

**CITY OF ANN ARBOR
EMPLOYEES' RETIREMENT SYSTEM**

**Actuarial Valuation Report
as of June 30, 2011**

October 2011

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

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October 11, 2011

Board of Trustees
City of Ann Arbor Employees' Retirement System
Ann Arbor, Michigan

Certification of Actuarial Valuation

Ladies and Gentlemen:

This report summarizes the actuarial valuation results of City of Ann Arbor Employees' Retirement System as of June 30, 2011 performed by Buck Consultants, LLC.

The actuarial valuation is based on unaudited financial and member data provided by the Executive Director and staff of the Retirement System and summarized in this report. The benefits considered are those delineated in the plan as amended and restated effective June 30, 2011. The actuary did not verify the data submitted, but did perform tests for consistency and reasonableness.

All costs, liabilities and other factors under the Plan were determined in accordance with generally accepted actuarial principles and procedures. An actuarial cost method is used to measure the actuarial liabilities which we believe is reasonable. Buck Consultants, LLC is solely responsible for the actuarial data and actuarial results presented in this report. This report fully and fairly discloses the actuarial position of the Plan.

The City of Ann Arbor Employees' Retirement System is funded by Employer and Member Contributions in accordance with the funding policy adopted by the Retirement Board. The funding objective for the City of Ann Arbor Employees' Retirement System is to pay required contributions that remain level as a percent of Member Compensation. The Retirement Board has also established a funding policy objective that the required contributions be sufficient to pay the Normal Costs of active plan members, Plan expenses, and amortize the Unfunded Actuarial Accrued Liability as a level percent of Member Compensation over a declining period. As of this valuation, the period is 28 years. This period will continue to decrease 1 year for each year until reaching 25 years. The funding objective is currently being met and is projected to continue to be met in the future.

In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the Plan and reasonable long-term expectations, and represent our best estimate of the anticipated long-term experience under the Plan. The actuary performs an analysis of Plan experience periodically and recommends changes if, in the opinion of the actuary, assumption changes are needed to more accurately reflect expected future experience. A summary of the actuarial assumptions and methods used in this actuarial valuation are shown in Section 6 beginning on page 55.

The assumptions and methods used to determine the Annual Required Contributions (ARC) of the City of Ann Arbor Employees' Retirement System as outlined in this report and all supporting schedules meet the parameters and requirements for disclosure of Governmental Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans. Based on member data and asset information provided by the Executive Director and staff of the Retirement System, we have prepared the Schedule of Funding Progress and Schedule of Employer Contributions that are included in the Financial Section of the Comprehensive Annual Financial Report.

The undersigned are Enrolled Actuaries, a Fellow or Associate of the Society of Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. This report has been prepared in accordance with all Applicable Actuarial Standards of Practice. We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

Respectfully submitted,

BUCK CONSULTANTS, LLC



Larry Langer, ASA, MAAA, EA
Principal and Consulting Actuary



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Senior Consultant, Actuary

cc: Paul Wilkinson
Kevin Peng

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

EXECUTIVE SUMMARY

Overview

The City of Ann Arbor Employees' Retirement System provides pension and ancillary benefit payments to the terminated and retired employees of the City of Ann Arbor, Michigan. A Retirement Board comprised of employer, employee, and appointed representatives is responsible for administering the Plan and making investment decisions. This report presents the results of the actuarial valuation of the Plan benefits as of the valuation date of June 30, 2011.

Purpose

An actuarial valuation is performed on the retirement plan annually as of the beginning of the fiscal year. The main purposes of the actuarial valuation detailed in this report are:

1. To determine if the Board's funding policy for the Retirement Plan is being met considering current assets and the current employer and member contribution rates; or determine the employer contribution necessary to meet the Board's funding policy for the Plan;
2. To disclose the funding assets and liability measures as of the valuation date;
3. To disclose the accounting measures for the Plan required by GASB No. 25 as of the end of the last fiscal year;
4. To review the current funded status of the Plan;
5. To compare actual and expected experience under the Plan during the last fiscal year;
6. And to report trends in contributions, assets, liabilities, and funded status over the last several years.

This actuarial valuation provides a "snapshot" of the funded position of the Retirement Plan based on the plan provisions, membership, assets, and actuarial assumptions as of the valuation date. Actuarial projections are also performed to provide a long-term view of the expected future funding status and contribution patterns.

Membership

Actives: As of June 30, 2011, there were 664 employees in active service covered under the provisions of the Plan. The significant age, service, salary and accumulated contribution information for these employees is summarized below, along with comparative figures from the last actuarial valuation one year earlier.

	June 30, 2011	June 30, 2010
Number of active employees	664	728
Average age	45.1	45.0
Average years of service	12.8	12.6
Total annual valuation salary	\$45,921,382	\$48,688,316
Average annual salary	69,159	66,880
Total accumulated contributions	\$48,327,999	\$50,806,543
Average accumulated contributions	\$72,783	\$69,789

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The number of active members decreased by 8.8% from the previous valuation date. The average age of the active members increased by 0.1 years, and the average service increased by 0.2 years. The total annual valuation salary decreased by 5.6%. The average salary increased by 3.4% from the previous valuation.

Distributions of active members by age, service, and salary are given in Section 5.2 on page 39. The salaries shown for active members are the actual annualized Year salaries reported.

A schedule of active member data and reconciliation of the active membership from the previous year is shown in Sections 5.3 and 5.4 beginning on page 43.

Inactives: In addition to the active members, there were 135 inactive vested members who did not elect to receive their accumulated contributions when they left covered employment. The significant age and annual benefit information for these inactive members is summarized below with comparative figures from the last actuarial valuation one year earlier.

	June 30, 2011	June 30, 2010
Number of inactive members	135	127
Average age	50.4	50.1
Average annual benefit payments	\$10,812	\$10,860

The number of inactive vested members increased by 6.3% from the previous valuation. The average age of the inactive vested members increased by 0.3 years. The Average Monthly Pension Benefit for these members decreased by 0.4% from the previous valuation.

Distributions of inactive members by age and pension benefit are given in Section 5.9 on page 50.

Retirees and Beneficiaries: In addition to the active and inactive members, there were 798 retired members and 135 beneficiaries who are receiving monthly benefit payments on the valuation date. The significant age and annual benefit information for these members are summarized below with comparative figures from the last actuarial valuation performed one year earlier.

	June 30, 2011	June 30, 2010
Number of members receiving payments		
➤ Retirees	798	751
➤ Beneficiaries	135	128
➤ Total	933	879
Average age	67.2	67.2
Annual benefit amounts		
➤ Retirees	\$26,450,403	\$24,585,720
➤ Beneficiaries	\$2,713,471	\$2,495,906
➤ Total	\$29,163,874	\$27,174,651
Average annual benefit payments	\$31,258	\$30,915

The number of retired members and beneficiaries increased by 6.1% from the previous valuation date. The average age of the retired members remained the same. The total annual benefit payments for these members increased by 7.3% from the previous valuation date.

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Distributions of retired members by age and form of payment are given in Section 5.6 through 5.9 on pages 46 through 49.

In our opinion, the membership data collected and prepared for use in this actuarial valuation meets the data quality standards required under Actuarial Standards of Practice No. 23.

Plan Assets

The Plan's assets are held in trust and invested for the exclusive benefit of plan members. The trust is funded by member and employer contributions, and pays benefits directly to eligible members in accordance with plan provisions. The assets are audited annually and are reported at fair value. On a fair value basis, the Plan has Net Assets Available for Benefits of \$415.2 million as of June 30, 2011. This includes an increase of \$66.6 million over the Net Assets Available for Benefits of \$348.6 million as of June 30, 2010. During the prior year, the fair value of assets experienced an investment rate of return of 23.4%.

In order to reduce the volatility investment gains and losses can have on the Plan's actuarially required contribution and funded status, the Board has adopted a five-year smoothing method to determine the actuarial value of assets used for funding purposes. This method recognizes gains and losses, i.e. the difference between actual investment return during the year and the expected return based on the valuation interest rate, on a level basis over a five year period. In our opinion, this method complies with Actuarial Standards of Practice No. 44.

As of June 30, 2011, the assets available for benefits on an actuarial value basis were \$423.7 million. This includes an increase of \$2.3 million over the actuarial value of assets of \$421.4 million as of June 30, 2010. During the prior year, the actuarial value of assets experienced an actuarial rate of return of 3.8%.

A summary of the assets held for investment, a summary of changes in assets, and the development of the actuarial value of assets is shown in Section 2 beginning on page 17.

Actuarial Experience

Differences between the expected experience based on the actuarial assumptions and the actual experience create changes in the actuarial accrued liability, actuarial value of assets, and the unfunded actuarial accrued liability from one year to the next. These changes create an actuarial gain if the experience is favorable, and an actuarial loss if the experience is unfavorable. The Plan experienced a total net actuarial loss of \$17.2 million during the prior year. This net loss is about 3.7% of the plan's prior year actuarial accrued liability. The net loss is a combination of two principal factors, demographic experience and investment performance.

The demographic experience tracks actual changes in the plan's population compared to the assumptions for decrements such as mortality, turnover, and retirement, as well as pay increases. The Plan experienced a demographic loss of \$3.8 million during the year ending June 30, 2011. This loss increased the unfunded actuarial accrued liability by \$3.8 million and decreased the funded ratio by 0.9%.

Continued tracking of the demographic experience is warranted in order to confirm the appropriateness of the actuarial assumptions. Details of the demographic, economic, and other assumptions used to value the plan liabilities and normal cost can be found in Section 6. In our opinion, the economic assumptions comply with Actuarial Standards of Practice No. 27 and the demographic assumptions comply with Actuarial Standards of Practice No. 35.

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On the asset side, the Plan experienced a loss on an actuarial value of assets basis. The actual rate of return on the actuarial value of plan assets for the year ending June 30, 2011 was approximately 3.8% compared to the assumption of 7.0%, resulting in an asset loss of \$13.4 million. This loss increased the unfunded actuarial accrued liability by \$13.4 million and decreased the funded ratio by 3.2%.

The rate of return on the fair value of assets for the year ending June 30, 2011 was higher than the assumed rate of 7.0%. The actuarial value of the assets recognizes only 20% of the 2011 gain on fair value, delaying the recognition of the remaining 80% over the next four years. Moreover, the actuarial value of assets also recognizes deferred portions of prior years' gains and losses on fair value. The investment loss recognized this year is primarily due to the investment losses suffered in 2008 and 2009. It should be noted that the plan's assumed asset return of 7.0% is a long-term rate and short-term performance is not necessarily indicative of expected long-term future returns.

A summary of the actuarial gains and losses experienced during the prior year is shown in Section 1.3.

Actuarial Contributions

The Board has adopted a Funding Policy that requires contributions to be sufficient to pay the normal cost and amortize the unfunded actuarial accrued liability over a declining period. As of this valuation, the period is 28 years. This period will continue to decrease 1 year for each year until reaching 25 years for fiscal years beginning on and after July 1, 2014.

The normal cost represents the cost of the benefits that accrue during the year for active members under the Entry Age Actuarial Cost Method. It is determined as a level percentage of pay which, if paid from entry age to the assumed retirement age, assuming all the actuarial assumptions are exactly met by experience would accumulate to a fund sufficient to pay all benefits provided by the Plan. The expected member contributions are subtracted from this amount to determine the employer normal cost. The employer normal cost for 2011 has been determined to be \$6.4 million, or 13.05% of pay. This represents a decrease in the employer normal cost rate of 0.11% of pay from last year's employer normal cost rate of 13.16%.

The cost method also determines the actuarial accrued liability which represents the value of all accumulated past normal cost payments. This amount is compared to the actuarial value of assets to determine if the Plan is ahead or behind in funding as of the valuation date. The difference between the total actuarial accrued liability and the actuarial value of assets equals the amount of unfunded actuarial accrued liability or surplus (if negative) on the valuation date. This amount is amortized and added to the employer normal cost to determine the annual actuarially required employer contribution for the year.

The unfunded actuarial accrued liability as of June 30, 2011 is \$57.6 million. This represents an increase of \$ 12.1 million in the unfunded actuarial accrued liability from last year's amount of \$45.5 million. The annual payment required to amortize the unfunded actuarial accrued liability of \$57.6 million as of June 30, 2011 is \$3.3 million, or 6.76% of pay.

The annual actuarially required employer contribution for 2013 is \$9.7 million, or 19.8% of pay. This represents an increase of \$0.3 million in the employer contribution amount of \$9.4 million for 2012, or an increase of 1.70% of pay from last year's employer contribution rate of 18.1%.

The actuarial liabilities and development of the annual actuarial employer contribution is shown in Sections 1.1 and 1.2 beginning on page 9.

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In our opinion, the measurement of the benefit obligations and determination of the actuarial cost of the Plan is performed in compliance with Actuarial Standards of Practice No. 4.

Funded Status

The funded status is a measure of the progress that has been made in funding the plan as of the valuation date. It is determined as a ratio of the actuarial value of assets divided by the total actuarial accrued liability on the valuation date. A ratio of over 100% represents a plan that is ahead in funding, and a ratio of less than 100% represents a plan that is behind in funding on the valuation date.

As of June 30, 2011 the funded ratio of the Plan is 88.0%. This represents a decrease of 2.3% from last year's funded ratio of 90.3% as of June 30, 2010.

A history of the unfunded actuarial accrued liability and the funded ratio is shown in Section 1.6 on page 14.

Accounting Information

The Governmental Accounting Standards Board (GASB) issues statements which establish financial reporting standards for defined benefit pension plans and accounting for the pension expenditures and expenses for governmental employers. The required financial reporting information for the Plan and the Employer under GASB No. 25 can be found in Section 3 beginning on page 25.

Projections

As part of the annual actuarial valuation, a forecast of expected future valuation results is performed over a 30 year period beginning on the valuation date. This analysis provides a dynamic look into the future to identify trends in future employer contributions and funded status. The forecast replaces active members who are assumed to decrement (terminate, retire, etc.) during the period with new employees resulting in a stable active membership. The forecast assumes all actuarial assumptions are exactly realized each year during the forecast period. A sensitivity analysis is also included to show the impact the investment return assumption can have on the future funding measures. The results of these forecasts can be found in Section 4 beginning on page 29.

Changes in Plan Provisions

The change in benefits or other plan provisions considered in this actuarial valuation since the last valuation performed as of June 30, 2010 is that AAPOA for Police Service Specialists, pension contribution changed to 6% pretax effective on August 14, 2011.

