

**MONROE COUNTY  
EMPLOYEES' RETIREMENT  
SYSTEM**

**Financial Statements**

**For the Years Ended  
December 31, 2008 and 2007**

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## TABLE OF CONTENTS

---

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>1</b>
 <b>FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007</b>	
Statements of Plan Net Assets .....	2
Statements of Changes in Plan Net Assets.....	3
Notes to Financial Statements.....	4-15
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress .....	16
Schedule of Employer Contributions .....	16

\* \* \* \* \*

**INDEPENDENT AUDITORS' REPORT**

May 29, 2009

To the Board of Trustees  
Monroe County Employees' Retirement System  
Monroe, Michigan

We have audited the accompanying statements of plan net assets of the *Monroe County Employees' Retirement System* (the "System") as of December 31, 2008 and 2007, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements present only the Employees' Retirement System pension trust fund and do not purport to, and do not present fairly the financial position and the changes in financial position of Monroe County as of and for the years ended December 31, 2008 and 2007, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the System's net assets held in trust for benefits at December 31, 2008 and 2007, and changes therein for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplemental information listed in the table of contents is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



# **FINANCIAL STATEMENTS**

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Statements of Plan Net Assets

December 31, 2008 and 2007

	2008	2007
<b>Assets</b>		
Investments, at fair value:		
U.S. treasuries	\$ 14,994,924	\$ 12,672,962
U.S. agencies	20,830,933	18,344,991
Foreign government bonds	9,345,657	14,974,078
Corporate bonds	27,847,442	22,934,287
Bond mutual fund	6,780,186	2,194,186
Domestic equities	26,615,504	48,464,231
International equities	5,018,456	10,216,186
American depository receipts	22,012,567	39,152,398
Domestic real estate investment trusts	585,816	1,016,676
International real estate investment trusts	1,095,000	3,816,911
Collateralized mortgage obligations	3,238,451	3,597,976
Money market	9,864,022	9,397,690
Total investments	148,228,958	186,782,572
Contributions receivable	33,866	432,174
Accounts receivable	63,369	-
Foreign currency forward contracts receivable	139,447	27,584
Accrued interest and dividends receivable	859,852	1,000,498
	149,325,492	188,242,828
<b>Total assets</b>	<b>149,325,492</b>	<b>188,242,828</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	562,374	452,154
	562,374	452,154
<b>Net assets held in trust for pension benefits</b> <b>(a schedule of funding progress is</b> <b>presented on Page 13)</b>	<b>\$ 148,763,118</b>	<b>\$ 187,790,674</b>

The accompanying notes are an integral part of these financial statements.

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Statements of Changes in Plan Net Assets For the Years Ended December 31, 2008 and 2007

	2008	2007
<b>Additions</b>		
Investment income (loss):		
<i>From investing activities:</i>		
Net appreciation (depreciation) in fair value of investments	\$ (41,414,636)	\$ 8,242,677
Interest and dividends	6,403,755	6,286,782
Total investment gain (loss)	(35,010,881)	14,529,459
Investment management fees	(1,151,662)	(922,963)
Net gain (loss) from investing activities	(36,162,543)	13,606,496
<i>From securities lending activities:</i>		
Gross earnings	820,633	1,893,573
Borrower rebates	(472,738)	(1,724,851)
Securities lending fees	(130,428)	(67,454)
Net income from securities lending activities	217,467	101,268
Total net investment gain (loss)	(35,945,076)	13,707,764
Contributions:		
Employer	5,391,367	4,910,784
Participants:		
Regular	176,431	336,074
Time purchase	41,607	22,308
Total contributions	5,609,405	5,269,166
Total additions (investment losses in excess of contributions)	(30,335,671)	18,976,930
<b>Deductions</b>		
Participant benefits	8,116,816	7,599,021
Participant refunds	346,783	630,322
Administrative expenses	228,286	489,164
Total deductions	8,691,885	8,718,507
Net additions (deductions) to net assets held in trust for benefits	(39,027,556)	10,258,423
Net assets held in trust for benefits, beginning of year	187,790,674	177,532,251
<b>Net assets held in trust for benefits, end of year</b>	<b>\$ 148,763,118</b>	<b>\$ 187,790,674</b>

The accompanying notes are an integral part of these financial statements.

