

ST. CLAIR COUNTY EMPLOYEES RETIREMENT SYSTEM
FORTY-FIRST ANNUAL ACTUARIAL VALUATION OF THE BASIC
RETIREMENT BENEFITS
DECEMBER 31, 2006

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September 24, 2007

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

Dear Board Members:

Submitted in this report are the results of the Forty-First 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, 2006.

An executive summary is included as Section A.

Valuation results and comments are contained in Section B.

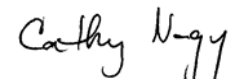
The valuation was based upon information, furnished by your Secretary, regarding Retirement System benefits, financial transactions, and individual members, terminated members, retirees and beneficiaries. Data was checked for internal and year-to-year consistency, but was not otherwise audited. This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

SECTION A

EXECUTIVE SUMMARY

BASIC RETIREMENT BENEFITS

1. Required Employer Contributions - Fiscal Year Beginning January 1, 2008

The computed County contribution rates are shown in the following table:

<u>Division</u>	<u>Employer Contribution</u>	<u>Contribution Dollars</u>
General	8.77%	\$1,972,448
Mental Health	8.10%	822,869
Sheriff	11.59%	1,137,382
Road Commission	11.01%	<u>667,653</u>
Total	9.48%	\$4,600,352

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 rates have changed as follows:

<u>Division</u>	<u>December 31, 2006</u>	<u>December 31, 2005</u>
General	8.77%	8.38%
Mental Health	8.10%	8.20%
Sheriff	11.59%	11.28%
Road Commission	11.01%	11.49%
Total	9.48%	9.33%

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 final average compensation changed from 5 years to 3 years for certain groups and lump sums were included in the final average compensation calculation for certain General County and Sheriffs groups.

4. 2006 Plan Experience

Plan experience was favorable during 2006 resulting in a gain from all causes of \$336,894. This represents 0.2% of the 2005 accrued liabilities. The gain development is shown below.

Investment income for total System assets on a smoothed basis was greater than the 7.5% assumed rate for 2006, resulting in an investment gain of \$2,515,630 for pension and health assets combined. The portion of the gain attributable to basic retirement benefit assets is \$2,034,367. There was a loss from all other sources amounting to \$1,697,473.

Investment gain/(loss)	\$2,034,367
Gain/(loss) from all other sources	<u>(1,697,473)</u>
Gain/(loss) from all causes	\$ 336,894

5. 2006 Funding Position

This year valuation assets represent 96.6% of total accrued liabilities; last year the ratio was 96.2%. The funded value increased slightly primarily as a result of favorable investment performance.

6. Retiree Reserve Balance

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

SECTION B

VALUATION RESULTS AND COMMENTS

FINANCIAL OBJECTIVE

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

Your annual actuarial valuations determine how well the objective is being met. 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 D. 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, 2008 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, 2008**

Contributions for	% of Active Payroll				
	General	Mental Health	Sheriff	Road Commission	Total
Normal cost of benefits:					
Age & service	11.28%	11.15%	14.20%	13.25%	12.09%
Disability	0.52%	0.49%	0.60%	0.67%	0.55%
Death before retirement	0.48%	0.42%	0.53%	0.68%	0.50%
Total	12.28%	12.06%	15.33%	14.60%	13.14%
Member contributions:					
Total	5.00%	5.00%	5.00%	5.00%	5.00%
Future refunds	0.46%	0.46%	0.28%	0.20%	0.39%
Available for pensions	4.54%	4.54%	4.72%	4.80%	4.61%
Expense allowance	0.20%	0.20%	0.20%	0.20%	0.20%
Employer normal cost	7.94%	7.72%	10.81%	10.00%	8.73%
Amortization charges	0.83%	0.38%	0.78%	1.01%	0.75%
COMPUTED EMPLOYER RATE	8.77%	8.10%	11.59%	11.01%	9.48%

All liabilities were amortized over a closed 23 year period. The amortization period will reduce by one year each valuation until 20 years have been reached and then will start rolling at 20 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 \$4,600,352. This amount is based on the payroll information provided for the valuation adjusted for expected payroll growth from the valuation date to the fiscal year to which the contribution applies.

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**

	<u>General</u>	<u>Mental Health</u>	<u>Sheriff</u>	<u>Road Commission</u>	<u>Total</u>
A. Accrued Liability					
1. For retirees and beneficiaries	\$35,378,695	\$ 7,110,400	\$18,036,809	\$21,062,058	\$ 81,587,962
2. For vested terminated members	3,625,305	1,750,218	283,368	417,317	6,076,208
3. For present active members					
a. Value of expected future benefit payments	64,659,559	25,337,306	34,122,978	21,572,485	145,692,328
b. Value of future normal costs	<u>24,933,647</u>	<u>12,050,612</u>	<u>16,788,181</u>	<u>8,209,942</u>	<u>61,982,382</u>
c. Active member liability: (a) - (b)	39,725,912	13,286,694	17,334,797	13,362,543	83,709,946
4. Total	78,729,912	22,147,312	35,654,974	34,841,918	171,374,116
B. Valuation Assets	<u>75,730,148</u>	<u>21,520,997</u>	<u>34,418,161</u>	<u>33,856,603</u>	<u>165,525,909</u>
C. Unfunded Accrued Liability (Excess Assets):					
(A.4) - (B)	2,999,764	626,315	1,236,813	985,315	5,848,207
D. Funded Ratio: (B) ÷ (A.4)	<u>96.2%</u>	<u>97.2%</u>	<u>96.5%</u>	<u>97.2%</u>	<u>96.6%</u>

COMMENTS

COMMENT A: As requested by the Board and the County beginning with the December 31, 2005 actuarial valuation, we calculated the contribution rates separately for the following divisions: General, Mental Health, Road Commission and Sheriff. Our calculations were based on the demographics of each group and the benefit provisions of each group. The assets were allocated in proportion to the liabilities prior to any benefit changes so that each division has the same funded ratio as of December 31, 2006. In future years we suggest segregating the assets for purposes of calculating the contributions so that each division's assets properly reflect the contribution and benefits for that division. The assets remain commingled for investment purposes.

COMMENT B: 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	\$81,587,962
Retiree Reserve	<u>81,101,757</u>
Unfunded Accrued Liability	\$ 486,205

The unfunded amount was assumed to be covered by a transfer from the Retirement System's employer reserves for future benefits, effective January 1, 2007.

COMMENT C: 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 D: The development of the experience gain for the basic retirement benefit portion of the Retirement System is shown following these Comments. During the year 2006 there was an aggregate gain of \$336,894.

**DEVELOPMENT OF EXPERIENCE GAIN (LOSS)
BASIC RETIREMENT BENEFITS
YEAR ENDED DECEMBER 31, 2006**

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.