Other changes that have been made but were not reflected in this valuation but are reflected in the projections are:

- Non-union new hires and rehires effective 7/1/2011 will have to have 10 years of vesting service to become vested in a retirement benefit. In determining benefits, 5 years of salary will be used to determine a participant's average salary.
- AFSCME new hires on or after 8/29/2011 will have to have 10 years of vesting service to become vested in a retirement benefit. In determining benefits, 5 years of salary will be used to determine a participant's average salary.

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

- AAPOA new hires on or after 1/1/2012 will have to contribute 6% of salary. Also, they will have to have 10 years of vesting service to become vested in a retirement benefit. In determining benefits, 5 years of salary will be used to determine a participant's average salary.

Changes in Actuarial Assumptions, Methods, or Procedures

There have been no changes in the actuarial assumptions, actuarial cost method, asset valuation method, or valuation procedures since the last actuarial valuation performed as of June 30, 2010.

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Comparative Summary of Key Actuarial Valuation Results

	Actuarial Valuation as of	
	June 30 ,2011	June 30 ,2010
Summary of Member Data		
Number of Members Included in the Valuation		
· Active Members	664	728
· Inactive Members	135	127
· Retirees and beneficiaries	933	879
· Total	1,732	1,734
Annual Payroll		
· Average (actual)	69,159	66,880
Annual Benefit Payments		
· Inactive Members(Average)	10,812	10,860
· Retirees and beneficiaries (Average)	31,258	30,915
Summary of Assets		
Fair Value		
· <i>Rate of Return</i>	23.4%	12.5%
Actuarial Value		
· <i>Rate of Return</i>	3.8%	1.6%
Summary of Liabilities		
Total Actuarial Accrued Liability	481,330,042	466,883,063
Actuarial Value of Assets	423,734,206	421,386,799
Unfunded Actuarial Accrued Liability	57,595,836	45,496,264
Funded Ratio	88.03%	90.26%
Maturity Ratio	68.14%	65.60%
Actuarial Employer Contribution Rate		
Employer Normal Cost Rate	13.05%	13.16%
Amortization of Unfunded Actuarial Accrued Liability (Surplus) Rate	6.76%	4.94%
Employer Actuarial Contribution Rate	19.81%	18.10%
Employee Contribution Rate	5.47%	5.44%
Total Actuarial Contribution Rate	25.28%	23.54%
Actual/Statutory Contribution Rate	25.28%	23.54%
Funding Period (years)	28	29

Section 1

Actuarial Funding Results

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 1.1

Actuarial Liabilities and Normal Cost

Actuarial Liabilities	General Members	Police Members	Fire Members	Totals
1. Present Value of Projected Benefits				
Active Members				
• Retirement Benefits	101,183,324	62,375,232	35,259,894	198,818,450
• Withdrawal Benefits	9,412,285	398,507	591,131	10,401,923
• Disability Benefits	4,267,325	2,058,648	349,732	6,675,705
• Death Benefits	1,184,406	287,009	271,126	1,742,541
Total	116,047,340	65,119,396	36,471,883	217,638,619
2. Inactive Members with Deferred Benefits	7,209,898	754,407	279,914	8,244,219
3. Retired Members and Beneficiaries Receiving Benefits	166,420,899	85,589,955	67,709,373	319,720,227
4. Total Present Value of Projected Benefits (1. + 2. + 3.)	289,678,137	151,463,758	104,461,170	545,603,065
5. Present Value of Future Normal Costs	36,396,149	17,189,834	10,687,040	64,273,023
6. Total Actuarial Accrued Liability (4. - 5.)	253,281,988	134,273,924	93,774,130	481,330,042

Normal Cost	General Members	Police Members	Fire Members	Totals
1. Active Members				
a. Retirement Benefits	13.32%	20.40%	19.66%	
b. Withdrawal Benefits	2.47%	0.44%	0.72%	
c. Disability Benefits	0.83%	0.98%	0.28%	
d. Death Benefits	0.17%	0.10%	0.16%	
2. Total Normal Cost (As a % of pay*)	16.79%	21.92%	20.82%	18.52%
3. Expected Member Contribution(As a % of pay*)^	5.51%	5.03%	6.00%	5.47%
4. Expected Member Contribution(Dollar amount*)	1,713,563	564,687	411,928	2,690,178
5. Employer Normal Cost (As a % of pay*)	11.28%	16.89%	14.82%	13.05%
6. Employer Normal Cost (Dollar amount*)	3,507,984	1,896,134	1,017,462	6,421,580

*City's dollar contribution includes a payroll projection factor of 1.0712 to project active member payroll to the applicable fiscal year

^Weighted average

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Section 1.2

Actuarial Contributions

Development of Employer Contribution	Fiscal Year Ending June 30, 2013	Fiscal Year Ending June 30, 2012
1. Annual Payroll*	49,190,984	52,154,924
2. Total Actuarial Accrued Liability		
a. Active Members		
i. Retirement Benefits	143,100,180	n/a
ii. Withdrawal Benefits	5,123,049	n/a
iii. Death Benefits	1,216,589	n/a
iv. Disability Benefits	3,925,778	n/a
v. Total	153,365,596	160,586,798
b. Inactive Members with Deferred Benefits	8,244,219	7,484,507
c. Retired Members and Beneficiaries Receiving Benefits	319,720,227	298,811,758
d. Total (2.a.v. + 2.b. + 2.c.)	481,330,042	466,883,063
3. Actuarial Value of Assets	423,734,206	421,386,799
4. Unfunded Actuarial Accrued Liability (UAAL) (2.d - 3.)	57,595,836	45,496,264
5. Funded Ratio (3. / 2.d)	88.03%	90.26%
6. Maturity Ratio [(2.b + 2.c) / 2.d]	68.14%	65.60%
7. UAAL as a Percent of Annual Payroll (4. / 1.)	117.09%	87.23%
8. Amortization Payment for UAAL**		
a. Amount	3,326,930	2,576,290
b. As a % of pay	6.76%	4.94%
9. Employer Normal Cost		
a. Amount	6,421,580	6,863,972
b. As a % of pay	13.05%	13.16%
10. Actuarial Employer Contribution		
a. Amount	9,748,510	9,440,262
b. As a % of pay	19.81%	18.10%
11. Funding Period (years)	28	29

*Includes a payroll projection factor of 1.0712 to project active member payroll to the applicable fiscal year

** At the October 15, 2009 Board meeting, the Board adopted a 30-year amortization for the fiscal year ending June 30, 2011 contribution. This period is scheduled to decline by one year each year until fiscal year ending June 30, 2015 and thereafter when a 25-year amortization period is used.

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Section 1.3

Actuarial (Gain) / Loss (\$'s in 000's)

Development of Actuarial (Gain) / Loss	Amount
1. Expected Actuarial Accrued Liability	
a. Actuarial Accrued Liability at June 30, 2010	466,883
b. Normal Cost at June 30, 2010	6,864
c. Interest on a. + b. to End of Year	33,162
d. Benefit Payments and Administrative Expenses for June 30, 2010 , with Interest to End of Year	29,395
e. Expected Actuarial Accrued Liability Before Changes (a. + b. + c. - d.)	477,514
f. Change in Actuarial Accrued Liability at June 30, 2011 , Due to Change in Actuarial Assumptions	0
g. Change in Actuarial Accrued Liability at June 30, 2011 , Due to Change in Plan Provisions	0
h. Expected Actuarial Accrued Liability at June 30, 2011 (e. + f. + g.)	477,514
2. Actuarial Accrued Liability at June 30, 2011	481,330
3. Liability (Gain) / Loss (2. - 1.h.)	3,816
4. Expected Actuarial Value of Assets	
a. Actuarial Value of Assets at June 30, 2010	421,387
b. Interest on a. to End of Year	29,497
c. Contributions Made for June 30, 2010	15,092
d. Interest on c. to End of Year	528
e. Benefit Payments and Administrative Expenses for June 30, 2010 , with Interest to End of Year	29,395
f. Change in Actuarial Value of Assets at June 30, 2011 due to Change in Method	0
g. Expected Actuarial Value of Assets at June 30,2011 (a. + b. + c. + d. - e. - f.)	437,109
5. Actuarial Value of Assets as of June 30, 2011	423,734
6. Actuarial Asset (Gain) / Loss (4.g. - 5.)	13,375
7. Actuarial (Gain) / Loss (3. + 6.)	17,191

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Section 1.4

Analysis of Financial Experience

Analysis of Actuarial (Gains) and Losses

Resulting From Differences Between Assumed Experience and Actual Experience

(\$'s in 000's)

Type of (Gain) or Loss	Year End June 30, 2011	As a % of Last Year's AAL
(1) COLA Experience	0	0.00%
(2) Salary Experience	(2,040)	-0.44%
(3) Investment Experience	13,375	2.86%
(4) Demographic Experience	531	0.11%
(5) Contribution Shortfall	0	0.00%
(6) (Gain) or Loss During Year From Experience, (1) + (2) + (3) + (4) + (5)	11,866	2.54%
(7) Asset Valuation Method	0	0.00%
(8) Past Service Amortization Change	0	0.00%
(9) Assumption and Method Changes	0	0.00%
(10) Benefit Changes	32	0.01%
(11) Other(turnover, retirement ages, service purchase, etc.)	5,293	1.13%
(12) Total (Gain) or Loss During Year, (6) + (7) + (8) + (9) + (10)+ (11)	17,191	3.68%

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Section 1.5

Actuarial Balance Sheet

Financial Resources	June 30, 2011
1. Actuarial Value of Assets	423,734,206
2. Present Value of Future Contributions	
(a) Expected Member contributions	18,976,127
(b) Employer Normal Cost	45,296,896
(c) State Appropriations	0
(d) Total	64,273,023
3. Unfunded Actuarial Accrued Liability/(Reserve)	57,595,836
4. Total Assets [1 + 2(d) + 3]	545,603,065

Benefit Obligations	June 30, 2011
1. Present Value of Future Benefits	
(a) Active members	217,638,619
(b) Inactive members	8,244,219
(c) Retirees, disabilities and beneficiaries	319,720,227
(d) Total	545,603,065

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 1.6

History of UAAL and Funded Ratio (\$'s in 000's)

Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Funded Ratio (AVA as a % of AAL)	Unfunded Actuarial Accrued Liability (UAAL)
June 30, 2002	336,340	426,440	126.79%	(90,100)
June 30, 2003	352,296	417,623	118.54%	(65,327)
June 30, 2004@	370,409	409,324	110.51%	(38,915)
June 30, 2005	384,369	398,690	103.73%	(14,321)
June 30, 2006	407,302	398,258	97.78%	9,044
June 30, 2007	413,490	413,712	100.05%	(222)
June 30, 2008@*	430,438	428,689	99.59%	1,749
June 30, 2009^	455,219	426,283	93.64%	28,936
June 30, 2010*	466,883	421,387	90.26%	45,496
June 30, 2011	481,330	423,734	88.03%	57,596

*The Retirement System provisions were amended.

^ Amortization period was changed from 15 to 30.

@ Reflects a change in valuation assumptions.

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 1.7

Solvency Test (\$'s in 000's)

Valuation Date	Aggregate Accrued Liability For:			Valuation Assets (000's)	Portion of Accrued Liabilities Covered by Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions (000's)	Inactive Members (000's)	Active Members (Employer- Financed Portion) (000's)				
June 30, 2009	2,815	276,709	175,695	426,283	100.00%	100.00%	83.53%
June 30, 2010	3,148	306,296	157,439	421,387	100.00%	100.00%	71.10%
June 30, 2011	2,790	327,964	150,576	423,734	100.00%	100.00%	61.75%

Section 2

Plan Assets

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 2.1

Summary of Fair Value of Assets

Asset Category	Fair Value as of June 30, 2011		Fair Value as of June 30, 2010	
	Amount	%	Amount	%
1. Cash and Short-Term Investments				
a. Cash in Bank	21,362	0.01%	2,436	0.00%
b. Other short-term	15,171,748	3.60%	17,588,936	5.00%
c. Total	15,193,110	3.61%	17,591,372	5.00%
2. Investments at Fair Value				
a. U.S. Treasury Notes	0	0.00%	0	0.00%
b. Fixed Income	118,165,274	28.04%	101,089,795	28.74%
c. Domestic Stocks and Equity	271,967,024	64.54%	209,713,383	59.62%
d. International Equity	0	0.00%	0	0.00%
e. Real Estate	12,144,809	2.88%	22,880,265	6.51%
f. Fund of Hedge Funds	0	0.00%	0	0.00%
g. Total	402,277,107	95.46%	333,683,443	94.87%
3. Other Assets	3,946,765	0.94%	456,740	0.13%
4. Total Assets (1.c + 2.g + 3.)	421,416,982	100.00%	351,731,555	100.00%
5. Receivables				
a. Interest and Dividends	0		0	
b. Investments Sold	0		0	
c. Other Receivables	13,389		7,011,749	
d. Total	13,389		7,011,749	
6. Payables				
a. Payable for Investments Purchased	0		0	
b. Securities Lending Obligation in Excess of Collateral	0		0	
c. Accounts Payable and Accrued Liabilities	6,222,277		10,132,744	
d. Total	6,222,277		10,132,744	
7. Net Assets for Pension Benefits [4. + 5.d – 6.d.]	415,208,094		348,610,560	

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 2.2

Changes in Fair Value of Assets

Transactions	June 30, 2011	June 30, 2010
Additions		
1. Contributions		
a. Contributions from Employers	12,301,853	12,538,412
b. Contributions from Plan Members	2,790,424	3,148,209
c. Total	15,092,277	15,686,621
2. Net Investment Income		
a. Interest and Dividends	17,602,593	7,421,313
b. Net Appreciation(Depreciation)	63,897,596	33,596,687
c. Rental Income	0	0
d. Net Securities Lending Income	0	0
e. Securities Lending Unrealized Gain/(Loss)	0	0
f. Miscellaneous	7,758	35,747
g. Total	81,507,947	41,053,747
h. Investment Expense	1,104,102	1,151,258
i. Net Investment Income	80,403,845	39,902,489
3. Total Additions	95,496,122	55,589,110
Deductions		
4. Benefits and Expenses		
a. Retirement Benefits	27,597,831	26,874,321
b. Refund of Contributions	803,407	639,911
c. Death	0	0
d. Supplemental Payment	0	0
e. Administrative Expenses	497,350	628,430
5. Total Deductions	28,898,588	28,142,662
6. Net Increase	66,597,534	27,446,448
7. Net Assets Held in Trust for Pension Benefits		
a. Beginning of Year	348,610,560	321,164,113
b. End of Year	415,208,094	348,610,560

