
**The Report of the
Thirty-Ninth Annual Actuarial Valuation
of the Basic Retirement Benefits
Provided by
St. Clair County Employees Retirement System
December 31, 2004**

**Submitted to
The Board of Trustees
St. Clair County Employees Retirement System
Port Huron, Michigan**

Gabriel, Roeder, Smith & Company

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September 2, 2005

The Retirement Board
St. Clair County Employees
Retirement System
Port Huron, Michigan

Dear Board Members:

Submitted in this report are the results of the Thirty-Ninth Annual Actuarial Valuation of the **basic retirement benefits** provided by the St. Clair County Employees Retirement System. The results of the valuation of the **retiree health benefits** provided by the Retirement System are the subject of a separate report.

The date of the valuation was December 31, 2004.

An executive summary is included as Section A.

Valuation results and comments are contained in Section B.

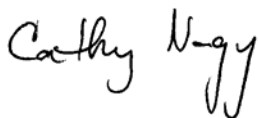
The valuation was based upon information, furnished by your Secretary, regarding Retirement System benefits, financial transactions, and individual members, terminated members, retirees and beneficiaries. Data was checked for internal and year-to-year consistency but was not otherwise audited. This information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

Actuarial cost methods and assumptions are summarized in Section D.

Financial disclosure required by Statement No. 25 of the Governmental Accounting Standards Board is provided in Section E.

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

Respectfully submitted,



Cathy Nagy, FSA, MAAA
Actuary



W. James Koss, ASA, MAAA
Actuary

CN/WJK:dm

Section A

Executive Summary

BASIC RETIREMENT BENEFITS

1. Required Employer Contributions - Fiscal Year Beginning January 1, 2006

The computed County contribution is 9.50% of payroll.

The Retirement System is no longer over-funded (assets are less than the actuarial accrued liability). The required contribution is equal to the normal cost (long term cost of the benefits) plus the amortization of the unfunded accrued liability.

2. Contribution Rate Comparison

The required contribution rate has changed from 6.67% in the December 31, 2003 valuation to 9.50% in the current valuation.

3. Reasons for Change

There are 3 general reasons why contribution rates change from one valuation to the next. The first is a change in the benefits or eligibility conditions of the plan. The second is a change in the valuation assumptions used to predict future occurrences. The third is the difference during the year between the plan's actual experience and what the assumptions predicted.

The maximum benefit increased to 75% of final average compensation and the final average compensation changed from 5 years to 3 years for certain groups.

Effective July 1, 2004, retirees and beneficiaries who retired prior to December 31, 1999 received a 2% increase in their benefit.

The contribution rate prior to these benefit changes, was 9.12%.

There were no changes in assumptions or methods.

4. 2004 Plan Experience

Plan experience was unfavorable during 2004 resulting in a loss from all causes of \$9,191,572. This represents 6.6% of the 2003 accrued liabilities. The loss development is shown on the following pages.

Investment income for total System assets on a smoothed basis was less than the 7.5% assumed rate for 2004, resulting in an investment loss of \$12,393,008 for pension and health assets combined. The portion of the loss attributable to basic retirement benefit assets is \$9,986,423. There was a gain from all other sources amounting to \$794,851.

Investment gain/(loss)	\$ (9,986,423)
Gain/(loss) from all other sources	<u>794,851</u>
Gain/(loss) from all causes	(9,191,572)

5. 2004 Funding Position

This year valuation assets represent 96.7% of total accrued liabilities; last year the ratio was 105.1%. The funded value decreased primarily due to use of the surplus to reduce employer contributions and as a result of unfavorable investment performance.

6. Retiree Reserve Balance

This year the retiree accrued liability is larger than the reported retiree reserve balance. See Comment A in Section B.

7. Conclusions

In the absence of significant offsetting actuarial gains, contribution rates are expected to increase over the next couple of years as unfavorable investment experience is being recognized in the smoothed value of assets.

Section B

Valuation Results Comments

FINANCIAL OBJECTIVE

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

Your annual actuarial valuations determine how well the objective is being met. This report covers the portion of the valuation dealing with basic retirement benefits.

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

CONTRIBUTION RATES

The Retirement System basic retirement benefits are supported by contributions from the County and active members and by the investment income earned on system assets. All members contribute 5% of their pay and the County provides an actuarially determined contribution, the remainder needed to meet the financial objective.

Member and County contributions cover both (i) normal cost, and (ii) the financing of the unfunded accrued liability over a period of future years. The normal cost is the portion of system costs allocated to the current year by the valuation method described in Section C. The unfunded accrued liability is the portion of system costs, if any, not covered by present system assets and future normal costs.

The contribution requirements for basic retirement benefits for the fiscal year beginning January 1, 2006 are presented on page B-2. We have developed and shown in a separate report the cost of the retiree health care benefits.

**CONTRIBUTIONS TO PROVIDE BASIC RETIREMENT BENEFITS
MEMBER PORTION AND EMPLOYER PORTION
FISCAL YEAR BEGINNING JANUARY 1, 2006**

Contributions for	% of Active Payroll
Normal cost of benefits:	
Age & service	11.81%
Disability	0.53%
Death before retirement	0.62%
Total	12.96%
Member contributions:	
Total	5.00%
Future refunds	0.40%
Available for pensions	4.60%
Expense Allowance	0.19%
Employer normal cost	8.55%
Amortization Charges	0.95%
COMPUTED EMPLOYER RATE	<u>9.50%</u>

The increases in the unfunded accrued liabilities due to benefit changes and assumption changes were financed over the 16-year period selected by the Board. All remaining liabilities were amortized over an open or rolling 13 years.

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

Page B-4 displays the unfunded accrued liability (or excess assets) that is amortized by the contribution rate shown above.

CONVERTING CONTRIBUTION RATES TO DOLLAR AMOUNTS

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

- (1) Contribute dollar amounts for a period that are equal to the County's percent-of-payroll contribution requirement multiplied by the covered active member payroll for the period. Adjustments should be made as necessary to exclude items of pay that are not covered compensation for Retirement System benefits and to include non-payroll payments that are covered compensation.
- (2) Contribute \$4,148,626. This amount is based on the payroll information provided for the valuation without adjustment for expected payroll growth during 2005.

TIMING OF CONTRIBUTION PAYMENTS

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

DETERMINATION OF UNFUNDED ACCRUED LIABILITY BASIC RETIREMENT BENEFITS

A. Accrued Liability

1.	For retirees and beneficiaries	\$ 66,242,579
2.	For vested terminated members	5,343,093
3.	For present active members	
	a. Value of expected future benefit payments	133,401,511
	b. Value of future normal costs	<u>55,609,995</u>
	c. Active member liability: (a) - (b)	<u>77,791,516</u>
4.	Total	149,377,188

B. Valuation Assets		<u>144,411,118</u>
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C. Unfunded Accrued Liability (Excess Assets):		
	(A.4) - (B)	4,966,070

D. Funded Ratio: (B) ÷ (A.4)		<u>96.7%</u>
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COMMENTS

COMMENT A: In each valuation we develop the value of anticipated future benefit payments to retired members and their beneficiaries. We then compare this accrued liability to the reported balance of the Retirement Reserve Fund. The amounts of liability and the reported reserves are shown below.

Retiree Accrued Liability	\$66,242,579
Retiree Reserve	<u>57,395,310</u>
Unfunded Accrued Liability	8,847,269

The unfunded amount was assumed to be covered by a transfer from the Retirement System's employer reserves for future benefits, effective January 1, 2005.

COMMENT B: The cost of retiree health benefits is the subject of a separate valuation report. This report deals only with the basic retirement benefits provided by the Retirement System.

COMMENT C: The development of the experience loss for the basic retirement benefit portion of the Retirement System is shown following these Comments. During year 2004 there was an aggregate loss of \$9,191,572.