	2005	2006
(1) UAAL* at start of year	\$4,966,070	\$6,074,174
(2) Normal cost from last year	5,775,406	5,964,123
(3) Actual contributions	4,940,066	7,290,594
(4) Interest accrual	403,403	406,420
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	6,204,813	5,154,123
(6) Change from benefit increases	473,958	1,030,978
(7) Assumption and method changes	(8,981,210)	0
(8) Expected UAAL after changes: (5) + (6) + (7)	(2,302,439)	6,185,101
(9) Actual UAAL at end of year	6,074,174	5,848,207
(10) Gain (Loss): (8) - (9)	(8,376,613)	336,894
(11) Gain (Loss) as percent of actuarial accrued liabilities at start of year	(5.61)%	0.21%

* *Unfunded actuarial accrued liabilities.*

DEVELOPMENT OF VALUATION INVESTMENT GAIN (LOSS) YEAR ENDED DECEMBER 31, 2006

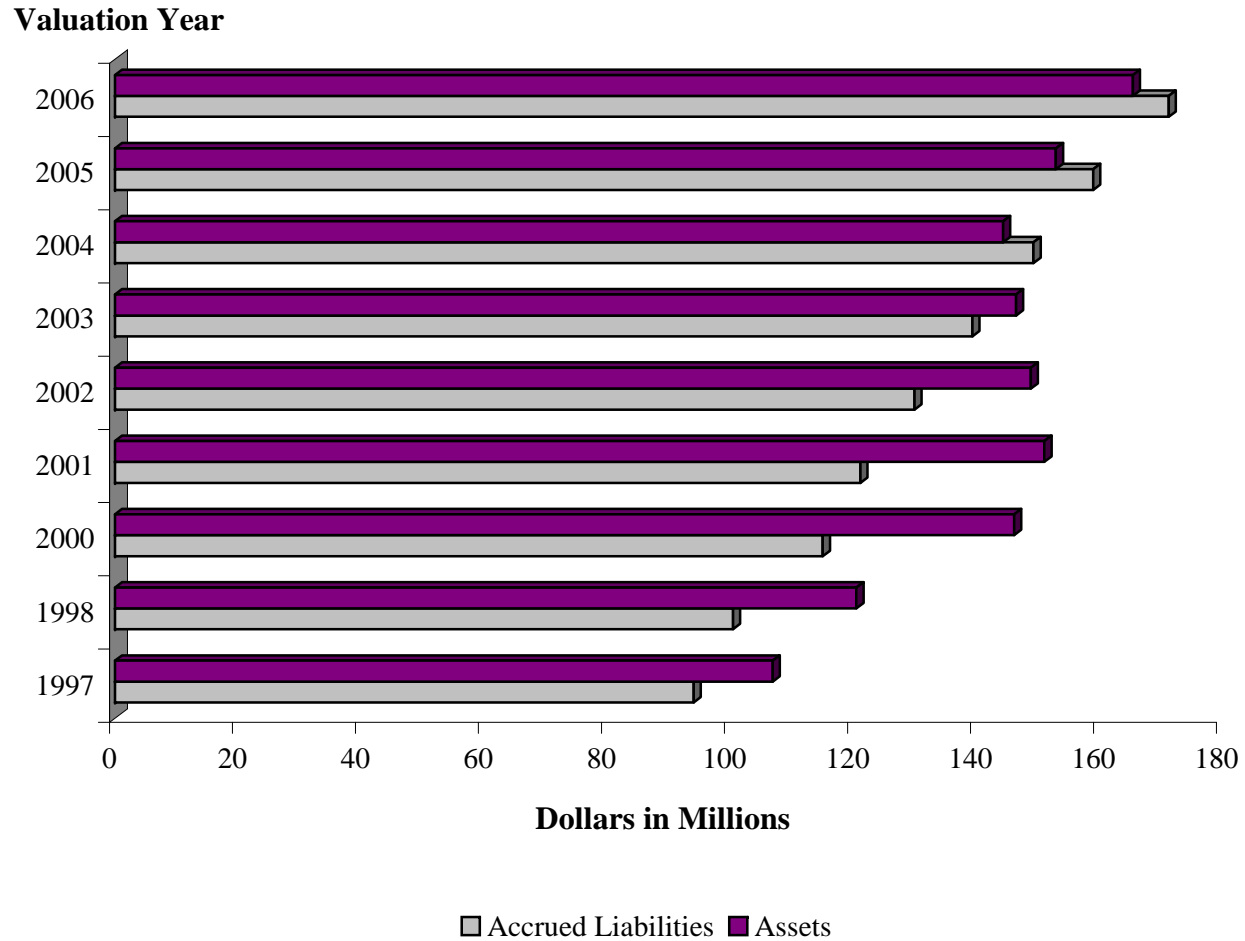
The valuation assumes an average 7.5% return on valuation assets. Net investment return in excess of 7.5% represents a gain. If net investment return falls short of 7.5%, this represents a loss.

(1) Total 2006 valuation investment income:	16,662,003
(2) Average Valuation Assets (Pension & Health)	188,618,304
(3) Expected investment income: $(.075) \times (2)$	14,146,373
(4) Gain (Loss): $(1) - (3)$	2,515,630
(5) Portion of System assets for pension benefits	0.808691
(6) Gain (loss) attributable to pension benefit assets: $(4) \times (5)$	2,034,367
(7) Valuation rate of return for 2006: $(1) / (2)$	8.83%

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 2006 the approximate market value rate of return was 14.27%.

ASSETS & ACCRUED LIABILITIES BASIC RETIREMENT BENEFITS



1997 assets equaled 113.7% of accrued liabilities

2006 assets equaled 96.6% 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	Mental			Road		
		Total	Average	% Incr.			General	Health	Sheriff	Commission	Total	
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%
2005 #@	996	42,622,922	42,794	(0.2)%	482^	7,165,942^	8.38%	8.20%	11.28%	11.49%		9.33%
2006 #	985	44,015,666	44,686	4.4 %	507^	7,847,109^	8.77%	8.10%	11.59%	11.01%		9.48%

Retirement System amended.

@ Revised actuarial assumptions or methods.

* Reduced for the effect of retroactive pay during 1996.

^ Includes DROP members.

SECTION C

SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA

**BRIEF SUMMARY OF BASIC RETIREMENT BENEFITS
(DECEMBER 31, 2006)**

<u>Eligibility</u>	<u>Amount</u>	
REGULAR RETIREMENT (no reduction factor for age)		
Sheriffs - 25 years of service regardless of age.	Modified plan members: Final Average Compensation (FAC) multiplied by:	
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.	<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.
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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.
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**BRIEF SUMMARY OF BASIC RETIREMENT BENEFITS
(DECEMBER 31, 2006)**

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 2006*
GENERAL COUNTY
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
53	2	\$ 29,714					2	\$ 29,714
55	1	25,288					1	25,288
57	1	17,168					1	17,168
58	2	64,921					2	64,921
60	5	30,775					5	30,775
61	2	50,678					2	50,678
62	2	35,003					2	35,003
63	1	29,304					1	29,304
68	1	8,971					1	8,971
71	1	27,668					1	27,668
79	1	357					1	357
80	1	1,481					1	1,481
81	1	5,026					1	5,026
82	1	1,193					1	1,193
Total	22	\$327,547					22	\$327,547

* Includes DROP members.

