Michigan Judges' Retirement System

A Pension and Other Employee Benefit Trust Fund of the State of Michigan

Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2009

M J R S

Prepared by:
Financial Services
for
Office of Retirement Services
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INTRODUCTORY SECTION

Certificate of Achievement
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Certificate of Achievement

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Michigan Judges'
Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Public Pension Standards Award

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2009

Presented to

Michigan Office of Retirement Services

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

INTRODUCTORY SECTION

Letter of Transmittal

Michigan Judges' Retirement System
P.O. Box 30171
Lansing, Michigan 48909-7671
Telephone 517-322-5103
Outside Lansing 1-800-381-5111

STATE OF MICHIGAN

JENNIFER M. GRANHOLM, Governor

DEPARTMENT OF MANAGEMENT AND BUDGET

December 23, 2009

The Honorable Jennifer M. Granholm
Governor, State of Michigan,

Members of the Legislature
State of Michigan,

Retirement Board Members
and
Members, Retirees and Beneficiaries

Ladies and Gentlemen:

We are pleased to present the comprehensive annual financial report of the Michigan Judges' Retirement System (System) for fiscal year 2009.

INTRODUCTION TO REPORT

The System was established by legislation under Public Act 234 of 1992 which consolidated the Judges' and former Probate Judges' retirement systems. The System is administered by the Office of Retirement Services (ORS). The number of active and retired members and beneficiaries of the System is presented in Note 1 of the financial statements in the Financial Section of this report. The purpose of the System is to provide benefits for all judges. The services performed by the staff provide benefits to members.

Responsibility

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the leadership team of the System. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the System.

Internal Control Structure

The leadership team of the System is responsible for maintaining adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. The internal

Letter of Transmittal (continued)

control structure is designed to provide reasonable assurance regarding the safekeeping of assets and reliability of all financial records.

Independent Auditors and Actuary

The Office of the Auditor General (OAG), independent auditors, conducted an annual audit of the System. The independent auditor's report on the System's financial statements is included in the Financial Section of this report.

Statute requires that an annual actuarial valuation be conducted. The purpose of the valuation is to evaluate the mortality, service, compensation and other financial experience of the System and to recommend employer-funding rates for the subsequent year. The annual actuarial valuation was completed by Gabriel Roeder Smith & Company for the fiscal year ended September 30, 2009. Actuarial certification and supporting statistics are included in the Actuarial Section of this report.

Management's Discussion and Analysis (MD&A)

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of MD&A. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

Public Act 234 of 1992 authorized the merger of the Probate Judges' Retirement Fund into the Judges' Retirement Fund by requiring the consolidation of all assets, rights, and obligations under the former Judges' and Probate Judges' Retirement Funds. The Judges' Retirement Board, with the director of the Office of Retirement Services as the Executive Secretary, administers the consolidated fund. Financing comes from member contributions, court filing fees as provided under law, investment earnings, and legislative appropriations.

Public Act 523 of 1996, effective March 31, 1997, closed the plan to new entrants. Judges or state officials newly appointed or elected on or after March 31, 1997, become members of the State's defined contribution plan.

ECONOMIC CONDITIONS AND OUTLOOK

Despite challenging economic times, the System continues to show steady performance over the long term.

Investments

The State Treasurer is the investment fiduciary and custodian of all investments of the System pursuant to State law. The primary investment objective is to maximize the rate of return on the total investment portfolio, consistent with a high degree of prudence and sufficient diversity to eliminate inordinate risks and to meet the actuarial assumption for the investment return rate. The investment activity for the year produced a total rate of return on the portfolio of (6.4)%. For the last five years, the System has experienced an annualized rate of return of 4.1%. A summary of asset allocation and rates of return can be found in the Investment Section of this report.

Accounting System

Transactions of the System are reported on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred. Participants' benefits are recorded when payable by law. We believe the accounting and administrative internal controls established by the System provide reasonable assurance the System is carrying out its responsibilities in safeguarding its assets, in maintaining the reliability of the financial records for preparing financial statements, and in maintaining accountability for its assets.

Letter of Transmittal (continued)

Funding

Funds are derived from the excess of additions to plan net assets over deductions from plan net assets. Funds are accumulated by the System to meet future benefit obligations to retirees and beneficiaries. The percentage computed by dividing the actuarial value of assets by the actuarial accrued liability is referred to as the “funded ratio.” This ratio provides an indication of the funding status of the System and generally, the greater this percentage, the stronger the System. As of September 30, 2009, the actuarial value of the assets and actuarial accrued liability of the System were $295.9 million and $245.2 million, respectively, resulting in a funded ratio of 120.7%. As of September 30, 2008, the amounts were $303.7 million and $247.0 million, respectively. An historical perspective of funding levels for the System is presented on the Schedule of Funding Progress in the Required Supplementary Information in the Financial Section of this report.

Postemployment Benefits

In fiscal year 2007 the System implemented Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* A GASB 43 compliant actuarial valuation is completed annually to determine the actuarial accrued liability if the postemployment benefits were to be pre-funded. If these benefits were pre-funded, the actuarial accrued liability as of September 30, 2009, would be $6.6 million. Statement No. 43 does not require retroactive application of the reporting changes. Therefore, only four valuation years are presented and included in the required supplementary information of this report.

In fiscal year 2008 the State of Michigan adopted Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* Because GASB Statement No. 45 requires the exclusion of all postemployment benefits, all assets accumulated as a result of retiree contributions collected in excess of retiree healthcare benefits, along with all current year activity, have been accounted for within the Reserve for OPEB Related Benefits in fiscal year 2008. OPEB benefits were accounted for according to GASB Statement No. 45 guidance in fiscal year 2009.

MAJOR GOALS ACCOMPLISHED

The Michigan Department of Management and Budget, Office of Retirement Services (ORS) is an innovative retirement organization driven to empower our customers for a successful today and a secure tomorrow. During fiscal year 2009, we concluded our strategic planning process outlining the next three years of business goals. The project united staff members from across the organization, generated fresh and unique perspectives, and created vast staff support of the strategic plan objectives. Additional accomplishments are highlighted below.

Focus on Our Customer

<u>miAccount offers secure, online access to personal account information</u> - miAccount, which premiered in 2008, continues to grow in popularity. During its first full year of operations over 65,000 customers registered to use the system and performed more than 43,000 individual transactions without any support from ORS staff. Because of miAccount, we experienced a 30 percent reduction in paper forms for addresses and tax changes, a 62 percent reduction in paper beneficiary nomination forms, and a 33 percent reduction in telephone calls requesting pension estimates.

One of the most popular features of miAccount is the Message Board, which is a secure environment where members can leave account-specific questions; we respond to most of these messages within 12 business hours. Due to the popularity of this service, we completed 7.5 percent more customer contacts as compared to 2008.

Retirees who use miAccount reported a 91 percent satisfaction rate with the service. ORS will continue to focus resources to market the service to our members and to expand the services available through miAccount.

Letter of Transmittal (continued)

Delivered 1099-Rs earlier than ever - For the first time, retirees were able to view and print their 1099-Rs through miAccount, our online account access tool. We sent an email to registered miAccount users to let them know their 1099-Rs, a statement of distributions for tax purposes, were available as of December 29, 2008, which was also the first time we have marketed our products or services through email. We delivered paper copies of 1099-Rs to retirees in the first full week of January. The combination of online accessibility and early delivery has resulted in a 38 percent reduction in the number of calls received requesting 1099-R reprints.

