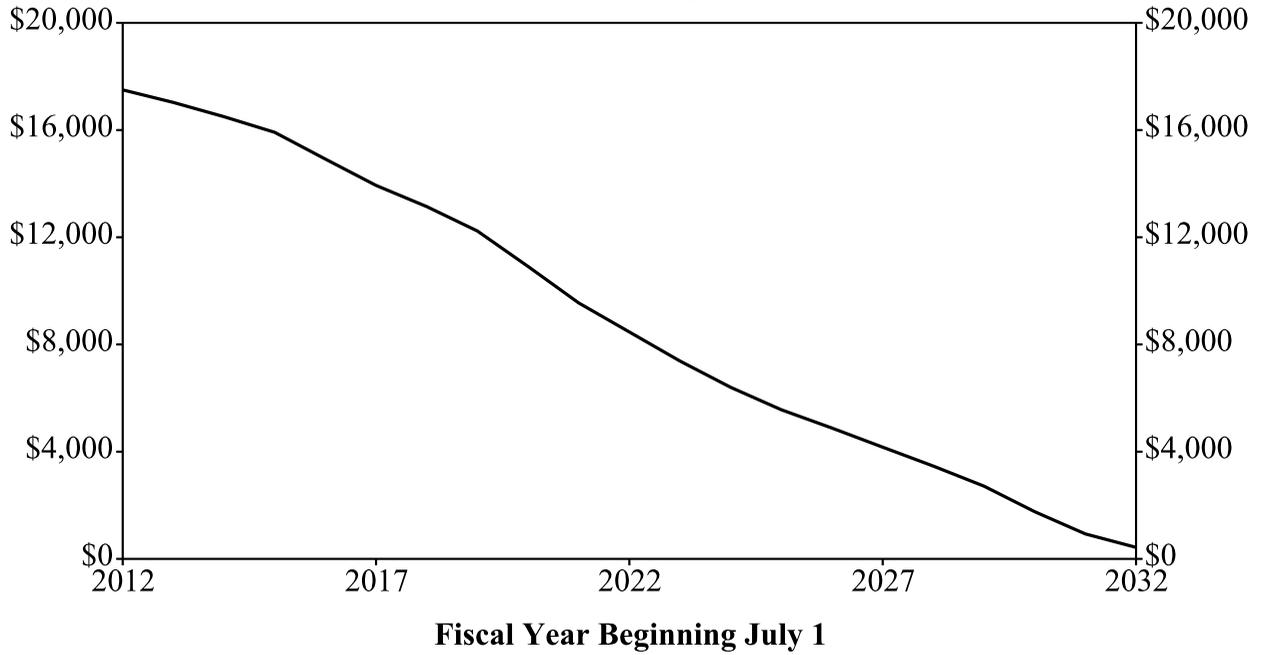
The most recent 15 years of benefit changes are reflected in this table. For a complete benefit history see Table 25.

Muskegon, City of (6116)

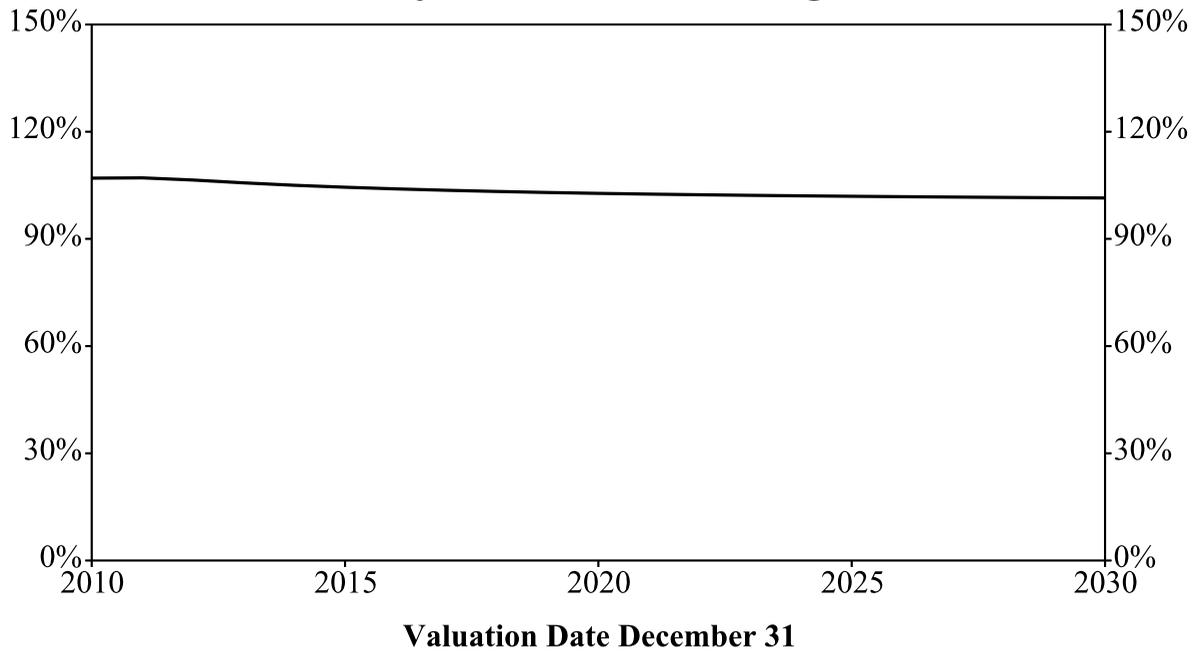
Division 11 - Clerical

Chart 17.5E

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 117 for a discussion of the projection.

Muskegon, City of (6116)

Division 11 - Clerical

**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		
2006								25	25
2007						(1)			24
2008	(1)								23
2009	(1)		(1)	(1)			1		21
2010						(1)			20

**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		
2006								0
2007								0
2008								0
2009							1	1
2010								1

Muskegon, City of (6116)

Division 11 - Clerical

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
2006		\$	\$		\$	\$	0	\$ 0
2007							0	0
2008	1	5,846					1	5,846
2009	2	33,069					3	38,915
2010			111				3	39,026

@ 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.

Muskegon, City of (6116)

Division 11 - Clerical

**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	
2006	\$ 481,177	\$ 369,782	\$ 22,792	\$ 0	\$ 0	\$ (837)	\$ 682,594	\$ 1,555,508
2007	166,936	38,305	71,470	0	0	(94,507)	0	1,737,712
2008	47,251	38,134	115,440	(5,359)	0	0	0	1,933,178
2009	28,232	38,597	126,538	(15,253)	0	0	10,332	2,121,624
2010	37,704	35,842	118,702	(39,440)	0	(68,117)	0	2,206,315

* 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
2006	\$ 1,552,705	\$ 1,555,508	100%	\$ (2,803)	0%
2007	1,676,406	1,737,712	104	(61,306)	0
2008	1,881,363	1,933,178	103	(51,815)	0
2009	2,046,887	2,121,624	104	(74,737)	0
2010	2,055,487	2,206,315	107	(150,828)	0

Muskegon, City of (6116)

Division 12 - DPW 517M

Table 16F

Computed Employer Contributions to the Retirement System For the Fiscal Year Beginning July 1, 2012

Contribution for	Monthly Dollar Contribution *
Total Normal Cost	\$16,131
Member Contributions	8,230
Less Potential Refunds	<u>(1,613)</u>
Net Member Contributions	6,617
Employer Normal Cost @	\$9,514
Amortization of Unfunded Accrued Liability (10 years)	<u>(5,455)</u>
Total Long Term Contribution	4,059
Overfunding Credit #	<u>0</u>
Total Employer Contribution @	\$4,059 *

@ The above Employer contribution requirement is based on Member contributions of 5.00% 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).

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:	\$ (168,810)
Increase in Computed Long Term Employer Contribution	
Monthly Normal Cost:	\$0
Monthly Amortization Payment:	\$ (1,896)
Monthly Total:	\$ (1,896)

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

Muskegon, City of (6116)

Division 12 - DPW 517M

Table 17F

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution
	Number	Annual Payroll	
2007	61	\$ 2,617,331	\$ 8,397 #
2008	59	2,621,589	\$ 12,297
2009	54	2,498,414	\$ 8,376
2010	51	2,245,332	\$ 4,059

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, RS50%, D-2, B-3 - 80% Maximum, Normal Retirement: 60, DC Plan for New Hires, 5.00% Member Contributions reflected in 2007 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.