RETIREMENTS DURING 2006
MENTAL HEALTH AUTHORITY
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
57	1	\$21,380					1	\$21,380
59	1	34,118					1	34,118
60	1	18,823					1	18,823
61	1	16,823					1	16,823
Total	4	\$91,144					4	\$91,144

RETIREMENTS DURING 2006*
SHERIFF'S DEPARTMENT
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
51	1	\$ 4,720					1	\$ 4,720
54	1	8,753					1	8,753
55	4	156,637					4	156,637
56	1	35,167					1	35,167
61	2	21,865					2	21,865
62	1	15,684					1	15,684
63	2	36,173					2	36,173
64	1	10,045					1	10,045
66	1	9,850					1	9,850
Total	14	\$298,894					14	\$298,894

* Includes DROP members and EDRO recipients.

RETIREMENTS DURING 2006
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
54					1	\$40,510	1	\$40,510
60	1	\$29,987					1	29,987
61								
62	1	17,783					1	17,783
82	1	1,177					1	1,177
Total	3	\$48,947			1	\$40,510	4	\$89,457

RETIREMENTS DURING 2006*
GENERAL COUNTY
TABULATED BY ANNUAL AMOUNT OF BENEFIT

Annual Amount	Age & Service	Disability	Survivor	Total
Under \$4,000	4			4
4,000 - 5,999	4			4
6,000 - 7,999	1			1
8,000 - 9,999	3			3
16,000 - 17,999	3			3
24,000 - 25,999	1			1
26,000 - 27,999	2			2
28,000 - 29,999	2			2
32,000 - 33,999	1			1
Over \$40,000	1			1
Total	22			22

* *Includes DROP members.*

RETIREMENTS DURING 2006
MENTAL HEALTH AUTHORITY
TABULATED BY ANNUAL AMOUNT OF BENEFIT

Annual Amount	Age & Service	Disability	Survivor	Total
\$16,000 - \$17,999	1			1
18,000 - 19,999	1			1
20,000 - 21,999	1			1
34,000 - 35,999	1			1
Total	4			4

RETIREMENTS DURING 2006*
SHERIFF'S DEPARTMENT
TABULATED BY ANNUAL AMOUNT OF BENEFIT

Annual Amount	Age & Service	Disability	Survivor	Total
\$4,000 - \$5,999	1			1
6,000 - 7,999	2			2
8,000 - 9,999	2			2
10,000 - 11,999	1			1
12,000 - 13,999				
14,000 - 15,999	2			2
28,000 - 29,999	2			2
34,000 - 35,999	1			1
36,000 - 37,999	1			1
Over \$40,000	2			2
Total	14			14

* Includes DROP member and EDRO recipients.

RETIREMENTS DURING 2006
ROAD COMMISSION
TABULATED BY ANNUAL AMOUNT OF BENEFIT

Annual Amount	Age & Service	Disability	Survivor	Total
Under \$4,000	1			1
16,000 - 17,999	1			1
28,000 - 29,999	1			1
Over \$40,000			1	1
Total	3		1	4

**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 Annual Pensions	Average Pension	Discounted Value of Pensions
	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions			
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
2005 ^	31	736,866	16	101,250	450	6,600,794	10.7 %	14,668	68,324,342
2006 ^	40	715,898	19	125,875	471	7,190,817	8.9 %	15,267	74,477,562

@ Includes survivors of deceased retirees and post-retirement increases.

General County and Mental Health Authority combined prior to 2001.

^ Includes DROP members.

**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 Annual Pensions	Average Pension	Discounted Value of Pensions
	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions			
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
2005	5	136,877	0	0	32	565,149	32.0 %	17,661	6,100,544
2006	4	91,144	0	0	36	656,292	16.1 %	18,230	7,110,400

@ Includes survivors of deceased retirees and post-retirement increases.

General County and Mental Health Authority combined prior to 2001.

RETIREES AND BENEFICIARIES - DECEMBER 31, 2006
GENERAL COUNTY
TABULATED BY ATTAINED AGE

Attained Age	Age & Service		Disability		Survivor		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
40 - 44			2	\$ 6,904			2	\$ 6,904
45 - 49								
50 - 54	8	\$ 191,480	1	13,365			9	204,845
55 - 59	28	698,896	1	7,341	1	\$ 15,657	30	721,894
60 - 64	46	733,129	1	9,653			47	742,782
65 - 69	37	484,368	5	35,088	2	26,663	44	546,119
70	7	113,478	1	10,702	1	36,183	9	160,363
71	6	87,245					6	87,245
72	9	94,097					9	94,097
73	8	124,921					8	124,921
74	4	40,438					4	40,438
75	6	58,691					6	58,691
76	8	89,035					8	89,035
77	12	118,657			1	7,727	13	126,384
78	2	7,021					2	7,021
79	7	43,071					7	43,071
80	6	34,331	1	2,474	1	14,934	8	51,739
81	5	35,469	1	8,552			6	44,021
82	4	48,455					4	48,455
83	7	46,559					7	46,559
84	5	64,870					5	64,870
85	4	21,734					4	21,734
86	5	20,505					5	20,505
87	5	15,534					5	15,534
88	4	29,399					4	29,399
89	2	9,720					2	9,720
90 & Over	17	69,953					17	69,953
Total	252	\$3,281,056	13	\$94,079	6	\$101,164	271	\$3,476,299

Average age at retirement: 60.2 years

Average age now: 71.6 years

RETIREES AND BENEFICIARIES - DECEMBER 31, 2006
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
55 - 59	7	\$217,422					7	\$217,422
60 - 64	12	191,870					12	191,870
65 - 69	10	167,829					10	167,829
70	1	6,632					1	6,632
72	4	59,498					4	59,498
77	2	13,041					2	13,041
Total	36	\$656,292					36	\$656,292

Average age at retirement: 59.7 years

Average age now: 64.9 years

RETIREES AND BENEFICIARIES - DECEMBER 31, 2006
SHERIFF'S DEPARTMENT
TABULATED BY ATTAINED AGE

Attained Age	Age & Service		Disability		Survivor		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
45 - 49					1	\$8,939	1	\$ 8,939
50 - 54	7	\$ 194,900					7	194,900
55 - 59	13	465,848	1	\$15,530			14	481,378
60 - 64	21	582,279					21	582,279
65 - 69	4	94,088					4	94,088
70	1	8,499					1	8,499
72	3	87,213					3	87,213
73	1	22,264					1	22,264
74	1	5,239					1	5,239
75	1	18,188					1	18,188
76	1	14,589					1	14,589
77	1	4,049					1	4,049
78	1	6,144					1	6,144
80	2	41,870					2	41,870
81	1	25,386					1	25,386
83	1	12,666					1	12,666
Total	59	\$1,583,222	1	\$15,530	1	\$8,939	61	\$1,607,691

Average age at retirement: 56.5 years

Average age now: 63.4 years

RETIREES AND BENEFICIARIES - DECEMBER 31, 2006
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
50 - 54	2	\$ 53,335			1	\$ 40,510	3	\$ 93,845
55 - 59	10	318,233			2	21,953	12	340,186
60 - 64	18	404,556	4	\$50,402	1	23,487	23	478,445
65 - 69	17	330,242			1	5,660	18	335,902
70	3	55,472			1	7,004	4	62,476
71	4	62,988					4	62,988
72	2	24,452					2	24,452
73	2	30,745					2	30,745
74	5	80,199					5	80,199
75	5	53,227					5	53,227
76	6	69,155	1	9,034			7	78,189
77	6	89,100			1	12,748	7	101,848
78	3	10,008					3	10,008
79	4	22,793					4	22,793
80	5	47,232					5	47,232
81	6	63,468			1	2,641	7	66,109
82	6	36,852					6	36,852
83	3	38,922					3	38,922
84	5	59,569					5	59,569
85	5	39,564					5	39,564
86	1	8,853					1	8,853
88	1	5,361			2	4,451	3	9,812
89	1	5,975					1	5,975
90 & Over	4	18,636					4	18,636
Total	124	\$1,928,937	5	\$59,436	10	\$118,454	139	\$2,106,827