Broad survey guides business practices **-** We conducted a Customer Needs and Expectations Study to determine what is important to our active and retired members. Study categories included accessibility, communication, education, flexibility, innovation, courtesy, and confidence. This study tells us what are our customers' expectations and helps us determine what services we will offer in the future.

Customer satisfaction is high - We conducted three annual surveys of our active members, retired members, and members who had recently contacted us. We asked a variety of questions including how they rated our service. Over 88 percent of active members rated our service good to excellent, and over 90 percent of retiree respondents rated our service good to excellent. Members who have recently contacted us echoed this satisfaction and gave us a customer satisfaction rating of 89 percent.

New newsletter educates about retirement savings - We completed the first Judges Retirement System *PROActive* newsletter, an annual newsletter for active members that shares ideas on how best to prepare for a secure future. ORS continues to address the urgent need for workers to plan and save for retirement early in their careers.

Customer service continues to drive daily business - We continue to be accessible and responsive to our customers. We answered 223,259 customer telephone calls, assisted 7,714 customers face-to-face, and replied to 51,826 electronic messages on the new, secure miAccount message board.

In addition to direct customer interaction, we continue to offer customers easily accessible sources of clear, concise information about their retirement plans through our websites, seminars, and publications. As more of our customers use these tools, they become more knowledgeable and have less need to contact us with basic questions, giving us capacity to respond to more complicated customer inquiries.

Member Statements feature new design - We mailed 264,000 *Member Statements* to our active members. The *Member Statements* featured a new efficient one-page, double-sided design displaying personal account details including service credit, contributions, wages, employer, and beneficiary data. The statement mailing included a *PROactive* newsletter, which provides retirement planning information to working employees.

Convenient services available through payroll deduction - Partnering with the Civil Service Commission Employee Benefits Division, we now offer retirees the option of using pension payroll deduction to participate in Benefits for Life, a voluntary benefits program. Retirees are able to choose from a combination of benefits and features that may help meet their personal and family insurance needs, and have their premiums withheld from their pension payments.

Supporting Pure Michigan efforts - We carried the efforts of the Pure Michigan marketing campaign into our websites and newsletters to support attracting tourism to our state.

Continuously Improve Processes

Aligned staff to more efficiently meet customer demand - This year, we focused on our organizational goal of achieving a flexible, adaptable workforce by realigning processing staff into teams who share duties and a common goal. The small groups and team atmosphere allow ORS to shift resources rapidly to meet customer demand and to absorb seasonal business spikes. The realignment provided an opportunity for cross-training and enhanced additional quality assurance measures.

Letter of Transmittal (continued)

Optimize Technology

Insurance processing goes paperless - Our health insurance carriers for vision, dental, and prescription coverage replaced paper insurance enrollments with automatic digital file transfers. The solution improves accuracy, timeliness, and security of our enrollment process. We successfully streamlined Blue Cross Blue Shield of Michigan enrollments similarly in September 2008.

Upgraded software saves money, customer wait time - We delivered an automated workforce management solution. The new technology automates the scheduling of staff based on projected customer demand for calls, applications, and correspondence. As a result, customers have shorter wait times and our monthly toll-free costs have decreased.

Enhanced Information Security - Our Security Awareness Committee implemented measures to define the acceptable use of mobile devices and portable media to ensure proper handling of sensitive data. Our Security Advisory Committee deployed an information security self-assessment that highlighted our strong internal controls and also identified opportunities for future focus.

Small technology changes yield large savings - We implemented several cost-saving measures to reduce technology energy usage, telecommunication, and personal computer costs. The annual saving is estimated to be $15 per personal computer.

Promote a Positive Work Environment

Unified staff events, celebrations strengthen culture - In spite of tough economic times, we found a number of ways to show staff appreciation. In our annual ORS Excellence Awards, we recognized 30 staff members for dedication. We supported the Department of Management and Budget's value of fun with picnics and holiday events.

ORS staff also generously participated in charitable activities such as the State Employees Combined Campaign, Harvest Gathering, and hosted a giving tree through the holiday season.

Additionally, we held two ORS all-staff meetings, providing opportunities to share business updates, respond to questions, and welcome new staff. Two planning committees, comprised of staff volunteers from across our organization, determined each agenda and coordinated the meetings.

AWARDS AND ACKNOWLEDGEMENTS

ORS received the following recognitions:

- ORS won the Public Pension Standards 2009 Award by the Public Pension Coordinating Council for meeting standards for public retirement system management and administration.
- ORS was named in the Best Practices Report of Cost Effectiveness Measurement, Inc. for written product planning, desired branding image, redesign of welcome package, testing of online tutorial participant knowledge, and for a new tool that helps define education objectives and measurements for its products and services.
- Certificate of Achievement for Excellence in Financial Reporting for our fiscal year 2008 *Comprehensive Annual Financial Report*. Awarded by the Government Finance Officers Association of the United States and Canada, 2008 marks the 18th consecutive year to receive this prestigious award.
- The Office of the Governor honored an ORS employee for her embodiment of our shared values of Inclusion, Excellence, Integrity, and Teamwork.
- The Department of Management and Budget honored an ORS employee for her leadership with one of its five prestigious Employee Excellence Awards.

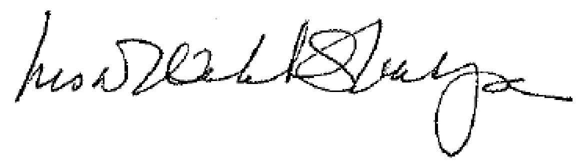
Letter of Transmittal (continued)

Acknowledgments

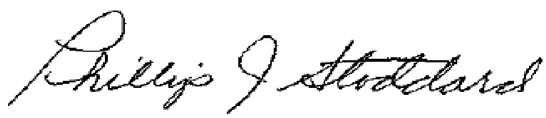
The preparation of this report was accomplished with the dedication and cooperation of many people. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship of the funds of the System.

We would, therefore, like to express our appreciation for the assistance given by staff, advisors, and the many people who contributed to its preparation. We believe their combined efforts have produced a report that will enable employers and plan members to better evaluate and understand the Michigan Judges' Retirement System. Their cooperation contributes significantly to the success of the System.

Sincerely,



Lisa Webb Sharpe, Director
Department of Management and Budget



Phillip J. Stoddard, Director
Office of Retirement Services

INTRODUCTORY SECTION

Administrative Organization

Retirement Board Members *

Francis Spaniola
Trustee (General Public)
Term Expires March 31, 2011

Judge Alton Davis
Representing Active Judges
Term Expires March 31, 2013

George M. Elworth
Representing Attorney General
Statutory Member

Chris J. Swope
Trustee (General Public)
Term Expires March 31, 2011

Vernon Johnson
Representing State Treasurer
Statutory Member

*Statute provides that board members may continue to serve after their term expires until they are either replaced or reappointed.