Expected Pattern of Future Employer Contribution Rates

Year	Normal Cost	Amortization Payment	Total
1	8.55%	0.95%	9.50%
2	8.55%	0.95%	9.50%
3	8.55%	0.94%	9.49%
4	8.55%	0.94%	9.49%
5	8.55%	0.88%	9.43%
6	8.55%	0.82%	9.37%
7	8.55%	0.76%	9.31%
8	8.55%	0.71%	9.26%
9	8.55%	0.67%	9.22%
10	8.55%	0.62%	9.17%
11	8.55%	0.58%	9.13%
12	8.55%	0.54%	9.09%
13	8.55%	0.51%	9.06%
14	8.55%	0.47%	9.02%
15	8.55%	0.44%	8.99%
16	8.55%	0.41%	8.96%
17	8.55%	0.38%	8.93%
18	8.55%	0.36%	8.91%
19	8.55%	0.33%	8.88%
20	8.55%	0.31%	8.86%
21	8.55%	0.29%	8.84%
22	8.55%	0.27%	8.82%
23	8.55%	0.25%	8.80%
24	8.55%	0.24%	8.79%
25	8.55%	0.22%	8.77%
26	8.55%	0.21%	8.76%
27	8.55%	0.19%	8.74%
28	8.55%	0.18%	8.73%
29	8.55%	0.17%	8.72%
30	8.55%	0.16%	8.71%
31	8.55%	0.15%	8.70%
32	8.55%	0.14%	8.69%
33	8.55%	0.13%	8.68%
34	8.55%	0.12%	8.67%
35	8.55%	0.11%	8.66%
36	8.55%	0.10%	8.65%
37	8.55%	0.10%	8.65%
38	8.55%	0.09%	8.64%
39	8.55%	0.08%	8.63%
40	8.55%	0.08%	8.63%
41	8.55%	0.07%	8.62%
42	8.55%	0.07%	8.62%
43	8.55%	0.06%	8.61%
44	8.55%	0.06%	8.61%
45	8.55%	0.06%	8.61%
46	8.55%	0.05%	8.60%
47	8.55%	0.05%	8.60%
48	8.55%	0.05%	8.60%
49	8.55%	0.04%	8.59%
50	8.55%	0.04%	8.59%

These projections assume that all our assumptions will be met during the projection period. These projections are a theoretical exercise to illustrate that employer contribution rates will ultimately increase toward the long term cost of benefits. They do not reflect recent poor asset performance. As a result they should not be used for short term budgeting.

**DEVELOPMENT OF EXPERIENCE GAIN (LOSS)
BASIC RETIREMENT BENEFITS
YEAR ENDED DECEMBER 31, 2004**

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

	<u>2003</u>	<u>2004</u>
(1) UAAL* at start of year	\$(18,952,650)	\$(7,146,852)
(2) Normal cost from last year	5,090,796	5,347,317
(3) Actual contributions	1,884,736	3,460,395
(4) Interest accrual	(1,302,671)	(466,107)
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	(17,049,261)	(5,726,037)
(6) Change from benefit increases	1,254,559	1,500,535
(7) Change from data corrections	0	0
(8) Expected UAAL after changes: (5) + (6) + (7)	(15,794,702)	(4,225,502)
(9) Actual UAAL at end of year	(7,146,852)	4,966,070
(10) Gain (Loss): (8) - (9)	(8,647,850)	(9,191,572)
(11) Gain (Loss) as percent of actuarial accrued liabilities at start of year	(6.65)%	(6.59)%

* *Unfunded actuarial accrued liabilities.*

**DEVELOPMENT OF VALUATION INVESTMENT GAIN (LOSS)
YEAR ENDED DECEMBER 31, 2004**

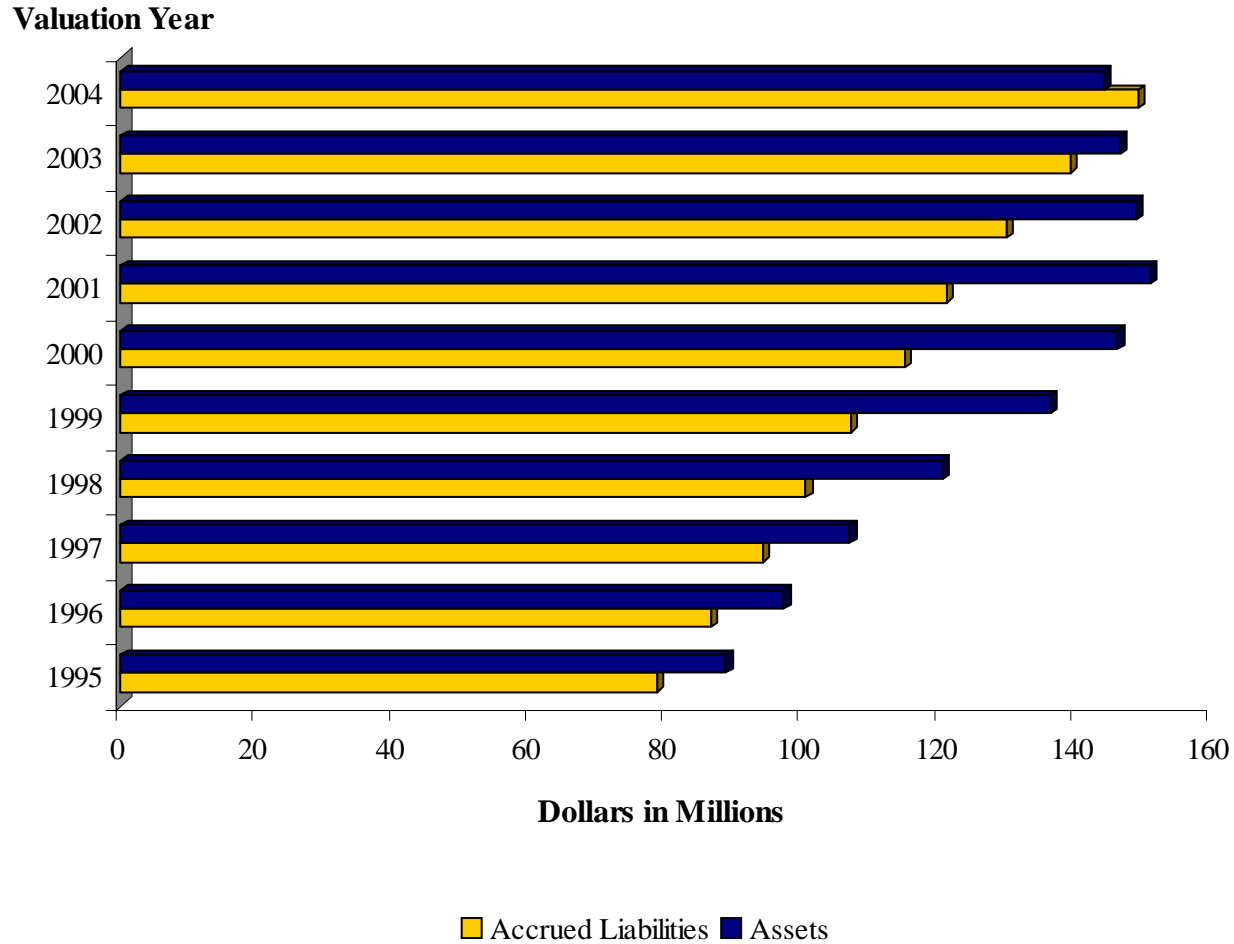
The valuation assumes an average 7.5% return on valuation assets. Net investment return in excess of 7.5% represents a gain. If net investment return falls short of 7.5%, this represents a loss.

(1) Net interest and dividends during 2004	\$ 4,190,049
(2) 2004 market value adjustment	<u>(3,083,789)</u>
(3) Total 2004 valuation investment income: (1) + (2)	1,106,260
(4) Average Valuation Assets (Pension & Health)	179,990,235
(5) Expected investment income: (.075) x (4)	13,499,268
(6) Gain (Loss): (3) - (5)	(12,393,008)
(7) Portion of System assets for pension benefits	0.805811
(8) Gain (loss) attributable to pension benefit assets: (6) x (7)	(9,986,423)
(9) Valuation rate of return for 2004: (3) / (4)	0.61%

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

During 2004 the approximate market value rate of return was 5.81%.

ASSETS & ACCRUED LIABILITIES BASIC RETIREMENT BENEFITS



1995 assets equaled 112.7% of accrued liabilities
 2004 assets equaled 96.7% of accrued liabilities

COMPUTED EMPLOYER CONTRIBUTIONS COMPARATIVE STATEMENT

Valuation Date December 31	Active Members				Retirees & Beneficiaries		Employer Contributions As Payroll Percents
	No.	Valuation Payroll			No.	Annual Benefits	
		Total	Average	% Incr.			
1985 #@	711	\$16,017,710	\$22,528	5.1 %	263	\$1,079,961	8.27 %
1986	716	16,939,307	23,658	5.0 %	272	1,187,948	8.20 %
1987	698	17,184,024	24,619	4.1 %	286	1,371,593	7.99 %
1988	748	18,843,733	25,192	2.3 %	298	1,488,968	8.07 %
1989	758	20,024,381	26,417	4.9 %	305	1,589,728	7.62 %
1990 @	765	21,049,322	27,515	4.2 %	312	1,654,318	7.33 %
1991 #@	763	21,859,213	28,649	4.1 %	317	1,770,315	5.90 %
1992	723	22,118,037	30,592	6.8 %	325	1,885,964	5.17 %
1993	732	23,711,156	32,392	5.9 %	335	2,023,097	5.25 %
1994 #	747	24,769,097	33,158	2.4 %	347	2,293,940	5.69 %
1995 #	766	25,861,302	33,761	1.8 %	361	2,579,427	5.37 %
1996 #@	783	27,934,157	35,676	5.7 %	375	2,773,904	5.62 %
1997 #	791	28,402,628	35,907	0.6 %	376	3,147,564	4.70 %
1998 #	798	29,161,115 *	36,543	1.8 %	394	3,536,917	2.49 %
1999 @	827	31,051,407	37,547	2.7 %	406	3,903,154	(0.26)%
2000 #@	825	32,044,333	38,842	3.4 %	410	4,262,752	(0.57)%
2001 #	833	32,744,255	39,309	1.2 %	426	4,811,025	(0.06)%
2002 #	883	35,716,619	40,449	2.9 %	435	5,120,757	3.52 %
2003 #	914	38,047,803	41,628	2.9 %	455	5,741,297	6.67 %
2004 #	924	39,609,752	42,868	3.0 %	462	6,393,450	9.50 %

Retirement System amended.

