

**BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM
SIXTY-THIRD ANNUAL ACTUARIAL VALUATION REPORT
DECEMBER 31, 2008**

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October 20, 2009

The Board of Trustees
Bay County Employees'
Retirement System
Bay City, Michigan

Submitted in this report are the results of the Sixty-Third Annual Actuarial Valuation of the assets, benefit values, reserves and contribution requirements associated with benefits provided by the Bay County Employees' Retirement System.

The date of the valuation was December 31, 2008.

An Executive Summary is included as Section A.

Valuation Results and Comments are contained in Section B.

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

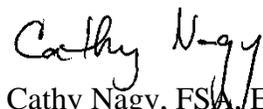
Valuation methods, economic assumptions and risk assumptions are summarized in Section D.

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

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

The actuaries signing this report are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,



Cathy Nagy, FSA, EA, MAAA



W. James Koss, ASA, EA, MAAA

CN/WJK:bd

SECTION A
EXECUTIVE SUMMARY

1. Required Employer Contributions - Fiscal Year Beginning January 1, 2009

The computed employer contributions **exclusive of employer paid "member" contributions** are as follows:

Division	Contribution Rate	
	12/31/2007	12/31/2008
General County	0.00 %	0.00 %
DWS	0.00	4.44
Library	0.00	0.00
BABH	3.70	6.95
Medical Care Facility	0.00	2.32
Sheriff's Department	0.00	0.00
Road Commission	9.17	14.13

It is important to remember that the current contribution rates for all divisions, except for the Road Commission, are lower than the long-term cost of the plan (the normal cost). This is because all divisions, except the Road Commission, have overfunding credits. The credits reduce the required contributions below the normal costs until the overfunding is eliminated. *If future experience were to exactly match each of the assumptions, the employer contribution rates would not remain level. Increases would occur over time and contribution rates would increase towards the normal cost or long-term cost of the benefits.*

2. Funded Ratio Comparison

The funding percentage for each of the valuation groups are shown below.

Division	Funded Ratio	
	12/31/2007	12/31/2008
General County	132 %	122 %
DWS	119	105
Library	126	119
BABH	116	106
Medical Care Facility	124	114
Sheriff's Department	153	138
Road Commission	103	96

This year for all employment divisions combined valuation assets represent 116.0% of accrued liabilities; last year the ratio was 126.2%.

3. Reasons for Change

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

There were no changes in benefit provisions, valuation assumptions, or methods for the 2008 valuation.

4. 2008 Plan Experience

The aggregate experience during 2008 was unfavorable.

Most of the unfavorable market returns results from the unfavorable asset return during the 2008 calendar year. However, the asset smoothing method only recognizes 20% of the 2008 asset loss. The details of this smoothing technique are shown later in this report. The experience loss on investments and all other experience is quantified below:

Investment Gain (Loss)	\$(18,320,807)
Non-investment Gain (Loss)	<u>20,077</u>
Gain (Loss) from all causes	(18,300,730)

Non-investment experience for the plan as a whole was slightly favorable and offset somewhat the unfavorable investment experience.

The gain (loss) information is shown separately for each group on page B-6.

5. Retiree Reserve Balance

The retiree accrued liabilities for all divisions are larger than the reported retiree reserve balances. For detail see Comment A on page B-5.

6. Looking Ahead

Investment markets have been very volatile, both preceding the December 31, 2008 valuation date and since that date. The System's investments did not increase \$18,737,010 in 2008 as expected by the long-term investment return assumptions, but rather declined \$76,722,629 for a net asset loss of \$95,459,639. This asset loss will be required to be recouped over time through some combination of actuarial gains and increased employer and (possibly) member contributions.

The funding value of assets used to determine both the funded status and the required employer contribution, is based on a 5-year smoothed value of assets. This reduces the volatility of the valuation results. As of December 31, 2008 the funding value of assets was 145% of market value. This means that meeting the actuarial assumption in the next few years will require average future market returns that significantly exceed the 7.5% investment return assumption.

To gauge the magnitude of the possible employer contribution required in the short term if future gains do not occur, it is instructive to look at the contribution rate that would have resulted if the valuation was based on the market value of assets. If the December 31, 2008 valuation results were based on market value of assets instead of smoothed funding value, the funded percent of the plan would be 80% (instead of 116%), and the employer contribution requirement would be \$6.6 million (instead of \$1.6 million). If the investment markets do not turn around, the funded percent and employer contribution requirement can be expected to head in that direction. Based on the above, the County may wish to consider contributing more to the Retirement System than the required amount for the 2009 fiscal year.

SECTION B

VALUATION RESULTS AND COMMENTS

Financial Objective

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

Your annual actuarial valuations determine how well the objective is being met.

The Board of Trustees of the Bay County Employees' Retirement System confirms that the System provides for payment of the required employer contribution as described in Section 20m of Michigan Public Act No. 728 of 2002.

Contribution Rates

The Retirement System is supported by contributions from the employers, by member contributions and by the investment income earned on System assets. For some divisions, the required member contributions are paid by the Employer either through contributions to the System or by transferring funds from the employer reserves to the employee reserves. In addition, the Employer provides an actuarially determined contribution.

Member and Employer contributions cover both (i) normal cost, and (ii) the financing of the unfunded accrued liability over a period of future years. The normal cost is the portion of System costs allocated to the current year by the valuation method described on page D-1. The unfunded accrued liability is the portion of System costs not covered by present System assets and future normal costs.

The contribution requirements for the fiscal year beginning January 1, 2009 are presented on page B-2.

**Contributions to Provide Benefits
Member Portion and Employer Portion
Fiscal Year Beginning January 1, 2009**

Contributions for	% of Active Payroll							
	General County	DWS	Library	BABH	Medical Care Facility	Sheriff's Department	Road Commission	Total
Normal cost of benefits:								
Age & service	10.41 %	9.41 %	11.47 %	10.80 %	11.87 %	13.57 %	13.92 %	11.31 %
Disability	0.41	0.42	0.34	0.37	0.62	0.77	1.01	0.52
Death-in-service	0.47	0.61	0.42	0.45	0.25	0.47	0.83	0.45
Total	11.29	10.44	12.23	11.62	12.74	14.81	15.76	12.28
Member contributions#:								
Total	4.21	4.00	4.00	4.00	4.00	6.00	4.00	4.25
Future refunds	0.32	0.43	0.62	0.68	0.24	0.52	0.26	0.42
Available for pensions	3.89	3.57	3.38	3.32	3.76	5.48	3.74	3.83
Administrative expenses	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Employer normal cost	7.80	7.27	9.25	8.70	9.38	9.73	12.42	8.85
Unfunded accrued liability	(13.27)	(2.83)	(10.86)	(1.75)	(7.06)	(26.84)	1.71	(5.58)
Computed Employer Rate*	(5.47)	4.44	(1.61)	6.95	2.32	(17.11)	14.13	3.27

For certain divisions, the member contributions are paid by the employer, either by directly contributing to the Retirement System or by transferring funds from employer reserves to employee reserves.

* As the System cannot contribute back to the employer, the present recommended employer contribution for each group with a negative rate is 0% of pay. However, employer paid "member contributions" are still required.

Unfunded actuarial accrued liabilities were amortized as a level percent of member payroll over a period of 30 years for the Road Commission and asset surpluses were amortized over 10 years for all other groups.

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

Page B-4 displays the unfunded accrued liabilities (asset surpluses) that are amortized by the contribution rates shown above.

Determining Dollar Contributions

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

- (1) Contribute dollar amounts for a period which are equal to the employer's percent-of-payroll contribution requirement multiplied by the covered active member payroll for the period. Adjustments should be made as necessary to exclude items of pay that are not covered compensation for Retirement System benefits and to include non-payroll payments that are covered compensation.
- (2) Or contribute the dollars for each group based on the table shown below.

Group:	General County	DWS	Library	BABH	Medical Care Facility	Sheriff's Department	Road Commission	Total
Contribution:	\$ -	\$ 86,574	\$ -	\$ 770,776	\$ 223,933	\$ -	\$ 497,265	\$ 1,578,548

These amounts are based on the payroll information provided for the valuation.

