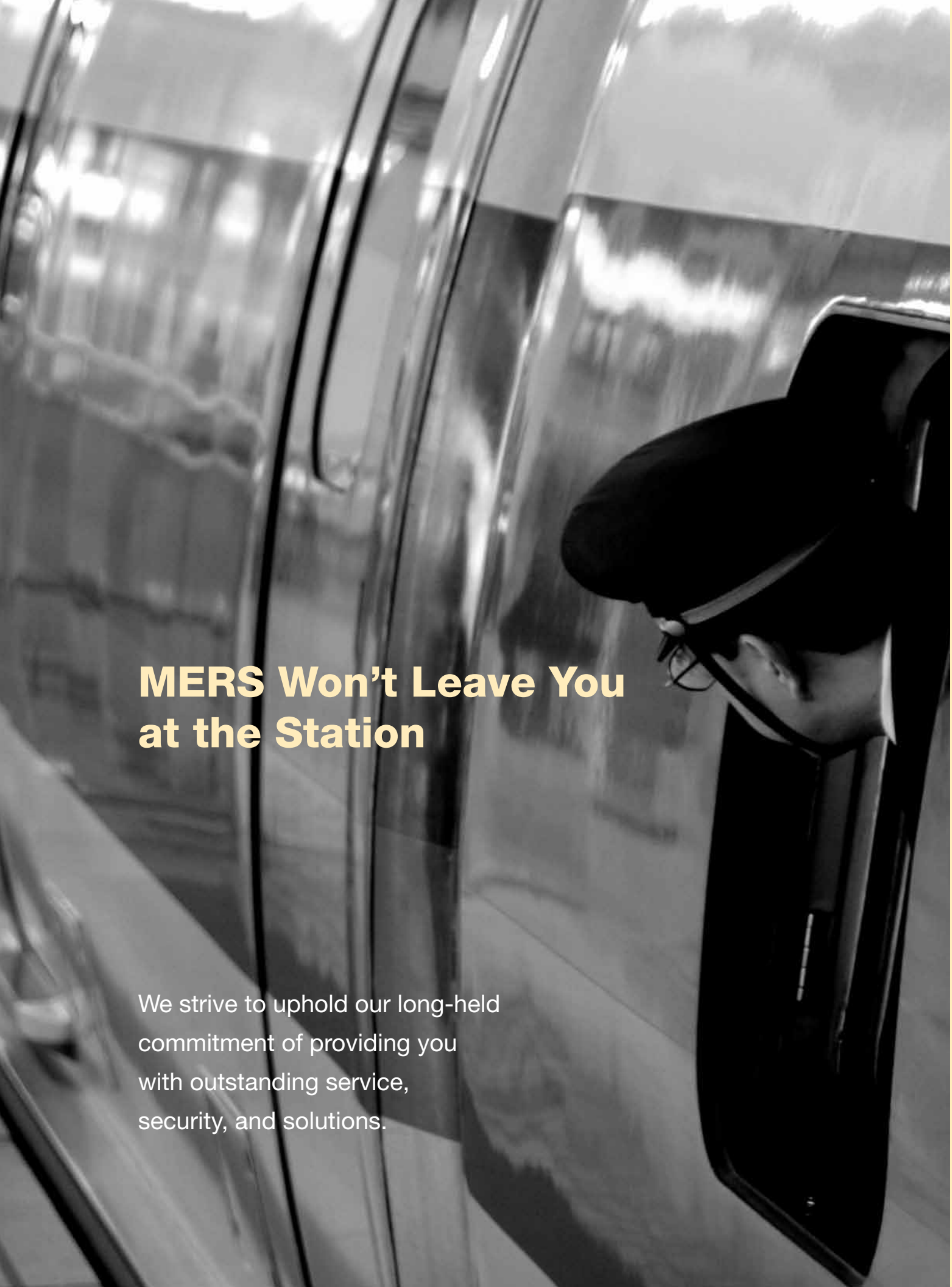

MERS Won’t Leave You at the Station

We strive to uphold our long-held commitment of providing you with outstanding service, security, and solutions.