Average age at retirement: 57.0 years

Average age now: 72.9 years

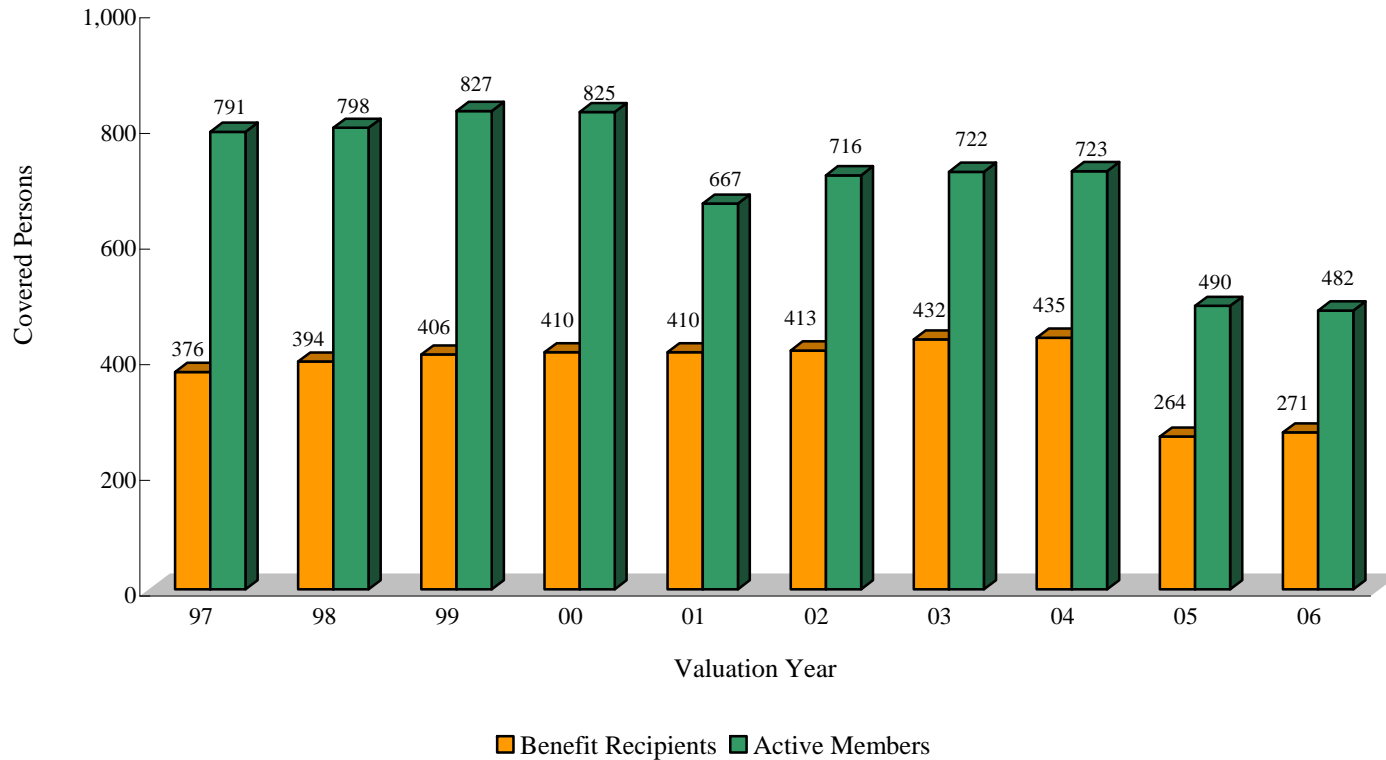
INACTIVE MEMBER DATA

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, 2006 Tabulated by Attained Age

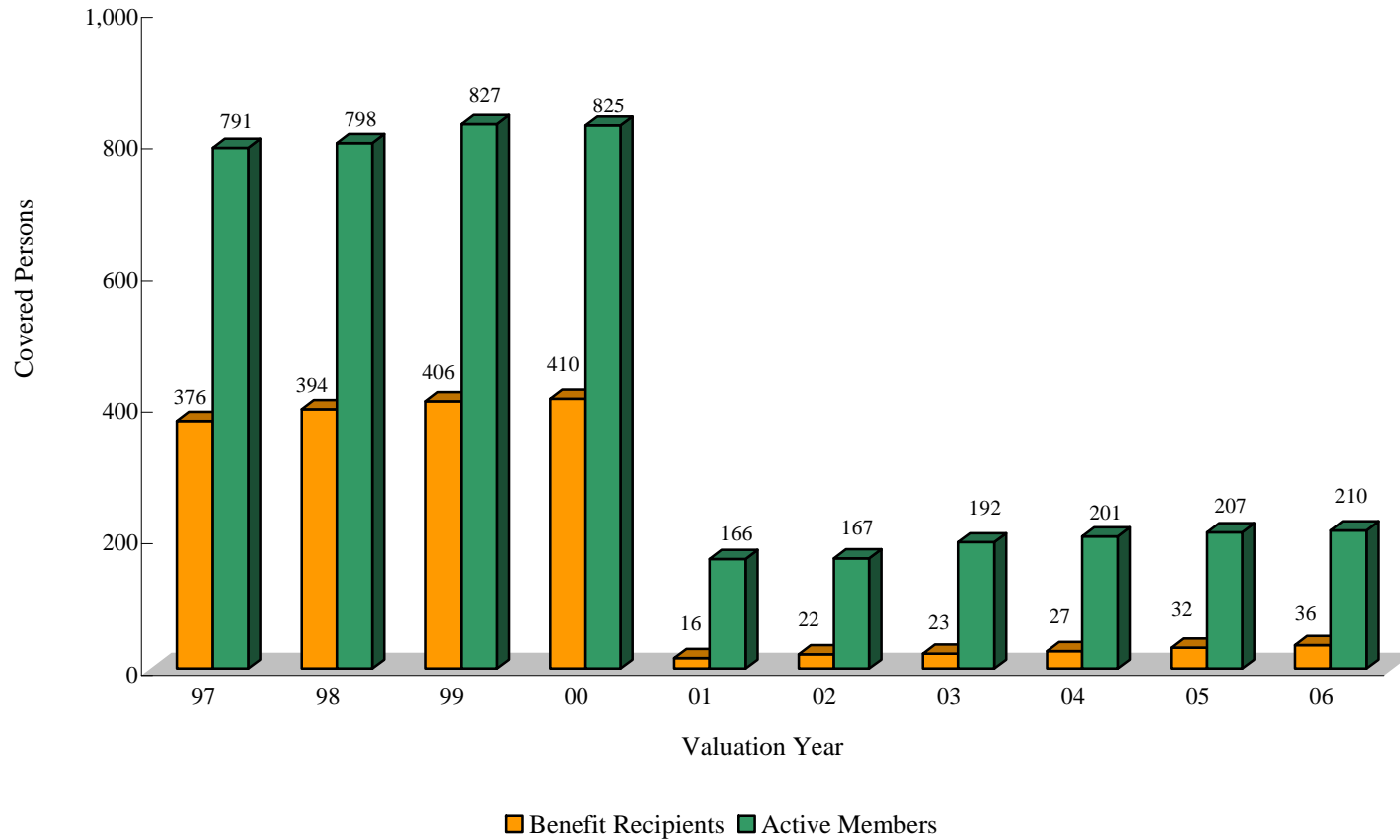
Attained Ages	General		Mental Health		Sheriff		Roads	
	No.	Estimated Pensions	No.	Estimated Pensions	No.	Estimated Pensions	No.	Estimated Pensions
29	1	\$ 6,331						
33	1	6,880						
34	1	5,694						
35	1	4,603						
38	1	5,808	1	\$ 8,764				
40	1	4,057						
41	2	15,673						
42	1	8,957						
43			1	7,166				
44	1	13,122	3	16,687				
45	3	12,470	1	4,090				
46	3	15,024	2	23,753				
47	4	52,246						
48	2	10,056	1	8,694	1	\$ 4,501	1	\$23,205
49	2	14,364	1	6,491			1	14,694
50	5	35,744	3	42,361	2	37,263		
51	3	8,565	1	6,320	1	6,913	1	5,405
52	1	38,909						
53	2	35,043	3	40,366			1	18,080
54			1	8,316			1	10,015
55	1	7,822	4	43,355				
56	3	24,617	2	17,460	1	5,000		
57	3	26,271	1	13,662				
58	6	94,566	1	6,378				
59	3	47,216	3	23,687				
60							1	4,450
65	1	20,857						
68	1	24,241						
Total	53	\$539,136	29	\$277,550	5	\$53,677	6	\$75,849