Timing of Contribution Payments

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

Determination of Unfunded Accrued Liability

	General County	DWS	Library	BABH	Medical Care Facility	Sheriff's Department	Road Commission	Total
A. Accrued liability								
1. For retirees and beneficiaries	\$36,736,915	\$3,443,080	\$3,552,515	\$ 6,868,453	\$16,433,498	\$ 10,612,002	\$14,927,397	\$ 92,573,860
2. For vested terminated members	2,326,883	12,774	608,615	940,880	584,026	407,577	159,978	5,040,733
3. For present active members								
a. Value of expected future benefit payments	55,067,966	7,984,895	5,674,622	32,467,985	32,702,583	17,466,842	17,405,748	168,770,641
b. Value of future normal costs	16,516,749	1,726,338	1,786,723	12,244,514	10,322,622	5,762,067	5,495,464	53,854,477
c. Active member liability: (a) - (b)	38,551,217	6,258,557	3,887,899	20,223,471	22,379,961	11,704,775	11,910,284	114,916,164
4. Total actuarial accrued liability	77,615,015	9,714,411	8,049,029	28,032,804	39,397,485	22,724,354	26,997,659	212,530,757
B. Valuation assets	95,046,728	10,157,979	9,557,022	29,594,911	44,867,116	31,433,473	25,920,338	246,577,567
C. Unfunded accrued liability (Excess Assets):								
(A.4) - (B)	(17,431,713)	(443,568)	(1,507,993)	(1,562,107)	(5,469,631)	(8,709,119)	1,077,321	(34,046,810)
D. Funding ratio: (B) / (A.4)								
	122.5%	104.6%	118.7%	105.6%	113.9%	138.3%	96.0%	116.0%

Comments

COMMENT A: We developed the value of anticipated future benefit payments to retired members and their beneficiaries. We then compared this accrued liability to the reported value of the retirement reserve account. The figures below compare the retired liabilities and reserves for each division.

Division	Accrued Liability	Reported Retiree Reserve	Unfunded Retiree Liability
General County	\$36,736,915	\$34,946,166	\$ 1,790,749
DWS	3,443,080	2,845,556	597,524
Library	3,552,515	3,240,259	312,256
BABH	6,868,453	5,896,137	972,316
Medical Care Facility	16,433,498	15,494,947	938,551
Sheriff's Department	10,612,002	9,632,881	979,121
Road Commission	14,927,397	14,672,522	254,875
Total	\$92,573,860	\$86,728,468	\$5,845,392

As of the valuation date, there is a shortfall in the retiree reserve for all groups. This valuation anticipates that the difference between the accrued liability and the reported reserve will be transferred from the Retirement System employer reserve to the retiree reserve effective January 1, 2009 to fully fund the retiree accrued liability.

COMMENT B: Contribution rates changed during the year for various reasons. The BABH and Road Commission continue to have employer contributions this year. In addition, DWS and Medical Care Facility have contributions this year.

As the Retirement System is coming out of an overfunded position (assets exceeding liabilities) contribution rates can increase significantly from one year to the next as they approach the long-term cost of the plan. In the long run, as the overfunding is used up the contributions will increase towards the normal cost or long-term cost of the benefits.

COMMENT C: Another chart following these comments shows the experience gain (loss) for 2008. Experience during 2008 was unfavorable. The development of the investment gain/loss is shown on page B-7.

Determination of Experience Gain (Loss) Year Ended December 31, 2008

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

	General County	DWS	Library	BABH	Medical Care Facility	Sheriff's Department	Road Commission	Total
(1) UAAL at start of year	\$(23,578,104)	\$(1,622,988)	\$(2,058,446)	\$(4,123,708)	\$(9,012,654)	\$(11,271,834)	\$ (891,032)	\$(52,558,766)
(2) Normal cost for the year 2008	1,893,901	214,860	221,514	1,358,563	1,242,734	612,085	556,307	6,099,964
(3) Actual employer & employee contributions	(96,240)	(213,022)	(80,902)	(825,703)	(349,173)	(81,388)	(448,772)	(2,095,200)
(4) Net interest accrual on (1), (2) and (3)	(1,701,758)	(121,656)	(149,174)	(289,537)	(642,844)	(825,726)	(62,843)	(3,793,538)
(5) Expected UAAL before changes: (1) + (2) + (3) + (4)	(23,482,201)	(1,742,806)	(2,067,008)	(3,880,385)	(8,761,937)	(11,566,863)	(846,340)	(52,347,540)
(6) Change from benefit increases	-	-	-	-	-	-	-	-
(7) Change from revised actuarial assumptions or methods	-	-	-	-	-	-	-	-
(8) Expected UAAL after changes: (5) + (6) + (7)	(23,482,201)	(1,742,806)	(2,067,008)	(3,880,385)	(8,761,937)	(11,566,863)	(846,340)	(52,347,540)
(9) Actual UAAL at end of year	(17,431,713)	(443,568)	(1,507,993)	(1,562,107)	(5,469,631)	(8,709,119)	1,077,321	(34,046,810)
(10) Gain (Loss): (8) - (9)	(6,050,488)	(1,299,238)	(559,015)	(2,318,278)	(3,292,306)	(2,857,744)	(1,923,661)	(18,300,730)
(11) Actuarial accrued liabilities at start of year	74,949,985	8,623,742	7,782,744	25,363,077	37,088,393	21,103,566	26,021,976	200,933,482
(12) Gain (Loss) as a percent of actuarial accrued liabilities at start of year: (10)/(11)	(8.1)%	(15.1)%	(7.2)%	(9.1)%	(8.9)%	(13.5)%	(7.4)%	(9.1)%
(13) Investment Gain (Loss)	(7,091,902)	(747,557)	(710,683)	(2,164,547)	(3,332,755)	(2,337,734)	(1,935,629)	(18,320,807)
(14) Gain (Loss) from all other causes	1,041,414	(551,681)	151,668	(153,731)	40,449	(520,010)	11,968	20,077

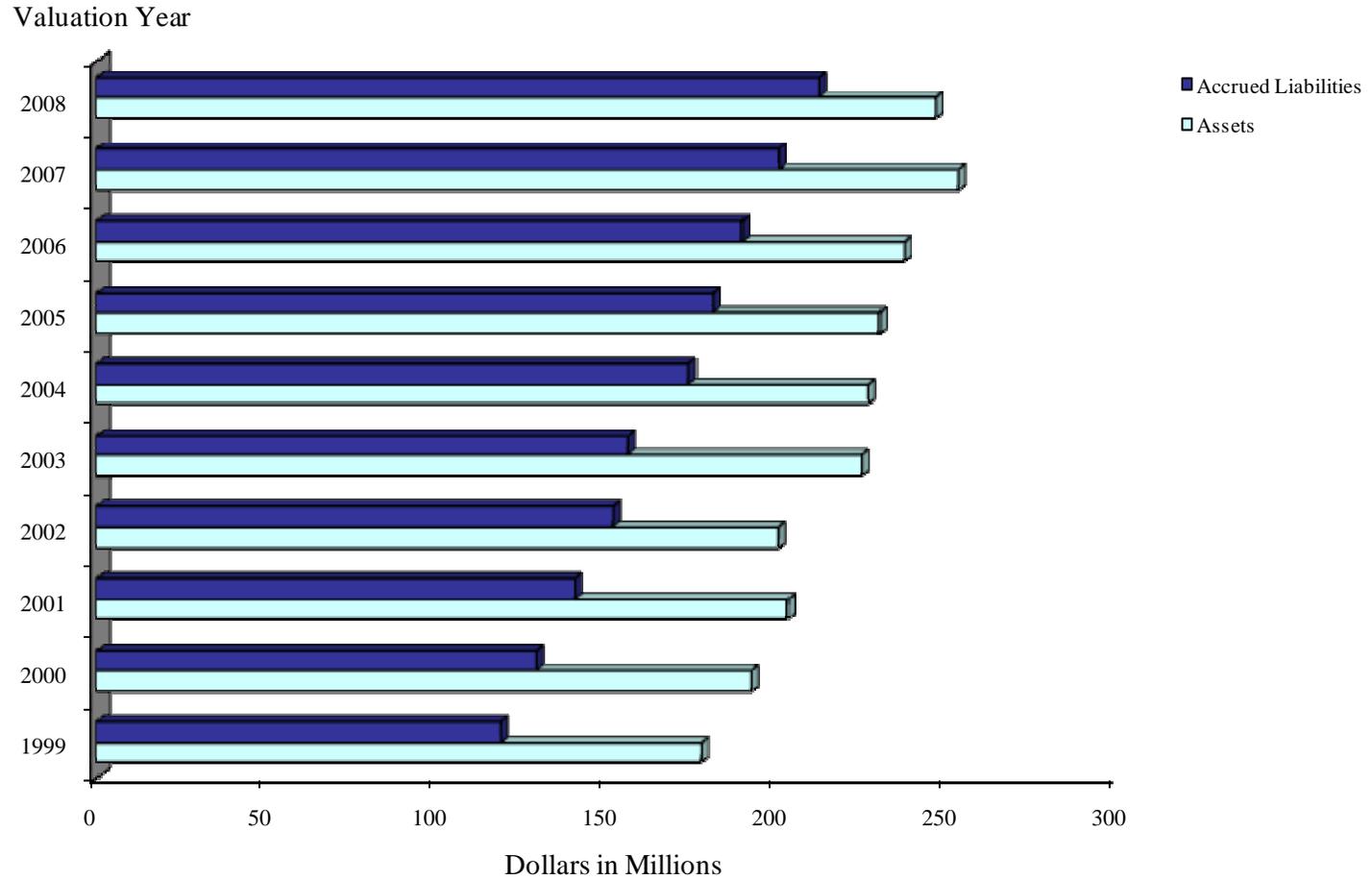
Development of Valuation Investment Gain (Loss) Year Ended December 31, 2008

We anticipate an average return on valuation assets of 7.5% for future years.