Administrative Organization

Department of Management and Budget
Office of Retirement Services
P.O. Box 30171
Lansing, Michigan 48909-7671
517-322-5103
1-800-381-5111

Advisors and Consultants

Actuary
Gabriel Roeder Smith & Co.
Alan Sonnanstine
Southfield, Michigan

Independent Auditors
Thomas H. McTavish, C.P.A.
Auditor General
State of Michigan

Andrews Hooper & Pavlik P.L.C.
Jeffrey J. Fineis, C.P.A.
Okemos, Michigan
(2008)

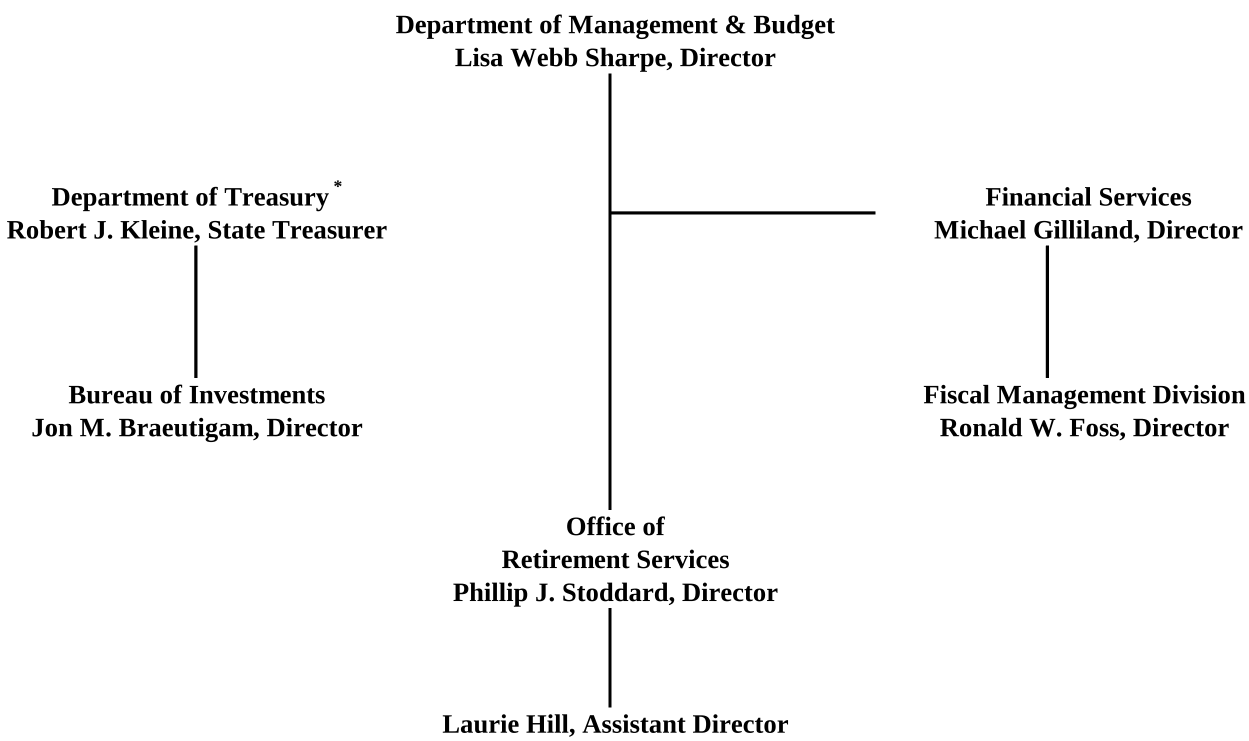
Investment Manager and Custodian
Robert J. Kleine
State Treasurer
State of Michigan

Legal Advisor
Mike Cox
Attorney General
State of Michigan

Investment Performance Measurement
State Street Corporation
State Street Investment Analytics
Boston, MA

Administrative Organization (continued)

Organization Chart



*** The investments of the System are managed by the Michigan Department of Treasury. Information on the investments and the fiduciary, Michigan Department of Treasury, can be found in the Investment Section, Introduction. In addition, see the Investment Section, Schedule of Investment Fees and Schedule of Investment Commissions, for information regarding the investment fees and commissions paid as well as investment professionals utilized by the system.**

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FINANCIAL SECTION

Independent Auditor’s Report
Management’s Discussion and Analysis
Basic Financial Statements
Notes to Basic Financial Statements
Required Supplementary Information
Note to Required Supplementary Information
Supporting Schedules

FINANCIAL SECTION

Independent Auditor's Report

STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report on
the Financial Statements

The Honorable Alton Davis, Chair
Michigan Judges' Retirement System Board
General Office Building
and
Ms. Lisa Webb Sharpe, Director
Department of Management and Budget
Lewis Cass Building
and
Mr. Phillip Stoddard, Director
Office of Retirement Services
Department of Management and Budget
General Office Building
Lansing, Michigan

Dear Judge Davis, Ms. Webb Sharpe, and Mr. Stoddard:

We have audited the accompanying basic financial statements of the Michigan Judges' Retirement System as of and for the fiscal year ended September 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Michigan Judges' Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of the Michigan Judges' Retirement System as of and for the fiscal year ended September 30, 2008 were audited by other auditors whose report dated December 12, 2008 expressed an unqualified opinion on those statements.

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

Independent Auditor's Report (continued)

In our opinion, the 2009 financial statements referred to in the first paragraph present fairly, in all material respects, the plan net assets of the Michigan Judges' Retirement System as of September 30, 2009 and the changes in plan net assets for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the Michigan Judges' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 18 through 21 and the required supplementary information and corresponding note on pages 41 through 43 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory, investment, actuarial, and statistical sections and the supporting schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The supporting schedules on pages 44 through 47 have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

AUDITOR GENERAL

December 23, 2009

FINANCIAL SECTION

Management's Discussion and Analysis

Our discussion and analysis of the Michigan Judges' Retirement System's (System) financial performance provides an overview of the System's financial activities for the fiscal year ended September 30, 2009. Please read it in conjunction with the transmittal letter in the Introductory Section on page 6 and the basic financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

- System assets exceeded liabilities at the close of fiscal year 2009 by $229.9 million (reported as *net assets*). Net assets are held in trust to meet future benefit payments.
- The System's funding objective is to meet long-term benefit obligations through contributions and investment income. As of September 30, 2009, the funded ratio was approximately 120.7% for pension benefits and the funded ratio for other postemployment benefits (OPEB) was 0.0%.
- Additions for the year were ($18.8) million, which is comprised primarily of member contributions of $2.2 million and investment losses of ($21.3) million.
- Deductions increased over the prior year from $20.1 million to $20.9 million or 3.8%. Most of this increase represented increased pension benefits paid.

THE STATEMENT OF PLAN NET ASSETS AND THE STATEMENT OF CHANGES IN PLAN NET ASSETS

This Comprehensive Annual Financial Report (CAFR) consists of two financial statements; *The Statements of Pension Plan and Other Postemployment Benefit Plan Net Assets* (page 22) and *The Statements of Changes in Pension Plan and Other Postemployment Benefit Plan Net Assets* (page 23). These financial statements report information about the System, as a whole, and about its financial condition that should help answer the question: Is the System, as a whole, better off or worse off as a result of this year's activities? These statements include all assets and liabilities using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, all revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Pension Plan and Other Postemployment Benefit Plan Net Assets presents all of the System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the System's financial position is improving or deteriorating. *The Statement of Changes in Pension Plan and Other Postemployment Benefit Plan Net Assets* presents how the System's net assets changed during the most recent fiscal year. These two financial statements should be reviewed along with the Schedules of Funding Progress (page 41) and Schedules of Employer Contributions (page 42) to determine whether the System is becoming financially stronger or weaker and to understand changes over time in the funded status of the System.