ACTIVE MEMBERS AND BENEFIT RECIPIENTS GENERAL COUNTY



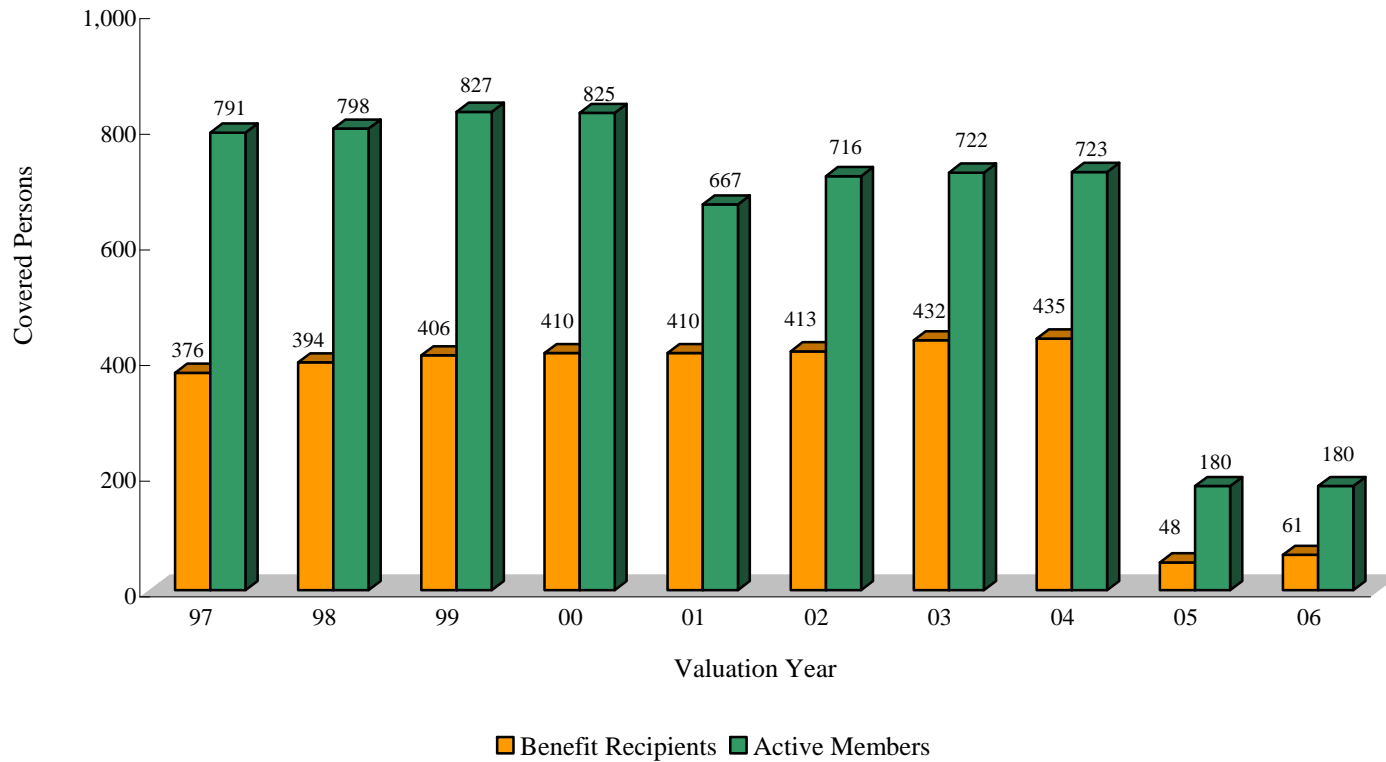
Note: General County and Mental Health Authority were combined prior to 2001.
 General County, Sheriff's Department and Road Commission were combined prior to 2005.