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 2.3

Actuarial Value of Assets

Development of Actuarial Value of Assets	Amount																								
1. Actuarial Value of Assets as of June 30, 2010	421,386,799																								
2. Unrecognized Return as of June 30, 2010	(72,776,239)																								
3. Fair Value of Assets as of June 30,2010(1. + 2.)	348,610,560																								
4. Contributions																									
(a) Member (includes purchased service)	2,790,424																								
(b) Employer	12,301,852																								
(c) State appropriations	0																								
(d) Total	15,092,276																								
5. Distributions																									
(a) Benefit payments	27,597,831																								
(b) Refund of contributions	803,407																								
(c) Total	28,401,238																								
6. Expected Return at 7.00% on																									
(a) Item 1	29,497,076																								
(b) Item 2	(5,094,337)																								
(c) Item 4 (d)	528,230																								
(d) Item 5 (c)	994,043																								
(e) Total [(a) + (b) + (c) – (d)]	23,936,926																								
7. Actual Return on Fair Value for Fiscal year, Net of Investment Expenses	79,906,496																								
8. Return to be Spread for Fiscal year (7. – 6.e+6.b)	50,875,233																								
9. Total Fair Value of Assets as of June 30, 2011	415,208,094																								
10. Return to be Spread																									
<table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr style="background-color: #e0e0e0;"> <th style="text-align: left;">Fiscal Year</th> <th style="text-align: right;">Return to be Spread</th> <th style="text-align: right;">Unrecognized Percent</th> <th style="text-align: right;">Unrecognized Return</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2011</td> <td style="text-align: right;">50,875,233</td> <td style="text-align: right;">80%</td> <td style="text-align: right;">40,700,186</td> </tr> <tr> <td style="text-align: center;">2010</td> <td style="text-align: right;">9,848,233</td> <td style="text-align: right;">60%</td> <td style="text-align: right;">5,908,940</td> </tr> <tr> <td style="text-align: center;">2009</td> <td style="text-align: right;">(110,917,005)</td> <td style="text-align: right;">40%</td> <td style="text-align: right;">(44,366,802)</td> </tr> <tr> <td style="text-align: center;">2008</td> <td style="text-align: right;">(53,842,180)</td> <td style="text-align: right;">20%</td> <td style="text-align: right;">(10,768,436)</td> </tr> <tr> <td colspan="3" style="text-align: right;">Total</td> <td style="text-align: right;">(8,526,112)</td> </tr> </tbody> </table>	Fiscal Year	Return to be Spread	Unrecognized Percent	Unrecognized Return	2011	50,875,233	80%	40,700,186	2010	9,848,233	60%	5,908,940	2009	(110,917,005)	40%	(44,366,802)	2008	(53,842,180)	20%	(10,768,436)	Total			(8,526,112)	
Fiscal Year	Return to be Spread	Unrecognized Percent	Unrecognized Return																						
2011	50,875,233	80%	40,700,186																						
2010	9,848,233	60%	5,908,940																						
2009	(110,917,005)	40%	(44,366,802)																						
2008	(53,842,180)	20%	(10,768,436)																						
Total			(8,526,112)																						
11. Actuarial Value of Assets (9. – 10.)	423,734,206																								
12. Recognized Rate of Return for the Year on Actuarial Value of Assets	3.78%																								
13. Rate of Return for the Year on Market Value of Assets	23.37%																								

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 2.4

Historical Asset Rate of Return

Year Ending June 30	Actuarial Value Annual Recognized Rate of Return	Fair Value Annual Market Rate of Return
2002	4.60%	-3.90%
2003	2.50%	0.60%
2004	2.60%	11.90%
2005	1.90%	8.20%
2006	4.30%	8.60%
2007	8.50%	16.30%
2008	7.20%	-5.70%
2009	1.30%	-20.00%
2010	1.60%	12.50%
2011	3.78%	23.37%

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 2.5

Forecast of Expected Benefit Payments

Year Ending June 30	Active Employees				Retired Members, Disabled Members and Beneficiaries				Grand Total			
	General Members	Police Members	Fire Members	Subtotal	General Members	Police Members	Fire Members	Subtotal	General Members	Police Members	Fire Members	Subtotal
2011	247,441	105,965	124,587	477,993	15,362,789	7,479,887	6,284,896	29,127,572	15,610,230	7,585,852	6,409,483	29,605,565
2012	814,497	346,260	266,237	1,426,994	15,211,843	7,434,286	6,208,575	28,854,704	16,026,340	7,780,546	6,474,812	30,281,698
2013	1,442,461	609,918	408,484	2,460,863	15,052,345	7,382,767	6,126,909	28,562,021	16,494,806	7,992,685	6,535,393	31,022,884
2014	2,159,817	972,640	563,883	3,696,340	14,919,538	7,324,854	6,040,215	28,284,607	17,079,355	8,297,494	6,604,098	31,980,947
2015	3,013,389	1,426,776	723,280	5,163,445	14,687,577	7,260,008	5,948,732	27,896,317	17,700,966	8,686,784	6,672,012	33,059,762
2016	3,871,393	1,955,858	968,104	6,795,355	14,515,139	7,187,787	5,852,612	27,555,538	18,386,532	9,143,645	6,820,716	34,350,893
2017	4,730,399	2,614,921	1,315,472	8,660,792	14,248,545	7,107,760	5,751,758	27,108,063	18,978,944	9,722,681	7,067,230	35,768,855
2018	5,591,455	3,294,404	1,683,457	10,569,316	14,060,616	7,019,495	5,667,884	26,747,995	19,652,071	10,313,899	7,351,341	37,317,311
2019	6,481,630	3,901,675	2,040,531	12,423,836	13,888,008	6,922,604	5,556,576	26,367,188	20,369,638	10,824,279	7,597,107	38,791,024
2020	7,409,783	4,488,921	2,312,256	14,210,960	13,706,403	6,841,696	5,439,583	25,987,682	21,116,186	11,330,617	7,751,839	40,198,642
2021	8,346,379	5,193,163	2,653,729	16,193,271	13,480,500	6,726,501	5,316,582	25,523,583	21,826,879	11,919,664	7,970,311	41,716,854
2022	9,243,766	5,964,398	2,950,158	18,158,322	13,222,142	6,601,947	5,187,226	25,011,315	22,465,908	12,566,345	8,137,384	43,169,637
2023	10,090,280	6,640,681	3,288,206	20,019,167	12,948,835	6,487,271	5,051,291	24,487,397	23,039,115	13,127,952	8,339,497	44,506,564
2024	10,906,458	7,245,507	3,614,413	21,766,378	12,638,092	6,343,648	4,908,749	23,890,489	23,544,550	13,589,155	8,523,162	45,656,867
2025	11,706,841	7,778,697	3,946,269	23,431,807	12,354,941	6,239,843	4,759,520	23,354,304	24,061,782	14,018,540	8,705,789	46,786,111
2026	12,528,332	8,241,553	4,317,938	25,087,823	12,078,405	6,077,409	4,603,616	22,759,430	24,606,737	14,318,962	8,921,554	47,847,253
2027	13,342,230	8,722,159	4,649,213	26,713,602	11,769,035	5,905,948	4,441,186	22,116,169	25,111,265	14,628,107	9,090,399	48,829,771
2028	14,165,957	9,096,339	4,929,686	28,191,982	11,468,446	5,734,923	4,308,919	21,512,288	25,634,403	14,831,262	9,238,605	49,704,270
2029	14,937,997	9,260,253	5,128,699	29,326,949	11,160,475	5,593,257	4,133,819	20,887,551	26,098,472	14,853,510	9,262,518	50,214,500
2030	15,703,373	9,324,279	5,285,631	30,313,283	10,777,804	5,396,946	3,953,106	20,127,856	26,481,177	14,721,225	9,238,737	50,441,139
2031	16,351,780	9,296,620	5,427,443	31,075,843	10,398,125	5,202,778	3,767,425	19,368,328	26,749,905	14,499,398	9,194,868	50,444,171
2032	16,827,458	9,222,578	5,536,887	31,586,923	9,993,762	4,992,532	3,577,530	18,563,824	26,821,220	14,215,110	9,114,417	50,150,747
2033	17,166,338	9,118,874	5,572,815	31,858,027	9,559,765	4,776,493	3,384,312	17,720,570	26,726,103	13,895,367	8,957,127	49,578,597
2034	17,387,543	9,006,260	5,578,302	31,972,105	9,144,016	4,555,525	3,188,731	16,888,272	26,531,559	13,561,785	8,767,033	48,860,377
2035	17,584,496	8,873,482	5,552,770	32,010,748	8,707,627	4,330,657	2,999,191	16,037,475	26,292,123	13,204,139	8,551,961	48,048,223
2036	17,612,024	8,735,192	5,492,241	31,839,457	8,246,268	4,102,968	2,802,205	15,151,441	25,858,292	12,838,160	8,294,446	46,990,898
2037	17,496,302	8,588,248	5,428,697	31,513,247	7,778,024	3,882,696	2,606,378	14,267,098	25,274,326	12,470,944	8,035,075	45,780,345
2038	17,338,537	8,407,441	5,312,299	31,058,277	7,294,592	3,652,351	2,412,972	13,359,915	24,633,129	12,059,792	7,725,271	44,418,192
2039	17,089,358	8,212,322	5,185,871	30,487,551	6,807,207	3,422,239	2,223,210	12,452,656	23,896,565	11,634,561	7,409,081	42,940,207
2040	16,740,019	8,002,416	5,063,453	29,805,888	6,318,798	3,193,523	2,038,337	11,550,658	23,058,817	11,195,939	7,101,790	41,356,546
2041	16,297,022	7,777,363	4,913,056	28,987,441	5,832,714	2,967,428	1,859,477	10,659,619	22,129,736	10,744,791	6,772,533	39,647,060

Note: Forecast based on the present employees without assumption about replacement employees.

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 2.6

Analysis of Changes In Reserves For The Year Ended June 30, 2011

	Reserve for Employee Contributions	--- Reserve for Employer Contributions ---			Reserve for Retired Benefit Payments	Total Reserves
		Regular Account	Undistributed Investment Income	Total		
Balance June 30, 2010	\$56,944,192	(\$602,342)	(\$3,559,378)	(\$4,161,720)	\$295,828,088	\$348,610,560
Miscellaneous Adjustments		(3,559,378)	3,559,378	\$0		\$0
Additions:						
Employee contributions	2,790,424			\$0		\$2,790,424
Employer contributions		12,301,852		\$12,301,852		\$12,301,852
Investment income			81,507,948	\$81,507,948		\$81,507,948
Transfers:						
Board Transfers						
Allowances awarded 7/1/2010 Mark to Market	(7,854,539)	(18,813,237)		(18,813,237)	26,667,776	0
Deductions:						
Benefits paid					(27,597,831)	(27,597,831)
Refunds	(803,407)					(803,407)
Investment and admin. services Insurance payments			(1,601,452)	(\$1,601,452)		(1,601,452)
Investment income distributed:						
Regular	3,661,111	(340,063)	(23,996,463)	(\$24,336,526)	20,675,415	0
Extra interest						
Closing entry		55,910,033	(55,910,033)	0		0
Balance June 30, 2011	\$54,737,781	\$44,896,865	\$0	\$44,896,865	\$315,573,448	\$415,208,094

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 2.7

Reserve For Retired Benefit Payments

Analysis Of Changes In Reserves For The Year Ended June 30, 2011

	-----Reserve for Retired Benefits Payments-----			
	Regular Account	Pension Contingency Account	Pension Adjustment Account	Total
Balance June 30, 2010	\$297,051,040	\$0	(\$1,222,952)	\$295,828,088
Beginning of Year Adjustments:				
Special Transfers (per Board action)				
As reported by the Retirement System	1,760,718	0	(1,760,718)	0
Transfer for 7/1/09 Benefit Increase				
Balance July 1, 2010	\$298,811,758	\$0	(\$2,983,670)	\$295,828,088
Transfers for New Retirees:				
Employer assets	18,813,237			18,813,237
Member contributions	7,854,539			7,854,539
Deductions:				
Benefits Paid	(27,597,831)			(27,597,831)
Miscellaneous adjustment:		0		
Investment Income Credited:				
Regular	20,884,271	*	(208,856)	20,675,415
Extra Interest		*	0	
End of Year Adjustments:				
Special Transfers (per Board action)	0	0	0	0
Balance June 30, 2011	\$318,765,974	\$0	(3,192,526)	315,573,448

* Credited to Pension Adjustment Account.

Section 3

Accounting Information

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 3.1

Schedule of Funding Progress (\$'s in 000's)

The GASB Statement No. 25 liabilities and assets resulting from the last ten actuarial valuations are as follows:

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]
June 30, 2002	426,440	336,340	(90,100)	126.79%	46,744	-
June 30, 2003	417,623	352,296	(65,327)	118.54%	46,213	-
June 30, 2004@	409,324	370,409	(38,915)	110.51%	47,109	-
June 30, 2005	398,690	384,369	(14,321)	103.73%	47,225	-
June 30, 2006	398,258	407,302	9,044	97.78%	49,627	18.22%
June 30, 2007	413,712	413,490	(222)	100.05%	50,678	-
June 30, 2008@*	428,689	430,438	1,749	99.59%	51,287	3.41%
June 30, 2009*^	426,283	455,219	28,936	93.64%	50,120	57.73%
June 30, 2010*	421,387	466,883	45,496	90.26%	48,688	93.44%
June 30, 2011	423,734	481,330	57,596	88.03%	45,921	125.42%

*The Retirement System provisions were amended.

^ Amortization period was changed from 15 to 30. Covered payroll adjusted for elimination of 18 Police positions and other 14 positions

@ Reflects a change in valuation assumptions.