Management's Discussion and Analysis (continued)

FINANCIAL ANALYSIS

System total assets as of September 30, 2009, were $273.0 million and were mostly comprised of cash, investments, and contributions due from employers. Total assets decreased $44.3 million or (14.0)% between fiscal years 2008 and 2009 due primarily to net investment losses. Total assets decreased $95.1 million or (23.1)% between fiscal years 2007 and 2008 due primarily to net investment losses.

Total liabilities as of September 30, 2009, were $43.1 million and were comprised of warrants outstanding, accounts payable, and obligations under securities lending. Total liabilities decreased $4.6 million or (9.6)% between fiscal years 2008 and 2009 due primarily to decreased obligations under securities lending. Total liabilities decreased $29.0 million or (37.8)% between fiscal years 2007 and 2008 due primarily to decreased obligations under securities lending.

System assets exceeded its liabilities at the close of fiscal year 2009 by $229.9 million. Total net assets held in trust for pension and OPEB benefits decreased $39.7 million or (14.7)% between fiscal years 2008 and 2009 due primarily to net investment losses. Total net assets decreased $66.2 million or (19.7)% between fiscal years 2007 and 2008 due primarily to net investment losses.

Net Assets
(in thousands)

	2009	Increase (Decrease)	2008	Increase (Decrease)	2007
Assets					
Cash	$ 1,984	(67.9) %	$ 6,176	422.9 %	$ 1,181
Receivables	127	35.1	94	8.0	87
Investments	270,937	(12.9)	311,076	(24.4)	411,221
Total Assets	273,048	(14.0)	317,346	(23.1)	412,489
Liabilities					
Warrants outstanding	30	(23.1)	39	(25.0)	52
Accounts payable and other accrued liabilities	168	1.2	166	1,176.9	13
Obligations under securities lending	42,935	(9.6)	47,519	(38.0)	76,705
Total Liabilities	43,133	(9.6)	47,724	(37.8)	76,770
Total Net Assets	$ 229,915	(14.7) %	$ 269,622	(19.7) %	$ 335,719

Management's Discussion and Analysis (continued)

ADDITIONS TO PLAN NET ASSETS

The reserves needed to finance pension and other postemployment benefits are accumulated through the collection of member contributions, earnings on investments, and court fees. Contributions, net investment losses, and court fees for fiscal year 2009 totaled ($18.8) million.

Total additions for fiscal year 2009 increased approximately $27.3 million or 59.2% from those of fiscal year 2008 due primarily to decreased net investment losses. Total additions for fiscal year 2008 decreased approximately $98.5 million or (187.8)% from those of fiscal year 2007 due primarily to net investment losses. Total contributions decreased between fiscal years 2008 and 2009 by $104.9 thousand or (4.6)%, and investment income increased $27.2 million or 56.0%. Total contributions decreased between fiscal years 2007 and 2008 by $98.0 thousand or (4.1)%, and investment income decreased $98.2 million or (197.6)%. Court fees totaled $378.1 thousand in fiscal year 2009 as compared to $159.4 thousand in fiscal year 2008. The increase in court fees is the result of increased OPEB expenses. The Investment Section of this report reviews the results of investment activity for 2009.

DEDUCTIONS FROM PLAN NET ASSETS

The primary deductions of the System include the payment of pension benefits to members and beneficiaries, payment for health, dental and vision benefits, and the cost of administering the System. Total deductions for fiscal year 2009 were $20.9 million, an increase of 3.8% from fiscal year 2008 deductions. Total deductions for fiscal year 2008 were $20.1 million, an increase of 1.0% over fiscal year 2007 deductions.

The health, dental and vision care expenses increased during the year by $30.7 thousand or 3.9% from $790.0 thousand to $820.7 thousand. This compares to an increase of $178.8 thousand or 29.3% from $611.2 thousand to $790.0 thousand between fiscal years 2007 and 2008. Both comparative years increases were due primarily to increases in retiree health rates. The payment of pension benefits increased by $717.0 thousand or 3.7% between fiscal years 2008 and 2009, and by $260.9 thousand or 1.4% from fiscal year 2007 to 2008. In fiscal year 2009, the increase in pension benefit expense resulted from new retirees earning higher pension payments and the number of retirees increased from 540 in 2008 to 542 in 2009. In fiscal year 2008, the increase in pension benefit expense resulted from new retirees earning higher pension payments, while the number of retirees decreased from 542 in 2007 to 540 in 2008. There were no contribution refunds during fiscal years 2009 and 2008. The refunds listed in fiscal year 2007 were to three members. Administrative expenses increased by $17.9 thousand or 9.7% from 186.1 thousand to 204.0 thousand between fiscal years 2008 and 2009. This compares to an increase of $4.3 thousand or 2.2% from $181.8 thousand in fiscal year 2007 to $186.1 thousand in fiscal year 2008. Both comparative years increases in administrative expenses is due primarily to an increase in professional services expenses.

Management's Discussion and Analysis (continued)

Changes in Plan Net Assets
(in thousands)

	2009	Increase (Decrease)	2008	Increase (Decrease)	2007
Additions					
Member contributions	$ 2,173	(4.6) %	$ 2,278	(4.1) %	$ 2,376
Net investment income (loss)	(21,344)	56.0	(48,516)	(197.6)	49,716
Court fees, transfers, and miscellaneous	385	104.8	188	(49.7)	374
Total Additions	(18,785)	59.2	(46,050)	(187.8)	52,466
Deductions					
Pension benefits	19,897	3.7	19,180	1.4	18,920
Health care benefits	821	3.9	790	29.3	611
Refunds of member contributions	-	0.0	-	(100.0)	248
Administrative expenses	204	9.7	186	2.2	182
Total Deductions	20,922	3.8	20,156	1.0	19,961
Net Increase (decrease)	(39,707)	40.0	(66,206)	(303.7)	32,505
Net Assets - Beginning of Year	269,622	(19.7)	335,828 *	10.8	303,214
Net Assets - End of Year	$ 229,915	(14.7) %	$ 269,622	(19.7) %	$ 335,719

*The October 1, 2007 net assets have been restated by $108,745 due to the implementation of GASB Statement No. 45 as described in Note 5 to the basic financial statements.

RETIREMENT SYSTEM AS A WHOLE

The System's combined net assets experienced a decrease in 2009 and 2008 after an increase in 2007. As was the case in fiscal year 2008, this decrease is the result of a struggling national economy that resulted in net investment losses for fiscal year ended September 30, 2009. The last quarter of fiscal year 2009 was more encouraging, with the system's rate of return increasing over 9%. Management believes that the system remains financially sound and positioned to meet its ongoing benefit obligations due, in part, to a prudent investment program, cost controls, and strategic planning.

CONTACTING SYSTEM FINANCIAL MANAGEMENT

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Office of Retirement Services, P.O. Box 30171, Lansing, MI 48909-7671.