ACTIVE MEMBERS AND BENEFIT RECIPIENTS MENTAL HEALTH AUTHORITY



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

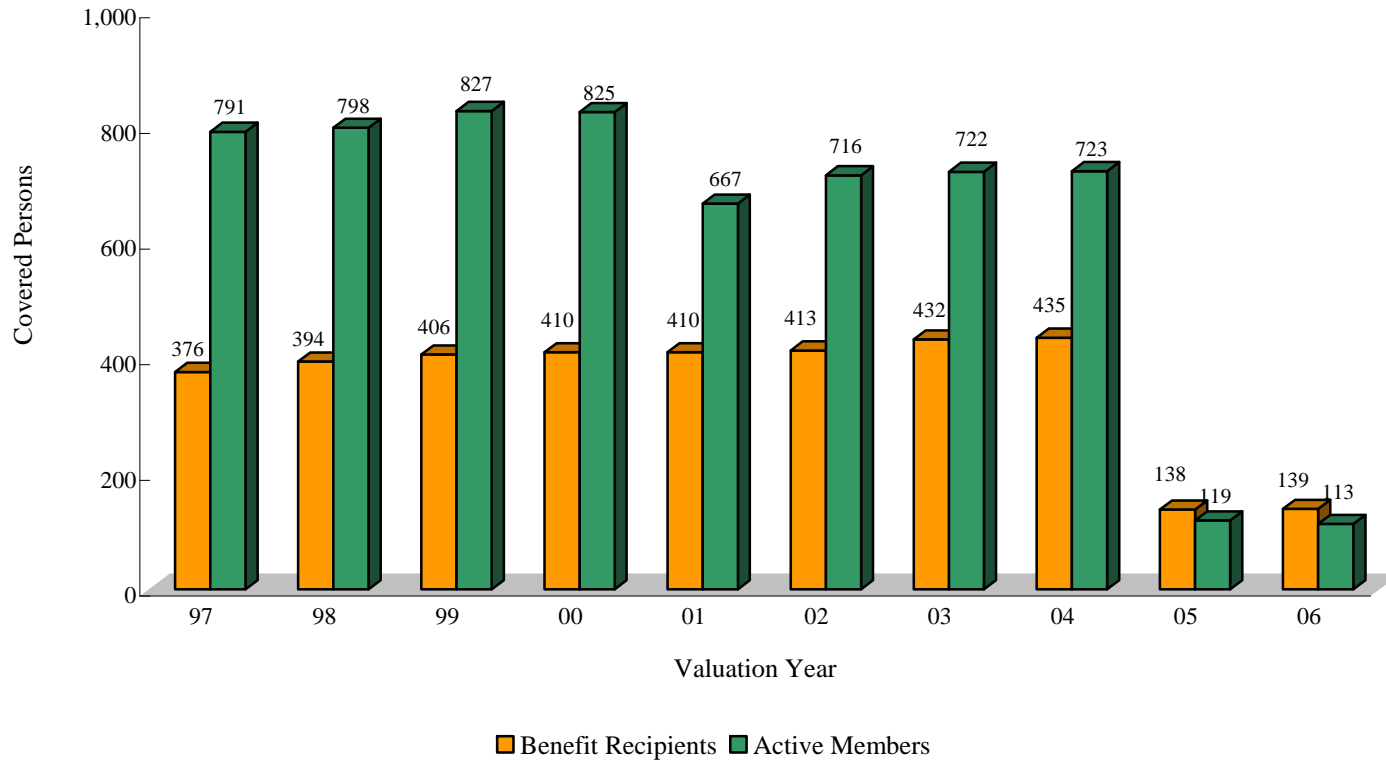
ACTIVE MEMBERS AND BENEFIT RECIPIENTS SHERIFF'S DEPARTMENT



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

General County, Sheriff's Department and Road Commission were combined prior to 2005.

ACTIVE MEMBERS AND BENEFIT RECIPIENTS ROAD COMMISSION



Note: General County and Mental Health Authority were combined prior to 2001.
 General County, Sheriff's Department and Road Commission were combined prior to 2005.

ACTIVE MEMBERS

Comparative Schedule

Valuation Date December 31	Active Members	Valuation Payroll	Average			
			Age	Service	Pay	% Inc.
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 %
2005	996	42,622,922	44.1	10.0	42,794	(0.2)%
2006	985	44,015,666	44.1	10.2	44,686	4.4 %

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	
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
2005	134	29	1		7	25	996
2006	67	28		1	8	41	985

**GENERAL ACTIVE MEMBERS AS OF DECEMBER 31, 2006
BY ATTAINED AGE AND YEARS OF SERVICE**

Attained Age	Years of Service to Valuation Date							No.	Totals Valuation Payroll
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus		
20-24	8							8	\$ 281,404
25-29	35	1						36	1,346,110
30-34	26	11	1					38	1,496,542
35-39	24	23	12	4				63	2,817,170
40-44	22	18	9	9	5	1		64	2,738,851
45-49	23	16	4	7	9	11		70	2,819,031
50-54	18	20	16	11	9	12	4	90	3,896,464
55-59	13	8	13	14	12	6	10	76	3,398,859
60	2	4			2	1	1	10	361,138
61		3	2		1	1	1	8	406,910
62		1	1	1	1	1		5	231,929
63		2	1				1	4	196,227
64		1		1				2	62,968
65		1						1	35,478
66	1		2					3	64,714
67				2				2	145,168
70			1					1	45,724
79							1	1	55,184
Totals	172	109	62	49	39	33	18	482	\$20,399,871

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

Age: 45.7 years
Service: 10.7 years
Annual Pay: \$42,323

MENTAL HEALTH ACTIVE MEMBERS AS OF DECEMBER 31, 2006
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							No.	Totals Valuation Payroll
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus		
20-24	2							2	\$ 57,177
25-29	18	1						19	743,426
30-34	18	6						24	975,606
35-39	14	10	11					35	1,640,882
40-44	10	9	7	1	2			29	1,315,291
45-49	13	7	5	4	5	3		37	1,678,724
50-54	7	5	3	2	4	3		24	1,016,104
55-59	7	7	5	3	4	3		29	1,315,929
60			2					2	77,962
61		1	1				1	3	139,610
62	1			1				2	65,586
63		1	1					2	94,062
64		1	1					2	94,043
Totals	90	48	36	11	15	9	1	210	\$9,214,402

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

Age: 43.7 years
Service: 8.6 years
Annual Pay: \$43,878

**SHERIFF ACTIVE MEMBERS AS OF DECEMBER 31, 2006
BY ATTAINED AGE AND YEARS OF SERVICE**

Attained Age	Years of Service to Valuation Date							No.	Totals Valuation Payroll
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus		
20-24	9							9	\$ 338,120
25-29	26	3						29	1,203,320
30-34	14	15	2					31	1,520,538
35-39	16	9	4	2				31	1,534,520
40-44	7	4	7	6	4			28	1,498,375
45-49	2	5	3	3	1	5		19	1,047,759
50-54	4	4	1	6		2	2	19	1,061,578
55-59	4		1	3	2	2		12	590,880
60						1		1	68,097
62				1				1	37,928
Totals	82	40	18	21	7	10	2	180	\$8,901,115