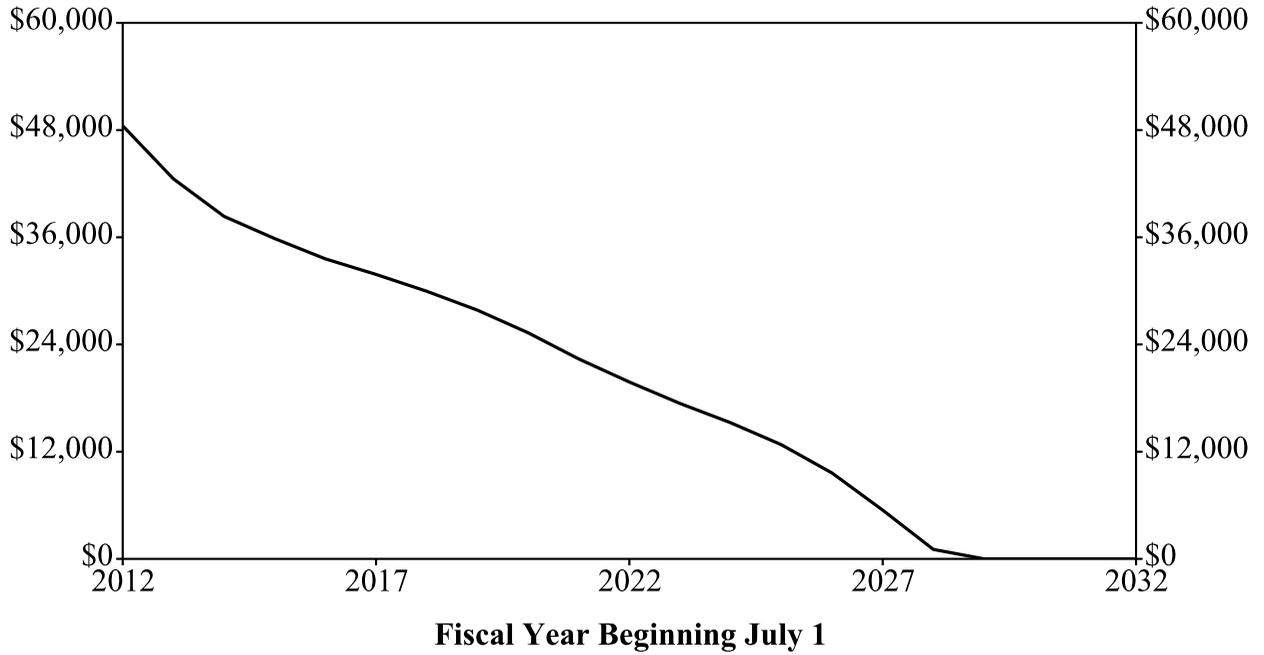
The most recent 15 years of benefit changes are reflected in this table. For a complete benefit history see Table 25.

Muskegon, City of (6116)

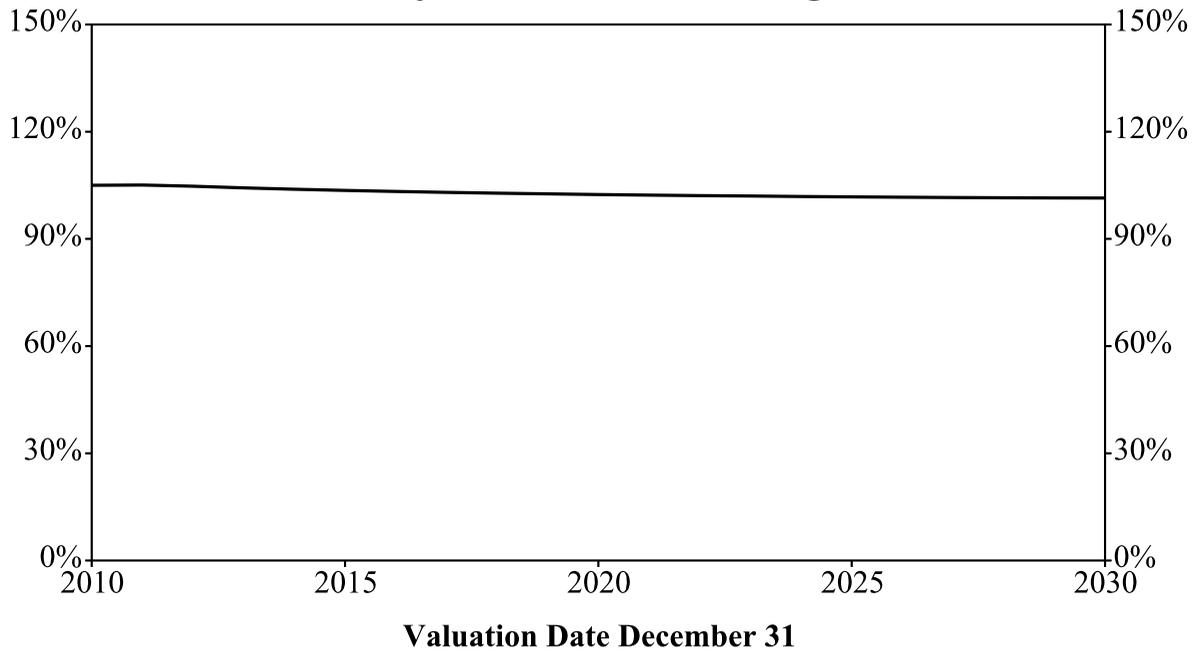
Division 12 - DPW 517M

Chart 17.5F

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 117 for a discussion of the projection.

Muskegon, City of (6116)

Division 12 - DPW 517M

**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		
2007								61	61
2008	(2)			(1)				1	59
2009	(1)	(1)		(2)	(1)				54
2010	(3)			(1)				1	51

**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		
2007								0
2008							1	1
2009							2	3
2010							1	4

Muskegon, City of (6116)

Division 12 - DPW 517M

**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
2007	3	\$ 99,768	\$		\$	\$	3	\$ 99,768
2008	2	43,786	2,728				5	146,282
2009	2	46,360					7	192,642
2010	3	72,043					10	264,685

@ 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.

Muskegon, City of (6116)

Division 12 - DPW 517M

**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	
2007	\$ 6,163,222	\$ 1,965,035	\$ 365,153	\$ (25,174)	\$ (456)	\$ (202,586)	\$ 203,419	\$ 8,468,613
2008	257,829	131,695	364,523	(126,115)	0	0	0	9,096,545
2009	100,764	131,459	515,649	(181,910)	0	0	29,660	9,692,167
2010	147,564	113,911	585,576	(240,622)	0	0	0	10,298,596

* 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
2007	\$ 8,169,843	\$ 8,468,613	104%	\$ (298,770)	0%
2008	9,030,444	9,096,545	101	(66,101)	0
2009	9,453,787	9,692,167	103	(238,380)	0
2010	9,802,616	10,298,596	105	(495,980)	0

Muskegon, City of (6116)

Division 20 - PLC/Fire Ret

Table 16G

**Computed Employer Contributions to the Retirement System
For the Fiscal Year Beginning July 1, 2012**

Contribution for	Monthly Dollar Contribution *
Total Normal Cost	\$0
Member Contributions	0
Less Potential Refunds	<u>0</u>
Net Member Contributions	0
Employer Normal Cost @	\$0
Amortization of Unfunded Accrued Liability (5 years) ^	<u>44,723</u> ^
Total Long Term Contribution	44,723
Overfunding Credit #	<u>0</u>
Total Employer Contribution @	\$44,723 *

@ *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. Note that the 5 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.*

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

Muskegon, City of (6116)

Division 20 - PLC/Fire Ret

Table 17G

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution
	Number	Annual Payroll	
2006	0	\$ 0	\$ 0 #
2007	0	0	\$ 0
2008	0	0	\$ 4,702
2009	0	0	\$ 28,440
2010	0	0	\$ 44,723

Beginning with this valuation, a monthly dollar contribution is shown because the division will have no new hires.

Notes:

Adoption of Benefit V-10, FAC-3, 2.75% - 80% Maximum, Normal Retirement: 60, 0.00% Member Contributions reflected in 2006 valuation.

Adoption of Benefit E (0.9%) reflected in 2007 valuation.