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 3.2

Schedule of Employer Contributions (\$'s in 000's)

The GASB Statement No. 25 required contributions and actual percentages contributed over the last ten years are as follows

Fiscal Year Ended June 30	Valuation Date June 30	Annual Required Contribution	Percentage Contributed
2004	2002	0	100%
2005	2003	1,045	100%
2006	2004	2,871	100%
2007	2005	5,039	100%
2008	2006	7,517	100%
2009	2007	6,895	214%
2010	2008	7,560	166%
2011	2009	8,658 [^]	142%
2012	2010	9,440	
2013	2011	9,749	

[^] Revised based on the June 15, 2010 Supplemental Valuation.

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 3.3

Notes to Trend Data

Actuarial Assumptions, Method and Additional Information under GASB No. 25

Valuation Date:	June 30, 2011
Actuarial Cost Method	Entry Age
Amortization Method:	Level percent of payroll, closed
Remaining amortization period	28*
Asset valuation method	5-year adjusted market value
Actuarial assumptions:	
- Investment Rate of Return	7%
-Projected Salary Increases	3.50%
-Payroll Increases	0.3%-6.0%
-Inflation Assumption	3.50%
-Cost of Living Adjustments	Adjustments are funded by financial gains, and are not guaranteed

*At the October 15, 2009 Board meeting, the Board adopted a 30-year amortization for the 2010 fiscal year contribution. This period is scheduled to decline by one year each year until reaching 25 years, at which point the amortization period is 25 years open.

Section 4

Projections

Projection Assumptions and Methods

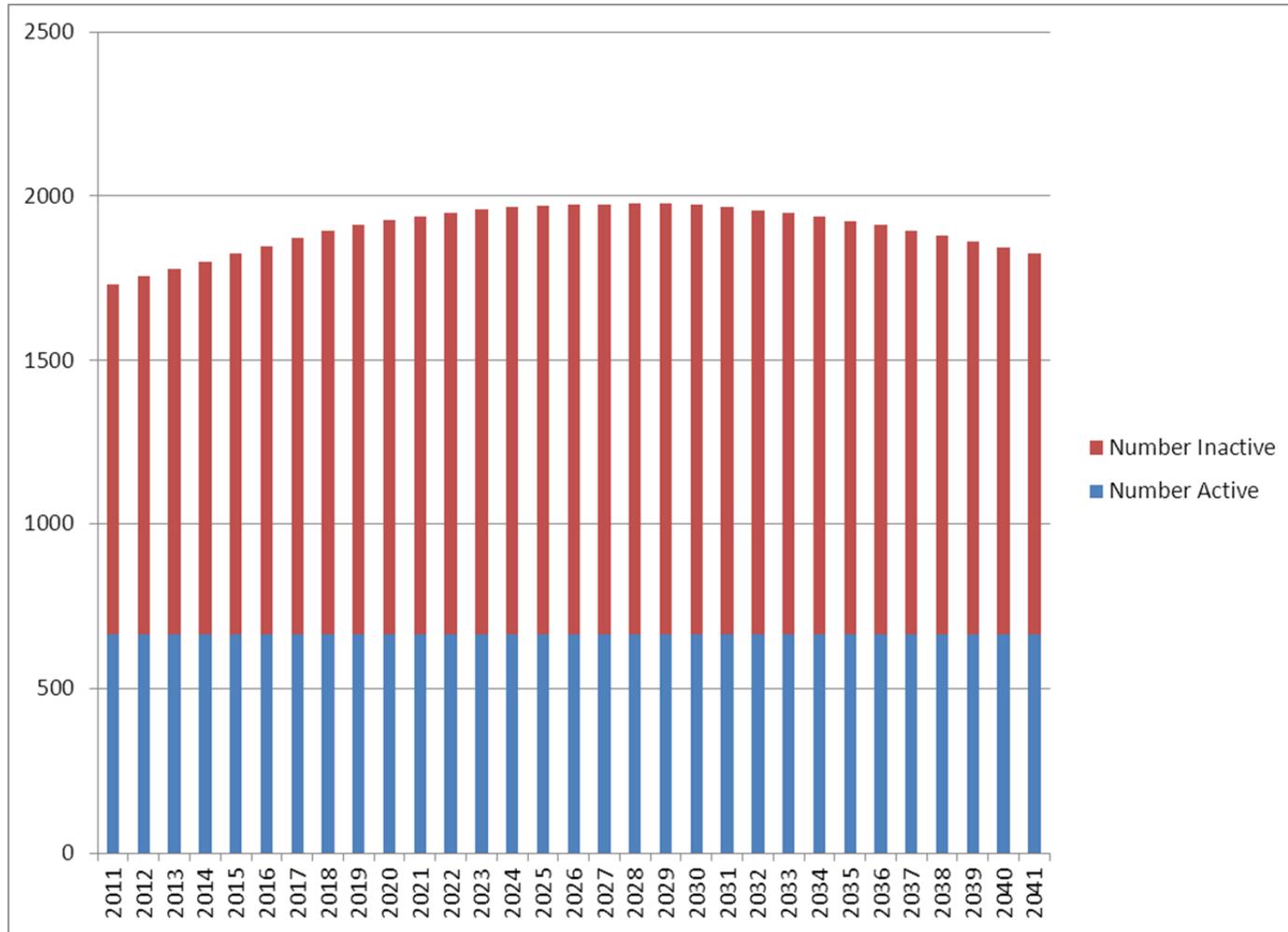
Key Assumptions

- 7.0% investment return on the Fair Value of Assets in all future years.
- The Actuarial Value of Assets reflects the deferred gains and losses generated by the smoothing method. The current deferred amounts are recognized in the first four years of the projections.
- Actuarial assumptions and methods as described in Section 6. All future demographic experience is assumed to be exactly realized.
- The actuarially calculated contribution rate is contributed each year.
- Projections assume a 0% increase in the total active member population. All new future members are expected to enter the plan upon date of hire and contribution rates are determined as a percent of total payroll.
- Changes in Plan Provisions that are described on page 5 and 6 will apply only to new members starting in 2012.
- For the Sensitivity Analysis, all assumptions and methods are the same except investment returns on the Fair Value of Assets and the liability are assumed as follows:
 - Base Case: 7.00% for all future years
 - Optimistic: 8.00% for all future years
 - Pessimistic: 6.00% for all future years
- These scenarios are intended to illustrate the impact if investment return assumptions are different than the 7.00% assumed investment return. They do illustrate the effect of changing the assumed discount rate for determining liabilities.

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 4.2

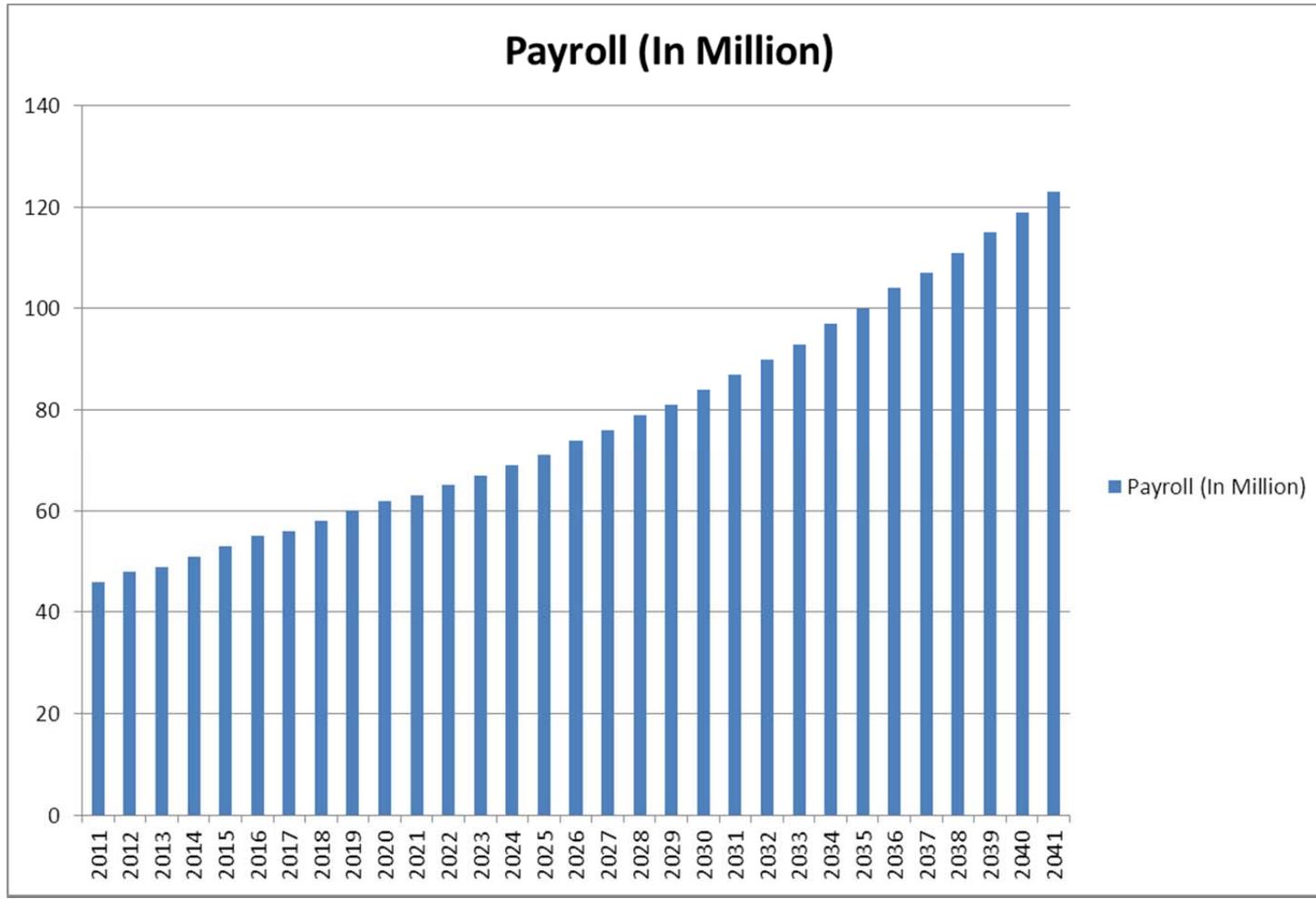
Membership Projection
Projected Member Count



CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 4.2 (cont'd)

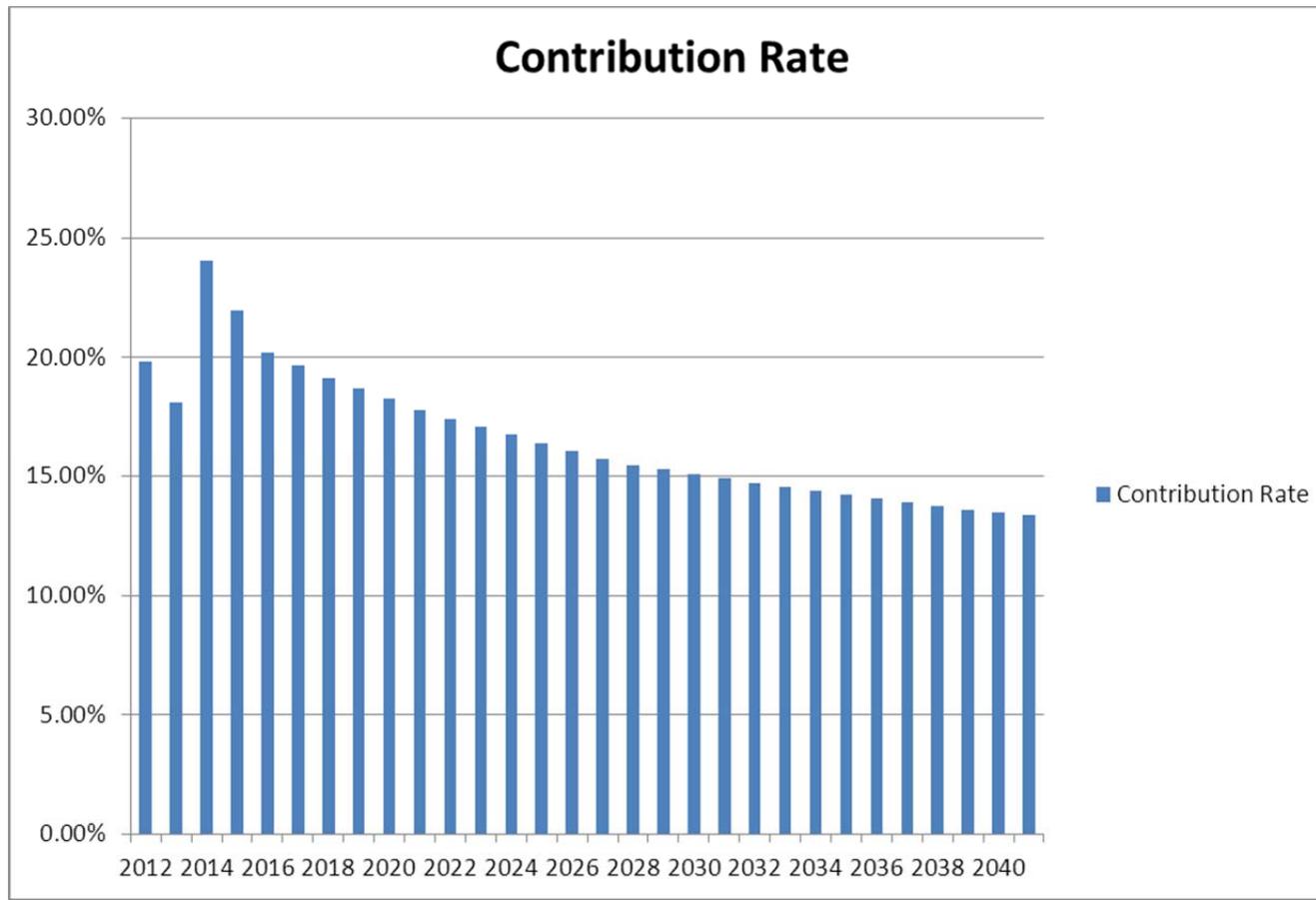
Membership Projection Projected Current and New Member Payroll



CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 4.3

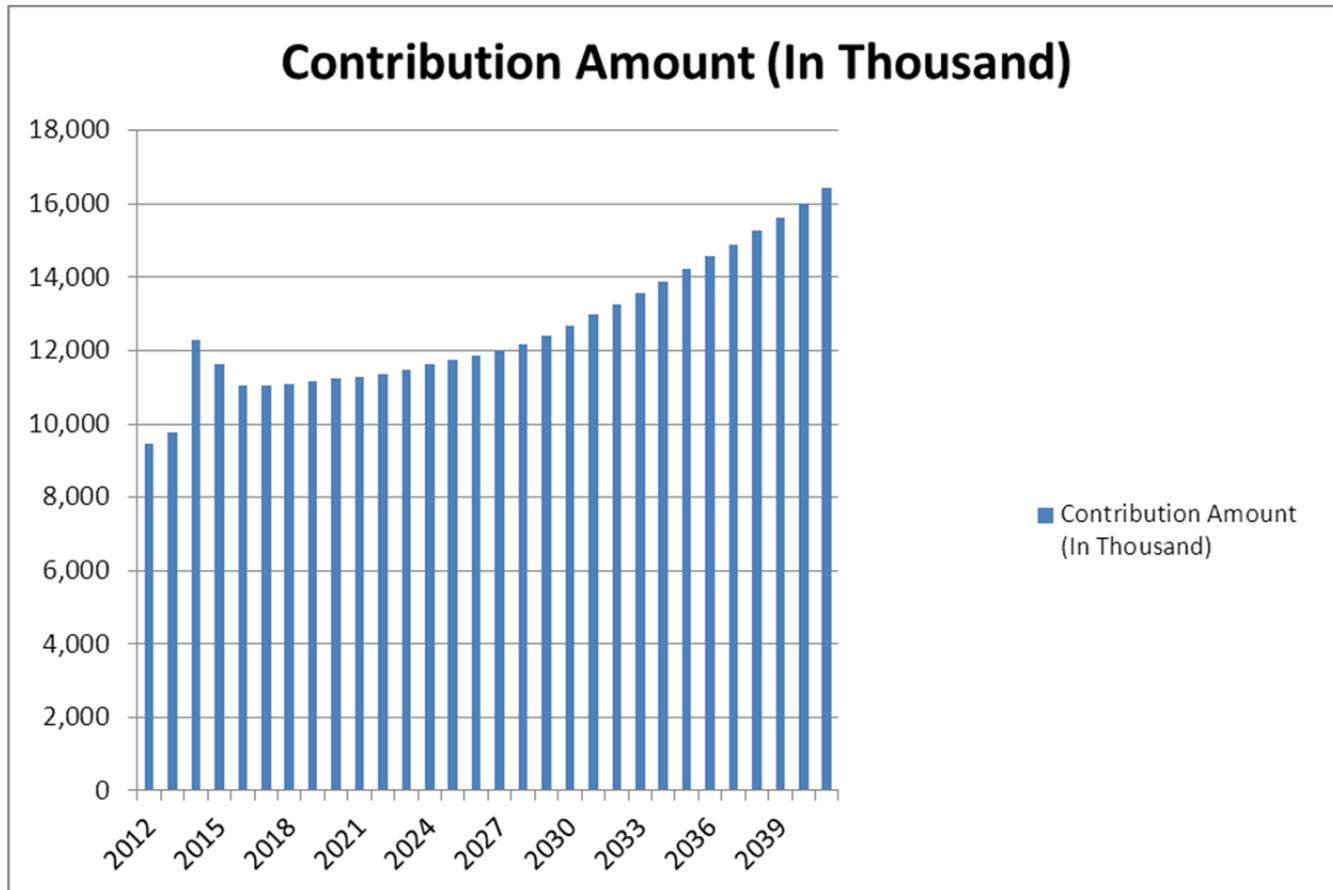
Projection of Employer Contribution Rates



CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 4.4

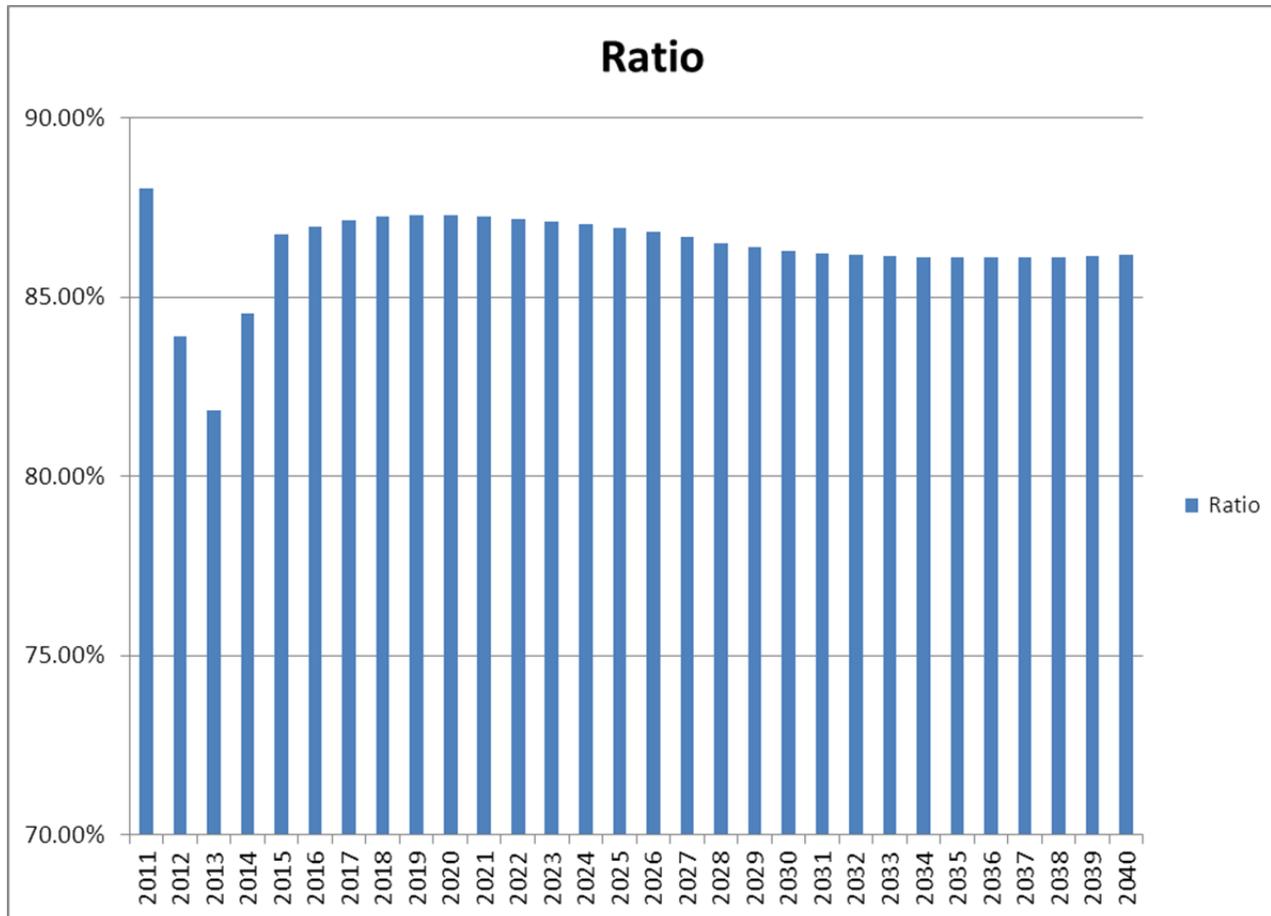
Projection of Employer Contribution Amounts



CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 4.5

Projection of Funded Status



CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 4.6

Table of Projected Actuarial Results

Investment return 7.00%

Year	Valuation Amounts on June 30							Flow amount during next 12 months										Recognized Asset Gain/(Loss)	Ending Actuarial Asset	
	Actuarial Asset	Accrued Liability				Funding Ratio	Surplus (Deficit)	Employer Ctb rates	Total Salary	Employer Contribs	Employee Contribs				Total Contribs	Benefit Payment	Net Contribs			Investment Earnings
		General	Police	Fire	Total					General	Police	Fire	subtotal							
2011	423,734	253,282	134,274	93,774	481,330	88.03%	(57,596)	19.81%	53,689	9,440	1,674	577	352	2,603	12,043	30,282	(18,239)	29,025	(20,927)	413,593
2012	413,593	259,786	138,175	95,043	493,004	83.89%	(79,411)	18.10%	52,156	9,749	1,758	579	361	2,698	12,447	31,023	(18,576)	28,301	(9,993)	413,325
2013	413,325	266,456	142,146	96,362	504,964	81.85%	(91,639)	24.03%	51,141	12,288	1,845	583	370	2,798	15,086	31,981	(16,895)	28,342	12,507	437,279
2014	437,279	273,284	146,190	97,742	517,216	84.54%	(79,937)	21.98%	52,840	11,615	1,939	573	379	2,891	14,506	33,060	(18,554)	29,960	10,701	459,386
2015	459,386	280,124	150,185	99,176	529,485	86.76%	(70,099)	20.22%	54,578	11,036	2,032	563	391	2,986	14,022	34,351	(20,329)	31,996	0	471,053
2016	471,053	286,964	154,010	100,673	541,647	86.97%	(70,594)	19.67%	56,263	11,065	2,149	540	388	3,077	14,142	35,771	(21,629)	32,908	0	482,332
2017	482,332	293,778	157,557	102,130	553,465	87.15%	(71,133)	19.16%	57,934	11,102	2,276	509	384	3,169	14,271	37,322	(23,051)	33,493	0	492,774
2018	492,774	300,705	160,637	103,415	564,757	87.25%	(71,983)	18.69%	59,672	11,150	2,401	482	382	3,265	14,415	38,799	(24,384)	33,865	0	502,255
2019	502,255	307,693	163,196	104,476	575,365	87.29%	(73,110)	18.26%	61,505	11,231	2,523	460	382	3,365	14,596	40,211	(25,615)	34,323	0	510,963
2020	510,963	314,677	165,304	105,342	585,323	87.30%	(74,360)	17.81%	63,388	11,289	2,650	432	385	3,467	14,756	41,734	(26,978)	34,860	0	518,845
2021	518,845	321,639	166,923	106,113	594,675	87.25%	(75,830)	17.42%	65,247	11,365	2,796	389	385	3,570	14,935	43,249	(28,314)	35,345	0	525,876
2022	525,876	328,636	167,893	106,701	603,230	87.18%	(77,354)	17.09%	67,158	11,477	2,941	344	388	3,673	15,150	44,697	(29,547)	35,786	0	532,115
2023	532,115	335,733	168,062	107,163	610,958	87.10%	(78,843)	16.78%	69,226	11,613	3,087	310	389	3,786	15,399	45,987	(30,588)	36,182	0	537,709
2024	537,709	342,991	167,478	107,438	617,907	87.02%	(80,198)	16.42%	71,412	11,728	3,238	277	391	3,906	15,634	47,289	(31,655)	36,533	0	542,587
2025	542,587	350,474	166,214	107,533	624,221	86.92%	(81,634)	16.09%	73,709	11,857	3,391	252	390	4,033	15,890	48,553	(32,663)	36,837	0	546,761
2026	546,761	358,131	164,270	107,428	629,829	86.81%	(83,068)	15.72%	76,123	11,969	3,547	228	389	4,164	16,133	49,864	(33,731)	37,092	0	550,122
2027	550,122	365,929	161,748	107,062	634,739	86.67%	(84,617)	15.48%	78,501	12,156	3,706	199	389	4,294	16,450	51,171	(34,721)	37,294	0	552,695
2028	552,695	373,790	158,590	106,464	638,844	86.51%	(86,149)	15.28%	81,135	12,398	3,851	189	398	4,438	16,836	52,185	(35,349)	37,451	0	554,797
2029	554,797	381,622	154,889	105,658	642,169	86.39%	(87,372)	15.08%	83,975	12,663	3,992	190	412	4,594	17,257	52,987	(35,730)	37,585	0	556,652
2030	556,652	389,398	150,854	104,780	645,032	86.30%	(88,380)	14.93%	86,929	12,975	4,133	195	427	4,755	17,730	53,629	(35,899)	37,710	0	558,463
2031	558,463	397,120	146,655	103,887	647,662	86.23%	(89,199)	14.72%	90,085	13,259	4,276	206	446	4,928	18,187	54,110	(35,923)	37,836	0	560,376
2032	560,376	404,863	142,395	103,006	650,264	86.18%	(89,888)	14.54%	93,298	13,567	4,424	215	465	5,104	18,671	54,502	(35,831)	37,971	0	562,516
2033	562,516	412,703	138,119	102,160	652,982	86.15%	(90,466)	14.38%	96,607	13,891	4,575	223	486	5,284	19,175	54,902	(35,727)	38,126	0	564,915
2034	564,915	420,697	133,836	101,413	655,946	86.12%	(91,031)	14.22%	100,032	14,220	4,732	232	508	5,472	19,692	55,340	(35,648)	38,297	0	567,564
2035	567,564	428,858	129,549	100,781	659,188	86.10%	(91,624)	14.06%	103,570	14,566	4,895	240	531	5,666	20,232	55,664	(35,432)	38,488	0	570,620
2036	570,620	437,149	125,274	100,275	662,698	86.11%	(92,078)	13.90%	107,235	14,901	5,065	248	552	5,865	20,766	56,100	(35,334)	38,707	0	573,993
2037	573,993	445,703	121,015	99,918	666,636	86.10%	(92,643)	13.75%	110,986	15,256	5,243	256	572	6,071	21,327	56,529	(35,202)	38,947	0	577,738
2038	577,738	454,505	116,764	99,641	670,910	86.11%	(93,172)	13.61%	114,862	15,631	5,426	265	593	6,284	21,915	56,941	(35,026)	39,215	0	581,927
2039	581,927	463,528	112,561	99,489	675,578	86.14%	(93,651)	13.48%	118,867	16,020	5,615	274	614	6,503	22,523	57,334	(34,811)	39,515	0	586,631
2040	586,631	472,824	108,422	99,465	680,711	86.18%	(94,080)	13.35%	123,010	16,425	5,811	283	635	6,729	23,154	57,665	(34,511)	39,856	0	591,976