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

Age: 38.9 years
Service: 8.4 years
Annual Pay: \$49,451

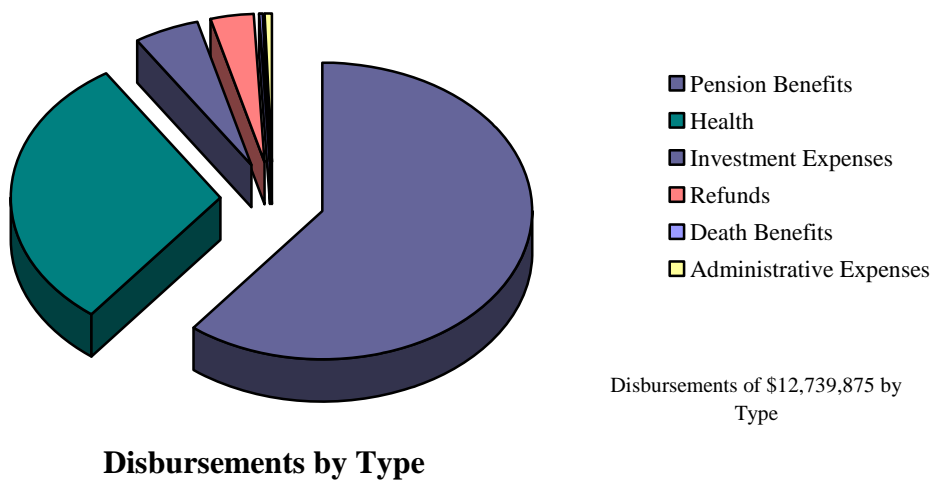
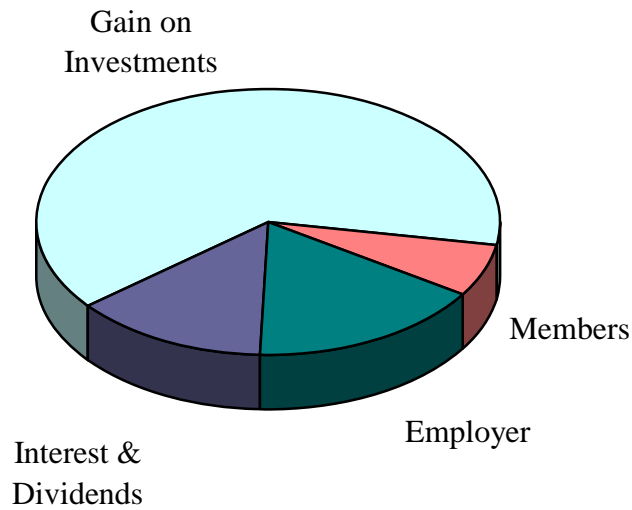
**ROAD COMMISSION ACTIVE MEMBERS AS OF DECEMBER 31, 2006
BY ATTAINED AGE AND YEARS OF SERVICE**

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	\$ 32,837
25-29	3							3	132,723
30-34	4	5	1					10	442,480
35-39	2	7	4	2				15	701,594
40-44	3	5	6	4	1			19	1,020,681
45-49	4	5	3	7	1			20	944,591
50-54		5	2	3	6	2		18	908,116
55-59		2	1	8	2	4	1	18	895,603
60			1					1	9,101
61		1			1		1	3	211,516
62					1		1	2	94,205
63							1	1	59,568
64				1				1	40,512
66		1						1	6,751
Totals	17	31	18	25	12	6	4	113	\$5,500,278

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

Age: 46.4 years
Service: 13.6 years
Annual Pay: \$48,675

**INCOME AND DISBURSEMENTS
DURING YEAR ENDED DECEMBER 31, 2006
(TOTAL SYSTEM – MARKET VALUE)**



**REPORTED FINANCIAL INFORMATION AT MARKET VALUE
YEAR ENDED DECEMBER 31, 2006
TOTAL SYSTEM ASSETS**

Revenues and Disbursements

Revenues:

a. Member contributions	\$ 2,268,952
b. Employer contributions	5,824,047
c. Interest and dividends	4,915,573
d. Gain on investments	<u>22,615,187</u>
e. Total	<u>\$35,623,759</u>

Disbursements:

a. Refunds of member contributions	\$ 417,268
b. Pensions paid	7,717,444
c. Death benefits paid	66,500
d. Health benefits	3,843,765
e. Investment expenses	640,814
f. Administrative expenses	<u>54,084</u>
	<u>\$12,739,875</u>

Reserve Increase:

Total revenues minus total disbursements	\$22,883,884
--	--------------

Assets

a. Cash and equivalents*	\$ 4,206,416
b. Stocks	156,299,857
c. Corporate Bonds	24,505,418
d. U.S. government securities	<u>28,361,189</u>
Total	<u>\$213,372,880</u>

* Adjusted for accruals and receivables, net of payables.

DERIVATION OF VALUATION ASSETS

Year Ended December 31:	2005	2006	2007	2008	2009	2010
A. Funding Value Beginning of Year	\$179,987,308	\$190,621,335				
B. Market Value End of Year	190,488,996	213,372,880				
C. Market Value Beginning of Year	185,370,510	190,488,996				
D. Non-Investment Net Cash Flow	(2,729,577)	(4,006,062)				
E. Investment Income						
E1. Market Total: B - C - D	7,848,063	26,889,946				
E2. Amount for Immediate Recognition (7.5%)	13,396,689	14,146,373				
E3. Amount for Phased-In Recognition E1-E2	(5,548,626)	12,743,573				
F. Phased-In Recognition of Investment Income						
F1. Current Year: 0.2 x E3	(1,109,725)	2,548,715				
F2. First Prior Year		(1,109,725)	\$ 2,548,715			
F3. Second Prior Year			(1,109,725)	\$ 2,548,715		
F4. Third Prior Year				(1,109,725)	\$ 2,548,715	
F5. Fourth Prior Year					(1,109,726)	\$ 2,548,713
F6. Start-up Phase In	1,076,640	1,076,640	1,076,640	1,076,640	1,076,642	0
G. Total	(33,085)	2,515,630	2,515,630	2,515,630	2,515,631	2,548,713
H. Funding Value End of Year: A + D + E2 + G	190,621,335	203,277,276				
I. Difference between Market & Funding Value	(132,339)	10,095,604				
J. Recognized Rate of Return - Funding Value Basis	7.48%	8.83%				
K. Recognized Rate of Return - Market Value Basis	4.27%	14.27%				
Average Valuation Assets	178,622,520	188,618,304				

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 actuarial value equals:

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

For the above purposes, gain/(loss) is defined as the excess during the period of the investment return on the market value of assets over the expected investment income. 20% of the difference is recognized over a 5 year period in the actuarial value of assets. This method was first adopted for the December 31, 2005 actuarial valuation.

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*
	2006	2005	^ 2004	2003	2002	
Rate of Investment Return	8.8 %	1.5 %	0.6 %	1.1 %	0.8 %	2.5 %
Average Increase in Pay	5.9 %	3.0 %	4.9 %	4.7 %	5.6 %	4.8 %
Real Rate of Return	2.9 %	(1.5)%	(4.3)%	(3.6)%	(4.8)%	(2.3)%

^ Before change in asset valuation method.

* 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, 2005 valuation.

Sample Service	Annual Rate of Pay Increase for Sample Ages						
	Base	Merit & Longevity			Total		
		General*	Road	Sheriff	General*	Road	Sheriff
1	5.00%	3.50%	5.00%	6.00%	8.50%	10.00%	11.00%
2	5.00%	3.50%	5.00%	6.00%	8.50%	10.00%	11.00%
3	5.00%	3.00%	5.00%	6.00%	8.00%	10.00%	11.00%
4	5.00%	3.00%	5.00%	6.00%	8.00%	10.00%	11.00%
5	5.00%	1.00%	0.50%	6.00%	6.00%	5.50%	11.00%
6-19	5.00%	1.00%	0.50%	0.50%	6.00%	5.50%	5.50%
20 and over	5.00%	0.50%	0.50%	0.50%	5.50%	5.50%	5.50%

* 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
2006	2005	2004	2003	2002	Average*
5.9 %	3.0 %	4.9 %	4.7 %	5.6 %	4.8 %

* Compound rate of increase.

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

Mortality. The 1994 Group Annuity Mortality Table was first used for the December 31, 2005 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	\$140.93	\$147.30	30.69	34.89
55	132.64	140.64	26.15	30.17
60	122.40	132.01	21.83	25.59
65	110.53	121.65	17.84	21.28
70	97.62	109.73	14.29	17.30
75	83.48	95.52	11.12	13.60
80	68.62	79.89	8.37	10.31

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 seven years.