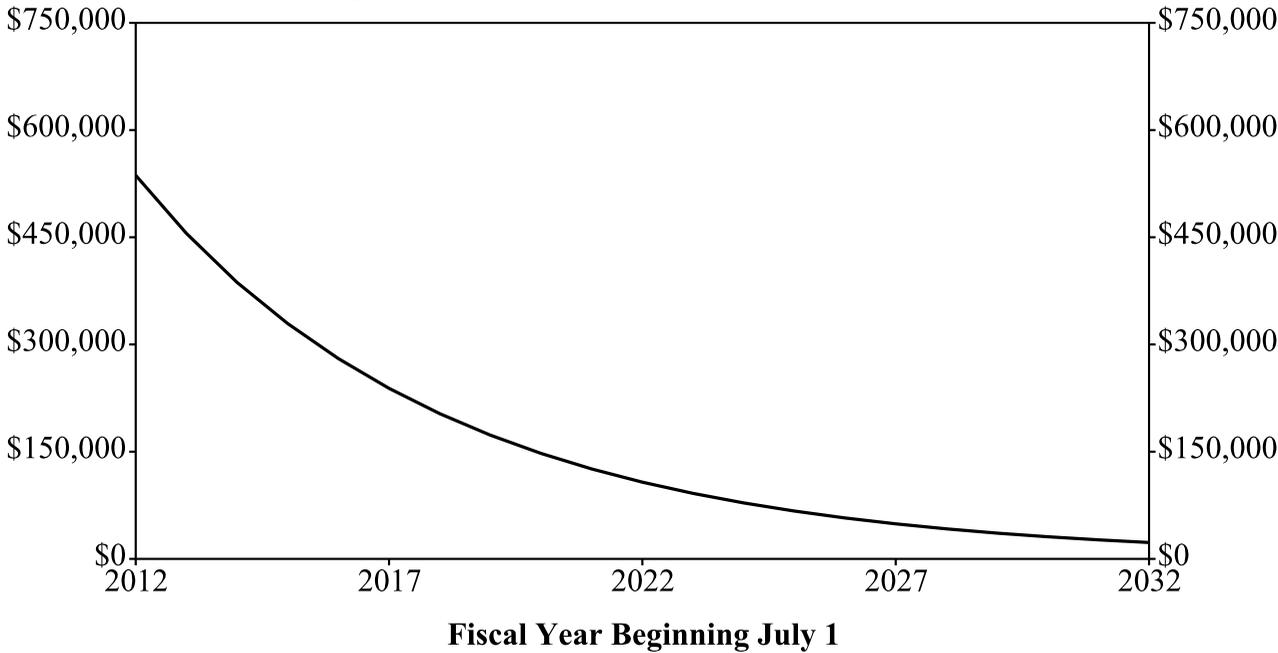
Adoption of Benefit E (0.5%) reflected in 2008 valuation.

Actuarial assumptions were revised for the 2010 valuation.

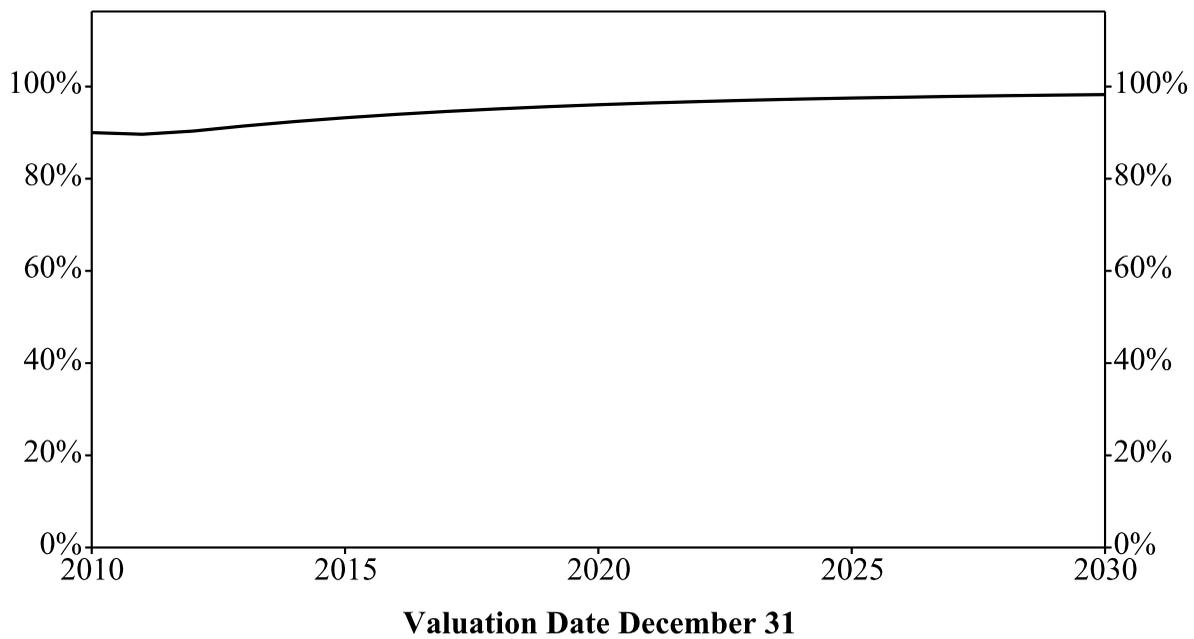
The most recent 15 years of benefit changes are reflected in this table. For a complete benefit history see Table 25.

Muskegon, City of (6116)
Division 20 - PLC/Fire Ret
Chart 17.5G

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 117 for a discussion of the projection.

Muskegon, City of (6116)

Division 20 - PLC/Fire Ret

**Table 18G
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		
2006									0
2007									0
2008									0
2009									0
2010									0

**Table 19G
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		
2006							8	8
2007								8
2008	(2)							6
2009				(1)				5
2010	(1)							4

Muskegon, City of (6116)

Division 20 - PLC/Fire Ret

**Table 20G
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
2006	150	\$ 2,940,428	\$				150	\$ 2,940,428
2007			89,167	(4)	(53,026)		146	2,976,569
2008	4	71,066	8,414	(5)	(57,048)	(46,379)	145	2,952,622
2009	2	20,709		(9)	(116,840)		138	2,856,491
2010	6	101,752		(8)	(135,300)		136	2,822,943

@ 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.

Muskegon, City of (6116)

Division 20 - PLC/Fire Ret

**Table 21G
Flow of Valuation Assets (Actuarial Value)**

Year Ended 12/31	Contributions		Investment Income	Benefit Payments	Member Contrib. Refunds	Transfer*		Balance
	Employer	Member				Out	In	
2006	\$ 28,829,225	\$ 0	\$ 1,950,380	\$ (1,227,352)	\$ 0	\$ (2,331,660)	\$ 377,549	\$ 27,598,142
2007	60,540	0	2,367,542	(2,934,199)	(24,957)	0	1,391,668	28,458,736
2008	0	0	919,506	(2,945,219)	0	0	0	26,433,023
2009	0	0	221,052	(2,909,145)	(30,449)	(37)	37	23,714,481
2010	556,424	0	824,403	(2,817,170)	0	0	216,833	22,494,971

* 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 22G
Actuarial Accrued Liabilities - Comparative Schedule**

Valuation Date December 31	Accrued Liabilities	Valuation Assets	Funded Percent	Unfunded Accrued Liability	UAL as Percent of Annual Payroll
2006	\$ 27,548,411	\$ 27,598,142	100%	\$ (49,731)	%
2007	27,454,720	28,458,736	104	(1,004,016)	
2008	26,831,147	26,433,023	99	398,124	
2009	25,625,218	23,714,481	93	1,910,737	
2010	24,993,790	22,494,971	90	2,498,819	

Muskegon, City of (6116)

Division 21 - PolicePatrol

Table 16H

Computed Employer Contributions to the Retirement System For the Fiscal Year Beginning July 1, 2012

Contribution for	Monthly Dollar Contribution *
Total Normal Cost	\$34,978
Member Contributions	14,524
Less Potential Refunds	<u>(2,639)</u>
Net Member Contributions	11,885
Employer Normal Cost @	\$23,093
Amortization of Unfunded Accrued Liability (10 years)	<u>(11,508)</u>
Total Long Term Contribution	11,585
Overfunding Credit #	<u>0</u>
Total Employer Contribution @	\$11,585 *

@ The above Employer contribution requirement is based on Member contributions of 6.00% 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).