@ Revised actuarial assumptions or methods.

* Reduced for the effect of retroactive pay during 1996.

Section C

Summary of Benefit Provisions Valuation Data

**BRIEF SUMMARY OF BASIC RETIREMENT BENEFITS
(DECEMBER 31, 2004)**

Eligibility

Amount

REGULAR RETIREMENT

(no reduction factor for age)

Sheriffs - 25 years of service regardless of age.

Others - Age 55 with 25 years of service.

All - Age 60 with 8 years of service.
- When age plus service equals 80 and service is at least 25 years.

Modified plan members:

Final Average Compensation (FAC) multiplied by:

<u>Years of Service</u>	<u>Annual Multiplier</u>
1-10	1.75%
11-19	2.00
20-24	2.00
25-29	2.40

Before 20 years of service, separate multipliers are used for the first 10 years of service and service over 10 years.

After 20 years of service, the multiplier will apply to all years of service. Maximum benefit: See Appendix

Original plan members: Total service times 2.0% of FAC. Maximum benefit: See Appendix

Type of FAC - Highest 5 years out of last 10. (highest 3 years out of last ten for Sheriff's, Deputies, and Supervisors and certain General County employees) Base pay only for certain General County and Sheriff's Department members.

DEFERRED RETIREMENT

8 or more years of service, benefit begins at age 60. With 25 or more years of service, benefit begins at age 55.

Computed as a regular retirement but based upon service and final average compensation at termination date.

DEATH IN SERVICE

10 or more years of service.

Computed as a regular retirement but actuarially reduced in accordance with a 100% joint and survivor election. Payable to the spouse for life. If no eligible spouse, unmarried children under 18 receive equal shares of 50% of the benefit.

**BRIEF SUMMARY OF BASIC RETIREMENT BENEFITS
(DECEMBER 31, 2004)**

Eligibility

Amount

NON-DUTY DISABILITY

10 or more years of service.

Computed as a regular retirement. Offsets apply.

DUTY DISABILITY

Sheriff's Department - 10 or more years of service.

50% of compensation at the time of disability. Offsets apply.

Others - No age or service requirements. Must be in receipt of Worker's Compensation payments.

Computed as a regular retirement. Upon termination of Worker's Compensation payments, additional service credit is granted and benefit is recomputed. Offsets apply.

MEMBER CONTRIBUTIONS

All members.

5% of annual compensation.

COUNTY CONTRIBUTIONS

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

POST-RETIREMENT LIFE INSURANCE

The Retirement System provides \$3,500 of life insurance to retirees.

SUPPLEMENTAL PAYMENTS TO RETIREES AGE 65 AND OLDER

If a retiree had less than 20 years of service at retirement, an annual payment of \$14.00 per month will be made for the life of the retiree. For members with 20 or more years of service at retirement, an annual payment of \$16.00 per month.

RETIREMENTS DURING 2004
GENERAL COUNTY, SHERIFF'S DEPT. & ROAD COMMISSION
TABULATED BY AGE NEAREST BIRTHDAY AT RETIREMENT

Ages	Age & Service		Disability		Survivor		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
50	1	\$ 44,788	1	\$13,365			2	\$ 58,153
51	1	41,480					1	41,480
52	3	87,286					3	87,286
56	1	32,082					1	32,082
57	1	34,475					1	34,475
58	1	37,417					1	37,417
59	1	57,907					1	57,907
60	6	111,828					6	111,828
61	3	67,332					3	67,332
62	2	9,888					2	9,888
63	2	47,026					2	47,026
64	1	13,626					1	13,626
65	1	29,751					1	29,751
66	1	20,577					1	20,577
Total	25	\$635,463	1	\$13,365			26	\$648,828

RETIREMENTS DURING 2004
MENTAL HEALTH AUTHORITY
TABULATED BY AGE NEAREST BIRTHDAY AT RETIREMENT

Age & Service		Disability		Survivor		Totals		
Ages	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
60	3	\$60,356					3	\$60,356
Total	3	\$60,356					3	\$60,356

RETIREMENTS DURING 2004
GENERAL COUNTY, SHERIFF'S DEPT. & ROAD COMMISSION
TABULATED BY ANNUAL AMOUNT OF BENEFIT

Annual Amount	Age & Service	Disability	Survivor	Total
Under \$4,000	1			1
8,000-9,999	3			3
12,000-13,999	1	1		2
14,000-15,999	1			1
18,000-19,999	2			2
20,000-21,999	3			3
22,000-23,999	1			1
24,000-25,999	4			4
28,000-29,999	1			1
32,000-33,999	1			1
34,000-35,999	1			1
36,000-37,999	1			1
38,000-39,999	2			2
Over \$38,000	3			3
Total	25	1		26

RETIREMENTS DURING 2004
MENTAL HEALTH AUTHORITY
TABULATED BY ANNUAL AMOUNT OF BENEFIT

Annual Amount	Age & Service	Disability	Survivor	Total
4,000-5,999	1			1
26,000-27,999	2			2
Total	3			3

**RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS
GENERAL COUNTY, SHERIFF'S DEPT. & ROAD COMMISSION
COMPARATIVE STATEMENT**

Year Ended Dec. 31	Added to Rolls@		Removed from Rolls		Rolls End of Year		% Incr. in	Average	Discounted
	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions	Annual Pensions	Pension	Value of Pensions
1985	28	\$ 173,801	13	\$ 48,290	263	\$1,079,961	13.2 %	\$4,104	\$ 9,493,704
1986	18	134,654	9	26,667	272	1,187,948	10.0 %	4,367	10,791,010
1987	26	211,846	12	28,201	286	1,371,593	15.5 %	4,796	12,846,355
1988	21	148,129	9	30,754	298	1,488,968	8.6 %	4,997	14,270,647
1989	17	135,759	10	34,999	305	1,589,728	6.8 %	5,212	15,359,587
1990	17	127,158	10	62,568	312	1,654,318	4.1 %	5,302	16,180,935
1991	18	176,569	13	60,572	317	1,770,315	7.0 %	5,585	17,932,086
1992	18	154,549	10	38,900	325	1,885,964	6.5 %	5,803	18,941,923
1993	20	167,008	10	29,876	335	2,023,096	7.3 %	6,039	20,221,782
1994	24	332,827	12	61,983	347	2,293,940	13.4 %	6,611	22,722,069
1995	33	403,798	19	118,311	361	2,579,427	12.4 %	7,145	25,646,941
1996	15	196,935	1	2,458	375	2,773,904	7.5 %	7,397	27,290,541
1997	30	526,598	29	152,938	376	3,147,564	13.5 %	8,371	31,918,402
1998	30	472,504	12	83,151	394	3,536,917	12.4 %	8,977	35,901,730
1999	28	519,307	16	153,070	406	3,903,156	10.4 %	9,614	39,614,504
2000	24	478,805	20	119,209	410	4,262,752	9.2 %	10,397	43,250,186
2001 #	29	532,778	29	219,904	410	4,575,626	7.3 %	11,160	45,164,629
2002	26	387,767	23	172,053	413	4,791,340	4.7 %	11,601	48,841,993
2003	35	767,072	16	177,315	432	5,381,097	12.3 %	12,456	55,100,488
2004	33	777,439	30	193,358	435	5,965,178	10.9 %	13,713	61,571,588