(1) Total 2008 valuation investment income:	\$ 416,203
(2) Average valuation assets:	249,826,806
(3) Expected investment income: $(.075) \times (2)$	18,737,010
(4) Gain (Loss): $(1) - (3)$	(18,320,807)
(5) Valuation rate of return for 2008: $(1) / (2)$	0.17 %

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

Assets & Accrued Liabilities



1999 assets equaled 149.2% of accrued liabilities
 2008 assets equaled 116.0% of accrued liabilities

Computed Contributions - Comparative Statement

Valuation Date	Valuation Payroll			Annual Dollar Requirement	Employer Requirements As Percents of Valuation Payroll						
	Total	Average	% Incr.		General County	DWS+	Library+	BABH+	Medical Care Facility	Sheriff's Department	Road Commission
12/31/1989 #	\$20,960,881	\$21,587	4.2	\$1,137,478	3.67 %				6.42 %	2.68 %	18.73 %
12/31/1990 *	22,873,368	22,965	6.4	1,704,399	5.52				5.04	1.21	19.94
12/31/1991 *	24,215,604	23,811	3.7	901,602	1.85				2.92	3.80	19.24
12/31/1992 *	25,194,073	24,969	4.9	946,404	1.84				3.38	3.85	18.84
12/31/1993	26,304,070	25,688	2.9	994,327	1.84				3.41	3.94	18.64
12/31/1994	27,358,462	26,105	1.6	848,833	1.66				2.25	1.18	16.64
12/31/1995 #	28,878,179	26,913	3.1	624,607	0.91				1.56	0.00	13.62
12/31/1996 #	30,646,324	27,835	3.4	430,513	0.00				1.69	0.00	12.76
12/31/1997 #	32,216,234	28,739	3.2	248,762	0.00				0.00	0.00	9.15
12/31/1998 #	34,308,505	29,885	4.0	45,010	0.00				0.00	0.00	1.67
12/31/1999 #	35,763,978	31,072	4.0	0	0.00				0.00	0.00	0.00
12/31/2000 #	38,314,967	32,090	3.3	0	0.00				0.00	0.00	0.00
12/31/2001 #*	39,761,644	33,218	3.5	0	0.00	0.00 %	0.00 %	0.00 %	0.00	0.00	0.00
12/31/2002	41,331,916	33,658	1.3	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12/31/2003 *	43,053,950	35,175	4.5	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12/31/2004 #	43,550,999	36,202	2.9	405,110	0.00	0.00	0.68	1.11	0.00	0.00	8.19
12/31/2005	43,104,046	36,010	(0.5)	588,948	0.00	0.00	1.60	2.53	0.00	0.00	9.34
12/31/2006 #	42,024,045	37,455	4.0	644,945	0.00	0.00	0.00	3.24	0.00	0.00	10.82
12/31/2007 #	44,687,752	39,269	4.8	688,871	0.00	0.00	0.00	3.70	0.00	0.00	9.17
12/31/2008	46,482,897	39,695	1.1	1,578,548	0.00	4.44	0.00	6.95	2.32	0.00	14.13

+ Prior to 12/31/2001 included with General County.

Retirement System amended.

* Revised actuarial assumptions or methods.

SECTION C

SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA

Brief Summary of Plan Provisions as of December 31, 2008

No.	Division Name	Retirement Eligibility		
		Normal	Early	Deferred
1	Elected Officials and Department Heads	Age 55 with 30 yrs of svc or age 60 with 8/10* yrs of svc	Age 55 with 8/10* yrs of svc	8/10* yrs of svc
2	Judges			
3	General County			
4	General Circuit Court			
5	General District Court			
6	General Probate Court			
7	BCAMPS			
8	USWA General			
9	USWA Part-Time Employees			
15	District Court AFSCME			
10	Nurses	Age 55 with 30 yrs of svc or age 60 with 8/10# yrs of svc	Age 55 with 8/10# yrs of svc	8/10# yrs of svc
16	Probate Court USWA	Age 55 with 30 yrs of svc or age 60 with 8 yrs of svc	Age 55 with 8 yrs of svc	8 yrs of svc
17	Housing Commission			
18	Library - Employee Members of UWUA Local 542			
19	General Library			
23	Behavioral Health AFSCME			
24	Behavioral Health General			
30	ICEA/PARA 1203	Age 55 with 30 yrs of svc or age 60 with 8/10! yrs of svc	Age 55 with 8/10! yrs of svc	8/10! yrs of svc
31	ICEA/PARA 612			
14	Circuit Court Govt. Employees Labor Council (GELC)	Age 55 with 30 yrs of svc or age 60 with 8/10@ yrs of svc	Age 55 with 8/10@ yrs of svc	8/10@ yrs of svc
32	Road Patrol Supervisory Unit	25 yrs of svc regardless of age or age 60 with 8/10@ yrs of svc	Age 55 with 8/10@ yrs of svc	8/10@ yrs of svc
11	Sheriff - Road Patrol	25 yrs of svc regardless of age or age 60 with 8/10* yrs of svc	Age 55 with 8/10* yrs of svc	8/10* yrs of svc
12	Sheriff Correctional Facility Officers	Age 55 with 25 yrs of svc or age 60 with 8/10* yrs of svc	25 yrs of svc regardless of age or age 55 with 8/10* yrs of svc	8/10* yrs of svc
13	Dispatchers	30 yrs of svc regardless of age, age 55 with 25 yrs of svc, or age 60 with 8/10* yrs of svc	25 yrs of svc regardless of age or age 55 with 8/10* yrs of svc	8/10* yrs of svc
20	Medical Care Facility United Steel Workers Local 15301	30 yrs of svc regardless of age, age 55 with 25 yrs of svc, or age 60 with 8 yrs of svc	Age 55 with 8 yrs of svc	8 yrs of svc
21	Medical Care Facility RN & LPN Nursing Council			
22	General Medical Care Facility			
25	Road Commission AFSCME Local 1096	30 yrs of svc regardless of age or age 60 with 8 yrs of svc	Age 55 with 8 yrs of svc	8 yrs of svc
26	Road Commission Class I Supervisory and Admin. Employees			
27	Road Commission Class II Supervisory & Admin. Employees			
28	Water and Sewer UWUA Local 546	30 yrs of svc regardless of age or age 60 with 8/10^ yrs of svc	Age 55 with 8/10^ yrs of svc	8/10^ yrs of svc
29	Water and Sewer General			

@ 10 yrs of svc for member hired after 1/1/2006.

* 10 yrs of svc for members hired after 1/1/2007.

10 yrs of svc for member hired after 3/1/2007.

^ 10 yrs of svc for members hired after 7/1/2008.

! 10 yrs of svc for members hired after 3/1/2008.

Brief Summary of Plan Provisions as of December 31, 2008 (Continued)

Eligibility	Amount
NORMAL RETIREMENT	
See prior page.	Total service times FAC times: 2.00% for division 23 2.25% for divisions 1-10, 14, 16-22, 24, and 27-31 2.50% for divisions 11-13, 15, 25-26, and 32 Maximum County-financed is 75% of FAC. Type of FAC - Highest 5 years. Some lump sums included.
EARLY RETIREMENT	
See prior page.	Normal retirement reduced to the actuarial equivalent of a pension at normal retirement age.
DEFERRED RETIREMENT	
Service condition as indicated on page C-1. Benefit begins at age 60 or reduced at age 55.	Computed as a normal retirement but based on service and final average compensation at time of termination.
NON-DUTY DEATH IN SERVICE	
10 or more years of credited service at any age.	Computed as a normal retirement but actuarially reduced in accordance with a 100% joint and survivor election.
DUTY DEATH IN SERVICE	
No age or service requirements. Benefits begin upon termination of Worker's Compensation.	To the spouse, a refund of accumulated contributions plus a benefit equal to the Worker's Compensation amount. Unmarried children under 18 and parents receive a benefit equal to the Worker's Compensation amount.

Brief Summary of Plan Provisions as of December 31, 2008 (Concluded)

Eligibility	Amount
NON-DUTY DISABILITY	
10 or more years of credited service.	Computed as a normal retirement. Worker's Compensation payments may be offset.

DUTY DISABILITY	
No age or service requirements.	Computed as a normal retirement with additional service credit granted to age 55. Worker's Compensation payments may be offset.

POST-RETIREMENT COST-OF-LIVING ADJUSTMENTS

One-time increases have been granted.

MEMBER CONTRIBUTIONS

6% of annual compensation for
 Sheriff-Road Patrol (div. 11)
 Sheriff Correctional Facility Officers (div. 12)
 Road Patrol Supervisory Unit (div. 32)
 Dispatchers (div. 13)
 District Court AFSCME (div. 15)

4% of annual compensation for remaining groups.
 For certain employee groups, the employer pays the member contribution either by directly contributing to the Retirement System or by transferring funds from the employer to the employee reserves.