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:	\$(280,945)
Increase in Computed Long Term Employer Contribution	
Monthly Normal Cost:	\$0
Monthly Amortization Payment:	\$(3,154)
Monthly Total:	\$(3,154)

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

Muskegon, City of (6116)

Division 21 - PolicePatrol

Table 17H

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution
	Number	Annual Payroll	
2006	63	\$ 3,453,192	\$ 22,502 #
2007	61	3,368,335	\$ 17,686
2008	58	3,529,305	\$ 31,080
2009	52	3,180,787	\$ 19,213
2010	51	3,044,625	\$ 11,585

Beginning with this valuation, a monthly dollar contribution is shown because the division will have no new hires.

Notes:

Adoption of Benefit V-10, FAC-3, RS50%, D-2, Normal Retirement: 55, DC Plan for New Hires, 6.00% Member Contributions, F51(25), 2.75% - 75% Maximum reflected in 2006 valuation.

Actuarial assumptions were revised for the 2008 valuation.

Adoption of Benefit F50(25), 3.00% - 75% Maximum reflected in 2009 valuation.

Actuarial assumptions were revised for the 2009 valuation.

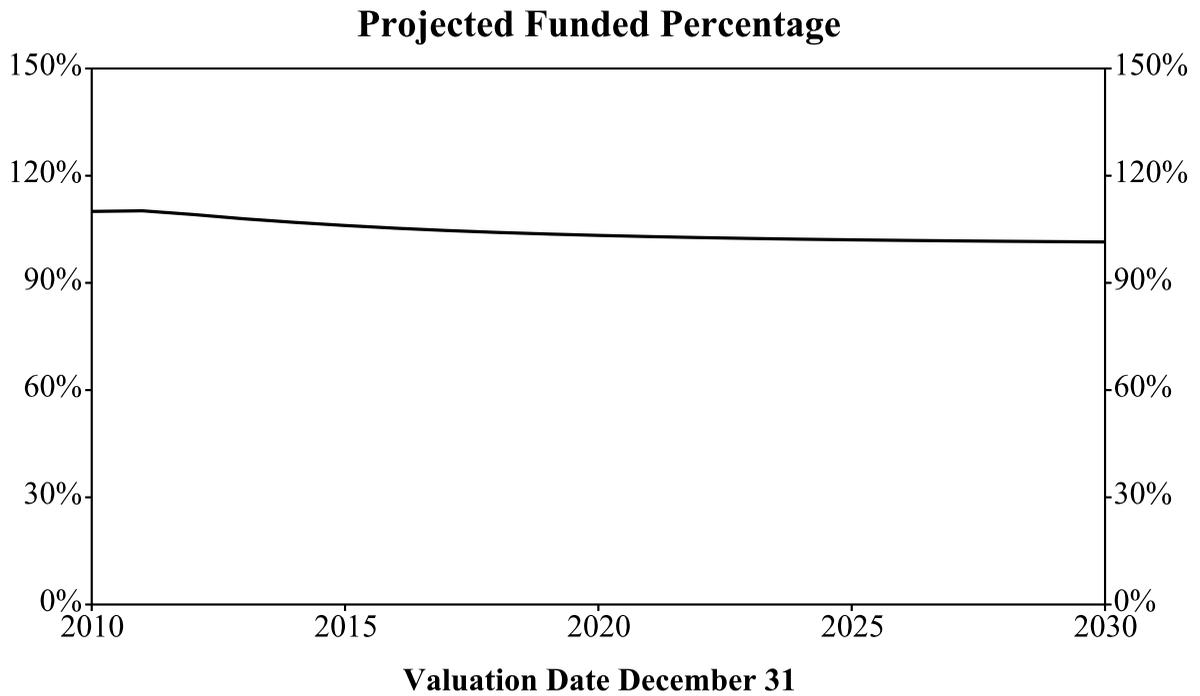
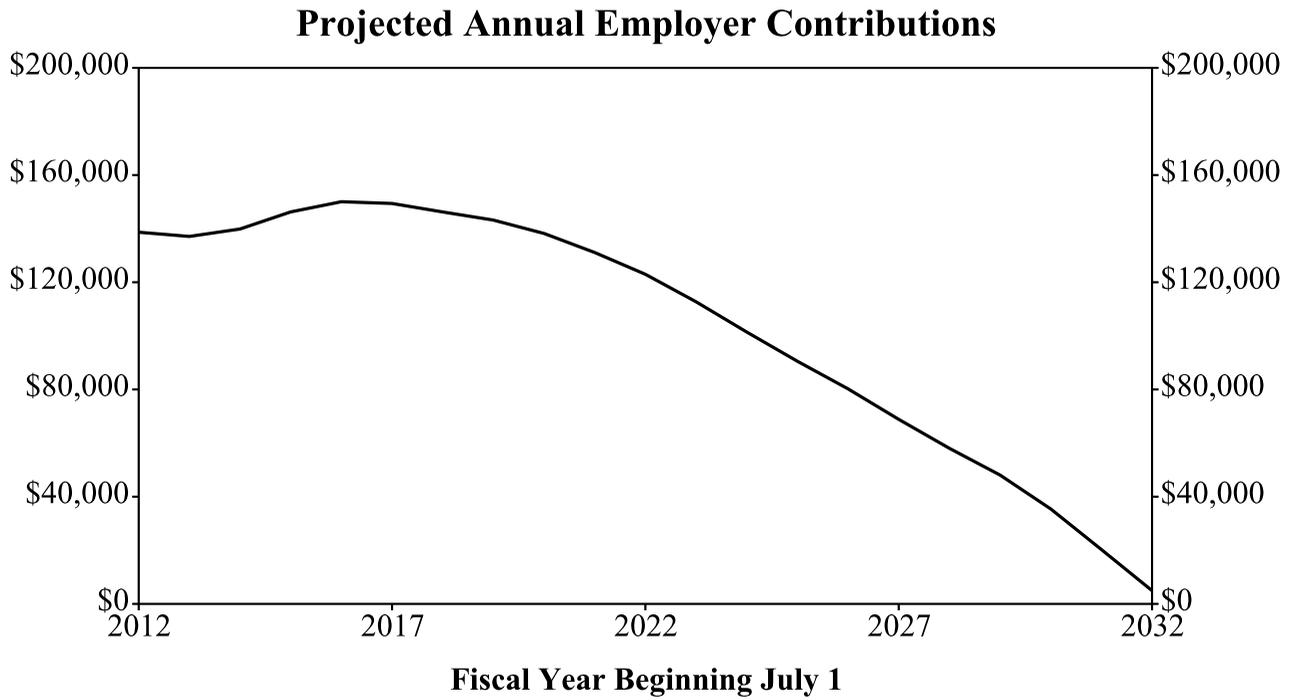
Actuarial assumptions were revised for the 2010 valuation.

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

Muskegon, City of (6116)

Division 21 - PolicePatrol

Chart 17.5H



Note: Please refer to page 117 for a discussion of the projection.

Muskegon, City of (6116)

Division 21 - PolicePatrol

**Table 18H
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		
2006								63	63
2007				(1)	(2)			1	61
2008		(1)		(1)	(1)				58
2009	(1)			(1)	(1)	(3)			52
2010				(1)					51

**Table 19H
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		
2006							1	1
2007							1	2
2008							1	3
2009							1	4
2010							2	6

Muskegon, City of (6116)

Division 21 - PolicePatrol

**Table 20H
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
2006	1	\$ 17,450	\$		\$	\$	1	\$ 17,450
2007							1	17,450
2008	1	19,034					2	36,484
2009	1	50,654	15,386				3	102,524
2010							3	102,524

@ 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.