Statements of Pension Plan and Other Postemployment Benefit Plan Net Assets

As of September 30, 2009 and 2008

	September 30, 2009			September 30, 2008		
	Pension Plan	OPEB Plan	Total	Pension Plan *	OPEB Plan *	Total
Assets:						
Equity in common cash	$ 1,982,475	$ 1,346	$ 1,983,821	$ 6,172,180	$ 3,789	$ 6,175,969
Receivables:						
Amounts due from employer	87,078	59	87,137	86,221	53	86,274
Interest and dividends	40,416	28	40,444	7,316	4	7,320
Total receivables	127,494	87	127,581	93,537	57	93,594
Investments:						
Short term investment pools	5,773,021	3,918	5,776,939	3,680,516	2,261	3,682,777
Fixed income pools	42,293,976	28,708	42,322,684	45,747,352	28,087	45,775,439
Domestic equity pools	89,273,193	60,595	89,333,788	115,887,739	71,150	115,958,889
Real estate pool	30,781,749	20,893	30,802,642	44,624,033	27,397	44,651,430
Alternative investments pool	36,850,020	25,012	36,875,032	40,082,694	24,609	40,107,303
International equities pools	30,408,436	20,639	30,429,075	24,469,447	15,023	24,484,470
Absolute return pools	2,013,729	1,367	2,015,096			-
Securities lending collateral	33,358,978	22,642	33,381,620	36,393,534	22,344	36,415,878
Total investments	270,753,102	183,774	270,936,876	310,885,315	190,871	311,076,186
Total assets	272,863,071	185,207	273,048,278	317,151,032	194,717	317,345,749
Liabilities:						
Warrants outstanding	30,245	20	30,265	39,078	24	39,102
Accounts payable and other accrued liabilities	13,401	154,540	167,941	2,710	162,867	165,577
Obligations under securities lending	42,905,765	29,123	42,934,888	47,489,594	29,157	47,518,751
Total liabilities	42,949,411	183,683	43,133,094	47,531,382	192,048	47,723,430
Net Assets Held in Trust for Pension and OPEB Benefits	$ 229,913,660	$ 1,524	$ 229,915,184	$ 269,619,650	$ 2,669	$ 269,622,319

* Fiscal year 2008 activity reclassified.

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

Statements of Changes in Pension Plan and Other Postemployment Benefit Plan Net Assets

For Fiscal Years Ended September 30, 2009 and 2008

	September 30, 2009			September 30, 2008		
	Pension Plan	OPEB Plan	Total	Pension Plan	OPEB Plan	Total
Additions:						
Contributions:						
Member contributions	$ 1,644,585	$ 528,402	$ 2,172,987	$ 1,738,459	$ 539,440	$ 2,277,899
Investment income (loss):						
Net investment income (loss)	(21,161,794)	531	(21,161,263)	(48,294,010)	8,379	(48,285,631)
Investment expenses:						
Real estate operating expenses	(9,504)	(1)	(9,505)	(1,654)		(1,654)
Other investment expenses	(625,270)	(2)	(625,272)	(574,767)	10	(574,757)
Securities lending activities:						
Securities lending income	866,662	3	866,665	2,311,913	(42)	2,311,871
Securities lending expenses	(414,187)	(2)	(414,189)	(1,966,428)	35	(1,966,393)
Net investment income (loss)[2]	(21,344,093)	529	(21,343,564)	(48,524,946)	8,382	(48,516,564)
Court Fees	43,108	335,000	378,108	44,406	115,000	159,406
Transfers from other systems/funds			-		14,900	14,900
Miscellaneous income	6,687	751	7,438	7,702	6,848	14,550
Total additions	(19,649,713)	864,682	(18,785,031)	(46,734,379)	684,570	(46,049,809)
Deductions:						
Benefits paid to plan members and beneficiaries:						
Retirement benefits	19,897,368		19,897,368	19,180,381		19,180,381
Health benefits		747,808	747,808		720,335	720,335
Dental/vision benefits		72,886	72,886		69,640	69,640
Administrative expenses	158,909	45,133	204,042	144,188	41,978	186,166
Total deductions	20,056,277	865,827	20,922,104	19,324,569	831,953	20,156,522
Net Increase (decrease)	(39,705,990)	(1,145)	(39,707,135)	(66,058,948)	(147,383)	(66,206,331)
Net Assets Held in Trust for Pension and OPEB Benefits:						
Beginning of Year	269,619,650	2,669	269,622,319	335,678,598	150,052 [1]	335,828,650
End of Year	$ 229,913,660	$ 1,524	$ 229,915,184	$ 269,619,650	$ 2,669	$ 269,622,319

[1] Restated

[2] Fiscal year 2008 activity reclassified.

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

Notes to Basic Financial Statements
September 30, 2009 and 2008

NOTE 1 - PLAN DESCRIPTION

ORGANIZATION

The Michigan Judges' Retirement System (System) is a cost sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State), created under Public Act 234 of 1992, consolidated the former Judges' and Probate Judges' Retirement Systems into one retirement system. Section 204 of this Act establishes the board's authority to promulgate or amend the provisions of the System. The System's pension plan was established to provide retirement, survivor and disability benefits to judges in the judicial branch of state government. In addition, the System's OPEB plan provides all retirees with the option of receiving health, dental, and vision coverage under the Michigan Judges' Retirement Act. There are 125 participating employers. The System also includes the Governor of the State of Michigan, Lieutenant Governor, Secretary of State, Attorney General, Legislative Auditor General, and the Constitutional Court Administrator. The System is a qualified pension trust fund under section 401(a) of the Internal Revenue Code.

The System's financial statements are included as a pension and other employee benefit trust fund in the combined financial statements of the State.

The System is administered by the Office of Retirement Services within the Michigan Department of Management and Budget. The Department Director appoints the Office Director who serves as Executive Secretary to the System's Board, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

MEMBERSHIP

At September 30, 2009, and 2008, the System's membership consisted of the following:

		2009	2008
Retirees and beneficiaries currently receiving benefits:			
Regular benefits		362	360
Survivor benefits		174	174
Disability benefits		6	6
	Total	542	540
Current employees:			
Vested		233	256
Non-vested		1	1
	Total	234	257
Inactive employees entitled to benefits and not yet receiving them		9	13
	Total all members	785	810

Notes to Basic Financial Statements (continued)

Plan 1 or 2 members (Supreme Court Justice, Court of Appeals, or elected officials) may enroll in the State Health Plan when they retire and their premium rate is subsidized. All other judges may enroll in the State Health Plan if they wish to, but they must pay the entire premium cost. At September 30, 2009, and 2008, there were a total of 542 and 540 retirees, respectively, who are eligible to participate in the health/dental/vision plans. The number of participants is as follows:

Health, Dental, and Vision Plan	2009	2008
Eligible participants	542	540
Participants receiving benefits:		
Health	80	83
Dental	141	146
Vision	116	116

BENEFIT PROVISIONS – PENSION

Introduction

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 234 of 1992, Michigan Judges' Retirement Act, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan. Retirement benefits are determined by final compensation and years of service. Members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits.

A member who leaves judicial service may request a refund of his or her member contribution account. A refund cancels a former member's rights to future benefits. Returning members who previously received a refund of their contributions may reinstate their service credit through repayment of the refund upon satisfaction of certain requirements. For salary, contribution and calculation of retirement benefit, the membership of the System is categorized into seven plans. The categories are based on the position to which the member was elected or appointed.