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

---

### 1. PLAN DESCRIPTION

The Monroe County Employees' Retirement System (the "System") is a single-employer defined benefit contributory pension plan administered by the Monroe County Employees' Retirement System Board of Trustees (the "Board"). The System primarily provides pension, disability and death benefits, covering substantially all full-time employees of Monroe County and its component units, including:

- Monroe County Library System
- Monroe County Road Commission
- Monroe County Drain Commissioner
- Monroe County Agency
- Monroe County Community Mental Health Authority

The System was adopted by Monroe County pursuant to Michigan Compiled Laws, Section 46.12a. Benefit provisions are established by and may be amended by the Board as permitted by County Ordinances. The System is reported as a pension trust fund in the County's financial statements.

System membership consisted of the following at December 31:

	<u>2008</u>	<u>2007</u>
Retirees and beneficiaries currently receiving benefits	497	464
Terminated employees entitled to but not yet receiving benefits	139	134
Active participants	961	981

Central Dispatch supervisors and Sheriff Department employees (consisting of deputies and command, jail and corrections officers) are required to contribute 3.0% of the first \$7,800 in earnings and 5.0% of earnings thereafter to the System. Road Commission employees are required to contribute 3.1% of their annual earnings. All other County employees, along with employees of the Library System, Drain Commissioner, County Agency and Community Mental Health Authority, are not required to contribute.

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

---

The employer contributes such additional amounts, as necessary based on an actuarial determination, to provide assets sufficient to pay for member benefits. Employer contributions for the year ended December 31, 2008 totaled \$5,391,367 (including \$198,836 from the County for Central Dispatch employees, \$725,551 from the Road Commission, \$371,447 from the Community Mental Health Authority, \$185,432 from the Library and \$208,426 from the County Agency).

Employer contributions for the year ended December 31, 2007 totaled \$4,910,784 (including \$172,666 from the County for Central Dispatch employees, \$789,814 from the Road Commission, \$207,052 from the Community Mental Health Authority, \$185,358 from the Library and \$193,886 from the County Agency).

## 2. SIGNIFICANT ACCOUNTING POLICIES

***Basis of Accounting*** - The System's financial statements are prepared on the accrual basis of accounting. Member contributions are recognized in the period in which they are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

***Valuation of Investments and Income Recognition*** - The System's investments are stated at fair value which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amounts which reasonably approximates fair value.

***Administration*** - Administrative costs are paid through the System's investment earnings.

***Reclassifications*** - Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

### 3. INVESTMENTS AND SECURITY LENDING

The System's investments are primarily held in a bank-administered trust fund. Following is a summary of the System's investments as of December 31:

	<u>2008</u>	<u>2007</u>
<b>Investments at fair value, as determined by quoted market price:</b>		
U.S. treasuries	\$ 14,994,924	\$ 12,672,962
U.S. agencies:		
Not on securities loan	8,811,592	2,225,916
On securities loan	12,019,341	16,119,075
Foreign government bonds	9,345,657	14,974,078
Corporate bonds:		
Not on securities loan	27,236,894	22,818,765
On securities loan	610,548	115,522
Bond mutual fund	6,780,186	2,194,186
Domestic equities:		
Not on securities loan	19,489,481	33,106,288
On securities loan	7,126,023	15,357,943
International equities	5,018,456	10,216,186
American depository receipts	22,012,567	39,152,398
Domestic real estate investment trusts	585,816	1,016,676
International real estate investment trusts	1,095,000	3,816,911
Collateralized mortgage obligations	3,238,451	3,597,976
Money market	9,864,022	9,397,690
<b>Total investments</b>	<b><u>\$ 148,228,958</u></b>	<b><u>\$ 186,782,572</u></b>

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in domestic and foreign stocks, government securities, corporate securities, mortgages, real estate and various other investment instruments, subject to certain limitations.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's investment policy emphasizes appropriate risk/return parameters and compliance with Public Act 314, and gives discretionary authority to its investment managers as opposed to establishing specific credit rating benchmarks.

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

As of December 31, 2008, the System's investments in debt securities were rated by Standard & Poor's as follows:

<u>Rating</u>	<u>U.S. agencies</u>	<u>Foreign government bonds</u>	<u>Corporate bonds</u>	<u>Collateralized mortgage obligations</u>
AAA	\$ 20,830,933	\$ 5,864,476	\$ 5,191,138	\$ 2,317,361
AA+	-	348,310	-	-
AA	-	188,530	1,416,558	-
AA-	-	284,170	1,172,577	-
A+	-	471,460	6,274,080	-
A	-	840,886	9,894,916	52,052
A-	-	72,036	1,055,668	-
BBB+	-	-	2,214,117	-
BBB	-	213,908	532,922	-
BBB-	-	-	95,466	-
Not rated	-	1,061,881	-	869,038
	<u><u>\$ 20,830,933</u></u>	<u><u>\$ 9,345,657</u></u>	<u><u>\$ 27,847,442</u></u>	<u><u>\$ 3,238,451</u></u>