Muskegon, City of (6116)

Division 21 - PolicePatrol

**Table 21H
Flow of Valuation Assets (Actuarial Value)**

Year Ended 12/31	Contributions		Investment Income	Benefit Payments	Member Contrib. Refunds	Transfer*		Balance
	Employer	Member				Out	In	
2006	\$ 5,952,951	\$ 1,800,013	\$ 521,679	\$ (8,725)	\$ 0	\$ (866,367)	\$ 15,468	\$ 7,415,019
2007	279,680	205,743	665,822	(17,450)	(24,166)	(249,122)	7,696	8,283,222
2008	317,731	216,768	433,217	(17,450)	(16,639)	0	27,257	9,244,106
2009	316,521	200,951	456,010	(85,966)	(63,889)	(317,784)	0	9,749,949
2010	506,720	183,893	739,948	(102,525)	0	0	15,696	11,093,681

* 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 22H
Actuarial Accrued Liabilities - Comparative Schedule**

Valuation Date December 31	Accrued Liabilities	Valuation Assets	Funded Percent	Unfunded Accrued Liability	UAL as Percent of Annual Payroll
2006	\$ 7,401,658	\$ 7,415,019	100%	\$ (13,361)	0%
2007	7,990,992	8,283,222	104	(292,230)	0
2008	9,433,746	9,244,106	98	189,640	5
2009	9,296,368	9,749,949	105	(453,581)	0
2010	10,058,335	11,093,681	110	(1,035,346)	0

Muskegon, City of (6116)

Division 22 - Police Comm

Table 16I

**Computed Employer Contributions 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	13.97%	\$12,286
Member Contributions	6.00	5,277
Less Potential Refunds	<u>(1.04)</u>	<u>(915)</u>
Net Member Contributions	4.96	4,362
Employer Normal Cost @	9.01%	\$7,924
Amortization of Unfunded Accrued Liability (13 years) #	<u>(2.13)</u>	<u>(1,873)</u>
Total Long Term Contribution	6.88	6,051
Overfunding Credit #	<u>(0.51)</u>	<u>(449)</u>
Total Employer Contribution @	6.37%	\$5,602 *

@ The above Employer contribution requirement is based on Member contributions of 6.00% of pay. If Member contributions are increased/decreased by 1.00% of pay, the Employer long term contribution requirement (based on a 13 year amortization) will decrease/increase by 0.77% 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).

For this division, projected assets exceed projected liabilities as of the beginning of the July 1, 2012 fiscal year (see Table 24). The negative unfunded accrued liability is amortized (spread) over 10 years, and used to reduce the employer contribution rate. The total credit is 2.64% (2.13% plus 0.51%). The additional 0.51% results from spreading the negative unfunded accrued liability over 10 years instead of 13 years.

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:	\$(122,956)
 Increase in Computed Long Term Employer Contribution As a Percentage of Active Member Payroll	
Normal Cost:	0.00%
Amortization Payment:	(1.14)%
Total:	(1.14)%

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

Muskegon, City of (6116)

Division 22 - Police Comm

Table 17I

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution
	Number	Annual Payroll	
2006	16	\$ 1,060,710	\$ 6,737 #
2007	15	990,453	5.58%*
2008	15	1,062,927	12.33%
2009	15	1,083,736	8.58%
2010	15	1,055,318	6.37%

Beginning with this valuation, a monthly dollar contribution is shown because the division will have no new hires.

* Beginning with this valuation, this division again became open to new hires and a percentage of pay is shown.

Notes:

Adoption of Benefit V-10, FAC-3, RS50%, D-2, 2.75% - 80% Maximum, Normal Retirement: 55, DC Plan for New Hires, 6.00% Member Contributions, F53(25) reflected in 2006 valuation.

Adoption of Benefit 3.00% - 80% Maximum 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.

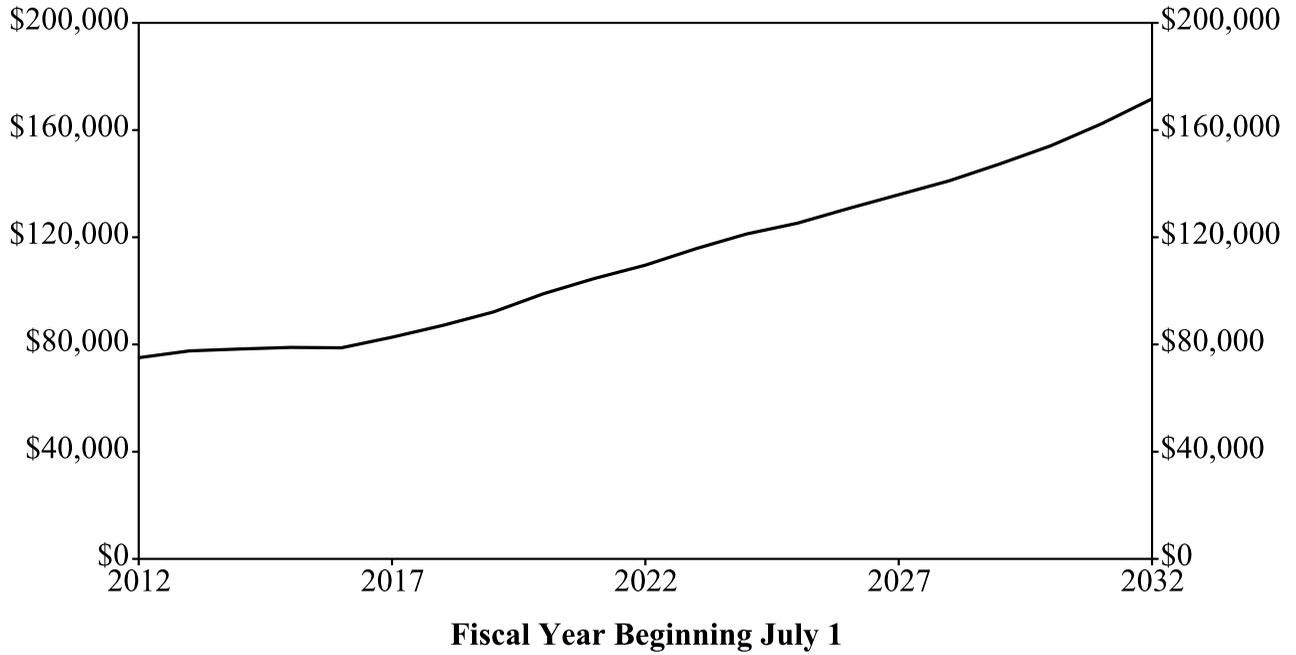
The most recent 15 years of benefit changes are reflected in this table. For a complete benefit history see Table 25.

Muskegon, City of (6116)

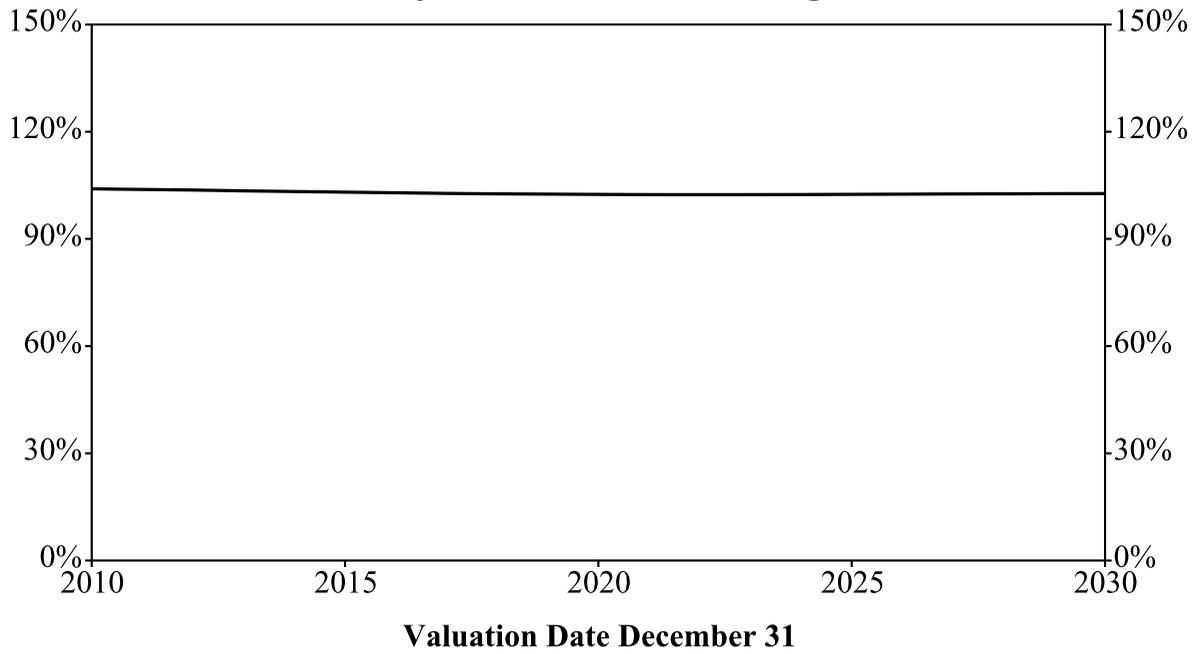
Division 22 - Police Comm

Chart 17.5I

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 117 for a discussion of the projection.