ACTUARY CERTIFICATION LETTER

October 29, 2009

The Retirement Board
Municipal Employees' Retirement System of Michigan
1134 Municipal Way
Lansing, Michigan 48917

Dear Board Members:

The basic financial objective of the Municipal Employees' Retirement System of Michigan (MERS) is to establish and receive contributions which:

(1) when expressed in terms of percents of active member payroll will remain approximately level from generation to generation of Michigan citizens, and which

(2) when combined with present assets and future investment return will be sufficient to meet the financial obligations of MERS to present and future retirees and beneficiaries.

In order to measure progress toward this fundamental objective, MERS has annual actuarial valuations performed. Separate actuarial valuations are prepared for each participating municipality and court. The valuations (i) measure present financial position, and (ii) establish contribution rates that provide for the normal cost (current cost) and level percent of payroll amortization of unfunded actuarial accrued liabilities over a reasonable period (generally 28 years). The latest completed actuarial valuations were based upon population data, asset data, and plan provision data as of December 31, 2008. These valuations determine the contribution rates for the fiscal years beginning in 2010.

The actuarial valuations are based upon financial data, plan provision data, and participant data which are prepared by retirement system staff. The data is reviewed by us for internal and year-to-year consistency as well as general reasonableness, but is not otherwise audited by us. It is also summarized and tabulated for the purpose of analyzing trends.

Actuarial valuations are based on assumptions regarding future rates of investment return and inflation, rates of retirement, withdrawal, death, disability, and pay increase among MERS members and their beneficiaries. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions and methods utilized in this valuation comply with the requirements of Governmental Accounting Standards Board Statement No. 25. The demographic assumptions were adopted by the Retirement Board and were based upon actual experience of MERS during the years 1998 to 2003. The economic assumptions were adopted by the Board in 1998.

Assets are valued on a market related basis that fully recognizes expected investment return and averages unanticipated market return over a 10-year period.

Based on the actuarial valuations, MERS staff prepared and we reviewed the following supporting schedules in the Comprehensive Annual Financial Report:

Financial Section

- Schedule of Funding Progress
- Schedule of Employer Contributions (Annual Required Contribution)

Actuarial Section

- Summary of Actuarial Assumptions and Methods
- Probabilities of Retirement
- Rates of Withdrawal (Excluding Death or Disability)
- Rates of Withdrawal Due to Disability
- Annual Percentage Increase in Salary
- Schedule of Active Member Valuation Data
- Mortality Tables
- Schedule of Retirees and Beneficiaries Added To and Removed From Rolls
- Solvency Test
- Summary of Plan Document Provisions

Statistical Section

- Schedule of Retired Members by Type of Benefit
- Schedule of Retired Members by Type of Option Selected
- Active Members Per Pension Recipient
- Benefits as Percent of Active Member Pay

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

The actuarial value of assets (funding value), used to determine both MERS' funded status and the required employer contributions, is based on a 10-year smoothed value of assets. Only a portion (one-tenth) of the 2008 investment market losses were recognized in the 2008 actuarial valuation reports. The rest of the 2008 investment market loss is scheduled to be recognized in equal installments over the subsequent nine years. This reduces the volatility of the valuation results, which affects the required employer contribution and actuarial funded percentage.

As of December 31, 2008 the actuarial value of assets was 139% of market value. This means that meeting the actuarial assumption in the next few years will require average annual market returns that substantially exceed the 8% investment return assumption. As was true for past market downturns, MERS expects the markets to continue to rebound over time. By the time the 2008 market losses would be fully recognized (over the following 9 years), future market gains are expected to partly or fully offset 2008 market losses. This smoothing method is a powerful tool for reducing the volatility of the required employer contributions.

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If the investment markets do not fully make up the 2008 losses, employer contribution requirements can be expected to rise. MERS is doing everything it can to make sure that if this proves to be the case, the increases are incremental as opposed to steep.