Public Act 523 of 1996, which was effective March 31, 1997, closed the plan to new entrants. Judges or State officials newly appointed or elected on or after March 31, 1997, become members of the defined contribution plan.

Regular Retirement

The retirement benefit or allowance is calculated in accordance with the formula of the plan, which applies to the member. The formula is based on a member's years of credited service (employment) and final compensation. The normal retirement benefit is payable monthly over the lifetime of a member.

A member may retire and receive a monthly benefit after attaining:

1. age 60 with 8 or more years of credited service; or
2. age 55 with 18 or more years of credited service (the last 6 years continuous); or
3. 25 or more years of service, the last 6 years continuous; no age requirement; or
4. age 60 with service of two full terms in the office of Governor, Lieutenant Governor, Secretary of State, or Attorney General, or one full term in the office of Legislative Auditor General.

Early Retirement

A member may retire with an early permanently reduced pension:

1. after completing at least 12 but less than 18 years of service, of which the last 6 years are continuous; and
2. after attaining age 55.

Notes to Basic Financial Statements (continued)

The early pension is computed in the same manner as a regular pension but is permanently reduced 0.5% for each full and partial month between the pension effective date and the date the member will attain age 60.

Deferred Retirement

A member with 8 or more years of credited service who terminates judicial service before meeting the age requirements to receive a retirement allowance and who does not withdraw his or her contributions, is entitled to receive a monthly allowance upon reaching age 60 or age 55 with 18 years of service, the last 6 of which were continuous.

Disability Benefit

A member with 8 or more years of credited service, who is totally disabled from physically or mentally performing his or her duties, is eligible for a disability pension. The disability benefit is computed in the same manner as an age and service allowance based upon service and final salary at the time of disability.

Pension Payment Options

A pension is payable monthly for the lifetime of a System retiree and equals 3% of final salary times years of service for up to 12 years of service; or 50% of salary with 12 years, increased 2.5% for each additional year up to a maximum of 60% of salary. A former retiree of the Probate Judges' Retirement System receives 3% of salary times years of service, to a maximum of the greater of 40% of salary or $15,000 but not to exceed 66 2/3% of final salary when added to a county pension; or 3.5% of salary times years of service with a maximum of two thirds of final salary, if elected.

Straight Life - This option provides the highest monthly retirement allowance. Surviving spouse receives a 50% survivor's benefit.

Option A - Under this option, after the retiree's death, the beneficiary will receive 100% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary.

Option B - Under this option, after the retiree's death, the beneficiary will receive 50% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is smaller than the factor used in Option A above.

Survivor Benefit

A survivor benefit may be paid if 1) a member who has 8 or more years of credited service dies while in office, 2) a vested former member dies before retirement, or 3) a retiree dies following retirement.

Contributions

Member Contributions - Members currently participate on a contributory basis. For contribution purposes, the membership of the System is categorized in seven plans, which are based on the position to which the member was elected or appointed. Under certain circumstances, members may contribute to the System for the purchase of creditable service, such as military service or other public service. If a member terminates covered employment before a retirement benefit is payable, the member's contribution and interest on deposit may be refunded. If the member dies before being vested, the member's contribution and interest are refunded to the designated beneficiaries.

Publicly Financed Contributions - There are two public sources which fund retirement benefits: Court fees and State appropriations. The State contributes annually the greater of 3.5% of the aggregate annual compensation of State paid base salaries, or the difference between the total actuarial requirement of current service and unfunded accrued liabilities minus the revenues from court filing fees and member contributions. If the court fees deposited in the reserve for employer contributions equal the amount needed in addition to other publicly financed contributions to sustain the required level of publicly financed contributions, Section 304(4) of Judges' Retirement Act requires court fees be deposited in the court fee fund. A chart showing the publicly financed contribution rates is included in the Schedules of Additions by Source in the Statistical Section.

Notes to Basic Financial Statements (continued)

Public Act 95 of 2002 authorizes the State Treasurer, if funds remain in the court fee fund after transfers, to transmit a portion of the money in the court fee fund and any earnings on those amounts to the reserve for health benefits. The purpose of this transfer is to pay expected health care costs for the subsequent fiscal year that are not covered as a result of employee contributions. For fiscal year 2009, this amount was $335,000. The amount for fiscal year 2008 was $115,000.

BENEFIT PROVISIONS – OTHER POSTEMPLOYMENT

Introduction

Benefit provisions of the postemployment benefit plan are established by State statute, which may be amended. Public Act 234 of 1992, as amended, establishes eligibility and benefit provisions for the OPEB plan. Members are eligible to receive health, prescription drug, dental and vision coverage on the first day they start receiving pension benefits. There is no provision for ad hoc or automatic increases. The Judges' Retirement Act requires joint authorization by DMB and the Civil Service Commission to make changes to retiree medical benefit plans.

Under the Michigan Judges' Retirement Act, Plan 1 or 2, members may enroll in the State Health Plan when they retire. Five percent of the health insurance premium is deducted from the monthly pension check until age 65, at which time Medicare provides primary health insurance coverage. All other members may enroll in the State Health Plan during an open enrollment period. The total premium is deducted from the monthly pension check. The active employee payroll contribution rate to fund health benefits for the Plan 1 or 2 members was 2.0% for 2009 and 2008. There are no required employer contributions to fund health benefits.

All retirees may enroll in the state dental and/or vision plan during an open enrollment period. The total premium is deducted from the monthly pension check.

Retirees of Plan 1 and 2 are provided with life insurance coverage equal to 25% of the active life insurance coverage and $1,000 for each dependent. Premiums are fully paid by the State for Plan 1 and 2 members. All others must pay the full premium.

The number of participants and other relevant financial information are as follows:

Health, Dental, and Vision Plan	**2009**	**2008**
Eligible participants	542	540
Participants receiving benefits:		
Health	80	83
Dental	141	146
Vision	116	116
Expenses for the year	$ 865,827	$ 831,953
Employer payroll contribution rate	0%	0%

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The System's financial statements are prepared using the accrual basis of accounting. Court filing fees are recognized as revenue in the period received. Contributions from the State are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

Notes to Basic Financial Statements (continued)

Reserves

Public Act 234 of 1992, as amended, created several reserves. The reserves are described below.

Reserve for Employee Contributions - This reserve represents active member contributions, payments for the purchase of service credit, repayment of previously refunded contributions and interest less amounts transferred to the Reserve for Retirement Benefit Payments for regular and disability retirement, amounts refunded to terminated members, and transferring inactive reserves. At September 30, 2009, and 2008, the balance in this reserve was $48.4 million.

Reserve for Employer Contributions - This reserve represents court fees, late fees, interest payments, employer contributions, and State appropriations. Amounts are transferred annually from this reserve to the Reserve for Retired Benefit Payments to fund that reserve. In addition, the reserve transfers court fees to the Supreme Court in accordance with statutory requirements. At September 30, 2009, and 2008, the balance in this reserve was $2.7 million and $6.7 million, respectively.

Reserve for Retired Benefit Payments - This reserve represents the reserves for payment of future retirement benefits to current retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve from the Reserve for Employee Contributions and the Reserve for Employer Contributions. Monthly benefits, which are paid to the retiree, reduce the reserve. At the end of each fiscal year, an amount is transferred from the Reserve for Employer Contributions to bring the reserve into balance with the actuarial present value of retirement allowances. At September 30, 2009, and 2008, the balance in this reserve was $146.4 million and $145.1 million, respectively.