Muskegon, City of (6116)

Division 22 - Police Comm

Table 18I
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		
2006								16	16
2007	(1)								15
2008									15
2009	(2)			(1)			3		15
2010									15

Table 19I
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		
2006								0
2007								0
2008								0
2009							1	1
2010								1

Muskegon, City of (6116)

Division 22 - Police Comm

Table 20I
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
2006		\$	\$		\$	\$	0	\$ 0
2007	1	40,293					1	40,293
2008							1	40,293
2009	2	111,419	3,663				3	155,375
2010							3	155,375

@ 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.

Muskegon, City of (6116)

Division 22 - Police Comm

**Table 21I
Flow of Valuation Assets (Actuarial Value)**

Year Ended 12/31	Contributions		Investment Income	Benefit Payments	Member Contrib. Refunds	Transfer*		Balance
	Employer	Member				Out	In	
2006	\$ 2,186,392	\$ 819,526	\$ 192,036	\$ 0	\$ 0	\$ 0	\$ 1,002,884	\$ 4,200,838
2007	50,305	60,088	258,114	(36,935)	0	0	134,975	4,667,385
2008	92,589	63,776	275,979	(40,293)	0	0	0	5,059,436
2009	178,016	66,781	483,324	(135,626)	0	0	317,784	5,969,715
2010	130,121	63,319	366,374	(155,375)	0	0	0	6,374,154

* 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 22I
Actuarial Accrued Liabilities - Comparative Schedule**

Valuation Date December 31	Accrued Liabilities	Valuation Assets	Funded Percent	Unfunded Accrued Liability	UAL as Percent of Annual Payroll
2006	\$ 4,193,267	\$ 4,200,838	100%	\$ (7,571)	0%
2007	4,502,720	4,667,385	104	(164,665)	0
2008	5,314,148	5,059,436	95	254,712	24
2009	5,944,576	5,969,715	100	(25,139)	0
2010	6,156,897	6,374,154	104	(217,257)	0

Muskegon, City of (6116)

Division 50 - FF Local 370

Table 16J

**Computed Employer Contributions to the Retirement System
For the Fiscal Year Beginning July 1, 2012**

Contribution for	Monthly Dollar Contribution *
Total Normal Cost	\$21,966
Member Contributions	9,482
Less Potential Refunds	<u>(1,659)</u>
Net Member Contributions	7,823
Employer Normal Cost @	\$14,143
Amortization of Unfunded Accrued Liability (10 years)	<u>(13,525)</u>
Total Long Term Contribution	618
Overfunding Credit #	<u>0</u>
Total Employer Contribution @	\$618 *

@ The above Employer contribution requirement is based on Member contributions of 6.00% 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).

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:	\$(268,420)
Increase in Computed Long Term Employer Contribution	
Monthly Normal Cost:	\$0
Monthly Amortization Payment:	\$(3,013)
Monthly Total:	\$(3,013)

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

Muskegon, City of (6116)

Division 50 - FF Local 370

Table 17J

Computed Employer Contributions - Comparative Statement

Valuation Date December 31,	Active Members		Employer Contribution
	Number	Annual Payroll	
2007	36	\$ 2,152,427	\$ 11,076 #
2008	36	2,235,768	\$ 15,685
2009	35	2,306,058	\$ 7,467
2010	33	2,135,966	\$ 618

Beginning with this valuation, a monthly dollar contribution is shown because the division will have no new hires.

Notes:

Adoption of Benefit V-10, FAC-3, RS50%, D-2, Normal Retirement: 55, DC Plan for New Hires, 6.00% Member Contributions, F53(25), 2.75% - 85% Maximum reflected in 2007 valuation.

Actuarial assumptions were revised for the 2008 valuation.

Actuarial assumptions were revised for the 2009 valuation.

Adoption of Benefit Annuity Withdrawal (8.0% Conversion) reflected in 2010 valuation.

Actuarial assumptions were revised for the 2010 valuation.

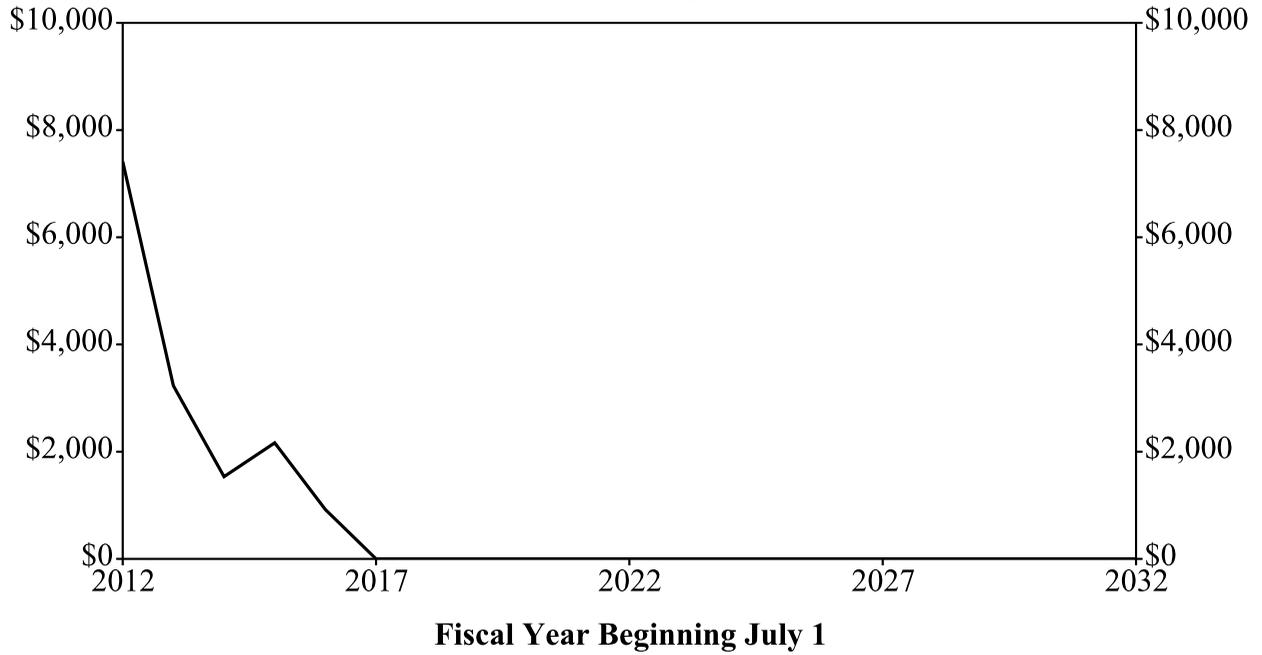
The most recent 15 years of benefit changes are reflected in this table. For a complete benefit history see Table 25.

Muskegon, City of (6116)