To the best of our knowledge, the actuarial valuations are complete and accurate and are 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. **Based upon the valuation results, it is our opinion that the Municipal Employees' Retirement System of Michigan is meeting its basic financial objective and continues in sound condition in accordance with actuarial principles of level percent of payroll financing.**

Respectfully submitted,

Alan E. Sonnanstine, MAAA, ASA

Cathy Nagy, MAAA, FSA

W. James Koss, MAAA, ASA

AES/CN/WJK:lr

Gabriel Roeder Smith & Company

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

An actuarial valuation is the mathematical process that estimates plan liabilities and employer contribution requirements for the purpose 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 current language of the Municipal Employees' Retirement Act of 1984, as last amended by 2004 Public Act 490 embodied in the MERS Plan Document (as revised).

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

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

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 rate of pay increases to project member compensation in future years

Valuation assets (cash and investments) were valued for each municipality using a ten-year smoothing method. For the 2006 valuation and later, the

excess (shortfall) of actual investment income (including interest, dividends, realized and unrealized gains or losses) over the imputed income at the valuation interest rate, is considered the gain (loss) that is spread over ten years. Adopted 2006.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA). The Retirement Board adopted the assumptions used in the actuarial valuations after consulting with the actuary.

An individual entry age actuarial cost method of valuation was used to determine actuarial accrued liabilities and normal cost. Adopted 1994. The standard amortization periods used in the 2008 valuation are 28 years for positive unfunded liabilities, and 10 years for negative unfunded liabilities. At the March 11, 2009 Board meeting, the MERS Board voted to hold the 28-year amortization period for unfunded accrued liabilities in effect for the 2007 valuations, constant for the 2008 and 2009 valuations; then to let it decline by one year each year with the 2010 and beyond valuations until it reaches 20 years with the December 31, 2017 valuation. For divisions that are closed to new hires, the amortization period for positive unfunded liabilities is decreased annually by 2 years until the period reaches 5 years.

For employers that adopt E-1 or E-2 post-retirement benefit increases, retirement benefits are assumed to increase by an annual, non-compounded rate of 2.5%. Adopted 1981.

The most recent experience study for the system was completed in March 2005 and covered the period January 1, 1999, through December 31, 2003. All assumptions and method changes adopted in 2005 are based on the results of that study. A new experience study covering the period January 1, 2004 through December 31, 2008 will be reflected in the 2009 actuarial valuations.

The Accelerated Funding Credit (AFC) program has been replaced with a new, less complicated program of contribution credits for overfunded employee divisions. The new program eliminates the complexities of the AFC, simplifies the calculation of the required employer contribution rates, removes much of the variability and satisfies the requirement of the Governmental Accounting Standards Board. Adopted 2002.

There have been no recent changes in the nature of the plan that have had an impact on the system. Municipalities have the ability to modify plan provisions that apply to their individual plan. The individual municipality contribution rates are modified to account for changes in provisions of the plan selected by the municipality.

MERS staff has furnished the data about persons currently covered and present assets. Although examined for general reasonableness, the actuary has not audited the data.

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 when determining the contributions required to support the ultimate cost of benefits. The investment return rate used in making the valuations is 8% per year, compounded annually. Adopted 1981. This rate of return is not the assumed real rate of return. The real rate of return is the rate of investment return in excess of the inflation rate. Considering other financial assumptions, the 8% investment return rate translated to an assumed real rate of return of 3.5% in excess of inflation. Adopted 1998.

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

Retirement Rates

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

PROBABILITIES OF RETIREMENT FOR MEMBERS ELIGIBLE TO RETIRE

*Percent of Eligible Active Members Retiring Within The Next Year**

Retirement Ages	Without F50 or F55 or F(N)	With F55	With F50
50			22%
51			22
52			22
53			22
54			24
55		18%	18
56		15	14
57		10	16
58		15	18
59		20	18
60	20%	20	20
61	24	24	24
62	24	24	24
63	24	24	24
64	27	27	27
65	30	30	30
66	30	30	30
67	30	30	30
68	30	30	30
69	30	30	30
70	100	100	100

**Municipalities that adopted a nonstandard benefit multiplier after December 31, 1996, that is in excess of the B-4 2.5% multiplier, will have a retirement rate equal to 75% when they first reach the age at which unreduced plan benefits are available.*

did you know

There are 3,590 miles of track in Michigan.