Administration Expense: 0.20% of payroll.

Effect of Lump Sum Payments: Final Average Compensation was increased by 4% 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	10.00%	3.00%	5.00%
	1	9.00%	3.00%	5.00%
	2	7.00%	3.00%	5.00%
	3	6.00%	3.00%	5.00%
	4	6.00%	3.00%	5.00%
20	5 & Over	6.00%	3.00%	5.00%
25		6.00%	3.00%	5.00%
30		6.00%	3.00%	4.40%
35		4.80%	2.40%	2.80%
40		3.40%	1.40%	1.70%
45		3.00%	1.00%	1.20%
50		3.00%	1.00%	0.70%
55		3.00%	1.00%	0.50%
60		2.40%	1.00%	0.50%
65		2.00%	1.00%	0.50%

* Includes Mental Health Authority.

The rates were first used for the December 31, 2005 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					Service	Sheriff
	General Original*	General Modified*	Road	Sheriff			
50	5.0%	5.0%	25.0%			25	20.0%
51	5.0%	5.0%	25.0%			26	20.0%
52	5.0%	5.0%	25.0%			27	20.0%
53	5.0%	5.0%	25.0%			28	20.0%
54	5.0%	5.0%	25.0%			29	20.0%
55	5.0%	5.0%	25.0%			30	20.0%
56	10.0%	10.0%	25.0%			31	20.0%
57	10.0%	10.0%	25.0%			32	20.0%
58	10.0%	10.0%	25.0%			33	20.0%
59	10.0%	10.0%	25.0%			34	20.0%
60	20.0%	20.0%	25.0%	25.0%		35+	100.0%
61	20.0%	20.0%	10.0%	25.0%			
62	20.0%	20.0%	30.0%	25.0%			
63	20.0%	20.0%	20.0%	25.0%			
64	20.0%	20.0%	20.0%	25.0%			
65	40.0%	40.0%	100.0%	100.0%			
66	40.0%	40.0%	100.0%	100.0%			
67	40.0%	40.0%	100.0%	100.0%			
68	40.0%	40.0%	100.0%	100.0%			
69	40.0%	40.0%	100.0%	100.0%			
70+	100.0%	100.0%	100.0%	100.0%			

* Includes Mental Health Authority.

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 Department 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 NO. 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]
12/31/97@	\$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 %
12/31/05@#	153,016,205	159,090,379	6,074,174	96.2 %	42,622,922	14.3 %
12/31/06@	165,525,909	171,374,116	5,848,207	96.6 %	44,015,666	13.3 %

@ 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 12/31/2005 valuation):

Net Investment Return

7.5%

Projected Salary Increases

5.0% pay inflation plus merit and longevity

Cost-of-Living Adjustments

None

GASB STATEMENT NO. 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
2004	2006	4,148,626
2005	2007	4,379,779

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, 2006:	
All Liabilities	23 years, decreasing by one-year, then rolling at 20 years
Asset valuation method	Market Value with 5 Year Smoothing of Gains and Losses
Principal Actuarial assumptions (last revised for the 12/31/2005 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 12/31/2006

Group	M or O	Group Code	Category	Eligibility	Multiplier	Maximum	Lump Sums in FAC	Years in FAC period
Board Members Modified	M	13	G	Rule of 80, 60 & 8	Graded	75.0%		3
Commissioners Modified	M	14	G	Rule of 80, 60 & 8	Graded	75.0%		3
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%	64.0%		3
Mental Health Modified	M	17	MH	Rule of 80, 60 & 8	Graded	75.0%		5
Mental Health Original	O	18	MH	Rule of 80, 60 & 8	2%	64.0%		5
Road Commission Original	O	19	RC	Rule of 80, 60 & 8	2%	64.0%		5
Road Commission Modified	M	20	RC	Rule of 80, 60 & 8	Graded	75.0%		3
Sheriff Deputies Original	O	21	S	25 & out, 60 & 8	2%	64.0%	Y	3
Sheriff Deputies Modified	M	22	S	25 & out, 60 & 8	Graded	75.0%	Y	3
Corr. Ofcrs. & Support Staff Original	O	23	S	25 & out, 60 & 8	2%	64.0%	Y	5
Corr. Ofcrs. & Support Staff Modified	M	24	S	25 & out, 60 & 8	Graded	75.0%	Y	5
Corrections Officers Supervisors Modified	M	25	S	25 & out, 60 & 8	Graded	75.0%	Y	3
Corrections Officers Supervisors Original	O	26	S	25 & out, 60 & 8	2%	64.0%	Y	5
Sheriff Deputies Supervisors Modified	M	27	S	25 & out, 60 & 8	Graded	75.0%		3
Friend of the Court Modified	M	30	G	Rule of 80, 60 & 8	Graded	75.0%		5
Friend of the Court Original	O	31	G	Rule of 80, 60 & 8	2%	64.0%		5
Judges Modified	M	35	G	Rule of 80, 60 & 8	Graded	75.0%		3
CANUE Non-Affiliated Modified	M	36	G	Rule of 80, 60 & 8	Graded	75.0%		3
CANUE Non-Affiliated Original	O	37	G	Rule of 80, 60 & 8	2%	75.0%		3
District Court AFSCME Modified	M	38	G	Rule of 80, 60 & 8	Graded	75.0%	Y	5
District Court AFSCME Original	O	39	G	Rule of 80, 60 & 8	2%	64.0%	Y	5
Juvenile Center Teamsters Modified	M	40	G	Rule of 80, 60 & 8	Graded	75.0%		5
Juvenile Center Teamsters Original	O	41	G	Rule of 80, 60 & 8	2%	64.0%		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%	64.0%		5
Probate Clerical Modified	M	44	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%	64.0%		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%	64.0%		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%	64.0%		5
Public Health Nurses Modified	M	52	G	Rule of 80, 60 & 8	Graded	75.0%		5
Public Health Nurses Original	O	53	G	Rule of 80, 60 & 8	2%	64.0%		5
Board Members Original	O	57	G	Rule of 80, 60 & 8	2%	75.0%		3
Human Resources Clerks and Specialists Modified	M	58	G	Rule of 80, 60 & 8	Graded	75.0%		3
Human Resources Clerks and Specialists Original	O	59	G	Rule of 80, 60 & 8	2%	75.0%		3
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%	64.0%		5
RCE - Original	O	63	G	Rule of 80, 60 & 8	2%	75.0%		3

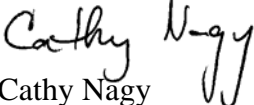
September 24, 2007

Ms. Jacquelyn Meldrum
St. Clair County Employees Retirement System
200 Grand River, Suite 203
County Building
Port Huron, Michigan 48060

Dear Jackie:

Please find enclosed twenty copies of the December 31, 2006 Actuarial Valuation of the Basic Retirement Benefits for the St. Clair County Employees Retirement System. The Retiree Health Care Benefits are the subject of a separate report.

Sincerely,


Cathy Nagy

CN:lr
Enclosures