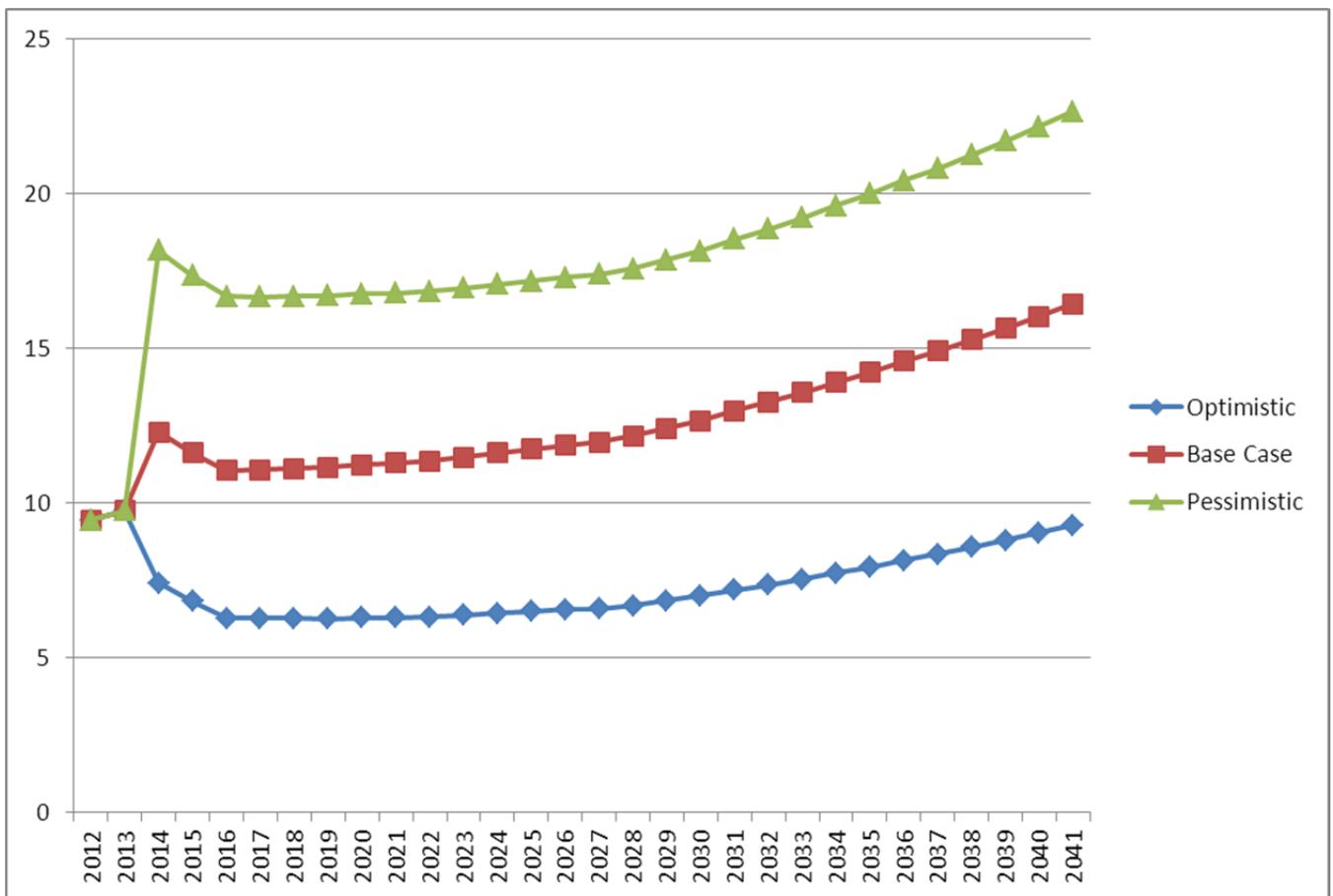
Note: Forecast based on the present employees with assumption about replacement employees and change in plan Provisions apply to new members starting in 2012.

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 4.7

Sensitivity Analysis

Impact Various Investment Rates of Return Have on the Employer Contribution Amount



Section 5

Member Data

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 5.1

Summary of Members Included

As of June 30	General		Police		Fire		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Active Members								
(1) Number	462	516	119	124	83	88	664	728
(2) Average Age	45.9	46.1	43.2	41.9	43.4	43.1	45.1	45
(3) Average Credited Service	11.4	11.7	16.5	15.2	15.1	14.4	12.8	12.6
(4) Average Annual Earnings	62,840	61,314	88,069	84,202	77,219	75,103	69,159	66,880
Retirees, Disableds and Beneficiaries								
(1) Number	609	560	175	173	149	146	933	879
(2) Average Age	67.8	68.2	64.1	63.3	68.2	68.0	67.2	67.2
(3) Average Monthly Pension Benefit	2,103	2,020	3,561	3,595	3,533	3,502	2,605	2,576
Vested Terminations (vested at time of termination, not refunded contributions or commenced benefit)								
(1) Number	121	116	11	8	3	3	135	127
(2) Average Age	51.2	50.5	44.3	46.8	44	43	50.4	50.1
(3) Average Monthly Pension Benefit	826	825	1,444	1,679	1,923	1,923	901	905
Total Number of Members	1192	1192	305	305	235	237	1732	1734

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 5.2

Age and Service Distribution of Active Members As of June 30, 2011

Total

Attained Age		0-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 34	Total
15-19	Number	0	0	0	0	0	0	0	0	0
	Total Salary	0	0	0	0	0	0	0	0	0
	Average Salary	0	0	0	0	0	0	0	0	0
20-24	Number	1	0	0	0	0	0	0	0	1
	Total Salary	9,699	0	0	0	0	0	0	0	9,699
	Average Salary	9,699	0	0	0	0	0	0	0	9,699
25-29	Number	9	2	0	0	0	0	0	0	11
	Total Salary	343,173	92,755	0	0	0	0	0	0	435,928
	Average Salary	38,130	46,378	0	0	0	0	0	0	39,630
30-34	Number	18	21	13	0	0	0	0	0	52
	Total Salary	1,031,853	1,114,879	921,135	0	0	0	0	0	3,067,867
	Average Salary	57,325	53,089	70,857	0	0	0	0	0	58,997
35-39	Number	29	34	47	12	0	0	0	0	122
	Total Salary	1,570,153	2,106,540	3,354,855	899,091	0	0	0	0	7,930,639
	Average Salary	54,143	61,957	71,380	74,924	0	0	0	0	65,005
40-44	Number	19	26	35	50	20	0	0	0	150
	Total Salary	1,285,575	1,650,965	2,658,822	3,923,312	1,692,494	0	0	0	11,211,168
	Average Salary	67,662	63,499	75,966	78,466	84,625	0	0	0	74,741
45-49	Number	11	20	25	39	41	7	0	0	143
	Total Salary	588,605	1,325,239	1,749,123	2,924,231	3,226,424	527,362	0	0	10,340,984
	Average Salary	53,510	66,262	69,965	74,980	78,693	75,337	0	0	72,315
50-54	Number	7	21	20	29	23	5	0	0	105
	Total Salary	405,213	1,445,017	1,231,013	2,147,954	1,755,006	504,060	0	0	7,488,263
	Average Salary	57,888	68,810	61,551	74,067	76,305	100,812	0	0	71,317
55-59	Number	10	13	12	17	8	2	0	0	62
	Total Salary	551,396	806,917	873,110	1,196,990	615,639	163,587	0	0	4,207,639
	Average Salary	55,140	62,071	72,759	70,411	76,955	81,794	0	0	67,865
60-64	Number	4	4	2	3	2	1	1	0	17
	Total Salary	209,909	298,199	105,370	225,486	152,032	61,277	90,845	0	1,143,118
	Average Salary	52,477	74,550	52,685	75,162	76,016	61,277	90,845	0	67,242
65-69	Number	0	1	0	0	0	0	0	0	1
	Total Salary	0	86,075	0	0	0	0	0	0	86,075
	Average Salary	0	86,075	0	0	0	0	0	0	86,075
TOTAL	Number	108	142	154	150	94	15	1	0	664
	Total Salary	5,995,577	8,926,587	10,893,428	11,317,064	7,441,595	1,256,287	90,845	0	45,921,383
	Average Salary	55,515	62,863	70,737	75,447	79,166	83,752	90,845	0	69,159

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 5.2 (cont'd)

Age and Service Distribution of Active Members As of June 30, 2011

General

Attained Age		0-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 34	Total
15-19	Number	0	0	0	0	0	0	0	0	0
	Total Salary	0	0	0	0	0	0	0	0	0
	Average Salary	0	0	0	0	0	0	0	0	0
20-24	Number	1	0	0	0	0	0	0	0	1
	Total Salary	9,699	0	0	0	0	0	0	0	9,699
	Average Salary	9,699	0	0	0	0	0	0	0	9,699
25-29	Number	9	2	0	0	0	0	0	0	11
	Total Salary	343,173	92,755	0	0	0	0	0	0	435,928
	Average Salary	38,130	46,378	0	0	0	0	0	0	39,630
30-34	Number	18	19	4	0	0	0	0	0	41
	Total Salary	1,031,853	966,024	214,822	0	0	0	0	0	2,212,699
	Average Salary	57,325	50,843	53,706	0	0	0	0	0	53,968
35-39	Number	27	23	15	2	0	0	0	0	67
	Total Salary	1,440,433	1,332,072	884,643	133,399	0	0	0	0	3,790,547
	Average Salary	53,349	57,916	58,976	66,700	0	0	0	0	56,575
40-44	Number	17	24	16	21	8	0	0	0	86
	Total Salary	1,157,626	1,495,503	1,089,789	1,383,037	549,191	0	0	0	5,675,146
	Average Salary	68,096	62,313	68,112	65,859	68,649	0	0	0	65,990
45-49	Number	11	20	19	20	22	6	0	0	98
	Total Salary	588,605	1,325,239	1,271,982	1,322,507	1,465,495	438,038	0	0	6,411,866
	Average Salary	53,510	66,262	66,946	66,125	66,613	73,006	0	0	65,427
50-54	Number	7	20	19	17	16	3	0	0	82
	Total Salary	405,213	1,377,720	1,159,976	1,118,768	1,140,772	265,653	0	0	5,468,102
	Average Salary	57,888	68,886	61,051	65,810	71,298	88,551	0	0	66,684
55-59	Number	10	12	12	16	7	2	0	0	59
	Total Salary	551,396	680,416	873,110	1,105,037	515,399	163,587	0	0	3,888,945
	Average Salary	55,140	56,701	72,759	69,065	73,628	81,794	0	0	65,914
60-64	Number	4	4	2	3	1	1	1	0	16
	Total Salary	209,909	298,199	105,370	225,486	61,968	61,277	90,845	0	1,053,054
	Average Salary	52,477	74,550	52,685	75,162	61,968	61,277	90,845	0	65,816
65-69	Number	0	1	0	0	0	0	0	0	1
	Total Salary	0	86,075	0	0	0	0	0	0	86,075
	Average Salary	0	86,075	0	0	0	0	0	0	86,075
TOTAL	Number	104	125	87	79	54	12	1	0	462
	Total Salary	5,737,908	7,654,003	5,599,692	5,288,234	3,732,825	928,556	90,845	0	29,032,063
	Average Salary	55,172	61,232	64,364	66,940	69,126	77,380	90,845	0	62,840

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 5.2 (cont'd)

Age and Service Distribution of Active Members As of June 30, 2011

Police

Attained Age		0-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 34	Total
15-19	Number	0	0	0	0	0	0	0	0	0
	Total Salary	0	0	0	0	0	0	0	0	0
	Average Salary	0	0	0	0	0	0	0	0	0
20-24	Number	0	0	0	0	0	0	0	0	0
	Total Salary	0	0	0	0	0	0	0	0	0
	Average Salary	0	0	0	0	0	0	0	0	0
25-29	Number	0	0	0	0	0	0	0	0	0
	Total Salary	0	0	0	0	0	0	0	0	0
	Average Salary	0	0	0	0	0	0	0	0	0
30-34	Number	0	1	6	0	0	0	0	0	7
	Total Salary	0	80,185	498,142	0	0	0	0	0	578,327
	Average Salary	0	80,185	83,024	0	0	0	0	0	82,618
35-39	Number	0	3	20	5	0	0	0	0	28
	Total Salary	0	231,915	1,590,140	397,927	0	0	0	0	2,219,982
	Average Salary	0	77,305	79,507	79,585	0	0	0	0	79,285
40-44	Number	0	2	16	17	8	0	0	0	43
	Total Salary	0	155,463	1,339,123	1,587,137	806,684	0	0	0	3,888,407
	Average Salary	0	77,732	83,695	93,361	100,836	0	0	0	90,428
45-49	Number	0	0	4	11	14	0	0	0	29
	Total Salary	0	0	326,708	997,630	1,344,789	0	0	0	2,669,127
	Average Salary	0	0	81,677	90,694	96,056	0	0	0	92,039
50-54	Number	0	0	0	5	3	1	0	0	9
	Total Salary	0	0	0	442,741	266,363	96,542	0	0	805,646
	Average Salary	0	0	0	88,548	88,788	96,542	0	0	89,516
55-59	Number	0	1	0	1	1	0	0	0	3
	Total Salary	0	126,500	0	91,953	100,239	0	0	0	318,692
	Average Salary	0	126,500	0	91,953	100,239	0	0	0	106,231
60-64	Number	0	0	0	0	0	0	0	0	0
	Total Salary	0	0	0	0	0	0	0	0	0
	Average Salary	0	0	0	0	0	0	0	0	0
65-69	Number	0	0	0	0	0	0	0	0	0
	Total Salary	0	0	0	0	0	0	0	0	0
	Average Salary	0	0	0	0	0	0	0	0	0
TOTAL	Number	0	7	46	39	26	1	0	0	119
	Total Salary	0	594,063	3,754,113	3,517,388	2,518,077	96,542	0	0	10,480,183
	Average Salary	0	84,866	81,611	90,189	96,849	96,542	0	0	88,069

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 5.2 (cont'd)