@ Includes survivors of deceased retirees and post-retirement increases

General County and Mental Health Authority combined prior to 2001

**RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS
MENTAL HEALTH AUTHORITY
COMPARATIVE STATEMENT**

Year Ended Dec. 31	Added to Rolls @		Removed from Rolls		Rolls End of Year		% Incr. in	Average	Discounted
	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions	Annual Pensions	Pension	Value of Pensions
1985	28	\$173,801	13	\$ 48,290	263	\$1,079,961	13.2 %	\$ 4,104	\$ 9,493,704
1986	18	134,654	9	26,667	272	1,187,948	10.0 %	4,367	10,791,010
1987	26	211,846	12	28,201	286	1,371,593	15.5 %	4,796	12,846,355
1988	21	148,129	9	30,754	298	1,488,968	8.6 %	4,997	14,270,647
1989	17	135,759	10	34,999	305	1,589,728	6.8 %	5,212	15,359,587
1990	17	127,158	10	62,568	312	1,654,318	4.1 %	5,302	16,180,935
1991	18	176,569	13	60,572	317	1,770,315	7.0 %	5,585	17,932,086
1992	18	154,549	10	38,900	325	1,885,964	6.5 %	5,803	18,941,923
1993	20	167,008	10	29,876	335	2,023,096	7.3 %	6,039	20,221,782
1994	24	332,827	12	61,983	347	2,293,940	13.4 %	6,611	22,722,069
1995	33	403,798	19	118,311	361	2,579,427	12.4 %	7,145	25,646,941
1996	15	196,935	1	2,458	375	2,773,904	7.5 %	7,397	27,290,541
1997	30	526,598	29	152,938	376	3,147,564	13.5 %	8,371	31,918,402
1998	30	472,504	12	83,151	394	3,536,917	12.4 %	8,977	35,901,730
1999	28	519,307	16	153,070	406	3,903,156	10.4 %	9,614	39,614,504
2000	24	478,805	20	119,209	410	4,262,752	9.2 %	10,397	43,250,186
2001 #	5	101,332	399	4,128,685	16	235,399	#	14,712	2,569,528
2002	7	101,709	1	7,687	22	329,421	39.9 %	14,974	3,659,388
2003	1	30,779	0	0	23	360,200	9.3 %	15,661	3,966,503
2004	4	68,072	0	0	27	428,272	18.9 %	15,862	4,670,991

@ Includes survivors of deceased retirees and post-retirement increases

General County and Mental Health Authority combined prior to 2001

RETIREES AND BENEFICIARIES - DECEMBER 31, 2004
GENERAL COUNTY, SHERIFF'S DEPT. & ROAD COMMISSION
TABULATED BY ATTAINED AGE

Attained Age	Age & Service		Disability		Survivor		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
35 - 39			1	\$ 5,790			1	\$ 5,790
40 - 44			1	1,114	1	\$ 8,939	2	10,053
45 - 49	1	\$ 22,770					1	22,770
50 - 54	15	464,154	1	13,365	1	10,343	17	487,862
55 - 59	39	1,094,553	4	41,222	2	27,266	45	1,163,041
60 - 64	66	1,231,916	6	63,444	2	33,491	74	1,328,851
65 - 69	52	767,462	3	24,050	4	65,506	59	857,018
70	14	205,761					14	205,761
71	10	160,300					10	160,300
72	10	125,876					10	125,876
73	12	130,106					12	130,106
74	17	191,124	1	9,034			18	200,158
75	20	207,290			2	20,475	22	227,765
76	10	49,611					10	49,611
77	11	71,673					11	71,673
78	13	125,956	1	2,474	1	14,934	15	143,364
79	15	150,831	1	8,552	1	2,641	17	162,024
80	8	82,937					8	82,937
81	14	112,684					14	112,684
82	11	125,620					11	125,620
83	10	64,410	1	4,249			11	68,659
84	10	37,573					10	37,573
85	5	15,534					5	15,534
86	7	40,813			2	4,451	9	45,264
87	3	15,695					3	15,695
88	8	43,814					8	43,814
89	2	6,874					2	6,874
90 & Over	16	58,501					16	58,501
Total	399	\$5,603,838	20	\$173,294	16	\$188,046	435	\$5,965,178

Average age at retirement: 59.0 years

Average age now: 71.3 years

RETIREES AND BENEFICIARIES - DECEMBER 31, 2004
MENTAL HEALTH AUTHORITY
TABULATED BY ATTAINED AGE

Attained Age	Age & Service		Disability		Survivor		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
54	1	\$ 40,180					1	\$ 40,180
55	1	27,883					1	27,883
58	1	21,252					1	21,252
60	4	79,070					4	79,070
62	4	41,060					4	41,060
63	4	99,304					4	99,304
64	3	20,267					3	20,267
66	1	9,108					1	9,108
67	1	10,977					1	10,977
68	1	6,632					1	6,632
70	4	59,498					4	59,498
75	2	13,041					2	13,041
Total	27	\$428,272					27	\$428,272

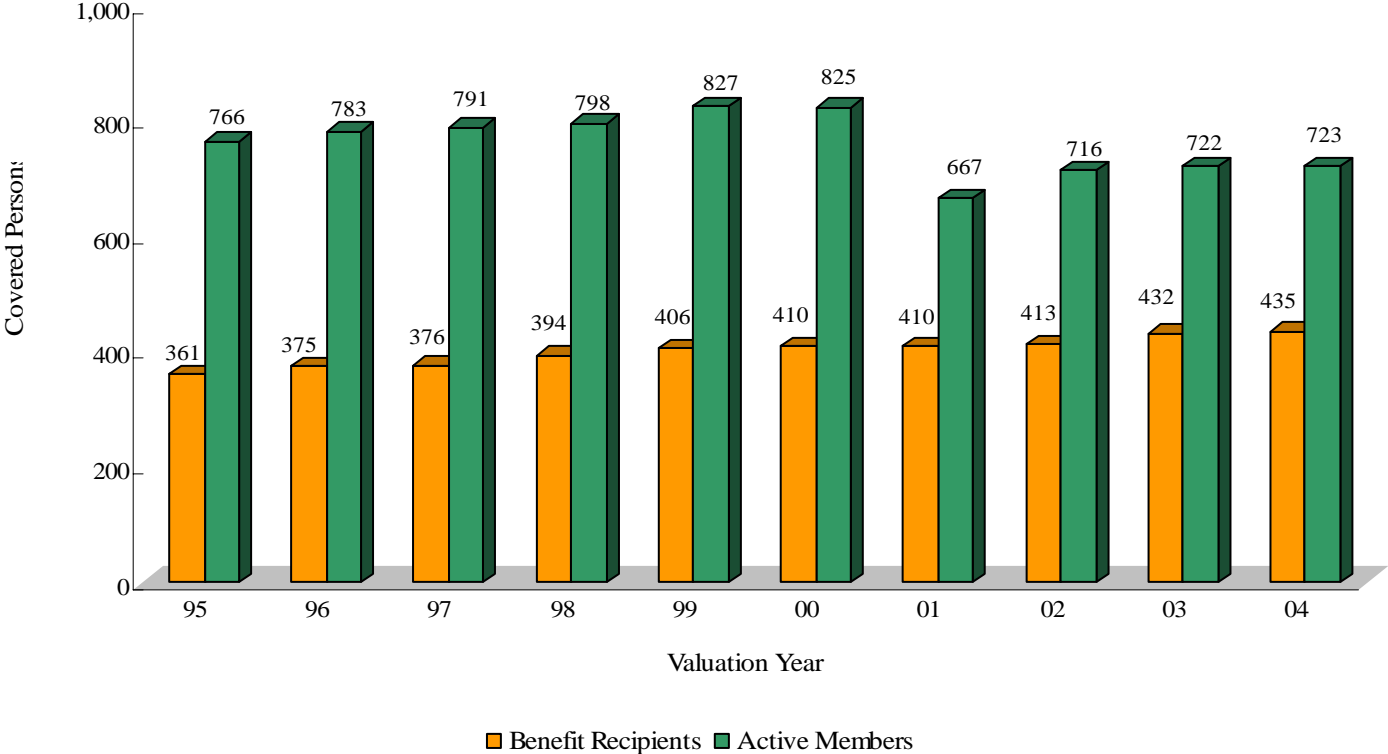
INACTIVE MEMBER DATA

There were 66 General County and 28 Mental Health Authority inactive members as of December 31, 2004 with annual estimated deferred pensions of \$654,449 for General County and \$239,076 for the Mental Health Authority. An inactive member is a person who has left County employment with entitlement to a pension after attainment of his voluntary retirement age.