EMPLOYER CONTRIBUTIONS

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

Development of Valuation Assets December 31,

Valuation Date December 31:	2004	2005	2006	2007	2008
1. Beginning of Year Assets					
a) Market Value	\$209,168,060	\$227,458,688	\$231,398,346	\$243,583,711	\$254,228,599
b) Valuation Assets	225,029,045	227,174,445	230,242,485	237,681,108	253,492,248
2. End of Year Market Value Assets	227,458,688	231,398,346	243,583,711	254,228,599	170,175,086
3. Net Additions to Market Value					
a) Net Contributions	1,218,848	1,001,121	1,751,661	1,829,466	2,095,200
b) Net Investment Income = (3d) - (3a) - (3c)	23,742,203	11,005,120	19,078,052	18,034,784	(76,722,629)
c) Benefit Payments, Refunds, and Admin. Expenses	(6,670,423)	(8,066,583)	(8,644,348)	(9,219,362)	(9,426,084)
d) Total Additions to Market Value = (2) - (1a)	18,290,628	3,939,658	12,185,365	10,644,888	(84,053,513)
4. Average Valuation Assets = (1b) + .5 x [(3a) + (3c)]	222,303,258	223,641,714	226,796,142	233,986,160	249,826,806
5. Expected Income at Valuation Rate = 7.5% x (4)	16,672,744	16,773,129	17,009,711	17,548,962	18,737,010
6. Gain (Loss) = (3b) - (5)	7,069,459	(5,768,009)	2,068,341	485,822	(95,459,639)
7. Phased-In Recognition of Investment Return					
a) Current Year: 0.2 x (6)	1,413,892	(1,153,602)	413,668	97,164	(19,091,928)
b) First Prior Year	4,880,950	1,413,892	(1,153,602)	413,668	97,164
c) Second Prior Year	(8,233,309)	4,880,950	1,413,892	(1,153,602)	413,668
d) Third Prior Year	(3,547,560)	(8,233,309)	4,880,950	1,413,892	(1,153,602)
e) Fourth Prior Year	(3,589,742)	(3,547,558)	(8,233,309)	4,880,952	1,413,891
f) Total Recognized Investment Gain	(9,075,769)	(6,639,627)	(2,678,401)	5,652,074	(18,320,807)
8. Change in Valuation Assets (3a) + (3c) + (5) + (7f)	2,145,400	3,068,040	7,438,623	15,811,140	(6,914,681)
9. End of Year Assets					
a) Market Value = (2)	227,458,688	231,398,346	243,583,711	254,228,599	170,175,086
b) Valuation Assets = (1b) + (8)	227,174,445	230,242,485	237,681,108	253,492,248	246,577,567
c) Difference Between Market & Valuation Assets	284,243	1,155,861	5,902,603	736,351	(76,402,481)
10. Recognized Rate of Return = [(5) + (7f)] / (4)	3.42%	4.53%	6.32%	9.92%	0.17%
11. Market Rate of Return = 2 x (3b) / [(1a) + (2) - (3b)]	11.50%	4.91%	8.37%	7.52%	(30.62%)

Retirees and Beneficiaries Comparative Schedule

Year Ended	Added to Rolls*		Removed from Rolls		Rolls End of Year		% Incr. in Annual Allowances	Average Allowance	Discounted Value of Allowances	
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances			Total	Average
12/31/1984	21	\$ 100,310	10	\$ 21,324	266	\$ 729,702	12.1 %	\$ 2,743	\$ 7,305,946	\$ 27,466
12/31/1985	28	175,403	13	28,753	281	876,352	20.1	3,119	8,709,825	30,996
12/31/1986	17	94,617	13	27,854	285	943,115	7.6	3,309	9,365,036	32,860
12/31/1987	24	153,108	16	38,098	293	1,058,125	12.2	3,611	10,557,818	36,034
12/31/1988	21	129,984	13	31,463	301	1,156,646	9.3	3,843	11,454,502	38,055
12/31/1989	22	211,970 @	10	49,709	313	1,318,907	14.0	4,214	12,945,627	41,360
12/31/1990	15	123,980	8	16,587	320	1,426,300	8.1	4,457	13,497,767	42,181
12/31/1991	29	358,208	15	43,361	334	1,741,147	22.1	5,213	16,803,661	50,310
12/31/1992	15	157,350	4	8,780	345	1,889,717	8.5	5,477	18,909,686	54,811
12/31/1993	27	306,059	3	16,365	369	2,179,407	15.3	5,906	21,666,249	58,716
12/31/1994	18	131,596	14	50,875	373	2,260,128	3.7	6,059	22,112,422	59,283
12/31/1995	24	261,820	12	31,551	386	2,490,397	10.2	6,452	24,080,999	62,386
12/31/1996	29	404,810	7	55,615	408	2,839,592	14.0	6,960	27,838,060	68,231
12/31/1997	28	392,818	8	44,327	428	3,188,083	12.3	7,449	31,558,085	73,734
12/31/1998	24	393,550	7	46,973	445	3,534,660	10.9	7,943	34,794,848	78,191
12/31/1999	23	295,915 @	29	83,717	439	3,746,858	6.0	8,535	36,670,326	83,531
12/31/2000	46	645,474	27	201,656	458	4,190,676	11.8	9,150	40,970,172	89,455
12/31/2001	31	732,306 @	13	45,724	476	4,877,258	16.4	10,246	46,616,261	97,933
12/31/2002	34	464,636	18	126,234	492	5,215,660	6.9	10,601	49,634,941	100,884
12/31/2003	37	514,935	17	72,960	512	5,657,635	8.5	11,050	53,369,747	104,238
12/31/2004	95	2,073,773	16	133,099	591	7,598,309	34.3	12,857	74,362,328	125,825
12/31/2005	43	786,641	26	170,645	608	8,214,306	8.1	13,510	80,594,476	132,557
12/31/2006	39	844,464	24	579,276	623	8,479,494	3.2	13,611	85,797,333	137,716
12/31/2007	29	423,246	14	93,660	638	8,809,080	3.9	13,807	88,063,580	138,031
12/31/2008	47	725,060	26	204,104	659	9,330,036	5.9	14,158	92,573,860	140,476

* Includes survivors of deceased retirees.

@ Includes one time benefit increases.

**Retirees and Beneficiaries December 31, 2008
Tabulated by Type of Benefit and Option Elected**

General County Retirees

Type of Pensions Being Paid	Type of Benefit					Total
	Age & Service	Disability		Death		
		Non-Duty	Duty	Non-Duty	Duty	
Regular	115	10				125
A - 10 Year Certain	16	1				17
B - 100% J & S	54	7				61
C - 50% J & S	27					27
Social Security Equated*						
- Regular	9					9
- 10 Year Certain	2					2
- 100% J & S	5					5
- 50% J & S	3					3
Survivor	20	3		4		27
Total Pensions Being Paid	251	21		4		276

DWS Retirees

Type of Pensions Being Paid	Type of Benefit					Total
	Age & Service	Disability		Death		
		Non-Duty	Duty	Non-Duty	Duty	
Regular	4					4
A - 10 Year Certain						
B - 100% J & S	10					10
C - 50% J & S	4					4
Social Security Equated*						
- Regular						
- 10 Year Certain						
- 100% J & S						
- 50% J & S						
Survivor	1					1
Total Pensions Being Paid	19					19

* Upon attaining Social Security Age, these members are re-characterized as non-Social Security equated options.

**Retirees and Beneficiaries December 31, 2008
Tabulated by Type of Benefit and Option Elected
(Continued)**

Library Retirees

Type of Pensions Being Paid	Type of Benefit				Total	
	Age & Service	Disability		Death		
		Non-Duty	Duty	Non-Duty		Duty
Regular	18					18
A - 10 Year Certain	1					1
B - 100% J & S	5					5
C - 50% J & S	3					3
Social Security Equated*						
- Regular						
- 10 Year Certain						
- 100% J & S						
- 50% J & S						
Survivor				1		1
Total Pensions Being Paid	27			1		28

BABH Retirees

Type of Pensions Being Paid	Type of Benefit				Total	
	Age & Service	Disability		Death		
		Non-Duty	Duty	Non-Duty		Duty
Regular	17	1	1			19
A - 10 Year Certain						
B - 100% J & S	10	3				13
C - 50% J & S	4					4
Social Security Equated*						
- Regular						
- 10 Year Certain						
- 100% J & S						
- 50% J & S						
Survivor	2	1				3
Total Pensions Being Paid	33	5	1			39

* Upon attaining Social Security Age, these members are re-characterized as non-Social Security equated options.