(Michigan Railroads Association)

Each $1 billion in new rail investment creates 20,000 jobs.

(Association of American Railroads)

NORMAL RETIREMENT - SERVICE BASED BENEFIT F(N) ADOPTED

*Percent of Eligible Active Members Retiring Within the Next Year**

Age	Percent	Age	Percent	Age	Percent
41	22	51	22%	61	24%
42	22	52	22	62	24
43	22	53	22	63	24
44	22	54	24	64	27
45	22	55	18	65	30
46	22	56	14	66	30
47	22	57	16	67	30
48	22	58	18	68	30
49	22	59	18	69	30
50	22	60	20	70	100

** Municipalities that have adopted a nonstandard benefit multiplier after December 31, 1996 that is in excess of the B-4, 2.5% multiplier, will have a retirement rate equal to 75% at the first age at which unreduced plan benefits are available.*

EARLY RETIREMENT - REDUCED BENEFIT

Retirement Ages	Percent of Eligible Active Members Retiring Within Next Year
50	2%
51	2
52	3
53	5
54	8
55	4
56	4
57	4
58	6
59	8

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 due to 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. The scaling factor is reported in each municipality's annual actuarial report.

The base withdrawal rates are multiplied by a scaling factor to obtain the assumed withdrawal rates.

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

RATES OF WITHDRAWAL (EXCLUDING DEATH OR DISABILITY) FROM ACTIVE EMPLOYMENT BEFORE RETIREMENT

Sample Years of Service	% of Active Members Withdrawing Within the Next Year
0	20.0%
1	17.0
2	14.0
3	11.0
4	9.0
5	6.5
10	5.0
15	3.7
20	3.0
25	2.7
30	2.6
34 and over	2

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.

RATES OF WITHDRAWAL DUE TO DISABILITY*
PERCENT BECOMING DISABLED WITHIN NEXT YEAR

Sample Years of Service	Percent of Active Members 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 that have adopted disability provision D-2, 70% of the disabilities are assumed to be non-duty, and 30% are assumed to be duty related.*

Pay Increase

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

The pay increase assumption for sample ages is shown on the following page. The 4.5% wage inflation assumption was first used for the December 31, 1997 actuarial valuation. The merit and longevity pay increase assumption was first used for the December 31, 2004 actuarial valuation.

ANNUAL PERCENTAGE INCREASE IN SALARY

Sample Ages	Base Inflation	Merit and Longevity	Total Percentage Increase in Salary
20	4.50%	8.40%	12.90%
25	4.50	5.33	9.83
30	4.50	3.26	7.76
35	4.50	2.05	6.55
40	4.50	1.30	5.80
45	4.50	0.81	5.31
50	4.50	0.52	5.02
55	4.50	0.30	4.80
60	4.50	0.00	4.50

Inflation

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

The Board adopted a temporary 2% wage inflation for 5 years, 2010-2014, at the March 9, 2010 Board meeting, effective for 2009-2013 valuations.

Payroll Growth

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

Mortality Tables

In estimating the amount of reserves required at retirement to pay a member's benefit for the remainder of their lifetime, it is necessary to make an assumption. This is based on the probability of surviving until 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.

It is assumed that 90% of active members deaths are non-duty, and 10% of deaths are assumed to be duty related.

The life expectancies and mortality rates projected by the 1994 Group Annuity Mortality table for non-disabled and disabled members are shown below for selected ages.