Inactive Members December 31, 2004 Tabulated by Attained Age

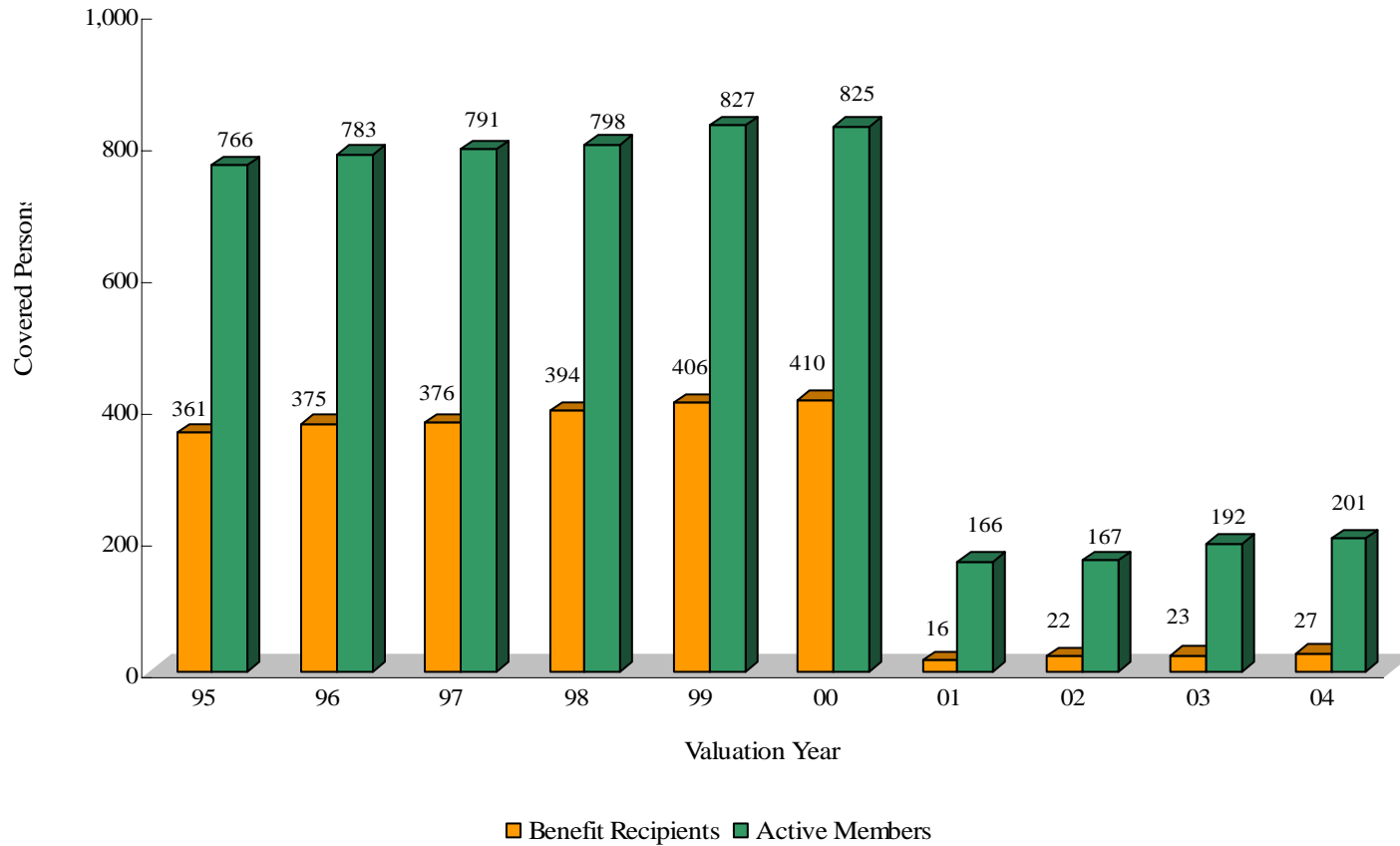
Attained Ages	General Sheriff's Dept. & Road Commission		Mental Health	
	No.	Estimated Pensions	No.	Estimated Pensions
33	1	\$ 4,603		
34	1	9,892		
36	1	5,808		
37			1	\$ 5,970
38	1	4,057	1	6,177
39	1	10,832		
40	1	8,957		
41			2	12,405
42	2	15,688	3	16,687
43	2	11,245	1	4,090
44	3	15,024	2	23,753
45	2	9,380		
46	5	44,517	1	8,694
47	2	14,364	1	6,491
48	7	73,006		
49	5	20,882	1	6,320
50	1	38,909		
51	3	53,123	3	40,366
52	1	10,015	1	8,317
53	1	7,822	3	31,916
54	3	30,106	2	17,460
55	3	26,271	1	13,662
56	6	94,567	2	13,081
57	3	47,216	3	23,687
58	5	28,801		
59	4	24,266		
63	1	20,857		
66	1	24,241		
Total	66	\$654,449	28	\$239,076

ACTIVE MEMBERS AND BENEFIT RECIPIENTS GENERAL COUNTY, SHERIFF'S DEPT. & ROAD COMMISSION



Note: General County and Mental Health Authority were combined prior to 2001.

ACTIVE MEMBERS AND BENEFIT RECIPIENTS MENTAL HEALTH AUTHORITY



Note: General County and Mental Health Authority were combined prior to 2001.

ACTIVE MEMBERS

Comparative Schedule

Valuation Date December 31	Active Members	Valuation Payroll	Average			
			Age	Service	Pay	% Inc.
1990	765	\$21,049,322	42.4	9.6	\$27,515	4.2 %
1991	763	21,859,213	43.0	10.1	28,649	4.1 %
1992	723	22,118,037	43.5	10.8	30,592	6.8 %
1993	732	23,711,156	43.5	11.3	32,392	5.9 %
1994	747	24,769,097	43.6	11.4	33,158	2.4 %
1995	766	25,861,302	43.6	11.2	33,761	1.8 %
1996	783	27,934,157	43.6	11.5	35,676	5.7 %
1997	791	28,402,628	43.7	11.5	35,907	0.6 %
1998	798	29,161,115	43.9	11.4	36,543	1.8 %
1999	827	31,051,407	44.1	11.2	37,547	2.7 %
2000	825	32,044,333	44.3	11.5	38,842	3.4 %
2001	833	32,744,255	44.6	11.4	39,309	1.2 %
2002	883	35,716,619	44.6	11.0	40,449	2.9 %
2003	914	38,047,803	44.5	10.7	41,628	2.9 %
2004	924	39,609,752	44.6	10.8	42,868	3.0 %

Active Members Added to and Removed from Rolls

Year Ended December 31	Number Added During Year	Terminations During Year					Active Members End of Year
		Normal Retirement	Disability Retirement	Died-in Service	Vested Term.	Other	
1990	55	9	1	2	9	27	765
1991	39	13	1	1	3	23	763
1992	40	11	1		10	58	723
1993	51	14	1	2	9	16	732
1994	59	15	1		9	19	747
1995	72	21	3	1	5	23	766
1996	62	13		1	12	19	783
1997	62	23	1	2	5	23	791
1998	77	20	1	1	15	33	798
1999	91	18		2	12	30	827
2000	52	11	1		11	31	825
2001	78	21	1		11	37	833
2002	94	16		2	10	16	883
2003	96	25			12	28	914
2004	71	21	1		6	33	924

**GENERAL ACTIVE MEMBERS AS OF DECEMBER 31, 2004
BY ATTAINED AGE AND YEARS OF SERVICE**

Attained Age	Years of Service to Valuation Date							No.	Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus		Valuation Payroll
20-24	12							12	\$ 377,763
25-29	34	3						37	1,282,578
30-34	23	15	1					39	1,677,419
35-39	26	23	8	2				59	2,270,956
40-44	29	11	7	14	9	1		71	2,832,399
45-49	29	18	9	13	10	9	1	89	3,596,956
50-54	23	18	19	11	8	14	4	97	3,915,773
55-59	16	14	9	9	15	7	11	81	3,469,000
60	1		2	3		1	2	9	412,618
61		4	1			1	2	8	329,748
62		1	2	1			1	5	148,950
63	1		1	1	1			4	168,008
64	1	1	1	1				4	100,589
65				2				2	50,867
68			1					1	45,724
70							1	1	35,814
79							1	1	51,288
Totals	195	108	61	57	43	33	23	520	\$20,766,450

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

Age: 45.6 years
Service: 10.8 years
Annual Pay: \$39,935

**MENTAL HEALTH ACTIVE MEMBERS AS OF DECEMBER 31, 2004
BY ATTAINED AGE AND YEARS OF SERVICE**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	4							4	\$ 128,996
25-29	16							16	611,643
30-34	17	9	3					29	1,170,354
35-39	15	8	3					26	1,171,798
40-44	9	13	4	5	1			32	1,380,898
45-49	10	10	2	4	9			35	1,571,700
50-54	6	6	3	3	4	3		25	1,126,587
55-59	4	5	4	2	4	3	2	24	1,073,335
60				1	1	1		3	119,205
61	1		1					2	92,899
62		1	1					2	92,271
63	1	1						2	71,548
67							1	1	40,298
Totals	83	53	21	15	19	7	3	201	\$8,651,532