Age and Service Distribution of Active Members As of June 30, 2011

Fire

Attained Age		0-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 34	Total
15-19	Number	0	0	0	0	0	0	0	0	0
	Total Salary	0	0	0	0	0	0	0	0	0
	Average Salary	0	0	0	0	0	0	0	0	0
20-24	Number	0	0	0	0	0	0	0	0	0
	Total Salary	0	0	0	0	0	0	0	0	0
	Average Salary	0	0	0	0	0	0	0	0	0
25-29	Number	0	0	0	0	0	0	0	0	0
	Total Salary	0	0	0	0	0	0	0	0	0
	Average Salary	0	0	0	0	0	0	0	0	0
30-34	Number	0	1	3	0	0	0	0	0	4
	Total Salary	0	68,670	208,170	0	0	0	0	0	276,840
	Average Salary	0	68,670	69,390	0	0	0	0	0	69,210
35-39	Number	2	8	12	5	0	0	0	0	27
	Total Salary	129,720	542,553	880,072	367,765	0	0	0	0	1,920,110
	Average Salary	64,860	67,819	73,339	73,553	0	0	0	0	71,115
40-44	Number	2	0	3	12	4	0	0	0	21
	Total Salary	127,949	0	229,909	953,138	336,619	0	0	0	1,647,615
	Average Salary	63,975	0	76,636	79,428	84,155	0	0	0	78,458
45-49	Number	0	0	2	8	5	1	0	0	16
	Total Salary	0	0	150,433	604,093	416,140	89,323	0	0	1,259,989
	Average Salary	0	0	75,217	75,512	83,228	89,323	0	0	78,749
50-54	Number	0	1	1	7	4	1	0	0	14
	Total Salary	0	67,298	71,037	586,446	347,871	141,865	0	0	1,214,517
	Average Salary	0	67,298	71,037	83,778	86,968	141,865	0	0	86,751
55-59	Number	0	0	0	0	0	0	0	0	0
	Total Salary	0	0	0	0	0	0	0	0	0
	Average Salary	0	0	0	0	0	0	0	0	0
60-64	Number	0	0	0	0	1	0	0	0	1
	Total Salary	0	0	0	0	90,064	0	0	0	90,064
	Average Salary	0	0	0	0	90,064	0	0	0	90,064
65-69	Number	0	0	0	0	0	0	0	0	0
	Total Salary	0	0	0	0	0	0	0	0	0
	Average Salary	0	0	0	0	0	0	0	0	0
TOTAL	Number	4	10	21	32	14	2	0	0	83
	Total Salary	257,669	678,521	1,539,622	2,511,442	1,190,694	231,188	0	0	6,409,136
	Average Salary	64,417	67,852	73,315	78,483	85,050	115,594	0	0	77,219

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 5.3

Member Data Reconciliation

	Active Members	Inactive Members				Total
		With Deferred Benefits ⁽¹⁾	Retired Members	Disabled Members	Bene-ficiaries	
As of 6/30/2010	728	127	721	30	128	1734
Age Retirements	(58)					(58)
Disability Retirements						0
Deaths Without Beneficiary			(7)		(2)	(9)
Deaths With Beneficiary	(2)		(6)	(1)		(9)
Non-vested Terminations	(7)					(7)
Vested Terminations	(9)					(9)
Rehires						0
Cash-outs	(3)	(1)				(4)
Expiration of Benefits						0
Data Corrections						0
Transfers Out						0
Pick Ups						0
Net Change	(79)	(1)	(13)	(1)	(2)	(96)
New Entrants During the Year	15	9	61	0	9	94
As of 6/30/2011	664	135	769	29	135	1732

Number Added To And Removed From Active Membership

Year Ended	Number Added During Year		Terminations During Year										Active Members End of Year	
			Age & Service Retirement		Disability Retirement		Died-in Service		Withdrawals					
	A	E	A	E	A	E	A	E	Vested	Other*	Total			
GENERAL MEMBERS														
2007	35	28	6	13	0	1	0	1.1	13	9	22	26.7	561	
2008	36	33	9	16.9	1	1	0	1.2	9	14	23	26.4	564	
2009	21	38	23	21.6	1	1	0	0.7	8	6	14	24.1	547	
2010	13	44	29	23.1	3	1	0	0.7	6	6	12	22	516	
2011	15	69	54	13.4	0	1.4	1	0.6	6	8	14	19.6	462	
5-Yr. Totals			121	88	5	5.4	1	4.3			85	118.8		
POLICE MEMBERS														
2007	1	4	1	2.8	0	0.3	0	0.2	2	1	3	1.9	151	
2008	0	2	2	3.5	0	0.3	0	0.2	0	0	0	1.4	149	
2009	0	1	0	5.9	0	0.3	1	0.1	0	0	0	1.2	148	
2010	0	24	24	10.1	0	0.3	0	0.1	0	0	0	1	124	
2011	0	5	0	4	0	0.3	1	0.1	3	1	4	0.7	119	
5-Yr. Totals			27	26.3	0	1.5	2	0.7			7	6.2		
FIRE MEMBERS														
2007	4	3	3	1.7	0	0	0	0.1	0	0	0	0.9	89	
2008	4	1	1	1.2	0	0	0	0.1	0	0	0	0.9	92	
2009	0	1	0	1.6	0	0	0	0.1	0	1	1	1.1	91	
2010	1	4	1	1.9	0	0	0	0.1	0	3	3	1	88	
2011	0	5	4	2.7	0	0.1	0	0.1	0	1	1	0.9	83	
5-Yr. Totals			9	9.1	0	0.1	0	0.5			5	4.8		

A represents actual number.

E represents expected number.

*Balancing item.

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 5.4

Schedule of Active Member Data

Valuation Date	Number				Annual Earnings	Annual Average Earnings	Percent Increase/ (Decrease) in Average Earnings
	General	Police	Fire	Total			
June 30, 2002	614	177	109	900	46,744,055	51,938	5.0%
June 30, 2003	582	174	102	858	46,212,713	53,861	3.7%
June 30, 2004	581	161	100	842	47,109,470	55,949	3.9%
June 30, 2005	571	152	91	814	47,224,565	58,015	3.7%
June 30, 2006	554	154	88	796	49,626,748	62,345	7.5%
June 30, 2007	561	151	89	801	50,677,914	63,268	1.5%
June 30, 2008	564	149	92	805	51,287,330	63,711	0.7%
June 30, 2009	547	148	91	786	52,559,496	66,870	5.0%
June 30, 2010	516	124	88	728	48,688,316	66,880	0.0%
June 30, 2011	462	119	83	664	45,921,381	69,159	3.4%

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 5.5

Schedule of Inactive Member Data

Valuation Date	Number				Annual Benefit Payments	Average Annual Benefit Payments
	General	Police	Fire	Total		
June 30, 2009				126	1,397,657	11,093
June 30, 2010	116	8	3	127	1,379,207	10,860
June 30, 2011	121	11	3	135	1,459,626	10,812

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 5.6

Schedule of Retired Members by Type of Benefit and Option Elected

Amount of Monthly Pension Benefit	Number of Recipients	Type of Pension Benefit			Option Selected							
		1	2	3	1	2	3	4	5	6	7	
\$ 1 – \$ 300	3	3	0	0	1	0	1	1	0	0	0	0
301 – 600	41	26	11	4	25	0	8	3	0	1	4	
601 – 900	81	57	19	5	52	0	20	6	0	2	1	
901 – 1,200	100	62	31	7	60	0	25	8	0	7	0	
1,201 – 1,500	56	38	13	5	28	2	18	6	1	0	1	
1,501 – 1,800	59	43	13	3	23	0	20	13	2	0	1	
1,801 – 2,100	60	50	9	1	24	0	26	5	1	1	3	
2,101 – 2,400	75	64	10	1	31	1	26	9	4	3	1	
2,401 – 2,700	74	66	7	1	24	0	29	12	7	2	0	
2,701 – 3,000	57	50	6	1	23	0	18	13	3	0	0	
3,001 – 3,300	65	61	4	0	23	0	20	16	4	0	2	
3,301 – 3,600	50	46	4	0	16	0	18	14	1	0	1	
3,601 – 3,900	36	35	1	0	7	0	20	8	1	0	0	
3,901 – 4,200	35	31	3	1	9	0	19	6	0	1	0	
Over \$4,200	141	137	4	0	35	1	61	37	1	2	4	
Totals	933	769	135	29	381	4	329	157	25	19	18	

- | | |
|--------------------------------|---|
| Type of Pension Benefit | Option Selected |
| 1. Regular retirement | 1. Whole Life Annuity |
| 2. Survivor payment | 2. 50% Joint and Contingent Annuity |
| 3. Disability | 3. 100% Joint and Contingent Annuity |
| | 4. 50% Joint and Contingent and pop up Annuity |
| | 5. 100% Joint and Contingent and pop up Annuity |
| | 6. Straight Life equated |
| | 7. Cash refund |

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 5.7

Schedule of Retired Members and Beneficiaries

As of June 30	2011	2010	2009	2008	2007
Service					
(1) Number, Fiscal Year Start	721				
(2) Net Change	48				
(3) Number, Fiscal Year End	769	721			
(4) Average Current Age	66.0	66.1			
(5) Average Monthly Pension Benefit	2,817	2,788			
Surviving Spouse's Benefits					
(1) Number, Fiscal Year Start	128				
(2) Net Change	7				
(3) Number, Fiscal Year End	135	128			
(4) Average Current Age	73.9	73.7			
(5) Average Monthly Pension Benefit	1,675	1,625			
Disabilities					
(1) Number, Fiscal Year Start	30				
(2) Net Change	(1)				
(3) Number, Fiscal Year End	29	30			
(4) Average Current Age	65.5	64.9			
(5) Average Monthly Pension Benefit	1,318	1,288			
Total					
(1) Number, Fiscal Year Start	879	834	820	820	817
(2) Net Change	54	45	14	0	3
(3) Number, Fiscal Year End	933	879	834	820	820
(4) Average Current Age	67.2	67.2			
(5) Average Monthly Pension Benefit	2,605	2,576	2,459	2,444	2,428

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 5.8

Retirees Added to and Removed from Rolls

Year Ended	Added to Rolls		Removed from Rolls		Rolls – End of Year		Percent Increase in Annual Pension Allowances	Average Annual Pension Allowance
	No.	Annual Pension Allowances	No.	Annual Pension Allowances	No.	Annual Pension Allowances		
June 30, 2002	95	4,495,444	15	195,653	705	17,930,905	31.5%	25,434
June 30, 2003	65	2,692,828	25	444,199	745	20,179,534	12.5%	27,087
June 30, 2004	37	1,043,055	25	502,722	757	20,719,867	2.7%	27,371
June 30, 2005	35	1,359,454	22	356,969	770	21,722,352	4.8%	28,211
June 30, 2006	65	2,289,292	18	356,266	817	23,655,378	8.9%	28,954
June 30, 2007	26	781,783	23	545,506	820	23,891,655	1.0%	29,136
June 30, 2008	21	587,394	21	434,680	820	24,044,369	0.6%	29,322
June 30, 2009	35	1,058,152	21	492,876	834	24,609,645	2.4%	29,508
June 30, 2010	64	2,799,052	19	234,046	879	27,174,651	10.4%	30,915
June 30, 2011	70	2,348,793	16	359,570	933	29,163,874	7.3%	31,258

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 5.9

Schedule of Benefit Payments

Attained Ages	Regular retirement & Survivor payment		Disability		Total	
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances
30-34	0	0	1	8,802	1	8,802
35-39	2	59,435	0	0	2	59,435
40-44	1	37,206	0	0	1	37,206
45-49	14	567,425	2	32,515	16	599,940
50-54	83	3,640,098	1	11,461	84	3,651,559
55-59	151	6,499,457	4	58,933	155	6,558,390
60-64	178	6,655,174	9	168,379	187	6,823,553
65-69	160	4,553,813	4	80,036	164	4,633,849
70-74	96	2,353,887	1	13,345	97	2,367,232
75	23	634,430	0	0	23	634,430
76	16	465,390	0	0	16	465,390
77	12	266,756	0	0	12	266,756
78	19	389,103	1	4,982	20	394,085
79	21	423,588	2	33,589	23	457,177
80	15	275,665	0	0	15	275,665
81	11	219,161	0	0	11	219,161
82	12	234,055	0	0	12	234,055
83	15	238,267	0	0	15	238,267
84	12	232,260	0	0	12	232,260
85	8	124,065	0	0	8	124,065
86	11	153,357	1	12,390	12	165,747
87	8	150,634	1	12,438	9	163,072
88	9	118,770	2	21,958	11	140,728
89	5	84,399	0	0	5	84,399
90	5	90,748	0	0	5	90,748
91	1	9,189	0	0	1	9,189
92	4	72,074	0	0	4	72,074
93	3	39,304	0	0	3	39,304
94	2	31,765	0	0	2	31,765
95	2	20,215	0	0	2	20,215
96	1	7,434	0	0	1	7,434
97	1	33,219	0	0	1	33,219
98	2	16,985	0	0	2	16,985
99	0	0	0	0	0	0
100	1	7,718	0	0	1	7,718
Total	904	28,705,046	29	458,828	933	29,163,874

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 5.9 (cont'd)

Schedule of Benefit Payments

Attained Ages	Inactive Members	
	No.	Estimated Annual Allowances
28	1	9,847
33	2	18,802
35	4	33,526
36	4	36,085
38	2	11,803
39	3	25,816
40	4	29,955
41	5	80,719
42	5	77,633
43	6	119,097
44	6	70,120
45	2	18,251
46	6	97,179
47	3	23,819
48	4	54,343
49	4	37,747
50	9	163,188
51	3	53,925
52	9	95,974
53	3	22,922
54	5	21,303
55	4	58,496
56	4	31,616
57	9	104,032
58	4	47,826
59	7	56,885
60	2	4,142
61	2	5,192
62	4	9,299
63	6	21,599
64	1	10,192
65	1	2,196
66	1	6,098
Total	135	1,459,627

Section 6

**Basis of the
Actuarial Valuation**

BRIEF SUMMARY OF BENEFIT PROVISIONS - (JUNE 30, 2011)

Regular Retirement (no reduction factor for age):

Eligibility

General: Age 50 with 25 years of service, or age 60 with 5 years of service.
Police-Fire: 25 years of service, or age 55 with 5 years of service.

Mandatory Retirement Age - None.

Annual Amount –

General: Total service times 2.5% of final average compensation.

Police-Fire: Total service times 2.75% of final average compensation.
A member may elect to receive all or a portion of his accumulated contributions in a lump sum at retirement and receive a lesser benefit.

Type of Final Average Compensation - Highest 3 consecutive years out of last 10. Some lump sums included.

Early Retirement (age reduction factor used):

Eligibility - General: Age 50 with 20 years of service.

Police-Fire: Age 50 with 20 years of service.

Annual Amount - Computed as regular retirement but the pension portion of the allowance is reduced by .33% for each month by which retirement precedes:

General: Earlier of a) age 60, or b) the age the member would have had 25 years of service.

Police-Fire: Earlier of a) age 55 or b) the age the member would have had 25 years of service.

The annuity portion of the allowance is unreduced.