NON – DISABLED

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

DISABLED

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

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Dec. 31	Participating Municipalities	Active Members	Active Members Annual Payroll	Annual Average Pay	Percent Increase in Average Pay	Persons on Deferred Status
1999	552	36,472	$ 1,179,274,854	$ 32,334	2.4	4,794
2000	560	36,573	1,225,992,204	33,522	3.7	5,303
2001	561	36,583	1,271,563,960	34,758	3.7	5,799
2002	575	37,043	1,327,360,448	35,833	3.1	5,510
2003	594	37,159	1,381,197,725	37,170	3.7	5,575
2004	615	36,766	1,437,211,517	39,091	5.2	5,804
2005	644	36,467	1,462,411,810	40,102	2.6	6,126
2006	668	36,846	1,545,886,480	41,955	4.6	6,235
2007	683	36,518	1,581,597,937	43,310	3.2	6,438
2008	692	36,092	1,624,855,145	45,020	3.9	6,662

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

	Added to Rolls		Removed From Rolls		End-of-Year Rolls	
Valuation Dec. 31	Retirees/ Beneficiaries Number	Annual Allowance	Retirees/ Beneficiaries Number	Annual Allowance	Retirees/ Beneficiaries Number	Annual Allowance
1999	1,312	$ 19,663,240	777	$ 5,592,269	15,325	$ 152,771,711
2000	1,319	23,588,044	369	2,810,133	16,275	173,549,622
2001	1,238	22,971,336	608	4,735,312	16,905	191,785,646
2002	1,275	25,079,342	642	5,882,066	17,538	210,982,922
2003	1,577	31,229,077	672	5,623,367	18,443	236,588,632
2004	1,553	32,303,049	725	6,669,694	19,271	262,221,987
2005	1,666	32,839,907	782	7,000,257	20,155	288,061,637
2006	2,071	38,752,141	762	4,291,133	21,464	322,522,645
2007	2,030	36,947,384	894	5,928,199	22,600	353,541,830
2008	2,015	43,573,642	783	5,156,426	23,832	391,959,046

	End-of-Year Rolls			
Valuation Dec. 31	Retirees/ Beneficiaries Number	Annual Allowance	% Increase in Annual Allowance	Average Annual Allowance
1999	15,325	$ 152,771,711	10.1	$ 9,969
2000	16,275	173,549,622	13.6	10,664
2001	16,905	191,785,646	10.5	11,345
2002	17,538	210,982,922	10.0	12,030
2003	18,443	236,588,632	12.1	12,828
2004	19,271	262,221,987	10.8	13,607
2005	20,155	288,061,637	9.9	14,292
2006	21,464	322,522,645	12.0	15,026
2007	22,600	353,541,830	9.6	15,643
2008	23,832	391,959,046	10.9	16,447

Solvency Test

The Solvency Test is another means of checking a retirement system's progress under its funding program, based on the aggregate accrued liability. In this test, the plan's present assets (actuarial value) are compared with obligations in order of priority: (1) active member contributions on deposit; (2) the present value of future benefits to present retired lives; (3) the aggregate accrued liability for present active members.

In a system that has been following the discipline of level percent of payroll financing, the obligation for active member contributions on deposit (present value 1) and the present value of future benefits to present retired lives (present value 2) will be fully covered by present assets (except in rare circumstances). In addition, the aggregate accrued liability for present active members (present value 3) will be partially covered by the remainder of present assets. Generally, if a retirement system has been using level cost financing, in the absence of benefit provision increases, the funded portion (of present value 3) will increase over time.

The Solvency Test illustrates the history of the obligation and reflects the MERS policy of following the discipline of level percent payroll financing. The solvency of the system remains sound. However, many municipalities have adopted richer benefits in recent years that have dampened the funding level. The system as a whole remains on track for meeting its obligations.

SOLVENCY TEST – (DOLLARS IN MILLIONS)

	Aggregate Accrued Liabilities				Portion of Accrued Liabilities Covered by Valuation Assets		
Valuation Date Dec. 31	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (Employer-Financed Portion)	Valuation Assets	(1)	(2)	(3)
1999	$ 305.5	$ 1,463.2	$ 2,066.9	$ 3,464.9	100	100	82.1
2000	318.4	1,744.6	2,334.0	3,787.2	100	100	73.9
2001	336.5	1,944.6	2,502.8	4,034.4	100	100	70.1
2002	359.2	2,159.1	2,662.8	4,133.0	100	100	60.6
2003	396.7	2,435.2	2,835.8	4,459.5	100	100	57.4
2004	422.5	2,696.6	3,045.7	4,732.2	100	100	53.0
2005	463.0	2,966.2	3,179.9	5,026.1	100	100	50.2
2006	518.0	3,314.5	3,355.2	5,493.8	100	100	49.5
2007	565.9	3,627.6	3,530.4	5,973.0	100	100	50.4
2008	591.9	4,029.2	3,700.7	6,245.5	100	100	43.9