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

Age: 43.3 years
Service: 8.7 years
Annual Pay: \$43,042

**SHERIFF ACTIVE MEMBERS AS OF DECEMBER 31, 2004
BY ATTAINED AGE AND YEARS OF SERVICE**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	1							1	\$ 31,963
25-29	6	4						10	460,718
30-34	7	6	1					14	663,014
35-39	3	5	2	4				14	794,387
40-44		6	5	3	1			15	839,757
45-49				4	3	3		10	598,702
50-54			2	1		3	2	8	497,022
55-59				1	3	3	2	9	551,880
61		1						1	41,869
62							1	1	61,689
Totals	17	22	10	13	7	9	5	83	\$4,541,001

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

Age: 41.2 years
Service: 13.6 years
Annual Pay: \$54,711

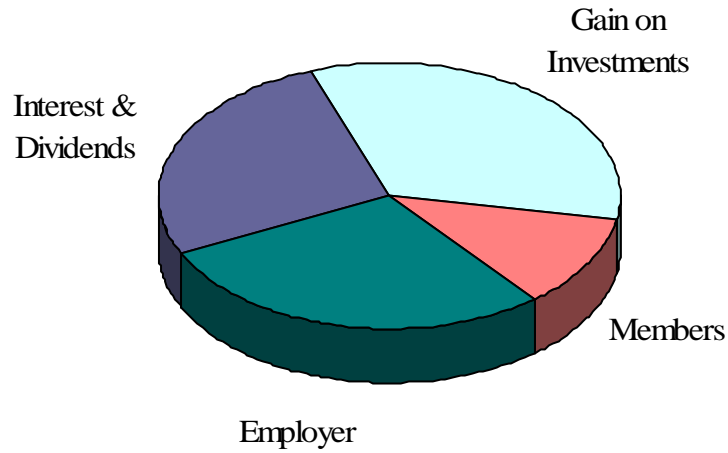
**ROAD COMMISSION ACTIVE MEMBERS AS OF DECEMBER 31, 2004
BY ATTAINED AGE AND YEARS OF SERVICE**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	2							2	\$ 66,063
25-26	4	1						5	235,505
30-34	6	2	4					12	515,731
35-39	8	4	4	1	1			18	825,953
40-44	6	8	2	2				18	861,650
45-49	1	5	3	14	3			26	1,250,630
50-54		3	3	1	4	2		13	622,275
55-59	1	2		7	3	2	2	17	888,771
60				1	2		1	4	173,197
61				1			1	2	115,327
62				1			1	2	88,913
64	1							1	6,754
Totals	29	25	16	28	13	4	5	120	\$5,650,769

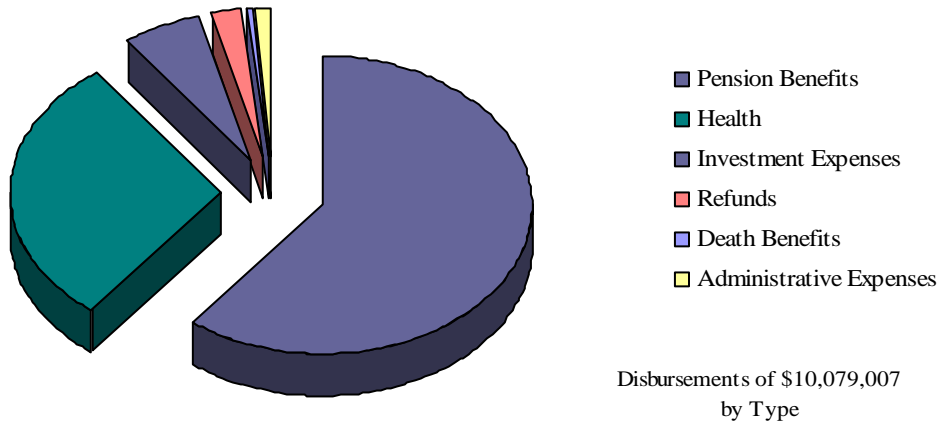
While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 45.1 years
Service: 12.4 years
Annual Pay: \$47,090

**INCOME AND DISBURSEMENTS
DURING YEAR ENDED DECEMBER 31, 2004
(TOTAL SYSTEM – MARKET VALUE)**



Source of \$18,093,520 in Income



Disbursements by Type

Disbursements of \$10,079,007
by Type

**REPORTED FINANCIAL INFORMATION AT MARKET VALUE
YEAR ENDED DECEMBER 31, 2004
TOTAL SYSTEM ASSETS**

Revenues and Disbursements

Revenues:

a. Member contributions	\$ 2,051,964
b. Employer contributions	5,201,593
c. Interest and dividends	4,797,125
d. Gain on investments	6,042,838
e. Total	<u>18,093,520</u>

Disbursements:

a. Refunds of member contributions	236,134
b. Pensions paid	6,093,198
c. Death benefits paid	66,500
d. Health benefits	2,974,636
e. Investment expenses	607,076
f. Administrative expenses	101,463
	<u>10,079,007</u>

Reserve Increase:

Total revenues minus total disbursements	<u>8,014,513</u>
--	------------------

Assets

a. Cash and equivalents*	\$ 7,758,542
b. Stocks	76,311,055
c. Corporate Bonds	68,199,649
d. U.S. government securities	<u>33,101,264</u>
Total	<u>\$185,370,510</u>

* Adjusted for accruals and receivables, net of payables.

DERIVATION OF VALUATION ASSETS

(a) Valuation assets January 1, 2004	\$181,099,422
(b) 2004 contribution income	7,253,557
(c) 2004 net interest and dividend income	4,190,049
(d) 2004 benefit payments and refunds	9,370,468
(e) 2004 System expenses	101,463
(f) Preliminary valuation assets: (a)+(b)+(c)-(d)-(e)	183,071,097
(g) Market value adjustment	
2000	(4,766,480) / 5 = (953,296)
2001	(14,230,384) / 5 = (2,846,077)
2002	(24,369,794) / 5 = (4,873,959)
2003	21,904,875 / 5 = 4,380,975
2004	6,042,838 / 5 = 1,208,568
	(3,083,789)
(h) Total: (f) + (g)	179,987,308
i) Retiree health assets (401(h) account)	35,576,190
ii) Pension assets	144,411,118

RECONCILIATION OF ASSET VALUES

Year Ended December 31	Market Change	Already Recognized	Outstanding Balance	Over Next
2000	\$ (4,766,480)	\$ (4,766,480)	\$ 0	0 yrs.
2001	(14,230,384)	(11,384,308)	(2,846,076)	1
2002	(24,369,794)	(14,621,877)	(9,747,917)	2
2003	21,904,875	8,761,950	13,142,925	3
2004	6,042,838	1,208,568	4,834,270	4
			5,383,202	
		Plus Total Valuation Assets	179,987,308	
		Total Assets at Market	185,370,510	

COMPARATIVE STATEMENT OF INVESTMENT EXPERIENCE
ALL SYSTEM ASSETS
VALUATION BASIS
(DOLLARS IN THOUSANDS)

Year	Assumed Net Investment Income		Net Dividends and Interest		Recognized Gains(Losses)		Net Investment Income		Experience Gain(Loss)
	Amount	%	Amount	%	Amount	%	Amount	%	
1995	\$ 6,743	7.50 %	\$ 4,375	4.87 %	\$ 4,434	4.93 %	\$ 8,809	9.80 %	\$ 2,065
1996	7,503	7.50 %	4,913	4.91 %	4,260	4.26 %	9,173	9.17 %	1,670
1997	8,275	7.50 %	5,584	5.06 %	5,629	5.10 %	11,213	10.16 %	2,938
1998	9,230	7.50 %	5,627	4.57 %	9,964	8.10 %	15,591	12.67 %	6,361
1999	10,402	7.50 %	7,361	5.31 %	12,944	9.33 %	20,305	14.64 %	9,903
2000	11,905	7.50 %	6,396	4.03 %	8,290	5.22 %	14,686	9.25 %	2,781
2001	12,940	7.50 %	5,690	3.30 %	3,930	2.28 %	9,620	5.58 %	(3,320)
2002	13,556	7.50 %	5,103	2.82 %	(3,597)	(1.97)%	1,506	0.83 %	(12,050)
2003	13,523	7.50 %	4,674	2.59 %	(2,714)	(1.49)%	1,960	1.09 %	(11,563)
2004	13,499	7.50 %	4,190	2.31 %	(3,084)	(1.70)%	1,106	0.61 %	(12,393)

Section D

Summary of Valuation Methods and Assumptions

VALUATION METHODS

Normal Cost

The series of contributions necessary to accumulate the present value at time of retirement of the portion of a member's pension was computed so that each contribution in the series was a constant percentage of the member's year-by-year projected covered compensation. This is referred to as the individual entry age actuarial cost method.