Deferred Retirement (vested benefit):

Eligibility - 5 years of service. Payable at age 60.

Annual Amount - Same as regular retirement but based upon service and final average compensation at termination. (A member may elect to receive all or a portion of his accumulated contributions at termination, if the member's age plus service total at least 50, and receive a lesser benefit at age 60.)

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 6.1 (cont'd)

Duty Disability Retirement:

Eligibility - No age or service requirement.

Annual Amount - General: Computed as regular retirement. Minimum to age 60 is 18% of final average compensation. Minimum after age 60 is sum of a) 12% of the portion of final average compensation not in excess of Social Security base, plus b) 18% of final average compensation in excess of Social Security base. Upon termination of worker's compensation, additional service credit is granted for period in receipt of worker's compensation and benefit is recomputed.

Police-Fire: Computed as regular retirement. Minimum benefit is 25% of final average compensation. Upon termination of worker's compensation, additional service credit is granted for period in receipt of worker's compensation and benefit is recomputed.

Non-Duty Disability Retirement:

Eligibility - 5 or more years of service.

Annual Amount - General: Computed as regular retirement. Minimum to age 60 is 18% of final average compensation. Minimum after age 60 is sum of a) 12% of the portion of final average compensation not in excess of Social Security base, plus b) 18% of final average compensation in excess of Social Security base.

Police-Fire: Computed as regular retirement. Minimum benefit is 25% of final average compensation.

Duty Death Before Retirement:

Eligibility - No age and service requirement.

Annual Amount - Computed as regular retirement but actuarially reduced in accordance with a 100% joint and survivor election. If the member had less than 25 years of service at time of death, a minimum of 25 years of service will be used to compute the benefits. Worker's compensation payments made to the member's beneficiary will offset the benefits paid by the Retirement System. Upon termination of worker's compensation payments the amount paid to the beneficiary will be the greater of the annual worker's compensation payment and the computed 100% joint and survivor retirement benefit.

Non-Duty Death Before Retirement:

Eligibility - 5 years of service.

Annual Amount - Computed as regular retirement but actuarially reduced in accordance with a 100% joint and survivor election. If there is no named beneficiary, a lump sum will be payable to the estate.

Post-Retirement Adjustments:

Adjustments are made every July 1 to retirants and beneficiaries on the rolls at least 12 months. Adjustments are funded by financial gains, and are not guaranteed.

Member Contributions:

General Non-Union: 6% of annual compensation, beginning 7/1/2010

General Police Professional and Teamster Civilian: 6% of annual compensation, beginning 8/1/2010

General AFSCME and CSS: 5%

Fire: 6%, beginning 2/1/2010

Police Department Chiefs: 6% beginning 8/1/2010

Police AAPOA and COAM: 5%

AAPOA for Police Service Specialists: 6% beginning 8/14/2011

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 6.1 (cont'd)

LEDGER BALANCES OF RESERVE FUNDS

The ledger balances (market value) of the Retirement System, as of June 30, 2011, were reported to the actuary to total \$415,208,094 as follows:

Account	Ledger Balance	
	6/30/2011	6/30/2010
Reserve for Employee Contributions	\$ 54,737,781	\$ 56,944,192
Reserve for Employer Contributions	44,896,865	(4,161,719)
Reserve for Retired Benefit Payments	315,573,448	295,828,088
Reserve for Undistributed Investment Income	0	0
Totals	\$ 415,208,094	\$ 348,610,561

The Analysis of Changes in Reserves is shown on pages 22 and 23 of section 2.6 and section 2.7.

Description of Actuarial Methods and Valuation Procedures

A. Actuarial Cost Method

Liabilities and contributions shown in this report are computed using the **Entry Age Actuarial Cost Method** of funding.

Sometimes called a "funding method," this is a particular technique used by actuaries for establishing the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily the annual contribution to the plan is comprised of (1) the normal cost and (2) an amortization payment on the unfunded actuarial accrued liability.

Under the Entry Age Actuarial Cost Method, the **Normal Cost** is computed as the level percentage of pay which, if paid from the earliest time each Member would have been eligible to join the Plan if it then existed (thus, entry age) until his retirement or termination, would accumulate with interest at the rate assumed in the valuation to a fund sufficient to pay all benefits under the Plan.

The Normal Cost for the Plan is determined by summing individual results for each active Member and determining an average normal cost rate by dividing the summed individual normal costs by the total payroll of Members before assumed retirement age.

The **Actuarial Accrued Liability** under this method at any point in time is the theoretical amount of the fund that would have accumulated had annual contributions equal to the Normal Cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date.) Lump sum redemption factors are assumed to be:

Members hired before July 1, 1982:	General - 10%
Members hired after June 30, 1982:	0%

The **Unfunded Actuarial Accrued Liability** is the excess of the Actuarial Accrued Liability over the Actuarial Value of Plan Assets actually on hand on the valuation date. The Unfunded Actuarial Accrued Liability is amortized as a level percent of payroll over a declining period. As of this valuation, the period is 28 years. This period will continue to decrease 1 year for each year until reaching 25 years.

Under this method experience gains or losses, i.e. decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the Unfunded Actuarial Accrued Liability.

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 6.2 (cont'd)

Description of Actuarial Methods and Valuation Procedures

B. Asset Valuation Method

The actuarial value of assets is based on a five-year smoothing method and is determined by spreading the effect of each year's investment return in excess of or below the expected return. The Fair Value of assets at the valuation date is reduced by the sum of the following:

- (i) 80% of the return to be spread during the first year preceding the valuation date,
- (ii) 60% of the return to be spread during the second year preceding the valuation date,
- (iii) 40% of the return to be spread during the third year preceding the valuation date, and
- (iv) 20% of the return to be spread during the fourth year preceding the valuation date.

The return to be spread is the difference between (1) the actual investment return on Fair Value and (2) the expected return on Fair Value.

C. Valuation Procedures

No actuarial liability is included for members who terminated non-vested prior to the valuation date, except those due a refund of contributions.

The compensation amounts used in the projection of benefits and liabilities were June 30, 2011, rates of pay provided by staff of the Retirement System.

No termination or retirement benefits were projected to be greater than the dollar limitation required by the Internal Revenue Code Section 415 for governmental plans.

Annual increases in salary were limited to the dollar amount defined under Internal Revenue Code Section 401(a)(17) for affected members.

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 6.3

Summary of Actuarial Assumptions and Changes in Assumptions

The rate of investment return, net of expenses, (regular interest) used in making the valuation was 7.0% per annum, compounded annually. This assumption is established by the Board of Trustees as provided in the Retirement System Ordinance, and was first used for the June 30, 1982 actuarial valuation. This rate consists of a real rate of return of 3.5% a year plus a long-term rate of wage inflation of 3.5% a year. This wage inflation assumption was first used in the June 30, 2004 actuarial valuation. Approximate internal rates of investment return, for the purposes of comparisons with assumed rates, have been as follows:

	Year Ended June 30					5 Year Arithmetic Average
	2011	2010	2009	2008	2007	
1) Nominal rate*	23.4%	12.5%	-20.0%	-5.7%	16.3%	
2) Valuation Asset Adjustment	<u>(19.6)</u>	<u>(10.9)</u>	<u>21.3</u>	<u>12.9</u>	<u>(7.8)</u>	
3) Total rate	3.8	1.6	1.3	7.2	8.5	4.48%
4) Increase in CPI	3.6	1.1	-1.4	5.0	2.7	2.20%
5) Average salary increase	3.4	0.0	5.0	0.7	1.5	2.12%
6) Real Return						
-investment purposes (3)-(4)	0.2	0.5	2.7	2.2	5.8	2.28%
-funding purposes (3)-(5)	0.4	1.6	-3.7	6.5	7.0	2.36%
-assumption	3.5	3.5	3.5	3.5	3.5	3.50%

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

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 6.3 (cont'd)

The mortality table used to measure post-retirement mortality was the RP 2000 Combined Table projected to 2007 set forward 2 years for males and set back 3 years for females. Disabled mortality rates are the standard post-retirement mortality rates set forward 10 years. These tables first used for the June 30, 2008 actuarial valuation. Pre-retirement mortality rates are assumed to be 75% of post-retirement mortality rates. For Police and Fire 50% of deaths-in-service are assumed to be duty related.

Sample Ages	Single Life Retirement Values							
	Present Value of \$1 Monthly for Life				Future Life Expectancy (Years)			
	Men	Women	Disabled Men	Disabled Women	Men	Women	Disabled Men	Disabled Women
45	\$154.56	\$162.55	\$137.10	\$150.64	34.35	41.65	25.03	32.07
50	146.96	157.43	125.03	141.84	29.63	36.83	20.64	27.41
55	137.10	150.64	111.12	131.02	25.03	32.07	16.60	22.96
60	125.03	141.84	95.53	118.50	20.64	27.41	12.94	18.83
65	111.12	131.02	78.54	104.38	16.60	22.96	9.69	15.06
70	95.53	118.50	61.51	88.93	12.94	18.83	6.97	11.69
75	78.54	104.38	46.26	72.57	9.69	15.06	4.88	8.75
80	61.51	88.93	34.49	56.52	6.97	11.69	3.44	6.32

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 6.3 (cont'd)

Probabilities of retirement for members eligible to retire were:

Retirement Age	Age Based						Service Based		
	General		Police		Fire		Years of Service	Police	Fire
	Normal	Early	Normal	Early	Normal	Early			
50	40 %	15 %		25 %		25 %	25	55 %	50 %
51	30	10		25		25	26	45	35
52	30	10		25		25	27	45	35
53	30	10		25		25	28	50	35
54	30	12		25		25	29	50	25
55	30	20	75 %			24 %	30	75	25
56	30	28	75			24	31	75	25
57	30	28	75			24	32	75	25
58	25	28	75			24	33	75	25
59	25	28	75			34	34	75	25
60	35		100			100	35	100	100
61	30								
62	30								
63	30								
64	30								
65	45								
66	30								
67	30								
68	30								
69	30								
70	100								

The assumed conditions for retirement were:

Group	Eligibility Conditions for Retirement
General	50 years of age with 20 or more years of service (reduced); or 50 years of age with 25 or more years of service; or, 60 years of age with 5 or more years of service.
Police-Fire	50 years of age with 20 or more years of service (reduced); or 25 or more years of service; or, 55 years of age with 5 or more years of service.

These assumptions were first used for the June 30, 2008 actuarial valuation.

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 6.3 (cont'd)

Salary Adjustment Factors for Projections of Current Salaries to FAC					Probabilities of Becoming Disabled			
Sample Ages	Percent Increase in Salary During Next Year				Sample Ages	Percent Becoming Disabled Within Next Year		
	Merit & Longevity					General	Police	Fire
Ages	Base	General	Police	Fire	Ages	General	Police	Fire
20	3.50 %	4.0 %	6.0 %	5.8 %	20	0.06 %	0.08 %	0.02 %
25	3.50	3.6	5.1	5.0	25	0.06	0.08	0.02
30	3.50	2.8	3.2	3.4	30	0.06	0.08	0.02
35	3.50	2.1	1.9	1.9	35	0.06	0.08	0.02
40	3.50	1.8	1.2	1.2	40	0.10	0.14	0.03
45	3.50	1.5	0.9	0.9	45	0.24	0.32	0.08
50	3.50	1.0	0.7	0.7	50	0.42	0.56	0.14
55	3.50	0.7	0.5	0.5	55	0.65	0.86	0.22
60	3.50	0.5	0.3	0.4	60	0.86	1.14	0.29

Percent of disabilities assumed to be duty related: General: 25%, Police and Fire: 50%

Sample Rates of Separation from Active Employment Before Retirement, Death, or Disability					
% of Active Members Separating Within Next Year					
Ages	Years of Service	General		Police	Fire
		Male	Female		
ALL	0	12.00 %	15.00 %	12.00 %	2.25
	1	9.60	12.00	6.00	2.00
	2	8.00	10.00	4.00	1.80
	3	6.40	8.00	3.00	1.80
	4	4.80	6.00	2.50	1.80
20	5 and Over	3.60	5.40	2.40	1.80
25		3.60	5.40	2.40	1.80
30		3.60	5.40	2.40	1.50
35		2.80	4.20	1.52	1.20
40		2.80	4.20	0.64	1.20
45		2.80	4.20	0.32	0.90
50		2.80	4.20	0.32	0.60
55		2.80	4.20	0.32	0.60
60		2.80	4.20	0.32	0.60
65		2.80	4.20	0.32	0.60

The interest rate credited on refunds of accumulated contributions paid to terminating members was assumed to be 8.0% per annum, compounded quarterly.

The above assumptions were first used for the June 30, 2008 actuarial valuation.

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Section 6.3 (cont'd)

Summary of Assumptions Used 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.
Pay Increase Timing:	Middle of (Fiscal) year.
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 without adjustment for multiple decrement table effects.
Decrement Operation:	Disability and mortality 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.
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.

CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

GLOSSARY OF TERMS

<i>Actuarial Accrued Liability</i>	Total accumulated cost to fund pension benefits arising from service in all prior years.
<i>Actuarial Cost Method</i>	Technique used to assign or allocate, in a systematic and consistent manner, the expected cost of a pension plan for a group of plan members to the years of service that give rise to that cost.
<i>Actuarial Present Value of Future Benefits</i>	Amount which, together with future interest, is expected to be sufficient to pay all future benefits.
<i>Actuarial Valuation</i>	Study of probable amounts of future pension benefits and the necessary amount of contributions to fund those benefits.
<i>Actuary</i>	Person who performs mathematical calculations pertaining to pension and insurance benefits based on specific procedures and assumptions.
<i>Annual Required Contribution</i>	Disclosure measure of annual pension cost.
<i>GASB 25</i>	Governmental Accounting Standards Board Statement Number 25 which specifies how the Annual Required Contribution (ARC) is to be calculated.
<i>Maturity Ratio</i>	The ratio of the actuarial accrued liability for members who are no longer active to the total actuarial accrued liability. A ratio of over 50% indicates a mature plan. The higher the maturity ratio, the more volatile the contribution rate will be from year to year given actuarial gains and losses.
<i>Normal Cost</i>	That portion of the actuarial present value of benefits assigned to a particular year in respect to an individual participant or the plan as a whole.
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	The portion of the actuarial accrued liability not offset by plan assets.
<i>Vested Benefits</i>	Benefits which are unconditionally guaranteed regardless of employment status.