Reserve for Undistributed Investment Income - This reserve is credited with all investment earnings, changes in fair value, gifts to the System, and forfeited contributions. All administrative expenses are paid from this reserve and interest is transferred annually to the other reserves. At September 30, 2009, and 2008, the balance in this reserve was $32.4 million and $69.4 million, respectively.

Reserve for Health (OPEB) Benefits - This reserve is credited with member contributions for health, dental and vision benefits. The required contribution is based on pay-as-you-go funding. It represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years. However, the actual annual contributions have been less than the annual required contribution (the ARC). Health, dental, and vision benefits are paid from this reserve. At September 30, 2009, and 2008, the balance in this reserve was $1,524 and $2,669 respectively.

In fiscal year 2008 the State of Michigan adopted the reporting requirement promulgated by the Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* For fiscal years 2007 and previous, retiree related OPEB activity was accounted for in the State Sponsored Group Insurance (SSGI) Fund which, under section 204 of Public Act 431 of 1984, as amended, bore the risk of any losses in years where expenses exceeded revenues. The SSGI Fund is reported as an internal service fund in the State of Michigan's Comprehensive Annual Financial Report and GASB Statement No. 10 was the relevant guidance for retiree related OPEB. GASB Statement No. 45 amends GASB Statement No. 10 to require the exclusion of retiree OPEB activity from the SSGI Fund and account for it separately in other employee benefit trust funds. All retiree related activity, including the restatement of October 1, 2007 accumulated net assets in the amount of $108,745, is included in the reserve for OPEB related benefits.

Reporting Entity

The System is a pension and other employee benefit trust fund of the State. As such, the System is considered part of the State and is included in the State's Comprehensive Annual Financial Report as a pension and other employee benefit trust fund. The System and its Board are not financially accountable for any other organizations. Accordingly, the System is the only entity included in this financial report.

Notes to Basic Financial Statements (continued)

Benefit Protection

Public Act 100 of 2002 was passed by the Michigan Legislature to protect pension benefits of public employees from alienation (being transferred). Alienation is attachment, garnishment, levy, execution, bankruptcy or other legal process except for divorce orders or eligible domestic relation orders. The statutes governing the System contained an "anti-alienation" clause to provide for this protection; however, many smaller public pension systems did not have the benefit of this protection. Therefore, Public Act 100 of 2002 was passed to establish legal protection of pension assets that encompasses all public employees.

Fair Value of Investments

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. Real estate debt is valued on the basis of future principal and interest payments, and is discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Securities purchased with cash collateral under securities lending activities are recorded at estimated fair value. Other investments not having an established market are recorded at estimated fair value.

Investment Income

Dividend and interest income is recognized on the accrual basis. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date (the date upon which the transaction is initiated), except for purchase and sale of mortgages, real estate, and alternative investments, which are recorded as of the settlement date (the date upon which the transaction is ultimately completed). The effect of recording such transactions as of the settlement date does not materially affect the financial statements.

Costs of Administering the System

Each year a restricted general fund appropriation is requested to fund the on-going business operations of the System. These administrative costs are ultimately funded by the System through the regular transfer of funds from the System to the State's general fund based on either a direct cost or allocation basis depending on the nature of the expense. Costs of administering the System are financed by undistributed investment income of the System.

Property and Equipment

Office space is leased from the State on a year to year basis. Office equipment is capitalized if the value exceeds $5,000. These assets are recorded at cost and are reported net of depreciation in the Statement of Pension Plan and Other Postemployment Benefit Plan Net Assets. Such assets are depreciated on a straight-line basis over 10 years. The System does not have equipment that falls within these parameters.

Related Party Transactions

Leases and Services - The System leases operating space and purchases certain administrative, data processing, legal and investment services from the State. The space and services are not otherwise available by competitive bid. The following summarizes costs incurred by the System for such services.

	2009	2008
Building Rentals	$ 1,848	$ 1,552
Technological Support	13,174	15,784
Attorney General	13,947	12,647
Investment Services	64,382	66,925
Personnel Services	16,335	15,996

Notes to Basic Financial Statements (continued)

Cash - On September 30, 2009, and 2008, the System had $2.0 million and $6.2 million, respectively in a common cash investment pool maintained for various State operating funds. The participating funds in the common cash pool earn interest at various rates depending upon prevailing short-term interest rates. Earnings from these activities amounted to $10.1 thousand and $36.2 thousand for the years ended September 30, 2009, and 2008, respectively.

Excess Benefits

Internal Revenue Service (IRS) Code Section 415 requires that, for individuals who receive retirement benefits in excess of established limits, these benefits are recorded and reported outside of the pension plan in order to keep the qualified status of the plan. This includes coordination of benefit issues whereby a retiree participates in more than one qualified plan. In fiscal years 2009 and 2008, the System provided excess benefits to one retiree.

Reclassification of Prior Year Amounts

Fiscal year 2008 activity related to net investments on the Statement of Plan Net Assets and the investment income (loss) on the statement of Changes in Plan Net Assets has been reclassified between the pension plan and OPEB plan columns in conformity with GASB Statement No. 43. The total investment activity for the System has remained the same.

NOTE 3 - CONTRIBUTIONS AND FUNDED STATUS

Contributions

Members' contributions range from 3.5% to 7% of their salary depending on the plan (described in statute). Contributions are tax deferred under Section 414(h)(2) of the Internal Revenue Code, except for probate judges whose contributions are tax deferred only if the local unit of government has adopted a resolution to do so. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

The State contributes annually the greater of 3.5% of the aggregate annual compensation of State paid base salaries, or the difference between the total actuarial requirement of current service and unfunded actuarial liabilities minus the revenues from court filing fees and member contributions. Although contributions are expressed as a percentage of payroll, because the system is a closed plan, the actuarial valuation calculates a level dollar amount for funding purposes. For fiscal years 2009 and 2008, no employer contributions were required based on the annual actuarial valuation. If the court fees deposited in the reserve for employer contributions equal the amount needed in addition to other publicly financed contributions to sustain the required level of publicly financed contributions, Section 304(4) requires court fees to be deposited in the court fee fund in the State Treasury. The State Treasurer transmits the money in the court fee fund, not exceeding $2.2 million in any fiscal year, to the court equity fund for operational expenses of trial courts.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability will be amortized over a 27 year period for the 2009 fiscal year and is amortized over a 28 year period for the 2008 fiscal year.

Actual contributions (court fees) for retirement benefits were $43.1 thousand and $44.4 thousand for fiscal years 2009 and 2008, respectively, representing 0.16% of annual covered payroll for the year ended September 30, 2009, and 0.15% of annual covered payroll for the year ended September 30, 2008. Required employer contributions based on previous year actuarial valuations for pensions included:

1. $3.2 million for both fiscal years 2009 and 2008 for the normal cost of pensions representing 11.0% and 10.8% (before reconciliation) of annual covered payroll for fiscal years 2008 and 2007, respectively.

Notes to Basic Financial Statements (continued)

2. ($4.9) million and ($4.6) million for fiscal years 2009 and 2008, respectively, for amortization of overfunded actuarial accrued liability representing (16.8)% and (15.7)% (before reconciliation) of annual covered payroll for fiscal years 2008 and 2007, respectively.