Retirees and Beneficiaries December 31, 2008
Tabulated by Type of Benefit and Option Elected
(Continued)

MCF Retirees

Type of Pensions Being Paid	Type of Benefit					Total
	Age & Service	Disability		Death		
		Non-Duty	Duty	Non-Duty	Duty	
Regular	66	3				69
A - 10 Year Certain	5					5
B - 100% J & S	23	4				27
C - 50% J & S	33					33
Social Security Equated*						
- Regular	3					3
- 10 Year Certain	1					1
- 100% J & S	4					4
- 50% J & S	6					6
Survivor	9			1		10
Total Pensions Being Paid	150	7		1		158

Sheriff Department Retirees

Type of Pensions Being Paid	Type of Benefit					Total
	Age & Service	Disability		Death		
		Non-Duty	Duty	Non-Duty	Duty	
Regular	8	1	2			11
A - 10 Year Certain						
B - 100% J & S	8	1	2			11
C - 50% J & S	2					2
Social Security Equated*						
- Regular	7	1				8
- 10 Year Certain	1					1
- 100% J & S	4					4
- 50% J & S	2					2
Survivor	9	2		3		14
Total Pensions Being Paid	41	5	4	3		53

* Upon attaining Social Security Age, these members are re-characterized as non-Social Security equated options.

**Retirees and Beneficiaries December 31, 2008
Tabulated by Type of Benefit and Option Elected
(Concluded)**

Road Commission Retirees

Type of Pensions Being Paid	Type of Benefit				Total	
	Age & Service	Disability		Death		
		Non-Duty	Duty	Non-Duty		Duty
Regular	8		1		9	
A - 10 Year Certain		2			2	
B - 100% J & S	34	3	2		39	
C - 50% J & S	4				4	
Social Security Equated*						
- Regular						
- 10 Year Certain						
- 100% J & S	6				6	
- 50% J & S						
Survivor	21	4		1	26	
Total Pensions Being Paid	73	9	3	1	86	

* Upon attaining Social Security Age, these members are re-characterized as non-Social Security equated options.

Retirees and Beneficiaries December 31, 2008
Tabulated by Years Retired - Nearest Year

General County Retirees and Beneficiaries Tabulated by Years Retired - Nearest Year						
Years Retired	Service Retirement	Disability Retirement	Death-in-Service	Beneficiary of Retiree	Total	Cumulative Percent
36	1				1	0.4%
34	1				1	0.7%
33	3			1	4	2.2%
32				1	1	2.5%
31	1				1	2.9%
30	1			1	2	3.6%
29	1			1	2	4.3%
28	1			1	2	5.1%
27	3				3	6.2%
26	2			1	3	7.2%
25	2				2	8.0%
24	3				3	9.1%
23	3	1			4	10.5%
22	4			4	8	13.4%
21	3				3	14.5%
20	5	1			6	16.7%
18	2				2	17.4%
17	4				4	18.8%
16	7	1			8	21.7%
15	3				3	22.8%
14	10			1	11	26.8%
13	9	1		1	11	30.8%
12	12	2	1	1	16	36.6%
11	6	3			9	39.9%
10	5	2		1	8	42.8%
9	4	2		1	7	45.3%
8	15		2	2	19	52.2%
7	14	2			16	58.0%
6	14			1	15	63.4%
5	20	1			21	71.0%
4	48	1		2	51	89.5%
3	7				7	92.0%
2	7	3			10	95.7%
1	4	1			5	97.5%
Less than 1	6		1		7	100.0%
Totals	231	21	4	20	276	100.0%

Retirees and Beneficiaries December 31, 2008
Tabulated by Years Retired - Nearest Year
(Continued)

DWS						
Retirees and Beneficiaries						
Tabulated by Years Retired - Nearest Year						
Years Retired	Service Retirement	Disability Retirement	Death-in-Service	Beneficiary of Retiree	Total	Cumulative Percent
20	1				1	5.3%
19	1				1	10.5%
17	1				1	15.8%
14	1				1	21.1%
13	1				1	26.3%
9	3			1	4	47.4%
8	2				2	57.9%
5	2				2	68.4%
2	2				2	78.9%
1	3				3	94.7%
Less than 1	1				1	100.0%
Totals	18			1	19	100.0%

Retirees and Beneficiaries December 31, 2008
Tabulated by Years Retired - Nearest Year
(Continued)

Library						
Retirees and Beneficiaries						
Tabulated by Years Retired - Nearest Year						
Years Retired	Service Retirement	Disability Retirement	Death-in-Service	Beneficiary of Retiree	Total	Cumulative Percent
30	1				1	3.6%
29	1				1	7.1%
26	1				1	10.7%
21	1				1	14.3%
19	1				1	17.9%
18	1				1	21.4%
17	1				1	25.0%
16	1				1	28.6%
14	1				1	32.1%
7	4				4	46.4%
6	2				2	53.6%
5	1				1	57.1%
4	3				3	67.9%
3	1		1		2	75.0%
2	3				3	85.7%
1	1				1	89.3%
Less than 1	3				3	100.0%
Totals	27		1		28	100.0%

Retirees and Beneficiaries December 31, 2008
Tabulated by Years Retired - Nearest Year
(Continued)

BABH						
Retirees and Beneficiaries						
Tabulated by Years Retired - Nearest Year						
Years Retired	Service Retirement	Disability Retirement	Death-in-Service	Beneficiary of Retiree	Total	Cumulative Percent
25	1				1	2.6%
24	1				1	5.1%
21		1			1	7.7%
19	1				1	10.3%
16	1	1			2	15.4%
15	1				1	17.9%
13	1				1	20.5%
12	1			1	2	25.6%
10	4			1	5	38.5%
9		2			2	43.6%
8	1	1			2	48.7%
7	2				2	53.8%
6	1				1	56.4%
5		1			1	59.0%
4	1				1	61.5%
3	2				2	66.7%
2	4				4	76.9%
1	8				8	97.4%
Less than 1	1				1	100.0%
Totals	31	6		2	39	100.0%

Retirees and Beneficiaries December 31, 2008
Tabulated by Years Retired - Nearest Year
(Continued)

Medical Care Facility						
Retirees and Beneficiaries						
Tabulated by Years Retired - Nearest Year						
Years Retired	Service Retirement	Disability Retirement	Death-in-Service	Beneficiary of Retiree	Total	Cumulative Percent
33				1	1	0.6%
32	1				1	1.3%
31	2			1	3	3.2%
30	1			1	2	4.4%
27	3				3	6.3%
26	1				1	7.0%
25	4				4	9.5%
24	3				3	11.4%
23	1				1	12.0%
22	2		1		3	13.9%
21	2			1	3	15.8%
18	5				5	19.0%
17	3			2	5	22.2%
16	6	4			10	28.5%
15	2				2	29.7%
13	4			2	6	33.5%
12	3				3	35.4%
11	2				2	36.7%
10	6				6	40.5%
9	6	1			7	44.9%
8	8			1	9	50.6%
7	7				7	55.1%
6	8				8	60.1%
5	11	1			12	67.7%
4	15				15	77.2%
3	13	1			14	86.1%
2	9				9	91.8%
1	6				6	95.6%
Less than 1	7				7	100.0%
Totals	141	7	1	9	158	100.0%

Retirees and Beneficiaries December 31, 2008
Tabulated by Years Retired - Nearest Year
(Continued)

Sheriff's Department						
Retirees and Beneficiaries						
Tabulated by Years Retired - Nearest Year						
Years Retired	Service Retirement	Disability Retirement	Death-in-Service	Beneficiary of Retiree	Total	Cumulative Percent
32				1	1	1.9%
27			1		1	3.8%
26	1				1	5.7%
22		1			1	7.5%
21	1	1	1		3	13.2%
19	2			1	3	18.9%
18	3			2	5	28.3%
17	1	1			2	32.1%
14	1	1		2	4	39.6%
13		1			1	41.5%
12	4			1	5	50.9%
11	2				2	54.7%
10		1			1	56.6%
9	3				3	62.3%
8	2		1		3	67.9%
7	2			1	3	73.6%
6		1			1	75.5%
5	2				2	79.2%
4	4				4	86.8%
3	3	1			4	94.3%
1	1			1	2	98.1%
Less than 1		1			1	100.0%
Totals	32	9	3	9	53	100.0%

Retirees and Beneficiaries December 31, 2008
Tabulated by Years Retired - Nearest Year
(Concluded)

Road Commission						
Retirees and Beneficiaries						
Tabulated by Years Retired - Nearest Year						
Years Retired	Service Retirement	Disability Retirement	Death-in-Service	Beneficiary of Retiree	Total	Cumulative Percent
34			1		1	1.2%
33	1			1	2	3.5%
32				1	1	4.7%
31		1			1	5.8%
30		1		2	3	9.3%
29		1		4	5	15.1%
28				1	1	16.3%
27		1		2	3	19.8%
26	1				1	20.9%
25	1			2	3	24.4%
24	1	1		1	3	27.9%
23	1			2	3	31.4%
21	2	1		1	4	36.0%
20	2				2	38.4%
19	1			1	2	40.7%
18	3	1			4	45.3%
17	1				1	46.5%
16	4				4	51.2%
15	3			1	4	55.8%
14				1	1	57.0%
13	8				8	66.3%
10	3				3	69.8%
8		1			1	70.9%
7		1			1	72.1%
6	3				3	75.6%
5	6	1			7	83.7%
4	3	1			4	88.4%
3	1	1			2	90.7%
2	7				7	98.8%
Less than 1	1				1	100.0%
Totals	53	12	1	20	86	100.0%