As of December 31, 2007, the System's investments in debt securities were rated by Standard & Poor's as follows:

<u>Rating</u>	<u>U.S. agencies</u>	<u>Foreign government bonds</u>	<u>Corporate bonds</u>	<u>Collateralized mortgage obligations</u>
AAA	\$ 16,864,206	\$ 10,349,418	\$ 2,743,079	\$ 3,597,976
AA+	-	174,059	-	-
AA	-	217,091	3,469,613	-
AA-	1,480,785	365,729	3,515,942	-
A+	-	1,257,129	7,321,957	-
A	-	1,590,482	3,252,321	-
A-	-	515,256	868,575	-
BBB+	-	-	1,578,015	-
BBB	-	-	184,785	-
Not rated	-	504,914	-	-
	<u><u>\$ 18,344,991</u></u>	<u><u>\$ 14,974,078</u></u>	<u><u>\$ 22,934,287</u></u>	<u><u>\$ 3,597,976</u></u>

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

---

United States treasury securities are explicitly guaranteed by the U.S. government and not considered to have credit risk. The System's investments in bond mutual and money market funds are not rated.

*Custodial Credit Risk.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy requires that securities be held in trust by a third-party institution in the System's name or its nominee custodian's name or in bearer form.

Although uninsured and unregistered, the System's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department or agent in the System's name. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's investment policy requires that no manager will hold more than 5% of its portion of the total fund in any single company and no more than 5% may be held in any single common stock. At December 31, 2007 and 2008 the System's investment portfolio was not concentrated.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System's investment policy does not discuss the maximum maturity for any single fixed income security or the weighted average portfolio maturity.

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

Maturities of the System's debt securities were as follows as of December 31:

	<b>Fair Value</b>	<b>Investment Maturities (fair value by years)</b>			
		<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
<b>2008</b>					
U.S. treasuries	\$ 14,994,924	\$ 1,167,718	\$ 4,765,160	\$ 8,900,002	\$ 162,044
U.S. agencies	20,830,933	617,812	8,276,503	3,214,915	8,721,703
Foreign governments	9,345,657	558,293	2,663,406	4,241,856	1,882,102
Corporate bonds	27,847,442	4,317,371	13,622,318	6,748,050	3,159,703
CMO	3,238,451	-	-	-	3,238,451
	<b><u>\$ 76,257,407</u></b>	<b><u>\$ 6,661,194</u></b>	<b><u>\$ 29,327,387</u></b>	<b><u>\$ 23,104,823</u></b>	<b><u>\$ 17,164,003</u></b>
<b>2007</b>					
U.S. treasuries	\$ 12,672,962	\$ -	\$ 5,810,851	\$ 6,202,434	\$ 659,677
U.S. agencies	18,344,991	260,406	8,161,613	3,290,732	6,632,240
Foreign governments	14,974,078	4,176,530	6,930,418	3,615,124	252,006
Corporate bonds	22,934,287	2,552,237	13,045,360	5,857,762	1,478,928
CMO	3,597,976	-	-	-	3,597,976
	<b><u>\$ 72,524,294</u></b>	<b><u>\$ 6,989,173</u></b>	<b><u>\$ 33,948,242</u></b>	<b><u>\$ 18,966,052</u></b>	<b><u>\$ 12,620,827</u></b>

Of the above balances as of December 31, 2008 and 2007, \$0 and \$766,130, respectively, of corporate securities were callable.

*Foreign Currency Risk.* Foreign currency risk is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment. The System's exposure to foreign currency risk is summarized as follows:

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

<u>Investment / Country</u>	<u>Currency</u>	<u>Fair Value (in U.S. Dollars)</u>	
		<u>2008</u>	<u>2007</u>
<b>Foreign government bonds</b>			
Australia	Australian dollar	\$ 2,011,883	\$ 2,420,571
Bermuda	Bermudian dollar	285,944	-
Canada	Canadian dollar	856,727	2,605,582
France	European euro	1,220,543	-
Malaysia	Malaysian ringgit	1,061,881	891,735
New Zealand	New Zealand dollar	448,774	137,143
Norway	Norwegian krone	203,218	1,172,544
Poland	Polish zloty	840,886	1,590,482
Singapore	Singapore dollar	-	1,321,790
South Africa	South African rand	471,460	892,720
Sweden	Swedish krona	558,293	2,192,757
United Kingdom	British pound	1,386,048	1,748,754
		<u>9,345,657</u>	<u>14,974,078</u>
<b>International equities</b>			
Australia	Australian dollar	45,164	227,793
Bermuda	Bermudian dollar	822,417	715,177
Brazil	Brazilian real	176,842	-
Canada	Canadian dollar	1,519,854	3,172,361
Cayman Islands	Cayman Islands dollar	88,600	428,400
China	Chinese renminbi	151,171	-
France	European euro	116,760	127,000
Germany	European euro	322,770	1,666,628
Greece	European euro	93,487	-
Israel	Israeli new shekel	215,616	214,659
Italy	European euro	24,855	188,165
Japan	Japanese yen	73,810	274,249
Luxembourg	European euro	265,030	349,102
Netherlands	European euro	42,182	101,658
Peru	Peruvian sol	144,135	-
Portugal	European euro	27,609	-
Puerto Rico	U.S. dollar	40,570	332,446
Singapore	Singapore dollar	103,035	508,110
Sweden	Swedish krona	68,848	253,477
Switzerland	Swiss franc	191,362	544,551
United Kingdom	British pound	484,339	1,112,410
		<u>5,018,456</u>	<u>10,216,186</u>
<b>Total</b>		<u><b>\$ 14,364,113</b></u>	<u><b>\$ 25,190,264</b></u>

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

In addition, as part of a foreign currency overlay plan in conjunction with the foreign government bonds, the System has entered into certain forward contracts (derivatives) to reduce overall portfolio volatility caused by foreign currency risk.

Following is a summary of these forward contracts, for which an asset in the amount of \$139,447 as of December 31, 2008 and an asset in the amount of \$27,584 as of December 31, 2007, representing the fair value of those contracts, has been reported in the accompanying statements of plan net assets:

<u>Investment / Currency</u>	<u>Current Maturity Date</u>	<u>Receivable (Payable)</u> <i>[in U.S. Dollars]</i>	
		<u>2008</u>	<u>2007</u>
Australian dollar receivable	01/09/09	\$ 186,655	\$ -
Canadian dollar payable		-	(970,982)
Canadian dollar receivable	02/03/09	549,768	-
European euros payable	03/06/09	(366,119)	-
European euros receivable	03/06/09	956,901	-
European euros receivable	03/06/09	1,266,160	-
New Zealand dollars receivable	03/17/09	188,259	-
Norwegian krone receivable	02/20/09	181,341	-
United Kingdom pounds payable	01/22/09	(938,252)	(1,144,091)
United Kingdom pounds payable		-	(152,943)
United Kingdom pounds receivable	01/22/09	938,252	-
United Kingdom pounds receivable	03/12/09	351,711	-
United Kingdom pounds receivable	03/12/09	351,711	-
United States dollars payable	01/09/09	(186,598)	-
United States dollars payable	01/22/09	(1,040,882)	-
United States dollars payable	02/03/09	(544,620)	-
United States dollars payable	02/20/09	(183,896)	-
United States dollars payable	03/06/09	(1,245,332)	-
United States dollars payable	03/06/09	(915,851)	-
United States dollars payable	03/12/09	(366,944)	-
United States dollars payable	03/12/09	(381,682)	-
United States dollars payable	03/17/09	(186,106)	-
United States dollars receivable	01/22/09	1,159,859	965,852
United States dollars receivable	03/06/09	365,112	1,174,539
United States dollars receivable		-	155,209
<b>Net contracts receivable</b>		<b><u>\$ 139,447</u></b>	<b><u>\$ 27,584</u></b>

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

---

*Securities Lending.* A contract approved by the System's Board of Directors permits the System to lend its securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives securities or irrevocable bank letters of credit as collateral. The collateral securities cannot be pledged or sold by the System unless the borrower defaults. Collateral securities and letters of credit are initially pledged at 102 percent of the market value of the securities lent, and may not fall below 100 percent during the term of the loan. There are no restrictions on the amount of securities that can be loaned.

At year end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System's custodian requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan.