Accrued Liability

Retirees and Beneficiaries: The discounted value of pensions likely to be paid retirees and beneficiaries was computed using the investment return and mortality assumptions. This amount was financed by applicable accrued assets.

Active and Inactive Members: The discounted value of benefits likely to be paid active and inactive members was computed using the assumptions outlined on the following pages. This amount was reduced by the present value of normal costs anticipated to be paid on behalf of the present active members. The unfunded accrued liability (difference between the accrued liability and valuation assets) was amortized over a period of years.

Asset valuation method: The valuation assets at the beginning of the year are increased by contributions and regular investment income and reduced by benefit payments and administrative expenses. This preliminary value is then adjusted by 20% of the market value gains or losses for each of the previous five years. The smoothed value of assets cannot deviate from the market value of assets by more than 20%.

ECONOMIC AND RISK ASSUMPTIONS USED FOR THE VALUATION

The actuary calculates the contribution requirements and benefit values of the plan by applying economic and risk assumptions to the benefit provisions and people information furnished, using the valuation methods described on page D-1.

The principal areas of economic and risk assumptions are:

- (i) long-term rates of investment income likely to be generated by the assets of the Retirement System
- (ii) patterns of salary increases to be experienced by members
- (iii) rate of mortality among members, retirees and beneficiaries
- (iv) rates of withdrawal of active members
- (v) rates of disability among members and their subsequent rates of recovery
- (vi) probabilities of retirement at various ages after benefit eligibility.

In making a valuation the actuary must project the monetary effect of each assumption, for each distinct experience group, for the next year and for each year over the next half-century or longer.

Once actual experience has occurred and been observed it will not coincide exactly with assumed experience, regardless of the skill of the actuary and the completeness of the data. Each valuation provides a complete recalculation of system costs based upon assumptions regarding future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of small adjustments of the computed contribution rate.

From time to time it becomes necessary to adjust the package of assumptions to reflect basic experience trends -- but not random year-to-year fluctuations. We will recommend changes whenever we feel they are appropriate.

ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION

Investment Return (net of investment expenses). 2.50% per year in excess of pay inflation. If pay inflation matches the assumption of 5.00%, this implies a 7.5% rate of return.

This assumption is used to equate the value of payments due at different points in time and was first used for the December 31, 1991 valuation. Approximate rates of investment return, for the purpose of comparisons with assumed rates, are shown below. Actual increases in average active member pay are also shown for comparative purposes.

	Year Ended December 31					5 Year Average*
	2004	2003	2002	2001	2000	
Rate of Investment Return	0.6 %	1.1 %	0.8 %	5.6 %	9.3 %	3.4 %
Average Increase in Pay	4.9 %	4.7 %	5.6 %	2.7 %	4.5 %	4.5 %
Real Rate of Return	(4.3)%	(3.6)%	(4.8)%	2.9 %	4.8 %	(1.1)%

* *Compound rate of increase.*

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

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

Pay Projections. These assumptions are used to project current pays to those upon which benefits will be based. The assumptions were first used for the December 31, 1991 valuation.

Sample Ages	Annual Rate of Pay Increase for Sample Ages						
	Base	Merit & Longevity			Total		
		General*	Road	Sheriff	General*	Road	Sheriff
20	5.00%	3.70%	2.23%	3.00%	8.70%	7.23%	8.00%
25	5.00%	3.40%	2.20%	3.00%	8.40%	7.20%	8.00%
30	5.00%	2.50%	1.71%	2.60%	7.50%	6.71%	7.60%
35	5.00%	1.90%	1.80%	1.10%	6.90%	6.80%	6.10%
40	5.00%	1.60%	1.50%	0.20%	6.60%	6.50%	5.20%
45	5.00%	1.20%	1.01%	0.20%	6.20%	6.01%	5.20%
50	5.00%	1.00%	0.30%	0.20%	6.00%	5.30%	5.20%
55	5.00%	0.80%	0.50%	0.10%	5.80%	5.50%	5.10%
60	5.00%	0.50%	0.49%	0.00%	5.50%	5.49%	5.00%

* *Includes the Mental Health Authority.*

If the number of active members remains constant, the total active member payroll will increase 5.00% annually, the base portion of the individual pay increase assumptions. This increasing payroll was recognized in amortizing unfunded actuarial accrued liabilities.

Average changes actually experienced in pay have been as follows:

Year Ended December 31					5 Year
2004	2003	2002	2001	2000	Average*
4.9 %	4.7 %	5.6 %	2.7 %	4.5 %	4.5 %

* Compound rate of increase.

Active Member Group Size: The number of active members was assumed to remain constant.

Mortality. The 1971 Group Annuity Mortality Table projected to 1984 with ages set back 2 years for both men and women. This table was first used for the December 31, 1991 valuation. Sample values follow:

Sample Attained Ages	Single Life Retirement Values			
	Present Value of \$1 Monthly for Life		Future Life Expectancy (years)	
	Men	Women	Men	Women
50	\$137.88	\$148.30	29.29	35.55
55	129.51	142.16	24.95	30.85
60	119.45	134.07	20.85	26.24
65	107.42	123.75	17.00	21.80
70	93.86	111.03	13.51	17.60
75	80.10	95.97	10.55	13.73
80	66.20	80.39	8.03	10.43

This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement.

Future disabled lives were valued using the above table set forward five years.

Administration Expense: 0.19% of payroll.

Effect of Lump Sum Payments: Final Average Compensation was increased by 2% for certain groups of employees to reflect lump sum payments in FAC.

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

Sample Ages	Years of Service	% of Active Members Separating within Next Year		
		General*	Road	Sheriff
ALL	0	12.00%	0.00%	0.00%
	1	10.00%	0.00%	0.00%
	2	8.00%	0.00%	0.00%
	3	7.00%	0.00%	0.00%
	4	6.00%	0.00%	0.00%
20	5 & Over	12.80%	6.00%	4.50%
25		8.50%	6.00%	4.50%
30		6.80%	5.50%	3.90%
35		5.30%	4.40%	2.30%
40		3.90%	1.85%	0.90%
45		3.10%	1.25%	0.50%
50		2.30%	1.25%	0.50%
55		0.00%	1.25%	0.50%
60		0.00%	1.25%	0.50%
65		0.00%	1.25%	0.50%

* Includes Mental Health Authority.

The rates were first used for the December 31, 1991 valuation.

Rates of Disability. These rates represent the probabilities of active members becoming disabled.

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

These rates were first used for the December 31, 1985 valuation. For the Sheriff's Department, the disability assumption is split to reflect 75% as non-duty disability and 25% as duty disability.

Rates of Retirement. These rates are used to measure the probability of eligible members retiring during the next year.

Retirement Ages	Percent of Active Members Retiring within Next Year		
	General	Road	Sheriff
45			40%
46			40%
47			40%
48			40%
49			40%
50	2.5%	25%	40%
51	2.5%	25%	35%
52	2.5%	25%	20%
53	2.5%	25%	15%
54	2.5%	25%	15%
55	5%	25%	15%
56	5%	25%	15%
57	5%	25%	15%
58	5%	25%	15%
59	5%	25%	25%
60	10%	25%	100%
61	10%	10%	
62	30%	30%	
63	30%	20%	
64	30%	20%	
65	60%	70%	
66	50%	30%	
67	40%	40%	
68	40%	50%	
69	40%	90%	
70+	100%	100%	

A member of the General, Mental Health Authority, or Road Divisions was understood to be eligible for retirement after attaining age 60 with 8 years of service or after 25 years of service when age plus service totals 80 or more points. A member of the Sheriff's Division was understood to be eligible for retirement upon completion of 25 years of service regardless of age or at age 60 with 8 years of service.

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

Marriage Assumption:	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses.
Pay Increase Timing	Six months after the valuation date.
Decrement Timing:	Decrements of all other types are assumed to occur mid-year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Benefit Service:	Exact fractional service is used to determine the amount of benefit payable.
Decrement Relativity	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
Decrement Operation:	Disability and death-in-service decrements do not operate during the first 5 years of service. Disability and withdrawal do not operate during retirement eligibility.
Normal Form of Benefit:	The assumed normal form of benefit is the straight life form.
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.

GLOSSARY

Actuarial Accrued Liability. The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as "accrued liability" or "past service liability."

Accrued Service. The service credited under the plan which was rendered before the date of the actuarial valuation.

Actuarial Assumptions. Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the "actuarial funding method."

Actuarial Equivalent. A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

Actuarial Present Value. The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Amortization. Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

Experience Gain (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.

Normal Cost. The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as "current service cost." Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

Pension Benefit Obligation. A standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date.