Retirees and Beneficiaries December 31, 2008
Tabulated by Attained Age

Attained Age	Age & Service		Disability		Survivor		Total	
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances
30 - 34	1	\$ 7,619	2	\$ 6,282			3	\$ 13,901
35 - 39			1	33,739			1	33,739
40 - 44	1	7,619	1	14,108			2	21,727
45 - 49	1	2,999	2	12,466	1	\$ 11,970	4	27,435
50 - 54	8	248,277	8	119,994	2	\$ 25,571	18	393,842
55 - 59	82	1,824,662	12	170,622	2	\$ 27,723	96	2,023,007
60 - 64	130	2,407,548	12	168,800			142	2,576,348
65 - 69	101	1,576,395	5	89,429			106	1,665,824
70 - 74	85	1,062,111	5	32,068	2	\$ 30,021	92	1,124,200
75 - 79	70	659,975	6	48,521			76	708,496
80	12	124,403					12	124,403
81	8	46,135	1	16,408	1	\$ 11,159	10	73,702
82	14	106,688			1	\$ 11,360	15	118,048
83	14	115,443			1	\$ 2,858	15	118,301
84	11	62,381					11	62,381
85	9	44,292					9	44,292
86	8	41,700					8	41,700
87	9	38,031					9	38,031
88	6	30,201					6	30,201
89	2	8,084					2	8,084
90	2	8,462					2	8,462
91	4	14,703					4	14,703
92	5	18,098					5	18,098
93	2	11,168					2	11,168
94	1	3,452					1	3,452
95	1	1,971					1	1,971
96	3	9,074					3	9,074
97	2	7,609					2	7,609
98	1	2,434					1	2,434
99								
100	1	5,403					1	5,403
Totals	594	\$8,496,937	55	\$712,437	10	\$120,662	659	\$9,330,036

Average Age at Retirement: 58.2 years
Average Age Now: 69.3 years

Inactive Members

An inactive member is a person who has left County Employment with entitlement to a retirement allowance after attaining voluntary retirement age. Inactive members, as of December 31, 2008, totaled 92, as follows:

<u>Valuation Division</u>	<u>Number</u>	<u>Estimated Annual Deferred Pensions</u>
General County	39	\$424,986
DWS	1	4,494
Library	11	90,763
BABH	19	152,538
Medical Care Facility	15	87,541
Sheriff's Department	5	71,830
Road Commission	<u>2</u>	<u>28,659</u>
Total	92	\$860,811

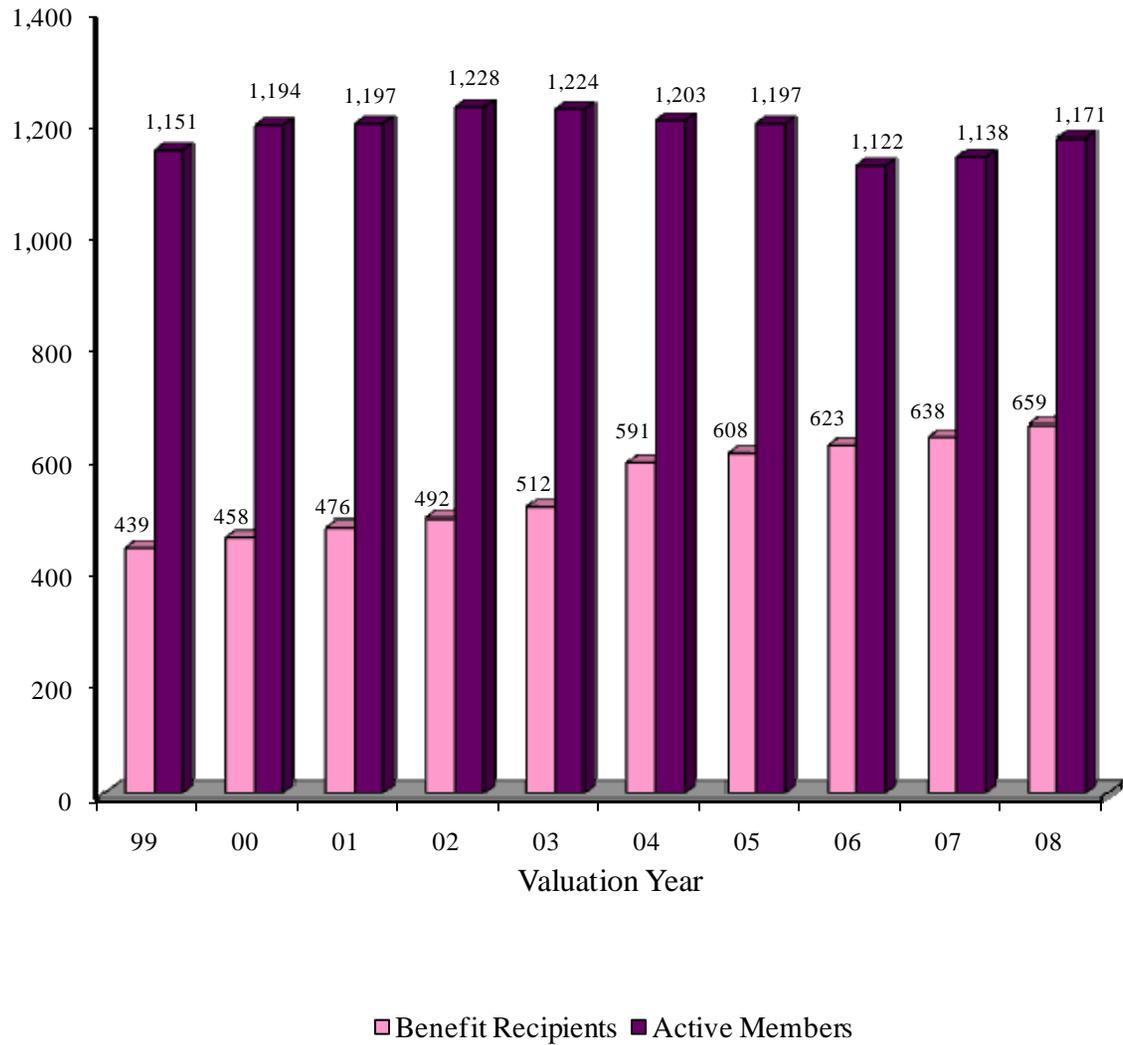
The schedule on the next page is an age distribution of the inactive members.

**Inactive Members December 31, 2008
Tabulated by Attained Age**

Attained Age	No.	Estimated Deferred Allowances
33	1	\$ 10,584
38	3	22,755
41	1	8,892
42	4	29,017
43	6	75,047
44	3	24,028
45	4	36,342
46	7	38,598
47	4	27,055
48	4	48,858
49	5	47,471
50	2	12,087
51	5	30,795
52	4	47,997
53	7	58,065
54	7	60,975
55	9	88,910
56	8	90,576
57	2	28,081
58	1	5,703
59	4	66,572
61	1	2,403
Total	92	\$860,811

Active Members & Benefit Recipients

Covered Persons



Active Members December 31, 2008 Tabulated by Valuation Division

Valuation Division	Number	Annual Payroll
General County	410	\$15,730,072
DWS	38	1,874,873
Library	42	1,663,018
BABH	235	10,663,758
Medical Care Facility	305	9,281,059
Sheriff's Department	75	3,886,256
Road Commission	66	3,383,861
Total Active Members	1,171	\$46,482,897