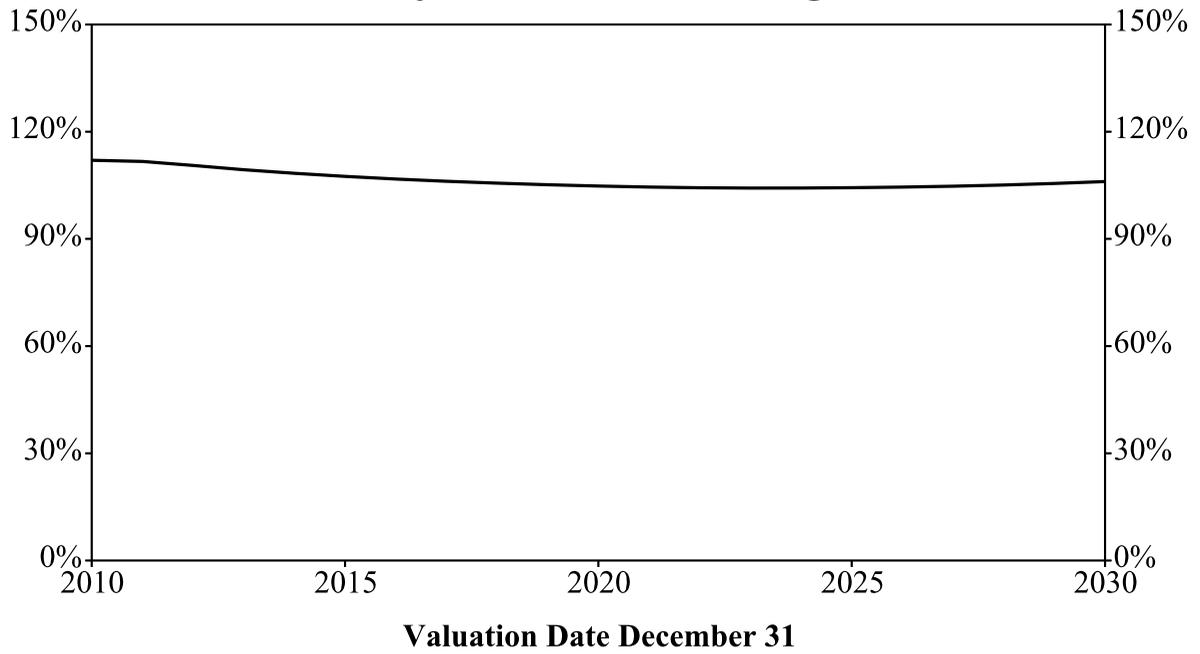
Division 50 - FF Local 370

Chart 17.5J

Projected Annual Employer Contributions



Projected Funded Percentage



Note: Please refer to page 117 for a discussion of the projection.

Muskegon, City of (6116)

Division 50 - FF Local 370

**Table 18J
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		
2007								36	36
2008									36
2009					(1)				35
2010	(1)			(1)					33

**Table 19J
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		
2007								0
2008								0
2009								0
2010							1	1

Muskegon, City of (6116)

Division 50 - FF Local 370

**Table 20J
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
2007	1	\$ 57,035	\$		\$	\$	1	\$ 57,035
2008			3,796				1	60,831
2009							1	60,831
2010	1	45,470					2	106,301

@ 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.

Muskegon, City of (6116)

Division 50 - FF Local 370

**Table 21J
Flow of Valuation Assets (Actuarial Value)**

Year Ended 12/31	Contributions		Investment Income	Benefit Payments	Member Contrib. Refunds	Transfer*		Balance
	Employer	Member				Out	In	
2007	\$ 5,750,142	\$ 1,924,088	\$ 308,995	\$ 0	\$ 0	\$ 0	\$ 1,200,580	\$ 9,183,805
2008	282,938	135,018	527,270	(60,831)	0	0	0	10,068,200
2009	132,912	142,180	628,484	(60,831)	0	0	25,756	10,936,701
2010	188,220	134,898	699,630	(586)	(188,695)	(94,348)	136,414	11,812,234

* 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 22J
Actuarial Accrued Liabilities - Comparative Schedule**

Valuation Date December 31	Accrued Liabilities	Valuation Assets	Funded Percent	Unfunded Accrued Liability	UAL as Percent of Annual Payroll
2007	\$ 8,859,804	\$ 9,183,805	104%	\$ (324,001)	0%
2008	9,858,527	10,068,200	102	(209,673)	0
2009	10,133,562	10,936,701	108	(803,139)	0
2010	10,523,526	11,812,234	112	(1,288,708)	0

Muskegon, City of (6116)

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	\$47,279,077
Terminated employees (vested former members) not yet receiving benefits	3,251,624
Non-vested terminated employees (pending refunds of accumulated member contributions)	89,493
Current employees - Accumulated employee contributions including allocated investment income	9,779,458
Employer financed	<u>27,991,740</u>
Total Actuarial Accrued Liability	\$88,391,392
Net Assets Available for Benefits at Actuarial Value	<u>88,810,354</u>
(Market Value is \$76,368,346)	
Unfunded (Overfunded) Actuarial Accrued Liability	\$(418,962)

GASB 27 Information (as of 12/31/2010)

Fiscal Year Beginning	July 1, 2012
Annual Required Contribution (ARC)	\$ 1,012,440*
Amortization Factor Used - Underfunded Liabilities (13 years)	0.096652
Amortization Factor Used - Underfunded Liabilities (10 years)	0.119963
Amortization Factor Used - Underfunded Liabilities (5 years)	0.221706
Amortization Factor Used - Overfunded Liabilities (10 years)	0.119963

* 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.

Muskegon, City of (6116)

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 - NonUnion G #	\$ (168,590)	\$ 201,669	\$ (203,334)	\$ (20,797)	\$ (191,052)	\$ -
02 - NonUn Poli #	(55,309)	13,748	(8,646)	(6,579)	(56,786)	-
10 - General Re #	494,237	0	(124,896)	55,894	425,235	-
11 - Clerical #	(150,828)	57,463	(51,660)	(18,321)	(163,346)	-
12 - DPW 517M #	(495,980)	185,934	(174,294)	(61,282)	(545,622)	-
20 - PLC/Fire R #	2,498,819	0	(369,492)	291,337	2,420,664	-
21 - PolicePatr #	(1,035,346)	430,762	(417,036)	(129,556)	(1,151,176)	-
22 - Police Com	(217,257)	151,281	(164,738)	(28,432)	(259,146)	1,178,363
50 - FF Local 3 #	(1,288,708)	274,625	(183,714)	(155,171)	(1,352,968)	-

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.

Muskegon, City of (6116)

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 - NonUnion Gen

Provisions by Date

7/1/2010	Fiscal Month - July
3/1/2006	Blanket Resolution (All Service)
2/1/2006	DC Adoption Date 02-01-2006
1/1/2006	Day of work defined as 150 Hours a Month for all employees
1/1/2006	Benefit B-3 (80% max)
1/1/2006	Exclude Temporary Employees
1/1/2006	Benefit RS 50 (50% Post-Ret. Spouse Benefits)
1/1/2006	Benefit FAC-3 (3 Year Final Average Compensation)
1/1/2006	Benefit D2 Plan
1/1/2006	Annuity Withdrawal - MERS Rate
1/1/2006	5 Year Vesting
1/1/2006	Benefit F55 (With 25 Years of Service)
1/1/2006	Member Contribution Rate 5.00%
11/10/1964	Covered by Act 88

Division 02 - NonUn Police

Provisions by Date

7/1/2010	Fiscal Month - July
3/1/2006	Blanket Resolution (All Service)
2/1/2006	DC Adoption Date 02-01-2006
1/1/2006	Annuity Withdrawal - MERS Rate
1/1/2006	10 Year Vesting
1/1/2006	Benefit D2 Plan
1/1/2006	Eligible at Age 53 (With 25 Years of Service)
1/1/2006	Member Contribution Rate 6.00%
1/1/2006	Day of work defined as 150 Hours a Month for all employees
1/1/2006	2.75% Multiplier (80% max)
1/1/2006	Exclude Temporary Employees
1/1/2006	DB Exempt from Social Security
1/1/2006	Benefit RS 50 (50% Post-Ret. Spouse Benefits)
1/1/2006	Benefit FAC-3 (3 Year Final Average Compensation)
11/10/1964	Covered by Act 88

Muskegon, City of (6116)

Table 25 (continued)

Benefit Provision History

Division 05 - NonUn Fire

Provisions by Date

7/1/2010 Fiscal Month - July
3/1/2006 Blanket Resolution (All Service)
1/1/2006 10 Year Vesting
1/1/2006 Benefit D2 Plan
1/1/2006 DB Exempt from Social Security
1/1/2006 Benefit RS 50 (50% Post-Ret. Spouse Benefits)
1/1/2006 Benefit FAC-3 (3 Year Final Average Compensation)
1/1/2006 Annuity Withdrawal - MERS Rate
1/1/2006 Exclude Temporary Employees
1/1/2006 Eligible at Age 53 (With 25 Years of Service)
1/1/2006 Member Contribution Rate 6.00%
1/1/2006 Day of work defined as 150 Hours a Month for all employees
1/1/2006 2.75% Multiplier (80% max)
11/10/1964 Covered by Act 88

Division 10 - General Ret

Provisions by Date

7/1/2010 Fiscal Month - July
1/1/2009 E Cola Increase Type Percent
1/1/2009 E Cola Increase Amount .5
1/1/2009 E Cola Adoption Date 01-01-2009
1/1/2009 Flexible E .5% COLA Adopted (01/01/2009)
1/1/2008 Flexible E .9% COLA Adopted (01/01/2008)
8/1/2007 Flexible E .9% COLA Adopted (08/01/2007)
8/1/2006 Benefit B-3 (80% max)
8/1/2006 Benefit FAC-3 (3 Year Final Average Compensation)
8/1/2006 5 Year Vesting
3/1/2006 Blanket Resolution (Generic Service)
11/10/1964 Covered by Act 88