#### 4. ANNUAL REQUIRED CONTRIBUTION

The annual pension cost and net pension obligation for the year ended December 31 were as follows:

	<u>2008</u>	<u>2007</u>
Annual required contribution/ pension cost	\$ 5,391,367	\$ 4,910,784
Contribution made	<u>5,391,367</u>	<u>4,910,784</u>
Increase (decrease) in net pension obligation	-	-
Net pension asset, beginning of year	<u>-</u>	<u>-</u>
<b>Net pension asset, end of year</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

The annual required contribution for 2008 and 2007 was determined as part of an actuarial valuation of the System as of December 31, 2006 and 2005, respectively, using the entry age normal cost method and is designed to accumulate sufficient assets to pay benefits when due. Normal cost is funded on a current basis. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over a period of 20 years. Significant actuarial assumptions used include: (a) a rate of return on investments of 7.0% per year compounded annually; (b) projected salary increases of 4.0% per year compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 1.0% to 8.0% per year, depending on age and service, attributable to seniority/merit; and (d) the assumption that pension benefits will not increase after retirement.

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

---

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. Liabilities created by plan, assumption or method changes are amortized as a level percentage of payroll over a 12-year closed period. Liabilities created by plan experience and all other liabilities or over-funding are amortized as a level percentage of payroll over a 9-year open period.

### 5. FUNDED STATUS AND FUNDING PROGRESS

The funded status of the System as of December 31, 2007, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	(1)	\$ 186,841,313	
Actuarial value of assets	(2)	<u>181,320,182</u>	
Unfunded AAL (UAAL)	(3)	<u>\$ 5,521,131</u>	(1) - (2)
Funded ratio	(4)	<u>97.0%</u>	(2) / (1)
Covered payroll	(5)	<u>\$ 43,152,156</u>	
UAAL as % of covered payroll	(6)	<u>12.8%</u>	(2) / (5)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of trust assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. For purposes of the schedule of funding progress, the actuarial accrued liability value as shown is determined using the entry age actuarial cost method.

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the System by the employer in comparison to the ARC (annual required contribution), an amount that is actuarially determined in accordance with the parameters of GASB Statement 25. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

---

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation includes:

Valuation date	December 31, 2007
Actuarial cost method	Individual Entry Age Normal Cost
Amortization method	General Division liabilities were amortized using a 20 year level dollar method. Library liabilities were amortized using 6.7 year level dollar method. Mental Health liabilities were amortized using a 9.1 year level dollar method.
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	5.0% to 12.0%
Cost-of-living adjustments	4.5%, certain Road Commission members only

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

---

### Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/06	\$ 3,170,195	100%	\$ -
12/31/07	4,910,784	100%	-
12/31/08	5,391,367	100%	-

GASB Statement 25 required supplementary information is presented after the notes to the financial statements section of this report.

\* \* \* \* \*

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM**

**Required Supplementary Information**

**SCHEDULE OF FUNDING PROGRESS**

<b>Actuarial Valuation Date December 31,</b>	<b>(1) Actuarial Value of Assets</b>	<b>(2) Actuarial Accrued Liability (AAL) Entry Age</b>	<b>(3) Unfunded AAL (Overfunded) (UAAL) (2-1)</b>	<b>(4) Funded Ratio (1/2)</b>	<b>(5) Covered Payroll</b>	<b>(6) UAAL as a % of Covered Payroll (3/5)</b>
1998	\$ 117,699,465	\$ 91,136,434	\$ (26,563,031)	129.1%	\$ 29,309,641	-90.6%
1999	132,836,927	97,650,685	(35,186,242)	136.0%	31,064,894	-113.3%
2000	143,765,352	105,824,598	(37,940,754)	135.9%	32,749,688	-115.9%
2001	150,304,504	116,359,159	(33,945,345)	129.2%	35,250,392	-96.3%
2002	148,404,995	125,652,447	(22,752,548)	118.1%	35,895,185	-63.4%
2003	162,683,115	139,141,015	(23,542,100)	116.9%	37,862,618	-62.2%
2004	162,725,639	150,510,011	(12,215,628)	108.1%	38,712,508	-31.6%
2005	163,151,579	163,641,875	490,296	99.7%	41,047,874	1.2%
2006	169,283,765	174,001,978	4,718,213	97.3%	41,821,305	11.3%
2007	181,320,182	186,841,313	5,521,131	97.0%	43,152,156	12.8%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>Year Ended December 31,</b>	<b>Annual Required Contribution</b>	<b>Annual Actual Contribution</b>	<b>Percentage Contributed</b>
1999	\$ 579,687	\$ 579,687	100.00%
2000	197,395	197,395	100.00%
2001	133,907	133,907	100.00%
2002	155,524	155,524	100.00%
2003	191,979	191,979	100.00%
2004	1,411,037	1,411,037	100.00%
2005	2,034,222	2,034,222	100.00%
2006	3,170,195	3,170,195	100.00%
2007	4,910,784	4,910,784	100.00%
2008	5,391,367	5,391,367	100.00%