Comparative Schedule

Valuation Date	Active Members								Valuation Payroll	Average		
	Gen.	DWS	Library	BABH	M.C.F.	Sheriff's	Road	Total		Age	Service	Pay
12/31/1989	599				222	77	73	971	\$20,960,881	40.9	8.5	\$21,587
12/31/1990	600				242	76	78	996	22,873,368	41.4	8.8	22,965
12/31/1991	637				241	68	71	1,017	24,215,604	41.6	8.9	23,811
12/31/1992	625				243	72	69	1,009	25,194,073	42.2	9.4	24,969
12/31/1993	624				258	71	71	1,024	26,304,065	42.5	9.5	25,688
12/31/1994	644				257	72	75	1,048	27,358,462	42.9	9.8	26,105
12/31/1995	662				264	73	74	1,073	28,878,179	43.1	10.0	26,913
12/31/1996	676				279	73	73	1,101	30,677,224	42.8	10.0	27,835
12/31/1997	688				283	76	74	1,121	32,216,234	43.1	10.0	28,739
12/31/1998	713				286	77	72	1,148	34,308,505	43.4	10.1	29,885
12/31/1999	718				284	76	73	1,151	35,763,978	43.7	10.4	31,072
12/31/2000	742				300	77	75	1,194	38,314,967	43.4	10.0	32,090
12/31/2001	465	40	63	180	296	78	75	1,197	39,761,644	43.8	10.3	33,218
12/31/2002	465	42	64	195	308	80	74	1,228	41,331,916	44.0	10.5	33,658
12/31/2003	456	41	67	206	302	76	76	1,224	43,053,950	44.7	10.7	35,175
12/31/2004	427	41	72	208	303	76	76	1,203	43,550,999	44.3	10.3	36,202
12/31/2005	429	41	74	211	293	75	74	1,197	43,104,046	44.7	10.5	36,010
12/31/2006	412	41	30	205	292	75	67	1,122	42,024,045	45.0	11.1	37,455
12/31/2007	415	39	39	216	288	74	67	1,138	44,687,752	45.3	11.3	39,269
12/31/2008	410	38	42	235	305	75	66	1,171	46,482,897	45.3	11.4	39,695

**General County Active Members December 31, 2008
by Attained Age and Years of Service**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	7							7	\$ 157,331
25-29	11	7						18	521,373
30-34	14	9	4					27	936,728
35-39	16	22	8	1				47	1,801,702
40-44	15	15	16	7	7			60	2,298,074
45-49	10	22	13	7	9	4		65	2,409,518
50-54	16	11	17	12	16	8	8	88	3,748,269
55-59	16	12	10	6	8	3	5	60	2,496,140
60	3		1	1	1	1	1	8	367,762
61		1	1	2				4	134,657
62	1	2	3	2		1	1	10	391,654
63		1	3	1				5	174,243
64		1						1	21,645
65		1		1				2	110,575
66						1		1	8,673
67						1		1	47,524
70							1	1	45,724
73				1				1	10,871
76					2			2	22,824
77		1						1	11,566
79					1			1	13,219
Totals	109	105	76	41	44	19	16	410	\$15,730,072

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

Age: 47.0 years

Service: 11.7 years

Annual Pay: \$38,366

DWS Active Members December 31, 2008
by Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
30-34			1					1	\$ 41,442
35-39	1	1		1				3	112,444
40-44	2		1	4				7	301,783
45-49	2	1		1				4	205,516
50-54		2		2	2	4		10	500,880
55-59	1	3			3	6		13	712,808
Totals	6	7	2	8	5	10		38	\$1,874,873

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

Age: 49.7 years

Service: 16.7 years

Annual Pay: \$49,339

**Library Active Members December 31, 2008
by Attained Age and Years of Service**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	1							1	\$ 28,478
25-29	1							1	27,706
30-34	1	1						2	70,611
35-39	3							3	98,466
40-44	2	3						5	254,851
45-49	3		1	1	1			6	211,278
50-54	2	4	1			1	2	10	379,222
55-59	2	1		3	1		1	8	368,014
60			1	1		1		3	117,065
61						1		1	36,004
62					1			1	37,523
65							1	1	33,800
Totals	15	9	3	5	3	3	4	42	\$1,663,018

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

Age: 49.2 years

Service: 12.1 years

Annual Pay: \$39,596

**BABH Active Members December 31, 2008
by Attained Age and Years of Service**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	3							3	\$ 32,448
25-29	14	3						17	601,493
30-34	9	11						20	834,609
35-39	15	11	4					30	1,267,399
40-44	8	9	6	7	1			31	1,424,248
45-49	10	13	3	4	13	2		45	2,074,495
50-54	8	14	4	8	13	2	1	50	2,491,390
55-59	5	10	1	5	4	1	1	27	1,349,551
60	2			2	1			5	278,680
61		1	2					3	151,656
62			1		1			2	87,326
63		1						1	52,767
71				1				1	17,696
Totals	74	73	21	27	33	5	2	235	\$10,663,758

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

Age: 45.1 years

Service: 9.8 years

Annual Pay: \$45,378

**Medical Care Facility Active Members December 31, 2008
by Attained Age and Years of Service**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	30	1						31	\$ 700,977
25-29	25	7						32	871,557
30-34	12	8	4	1				25	694,416
35-39	8	7	6	5				26	762,627
40-44	12	9	4	8	6			39	1,203,218
45-49	11	13	9	5	7	6		51	1,540,725
50-54	16	3	8	10	3	11	3	54	1,783,831
55-59	3	9	6	7	3	3	3	34	1,254,921
60		1		3	1		1	6	200,640
61		2						2	107,723
62		1						1	39,552
63		1	1					2	83,919
64		1						1	14,524
65		1						1	22,429
Totals	117	64	38	39	20	20	7	305	\$9,281,059

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

Age: 42.3 years

Service: 10.1 years

Annual Pay: \$30,430

**Sheriff's Department Active Members December 31, 2008
by Attained Age and Years of Service**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-15	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	1							1	\$ 31,803
25-29	7	1						8	343,305
30-34	2	6	3					11	567,253
35-39		3	10	1				14	759,589
40-44	1	3	6	4	1			15	778,914
45-49	1		1	3	4			9	466,570
50-54		2	2	1	1	2	1	9	482,753
55-59				1	1	2	1	5	288,708
60						1	1	2	114,343
64			1					1	53,018
Totals	12	15	23	10	7	5	3	75	\$3,886,256

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

Age: 41.6 years

Service: 13.2 years

Annual Pay: \$51,817

**Road Commission Active Members December 31, 2008
by Attained Age and Years of Service**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-15	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
25-29	1	1						2	\$ 74,458
30-34		1						1	51,458
35-39	1	1	2	1				5	271,180
40-44	1	3	2	5	2			13	664,434
45-49	5	3	4	2	3	2	1	20	1,067,072
50-54			3	1	4	1	2	11	618,345
55-59				2	1	4		7	392,813
60				1				1	49,029
61						1		1	49,280
62					1			1	53,301
63		1						1	52,254
65	1							1	13,258
68			1					1	12,419
74				1				1	14,560
Totals	9	10	12	13	11	8	3	66	\$3,383,861

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

Age: 48.4 years

Service: 15.6 years

Annual Pay: \$51,271

SECTION D

ACTUARIAL COST METHODS AND ACTUARIAL ASSUMPTIONS

Valuation Methodology

Normal Cost/Accrued Liability. Normal cost and the allocation of actuarial present values between service rendered before and after the valuation date were determined using an individual entry-age actuarial cost method having the following characteristics:

- (i) the annual normal costs for each individual active member, payable from date of hire to the member's projected date of retirement, are sufficient to accumulate the actuarial present value of the member's anticipated benefit at the time of retirement;
- (ii) each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Amortization of Unfunded Actuarial Accrued Liabilities. Unfunded actuarial accrued liabilities or asset surpluses were amortized by level percent-of-payroll contributions (principal and interest combined) as follows: If the liabilities exceed the assets (unfunded liabilities), the difference is amortized over 30 years; if the assets exceed the liabilities (overfunding) the difference is amortized over 10 years. These periods are re-established with each annual actuarial valuation. The amortization method was first adopted for the December 31, 2003 actuarial valuation. Active member payroll was assumed to increase 4.0% for the purpose of determining the level-percent contributions.

Asset valuation method. The actuarial value equals:

- (a) Actuarial value of assets from the previous valuation, plus
- (b) employer and member contributions since the last valuation, minus
- (c) benefit payments and refunds since the last valuation, plus
- (d) estimated investment income at the assumed investment return, plus
- (e) portion of gain/(loss) recognized in the current 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. Twenty percent of the difference is recognized over a 5 year period in the actuarial value of assets.

This method was first adopted for the December 31, 2003 actuarial valuation.

Actuarial Assumptions Used for the Valuation

All of the assumptions listed below were first adopted for the December 31, 2003 actuarial valuation.

Investment Return (net of investment expenses).

3.5% per year in excess of pay inflation. If pay inflation matches the assumption of 4.0%, this implies a 7.5% rate of return.

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

	<u>Year Ended December 31</u>					<u>5 Year Average*</u>
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	
Rate of Investment Return	0.2 %	9.9 %	6.3 %	4.5 %	3.4 %	4.8 %
Average Increase in Pay#	<u>4.3</u>	<u>4.8</u>	<u>2.6</u>	<u>1.6</u>	<u>7.1</u>	<u>4.1</u>
Real Rate of Return	(4.1)	5.1	3.7	2.9	(3.7)	0.7

* *Compound rate of increase.*

Based on employees active during both years.

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

Please note that this analysis uses asset values and investment income as defined for the actuarial valuation which deals with market value changes on a gradual basis.

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

Pay Projections. These assumptions are used to project current pays to those upon which benefits will be based. In addition to the Merit and Longevity rates shown in the table, members are also assumed to receive a base increase of 4.0%.