Division 11 - Clerical

Provisions by Date

7/1/2010 Fiscal Month - July
11/1/2006 DC Adoption Date 11-01-2006
10/1/2006 5 Year Vesting
10/1/2006 Benefit FAC-3 (3 Year Final Average Compensation)
10/1/2006 Exclude Temporary Employees
10/1/2006 Blanket Resolution (All Service)
10/1/2006 Benefit RS 50 (50% Post-Ret. Spouse Benefits)
10/1/2006 Benefit D2 Plan

Muskegon, City of (6116)

Table 25 (continued)

Benefit Provision History

Division 11 - Clerical

Provisions by Date

10/1/2006 Benefit B-3 (80% max)
10/1/2006 Benefit F55 (With 30 Years of Service)
10/1/2006 Member Contribution Rate 5.00%
10/1/2006 Day of work defined as 150 Hours a Month for all employees
11/10/1964 Covered by Act 88

Division 12 - DPW 517M

Provisions by Date

7/1/2010 Fiscal Month - July
5/1/2007 DC Adoption Date 05-01-2007
4/1/2007 10 Year Vesting
4/1/2007 Benefit F55 (With 30 Years of Service)
4/1/2007 Member Contribution Rate 5.00%
4/1/2007 Day of work defined as 150 Hours a Month for all employees
4/1/2007 Benefit B-3 (80% max)
4/1/2007 Benefit RS 50 (50% Post-Ret. Spouse Benefits)
4/1/2007 Benefit FAC-3 (3 Year Final Average Compensation)
4/1/2007 Benefit D2 Plan
3/1/2006 Blanket Resolution (Generic Service)
11/10/1964 Covered by Act 88

Division 20 - PLC/Fire Ret

Provisions by Date

7/1/2010 Fiscal Month - July
1/1/2009 Flexible E .5% COLA Adopted (01/01/2009)
1/1/2009 E Cola Increase Type Percent
1/1/2009 E Cola Increase Amount .5
1/1/2009 E Cola Adoption Date 01-01-2009
1/1/2008 Flexible E .9% COLA Adopted (01/01/2008)
8/1/2007 Flexible E .9% COLA Adopted (08/01/2007)
8/1/2006 Annuity Withdrawal - MERS Rate
8/1/2006 Benefit F55 (With 10 Years of Service)
8/1/2006 2.75% Multiplier (80% max)
8/1/2006 Benefit FAC-3 (3 Year Final Average Compensation)
8/1/2006 10 Year Vesting
3/1/2006 Blanket Resolution (Generic Service)
11/10/1964 Covered by Act 88

Muskegon, City of (6116)

Table 25 (continued)

Benefit Provision History

Division 21 - PolicePatrol

Provisions by Date

7/1/2010	Fiscal Month - July
1/1/2009	Benefit F50 (With 25 Years of Service)
1/1/2009	3.0% Multiplier (75% max)
1/1/2007	2.75% Multiplier (75% max)
8/1/2006	DC Adoption Date 08-01-2006
7/1/2006	Benefit B-4 (75% max)
7/1/2006	Exclude Temporary Employees
7/1/2006	DB Exempt from Social Security
7/1/2006	Benefit RS 50 (50% Post-Ret. Spouse Benefits)
7/1/2006	Benefit FAC-3 (3 Year Final Average Compensation)
7/1/2006	Benefit D2 Plan
7/1/2006	Annuity Withdrawal - MERS Rate
7/1/2006	10 Year Vesting
7/1/2006	Eligible at Age 51 (With 25 Years of Service)
7/1/2006	Benefit F55 (With 10 Years of Service)
7/1/2006	Member Contribution Rate 6.00%
7/1/2006	Day of work defined as 150 Hours a Month for all employees
3/1/2006	Blanket Resolution (Generic Service)
11/10/1964	Covered by Act 88

Division 22 - Police Comm

Provisions by Date

7/1/2010	Fiscal Month - July
1/1/2007	3.0% Multiplier (80% max)
7/1/2006	Annuity Withdrawal - MERS Rate
7/1/2006	Benefit RS 50 (50% Post-Ret. Spouse Benefits)
7/1/2006	Benefit FAC-3 (3 Year Final Average Compensation)
7/1/2006	Benefit D2 Plan
7/1/2006	10 Year Vesting
7/1/2006	DB Exempt from Social Security
7/1/2006	Eligible at Age 53 (With 25 Years of Service)
7/1/2006	Benefit F55 (With 10 Years of Service)
7/1/2006	Member Contribution Rate 6.00%
7/1/2006	Day of work defined as 150 Hours a Month for all employees
7/1/2006	Benefit B-4 (80% max)
7/1/2006	Exclude Temporary Employees
3/1/2006	Blanket Resolution (Generic Service)
11/10/1964	Covered by Act 88

Muskegon, City of (6116)

Table 25 (continued)

Benefit Provision History

Division 50 - FF Local 370

Provisions by Date

7/1/2010 Fiscal Month - July
5/1/2007 DC Adoption Date 05-01-2007
4/1/2007 Annuity Withdrawal - MERS Rate
4/1/2007 Benefit RS 50 (50% Post-Ret. Spouse Benefits)
4/1/2007 Benefit FAC-3 (3 Year Final Average Compensation)
4/1/2007 Benefit D2 Plan
4/1/2007 10 Year Vesting
4/1/2007 2.75% Multiplier (85% max)
4/1/2007 Eligible at Age 53 (With 25 Years of Service)
4/1/2007 Benefit F55 (With 10 Years of Service)
4/1/2007 Member Contribution Rate 6.00%
4/1/2007 Day of work defined as 150 Hours a Month for all employees
3/1/2006 Blanket Resolution (Generic Service)
11/10/1964 Covered by Act 88

Division 106125 - DC - 106125

Provisions by Date

7/1/2010 Fiscal Month - July
1/1/2006 Loans
1/1/2006 Pickup
1/1/2006 Rollovers

Division 106126 - DC - 106126

Provisions by Date

7/1/2010 Fiscal Month - July
7/1/2005 Loans
7/1/2005 Rollovers
7/1/2005 Pickup

Division 106185 - DC - 106185

Provisions by Date

7/1/2010 Fiscal Month - July
1/1/2006 Loans
1/1/2006 Pickup
1/1/2006 Rollovers

Division 106211 - DC - 106211

Provisions by Date

7/1/2010 Fiscal Month - July

Muskegon, City of (6116)

Table 25 (continued)

Benefit Provision History

Division 106211 - DC - 106211

Provisions by Date

1/1/2006	Loans
1/1/2006	Rollovers
1/1/2006	Pickup

Division 106242 - DC - 106242

Provisions by Date

7/1/2010	Fiscal Month - July
7/28/2006	Loans
7/28/2006	Pickup
7/28/2006	Rollovers

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 107).
- New assumption related to increases in final average compensation for some municipalities (see page 108)
- Revised rates of expected employee retirement.
- 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 $\frac{1}{2}$ of 1% for each complete month that the retirement date precedes the age at which full normal retirement benefits are available. The reduction may be partially or fully waived by adopting Benefit F55 and/or Benefit F50 and/or Benefit F(N).

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

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

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

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

Mandatory Retirement

None.

Deferred Retirement (Plan Section 12)

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

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

** Please see page 102 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 105). 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 105). 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 105). 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 95 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 105). 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

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 94. 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	0.00%

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	100%

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

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

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

Retirement Rates

A schedule of retirement rates is used to measure the probability of eligible members retiring during the next year. 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:

$$\text{Replacement Index} = 100 \times \text{Accrued Benefit} \text{ divided by } [\text{Pay less Member Contributions}]$$

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:

<u>Form of Payment</u>	<u>Percentage</u>
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 pages - 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 86 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 120), 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 120), 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 107). 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 120), 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 120) 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 120 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 120 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 116 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 123 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)					



Gabriel Roeder Smith & Company
Consultants & Actuaries

One Towne Square
Suite 800
Southfield, MI 48076-3723

248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

Tim Paul
City of Muskegon
email: tim.paul@postman.org

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

ANNUAL ACTUARIAL VALUATION REPORT

MUSKEGON, CITY OF (6116)

DECEMBER 31, 2010