SUMMARY OF PLAN DOCUMENT PROVISIONS DEFINED BENEFIT PLAN

The benefits summarized in this section are intended only as general information regarding the Municipal Employees' Retirement System. The CAFR and Valuation are not a substitute for the language of the MERS Act and the MERS Plan Document, as revised. If any conflict occurs between the information in this summary and the MERS Act or the MERS Plan Document, as revised, the provision of the Act and the MERS Plan Document govern.

The December 31, 2008 actuarial valuation was based on the provisions of the MERS Plan Document.

Eligibility for Retirement

Monthly retirement payments are made over the lifetime of the retirant and/or over the lifetime of the beneficiary. Payments are based on the choice of benefits adopted by each municipality and final payment option elected by the retiring member.

Vesting occurs after ten years of credited service unless the municipality selects a lesser number of years.

Final average compensation (FAC) is the highest monthly average of a member's compensation over a consecutive period of months of credited service. The municipality selects the number of months. FAC-3 is over a 36-month period, FAC-5 is over a 60-month period.

Normal retirement for a member occurs after vesting and attaining age 60. The municipality may choose other combinations of age and service such as age 55 and 15 years of service, age 50 and 25 years of service, etc. There is no mandatory retirement age.

Benefit Formula

The annual benefit equals a specified percentage of the member's FAC multiplied by the number of years and months of credited service. The plan has several benefit programs available. Percentages vary from 1.3% to 2.5% and may be selected by a participating municipality.

Early Retirement

Early retirement occurs if the vested member meets the credited service requirements but not the age requirement. The monthly payment is reduced (unless waived by the municipality) for each month the member is younger than the minimum retirement age.

Deferred Retirement

Deferred retirement occurs when an employee leaves MERS covered employment after vesting, but before reaching the minimum retirement age. The member or beneficiary will become eligible for the deferred allowance once they reach the minimum retirement age. However, the member's contributions must remain on deposit with MERS.

Disability Benefit – Duty or Non-Duty

Duty disability is available to a member who becomes totally and permanently disabled due to a duty-related injury or disease. This benefit is calculated like a normal allowance without regard to the vesting requirement or age. The benefit shall not be less than 25% of FAC.

Non-duty disability is available to a vested member who becomes totally and permanently disabled for reasons other than from duty-related causes. This allowance is calculated like a normal allowance without regard to age.

Benefits for duty and non-duty disability retirants who have not attained age 60 shall not exceed the difference between 100% of FAC, and the amount of the retirant's considered income. Future medical reexaminations may be required.

Survivor Benefit

Upon death of a vested non-retired member, the eligible surviving dependents would receive a portion of the normal retirement at the time of death. The surviving spouse would receive 85%. If no surviving spouse, each unmarried child under 21 would receive an equal share of 50%.

If the member suffers a duty death, the surviving spouse would receive the higher of 85% of the normal retirement at the time of death, or 25% of the FAC after waiver of the vesting requirement.

Post-Retirement Adjustments

Each municipality may elect to provide post-retirement adjustments to retirees and their beneficiaries. The municipality can choose one-time adjustments or an annual adjustment for all retirees, or for future retirees only. This cost of living adjustment (COLA)-type of increase is effective in January of each year.

Member Contributions

Each municipality elects the member contribution rate(s) for its employees.