Years of Service	Annual Rate of Pay Increase for Merit & Longevity						Road
	General	DWS	Library	BABH	MCF	Sheriff's	Commission
1	5.00%	5.00%	5.00%	5.00%	1.00%	8.00%	8.00%
2	4.00%	4.00%	4.00%	4.00%	1.00%	7.00%	5.00%
3	3.00%	3.00%	3.00%	3.00%	1.00%	7.00%	5.00%
4	3.00%	3.00%	3.00%	3.00%	1.00%	6.00%	5.00%
5	1.00%	1.00%	1.00%	1.00%	1.00%	5.00%	1.00%
6+	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

If the number of active members remains constant, the total active member payroll will increase by about the level of pay inflation (assumed to be 4.0% per year). This increasing payroll was recognized in amortizing unfunded actuarial accrued liabilities.

Changes actually experienced in pays have averaged as follows:

Year Ended December 31					5 Year
2008	2007	2006	2005	2004	Average*
4.3%	4.8%	2.6%	1.6%	7.1%	4.1%

* Compound rate of increase.

Lump sum payments: Lump sum payments for unused sick leave and vacation were assumed to increase final average compensation by 6.0% for the General, DWS, Library, BABH, and Sheriff's groups. For the Medical Care Facility, we have assumed an increase of 10.0% and for the Road Commission the assumed increase in final average compensation was 12.0%.

Mortality. This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement. The 1994 Group Annuity Mortality Table with ages set back one year for both men and women were used for healthy lives. The present values and the life expectancy at various ages under this mortality table are shown below:

Sample Ages	Actuarial Present Value of \$1 Monthly for Life*		Future Life Expectancy (Years)	
	Men	Women	Men	Women
50	\$142.36	\$148.41	31.62	35.84
55	134.46	142.12	27.04	31.11
60	124.60	133.88	22.67	26.49
65	113.00	123.84	18.60	22.11
70	100.30	112.29	14.97	18.08
75	86.40	98.51	11.72	14.31
80	71.54	83.08	8.87	10.93

* These present value amounts were calculated using a 7.5% interest rate.

The 1994 Group Annuity Mortality Table with ages set forward 2 years was used for disabled lives.

Administration Expenses. Non-investment administration expenses are assumed to average 0.4% of payroll annually. This assumption is unchanged from previous valuations. This assumption was not changed as a result of the experience study.

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

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

Sample Ages	Years of Service	% of Active Members Separating within Next Year					Road Sheriff's* Commission*	
		General	DWS	Library	BABH	MCF		
ALL	0	15.00%	15.00%	15.00%	15.00%	20.00%	N/A	N/A
	1	9.00	9.00	9.00	9.00	20.00	N/A	N/A
	2	9.00	9.00	9.00	9.00	12.00	N/A	N/A
	3	8.00	8.00	8.00	8.00	10.00	N/A	N/A
	4	8.00	8.00	8.00	8.00	7.00	N/A	N/A
20	5 & Over	7.50	7.50	7.50	7.50	6.00	6.00	4.50
25		7.50	7.50	7.50	7.50	6.00	6.00	4.50
30		7.00	7.00	7.00	7.00	4.00	5.00	3.90
35		7.00	7.00	7.00	7.00	4.00	3.00	2.30
40		4.00	4.00	4.00	4.00	3.00	2.00	0.90
45		3.00	3.00	3.00	3.00	2.00	2.00	0.50
50		2.00	2.00	2.00	2.00	1.50	1.50	0.50
55		2.00	2.00	2.00	2.00	1.50	1.00	0.50
60	2.00	2.00	2.00	2.00	1.50	1.00	0.50	

* These groups do not have service based rates of separation. All rates of separation are based on ages.

Rates of Disability. These rates represent the probabilities of active members becoming disabled. This assumption is unchanged from previous valuations.

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

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

Retirement Ages	Percent of Active Members Retiring Within Next Year						Road
	General	DWS	Library	BABH	MCF	Sheriff's	Commission
50					10 %		10 %
51					10		10
52					10		20
53					10		20
54					10		20
55	15 %	15 %	15 %	15 %	20		20
56	10	10	10	10	30		10
57	10	10	10	10	40		10
58	10	10	10	10	40		10
59	10	10	10	10	40		10
60	25	25	25	25	20	15 %	10
61	20	20	20	20	20	15	10
62	10	10	10	10	40	30	30
63	10	10	10	10	15	15	30
64	10	10	10	10	15	15	30
65	25	25	25	25	100	100	100
66	10	10	10	10			
67	10	10	10	10			
68	10	10	10	10			
69	10	10	10	10			
70	100	100	100	100			

The following table shows the rates used for the Road Patrol and Road Patrol Supervisory Unit 25 & Out provision and the Correctional Facility Officers 55 & 25 provision.

25 & Out		55 & 25	
Years of Service	Sheriff's Road Patrol and Road Patrol Supervisory Unit	Age	Correctional Facility Officers
25	40%	55	40%
26	40	56	40
27	40	57	40
28	25	58	25
29	25	59	25
30	25	60	25
31	25	61	25
32	25	62	25
33	25	63	25
34	100	64	100

The following table shows the rates for the 55 & 8 and/or 55 & 10 Early Retirement provision:

55 & 8 and/or 55 & 10 Early Retirement	
Retirement	
Ages	All
55	5 %
56	5
57	5
58	5
59	5

Miscellaneous and Technical Assumptions

Marriage Assumption:	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses.
Pay Increase Timing:	Six months after the valuation date.
Decrement Timing:	Decrements of all types are assumed to occur mid-year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Benefit Service:	Exact fractional service is used to determine the amount of benefit payable.
Decrement Relativity:	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
Decrement Operation:	Disability and death-in-service decrements do not operate during the first 5 years of service. Disability and withdrawal do not operate during retirement eligibility.
Normal Form of Benefit:	The assumed normal form of benefit is straight life form.
Loads:	Lump sum payments for unused sick leave and vacation. For current retirees who elected a joint and survivor form of payment with a pop-up, the liabilities are loaded 2% because the pop-up benefits are not provided in the data.
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.

SECTION E

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

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) – (a)] / (c)
12/31/1999 *	\$177,639,135	\$ 119,100,303	\$(58,538,832)	149.2 %	\$35,763,978	none
12/31/2000 *	192,311,095	129,302,171	(63,008,924)	148.7	38,314,967	none
12/31/2001 #	203,173,855	140,669,845	(62,504,010)	144.4	39,761,644	none
12/31/2002	200,785,857	151,663,479	(49,122,378)	132.4	41,331,916	none
12/31/2003 #	225,029,045	156,241,874	(68,787,171)	144.0	43,053,950	none
12/31/2004 *	227,174,445	174,175,401	(52,999,044)	130.4	43,550,999	none
12/31/2005	230,242,485	181,304,958	(48,937,527)	127.0	43,104,046	none
12/31/2006 *	237,681,108	189,810,766	(47,870,342)	125.2	42,024,045	none
12/31/2007 *	253,492,248	200,933,482	(52,558,766)	126.2	44,687,752	none
12/31/2008	246,577,567	212,530,757	(34,046,810)	116.0	46,482,897	none

* Plan amended.

Certain assumptions or methods revised.

Actuarial Cost Method

Individual Entry Age Normal Cost.

Amortization Method

Level percent of payroll, open periods.

Amortization periods

30 years for groups that are underfunded (unfunded accrued liability is positive).
10 years for groups that are overfunded (unfunded accrued liability is negative).

Asset Valuation Method

Market value with 5 year smoothing of gains and losses.

Principal Actuarial Assumptions

(last revised for the 12/31/03 valuation):

- Net Investment Return 7.5%
- Projected Salary Increases 4% pay inflation plus merit and longevity.
- Cost-of-Living Adjustments None

Schedule of Employer Contributions

Plan Year Ended December 31	Fiscal Year Ended December 31	Annual Required Contribution
1999	2000	\$ 48,417
2000	2001	0
2001	2002	0
2002	2003	0
2003	2004	0
2004	2005	405,110
2005	2006	588,948
2006	2007	644,945
2007	2008	688,871
2008	2009	1,578,548

Notes: Compliance may appear to vary because requirements are computed using the end of year payroll while contributions are based upon the payroll during the year.

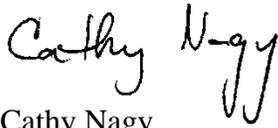
October 20, 2009

Ms. Danean Wright, Staff Accountant
Bay County Employees' Retirement System
515 Center Avenue, Suite 706
Bay City, Michigan 48708

Dear Ms. Wright:

Enclosed please find 25 copies of the report of the Sixty-Third Annual Actuarial Valuation for the Bay County Employees' Retirement System.

Sincerely,

A handwritten signature in cursive script that reads "Cathy Nagy". The signature is written in black ink and is positioned above the printed name.

Cathy Nagy

CN:bd
Enclosures

cc: W. James Koss – GRS
Mr. Jerry Deslover – Rehman, Robson