Plan Termination Liability. The actuarial present value of future plan benefits based on the assumption that there will be no further accruals for the future service and salary. The termination liability will generally be less than the liabilities computed on a "going concern" basis and is not normally determined in a routine actuarial valuation.

Reserve Account. An account used to indicate that funds have been set-aside for a specific purpose and are not generally available for other uses.

Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded accrued liability."

Valuation Assets. The value of current plan assets recognized for valuation purposes. Generally based on market value plus a portion of unrealized appreciation or depreciation.

Section E

**Disclosure Material in Conformance with
Statement No. 25 of the Governmental
Accounting Standards Board**

GASB STATEMENT 25 REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

(\$ in thousands)

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 % of Covered Payroll [(b - a) / c]
12/31/95@	\$ 88,775,958	\$ 78,746,310	\$ (10,029,648)	112.7 %	\$25,861,302	(38.8)%
12/31/96@	97,309,744	86,570,334	(10,739,410)	112.4 %	27,934,157	(38.4)%
12/31/97@	106,944,486	94,097,781	(12,846,705)	113.7 %	28,402,628	(45.2)%
12/31/98@	120,567,207	100,513,199	(20,054,008)	120.0 %	29,161,115	(68.8)%
12/31/99#	136,466,854	107,080,537	(29,386,317)	127.4 %	31,051,407	(94.6)%
12/31/00@	146,232,915	115,095,600	(31,137,315)	127.1 %	32,044,333	(97.2)%
12/31/01@	151,153,871	121,225,557	(29,928,314)	124.7 %	32,744,255	(91.4)%
12/31/02@	148,949,978	129,997,328	(18,952,650)	114.6 %	35,716,619	(53.1)%
12/31/03@	146,556,581	139,409,729	(7,146,852)	105.1 %	38,047,803	(18.8)%
12/31/04@	144,411,118	149,377,188	4,966,070	96.7 %	39,609,752	12.5 %

@ plan amended

certain assumptions revised

Actuarial Cost Method

Individual Entry Age Normal Cost

Asset Valuation Method

Market Value with 5 year Smoothing of
Gains and Losses

Principal Actuarial Assumptions (last revised
for the 12/31/91 valuation):

Net Investment Return

7.5%

Projected Salary Increases

5.0% pay inflation plus merit and longevity

Cost-of-Living Adjustments

None

GASB STATEMENT 25 REQUIRED SUPPLEMENTARY INFORMATION

Valuation Date December 31	Fiscal Year Ended December 31	Annual Required Contribution
1993	1995	\$1,357,718
1994	1996	1,589,454
1995	1997	1,525,221
1996	1998	1,370,572
1997	1999	773,180
1998	2000	0
1999	2001	0
2000	2002	0
2001	2003	0
2002	2004	1,257,225
2003	2005	2,774,069

Schedule of Employer Contributions

Actuarial Cost Method	Individual Entry Age Normal Cost
Amortization Method	Level percent of payroll
Remaining Amortization Period as of December 31, 2004:	
Liabilities created by plan changes, assumption changes or method changes	16 years, closed period
Liabilities created by plan experience	13 years, open period
All other Liabilities	13 years, open period
Asset valuation method	Market Value with 5 Year Smoothing of Gains and Losses
Principal Actuarial assumptions (last revised for the 12/31/91 valuation):	
Net Investment Return	7.5%
Projected Salary Increases	5.0% pay inflation plus merit and longevity
Cost-of-Living Adjustments	None

Appendix

Summary of Benefit Provisions by Division

ST CLAIR COUNTY SUMMARY OF BENEFIT PROVISIONS 12/31/2004

Group	Mor O	Group Code	Category	Eligibility	Multiplier	Maximum	Lump Sums in FAC	Years in FAC period	
Appointed Officials Modified	M	12	G	Rule of 80, 60 & 8	Graded	75.0%		3	(a) 75% effective 7/1/2006
Appointed Officials Original	O	11	G	Rule of 80, 60 & 8	2.00%	75.0%		3	(b) 75% effective 3/1/2005
Board Members Modified	M	13	G	Rule of 80, 60 & 8	Graded	75.0%		3	
Board Members Original	O	57	G	Rule of 80, 60 & 8	2.00%	75.0%		3	
Commissioners Modified	M	14	G	Rule of 80, 60 & 8	Graded	75.0%		3	
Corr. Ofcrs. & Support Staff Modified	M	24	G	Rule of 80, 60 & 8	Graded	75.0%		5	
Corr. Ofcrs. & Support Staff Original	O	23	G	Rule of 80, 60 & 8	2.00%	64.0%	Y	5	
Corrections Officers Supervisors Modified	M	25	S	25 & out, 60 & 8	Graded	75.0%		3	
Corrections Officers Supervisors Original	O	26	S	25 & out, 60 & 8	2.00%	64.0%	Y	5	
District Court AFSCME Modified	M	38	G	Rule of 80, 60 & 8	Graded	75.0%		5	
District Court AFSCME Original	O	39	G	Rule of 80, 60 & 8	2.00%	64.0%	Y	5	
Elected Officials Modified	M	15	G	Rule of 80, 60 & 8	Graded	75.0%		3	
Elected Officials Original	O	16	G	Rule of 80, 60 & 8	2.00%	64.0%		3	
Friend of the Court Attorneys Modified	M	32	G	Rule of 80, 60 & 8	Graded	75.0%		5	
Friend of the Court Attorneys Original	O	33	G	Rule of 80, 60 & 8	2.00%	75.0%		5	
Friend of the Court Modified	M	30	G	Rule of 80, 60 & 8	Graded	75.0%	Y	5	
Friend of the Court Original	O	31	G	Rule of 80, 60 & 8	2.00%	64.0%	Y	5	
Human Resources Clerks and Supervisors Modified	M	58	G	Rule of 80, 60 & 8	Graded	75.0%		3	
Human Resources Clerks and Supervisors Original	O	59	G	Rule of 80, 60 & 8	2.00%	75.0%		3	
Judges Modified	M	35	G	Rule of 80, 60 & 8	Graded	75.0%		3	
Judges Original	O	34	G	Rule of 80, 60 & 8	2.00%	64.0%		3	
Juvenile Center Teamsters Modified	M	40	G	Rule of 80, 60 & 8	Graded	75.0%	Y	5	
Juvenile Center Teamsters Original	O	41	G	Rule of 80, 60 & 8	2.00%	64.0%	Y	5	
Mental Health Modified	M	17	G	Rule of 80, 60 & 8	Graded	75.0%		5	
Mental Health Original	O	18	G	Rule of 80, 60 & 8	2.00%	64.0%	Y	5	
Probate Clerical Modified	M	44	G	Rule of 80, 60 & 8	Graded	69.6% (a)		5	
Probate Clerical Original	O	45	G	Rule of 80, 60 & 8	2.00%	64.0%	Y	5	
Probate Court Attorneys Modified	M	56	G	Rule of 80, 60 & 8	Graded	75.0%		5	
Probate Court Juvenile Counselors Modified	M	46	G	Rule of 80, 60 & 8	Graded	75.0%		5	
Probate Court Juvenile Counselors Original	O	47	G	Rule of 80, 60 & 8	2.00%	64.0%	Y	5	
Probate Court Supervisors Modified	M	48	G	Rule of 80, 60 & 8	Graded	75.0%		5	
Probate Court Supervisors Original	O	49	G	Rule of 80, 60 & 8	2.00%	64.0%	Y	5	
Prosecuting Attorneys Modified	M	42	G	Rule of 80, 60 & 8	Graded	75.0%		5	
Prosecuting Attorneys Original	O	43	G	Rule of 80, 60 & 8	2.00%	64.0%		5	
Public Health Nurse Supervisors Modified	M	60	G	Rule of 80, 60 & 8	Graded	75.0%		5	
Public Health Nurse Supervisors Original	O	61	G	Rule of 80, 60 & 8	2.00%	64.0%		5	
Public Health Nurses Modified	M	52	G	Rule of 80, 60 & 8	Graded	75.0%	Y	5	
Public Health Nurses Original	O	53	G	Rule of 80, 60 & 8	2.00%	64.0%	Y	5	
Public Service Employees Modified	M	50	G	Rule of 80, 60 & 8	Graded	75.0%		5	
Public Service Employees Original	O	51	G	Rule of 80, 60 & 8	2.00%	64.0%		5	
Road Commission Modified	M	20	RC	Rule of 80, 60 & 8	Graded	69.6% (b)	Y	5	
Road Commission Original	O	19	RC	Rule of 80, 60 & 8	2.00%	64.0%	Y	5	
Sheriff Deputies Modified	M	22	S	25 & out, 60 & 8	Graded	75.0%	Y	3	