Forms of Benefit Payment

The member elects one of the following payment options as part of the retirement application process. Once the election is made, selection is irrevocable after receipt of first payment. The options include:

1. Straight Life over the retirant's life only
2. A reduced benefit to cover retirant and beneficiary as long as either live
3. A reduced benefit to cover retirant for their lifetime and further reduced to 75% or 50% of the original reduced amount to cover beneficiary if the beneficiary outlives the retirant
4. A reduced benefit for the retirant's life guaranteed for a specified number of years. The reduced benefit continues for the beneficiary even if the retirant dies, but terminates after the guaranteed number of years

SUMMARY OF PLAN DOCUMENT PROVISIONS - HYBRID PROGRAM

The benefits summarized in this section are intended only as general information regarding the Municipal Employees' Retirement System. The CAFR and valuation are not a substitute for the language of the MERS Act and the MERS Plan Document, as revised. If any conflict occurs between the information in this summary and the MERS Act or the MERS Plan Document, as revised, the provision of the Act and the MERS Plan Document govern.

The December 31, 2008 actuarial valuation was based upon the provisions of the MERS Plan Document.

Part I - Defined Benefit Portion of Hybrid Program

Eligibility for Retirement

Monthly retirement payments are made over the lifetime of the retirant and/or over the lifetime of the beneficiary. Payments are based on the choice of benefits adopted by each municipality, and final payment option elected by the retiring member.

Vesting occurs after six years of credited service.

Final average compensation (FAC) is computed using the FAC-3 under the Defined Benefit Plan.

Normal retirement for a member occurs after vesting and reaching age 60. (There is not a mandatory or early retirement provision.)

Benefit Formula

The annual benefit equals a specified percentage of the member's FAC multiplied by the number of years and months of credited service. The plan has several benefit programs available. Percentages vary from 1.0% to 1.5% and may be selected by a participating municipality.

Deferred Retirement

Deferred retirement occurs when an employee leaves MERS covered employment after vesting, but before reaching age 60. The member or beneficiary will become eligible for the deferred allowance once they reach age 60.

Disability Benefit – Duty or Non-Duty

Duty disability is available to a member who becomes totally and permanently disabled due to a duty-related injury or disease. This benefit is calculated like a normal allowance without regard to the vesting requirement or age. The benefit shall not be less than 25% of FAC.

Non-duty disability is available to a vested member who becomes totally and permanently disabled for reasons other than duty-related causes. This allowance is calculated like a normal allowance without regard to age. Benefits for duty and non-duty disability retirants who have not attained age 60 shall not exceed the difference between 100% of FAC, and the amount of the retirant's considered income. Future medical reexaminations may be required.

Survivor Benefit

Upon death of a vested non-retired member, the eligible surviving dependents would receive a portion of the normal retirement at the time of death. The surviving spouse would receive 85%. If no surviving spouse, each unmarried child under 21 would receive an equal share of 50%. If the death were duty related, the surviving spouse would receive the higher of 85% or 25% of the FAC after waiver of the vesting requirement.

Post-Retirement Adjustments

There are no post retirement adjustments within the Hybrid Program.

Member Contributions

There are no member contributions.

Forms of Benefit Payment

The member elects one of the following payment options as part of the retirement application process. Once the election is made, selection is irrevocable after receipt of first payment. The options include:

1. Straight Life over the retirant's life only
2. A reduced benefit to cover retirant and beneficiary as long as either live
3. A reduced benefit to cover retirant for their lifetime, and further reduced to 75% or 50% of the original reduced amount to cover beneficiary if the beneficiary outlives the retirant
4. A reduced benefit for the retirant's life guaranteed for a specified number of years. The reduced benefit continues for the beneficiary even if the retirant dies, but terminates after the guaranteed number of years

Part II - Defined Contribution Portion of Hybrid Program

There are three vesting schedules that an employer can adopt: Immediate vesting upon participation, 100% vesting after stated years (the maximum vesting period is 5 years), or graded vesting percentages per year of service (must be 100% vested after 6 years).

Member contributions are vested immediately.

Changes in Plan Provisions

There have been no changes in the Plan Document that have had a material impact on the December 31, 2008, actuarial valuation.

Pursuant to a collective bargaining agreement, a participating municipality may provide for retirement benefits that are modifications of standard retirement benefits otherwise included in the plan, although the Hybrid Program is not modifiable. These modifications were taken into consideration when determining the municipality contribution rates on the December 31, 2008, actuarial valuation.