Actual employer contributions (court fees) for other postemployment benefits (OPEB) were $335.0 thousand and $115.0 thousand, respectively, for fiscal years 2009 and 2008, representing 5.6% of annual covered payroll for the year ended September 30, 2009 and 1.8% of annual covered payroll for the year ended September 30, 2008. Required employer contributions based on previous year actuarial valuations for OPEB included:

1. $254.1 thousand and $235.3 thousand for fiscal years 2009 and 2008, respectively, for the normal cost of OPEB representing 4.3% and 3.9% (before reconciliation) of annual covered payroll for fiscal years 2008 and 2007, respectively.

2. $260.8 thousand and $246.4 thousand for fiscal years 2009 and 2008, respectively, for amortization of unfunded actuarial accrued liability representing 4.4% and 4.0% (before reconciliation) of annual covered payroll for fiscal years 2008 and 2007, respectively.

The system is required to reconcile with actuarial requirements annually. Any funding excess or deficiency for pension benefits is smoothed over 5 years. One fifth (20%) of the funding excess or deficiency is included in each of the subsequent years' contribution, and is not recognized as a payable or receivable in the accounting records.

Funded Status

Participating employers are required to contribute at an actuarially determined rate for both pension benefits and OPEB. For fiscal year 2009, the actuarial accrued liability (AAL) for pension benefits was $245.2 million, and the actuarial value of assets was $295.9 million, resulting in an overfunded actuarial accrued liability (UAAL) of $(50.7) million and a funded ratio of 120.7%. The covered payroll (annual payroll of active employees covered by the plan) was $27.0 million and the ratio of the UAAL to the covered payroll was (187.8)%.

For fiscal year 2009, the actuarial accrued liability (AAL) for OPEB benefits was $6.6 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $6.6 million and a funded ratio of 0.0%. The covered payroll (annual payroll of active employees covered by the plan) was $6.1 million, and the ratio of the UAAL to the covered payroll was 108.2%.

Actuarial Valuations and Assumptions

Actuarial valuations for both the pension and OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets for both pension and OPEB plans is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 25 for pension contributions and GASB Statement No. 43 for OPEB contributions.

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

Notes to Basic Financial Statements (continued)

The information presented in the required supplementary information schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date	9/30/2009
Actuarial Cost Method	Entry Age, Normal
Amortization Method - Pension	Level dollar, Closed
Amortization Method - OPEB	Level Percent of Payroll, Closed
Remaining Amortization Period - Pension	27 years *
Remaining Amortization Period - OPEB	27 Years
Asset Valuation Method - Pension	5-Year Smoothed Market
Asset Valuation Method - OPEB	Market
Actuarial Assumptions:	
Wage Inflation Rate	3.5%
Investment Rate of Return - Pension	8.0%
Investment Rate of Return - OPEB	4.0%
Projected Salary Increases	4.0%
Cost-of-Living Pension Adjustments	Assumed 4% Compounded for those eligible
Healthcare Cost Trend Rate	9.0% Year 1 graded to 3.5% Year 12
Other Assumptions OPEB only:	
Opt Out Assumption	0% of eligible participants are assumed to opt out of the retiree health plan
Survivor coverage	75% of male retirees and 60% of female retirees are assumed to have coverage continuing after the retiree's death
Coverage Election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

*Based on the provisions of GASB Statement No. 25, 43 and 45 when the actuarial accrued liability for a defined benefit pension plan is underfunded or overfunded, the difference should be amortized over a period not to exceed thirty years for the fiscal periods beginning on or after June 15, 2006.

NOTE 4 - INVESTMENTS

Investment Authority

Under Public Act 380 of 1965, as amended, the authority for the purchase and the sale of investments resides with the State Treasurer. Investments are made subject to the Michigan Public Pension Investment Act, Public Act 314 of 1965, as amended. The Michigan Public Pension Investment Act authorizes, with certain restrictions, the investment of pension fund assets in stocks, corporate and government bonds and notes, mortgages, real estate, and certain short-term and alternative investments. Investments must be made for the exclusive purposes of providing benefits to active members, retired members and beneficiaries, and for defraying the expenses of investing the assets.

Under Public Act 314 of 1965, as amended, the State Treasurer may invest up to 5% of the System’s assets in small businesses having more than one-half of assets or employees in Michigan as described in section 20(a) of the Act and up to 20% of the System’s assets in investments not otherwise qualified under the Act as described in section 20(d).

Notes to Basic Financial Statements (continued)

Alternative investments include limited partnerships and distributions from these partnerships in the form of bonds, preferred stock, common stock and direct investments.

Derivatives

The State Treasurer employs the use of derivatives in the investment of the pension and other employee benefit trust funds (the trust funds).

Derivatives are used in managing the trust fund portfolios, but uses do not include speculation or leverage of investments. Less than 12% of the total trust funds' portfolio has been invested from time to time in futures contracts, collateralized mortgages, swap agreements, and option contracts. State investment statutes limit total derivative exposure to 15% of a fund's total asset value, and restrict uses to replication of returns and hedging of assets. Swap agreements represent the largest category of derivatives used, and they represented 7.5% of market value of total pooled assets on September 30, 2009 and 4.7% of market value of total pooled assets on September 30, 2008. Futures contracts represented 0.0% of market value of total pooled assets on September 30, 2009 and 0.6% of market value of total pooled assets on September 30, 2008.

To enhance management flexibility, the State Treasurer has traded futures contracts tied to Bond indices and Standard and Poor's stock indices. The bond futures are combined with the rest of the fixed income investments to manage interest rate risk. The Standard and Poor's stock futures contracts are combined with short-term investments or with underlying stock to replicate or enhance the return of the Standard and Poor's stock indices.

To diversify the trust funds' portfolio, the State Treasurer has entered into swap agreements with investment grade counterparties, which are tied to stock market indices in twenty-three foreign countries. The notional amounts of the swap agreement at September 30, 2009, and 2008, were $20.8 million and $18.6 million, respectively. Approximately one half of the notional amount tied to foreign stock market indices is hedged against foreign currency fluctuations. The swap agreements provide that the System will pay quarterly, over the term of the swap agreements, interest indexed to the three month London Inter Bank Offer Rate (LIBOR), adjusted for an interest rate spread, on the notional amount stated in the agreements. The net change of the notional exposure of stock indices is the total amount of counterparty risk. That amount will always be significantly less than the swap agreements totals. At the maturing of the swap agreements, the trust funds will either receive the increase in the value of the equity indices from the level at the inception of the agreements, or pay the decrease in the value of the indices. Swap agreement maturity dates range from October 2009 to April 2012. U.S. Domestic LIBOR based floating rate notes and other investments earning short-term interest are held to correspond with the notional amount of the swap agreements. The State Treasurer maintains custody and control of these dedicated notes and short-term investments.

The value of these synthetic equity structures is a combination of the value of the swap agreements and the value of the notes and short-term investments. The book value represents the cost of the notes and short-term investments. The current value represents the current value of the notes and short-term investments and the change in the value of the underlying indices from the inception of the swap agreements. The current value is used as a representation of the fair value based on the intention to hold all swap agreements until maturity. For fiscal years ending September 30, 2009, and 2008, international equity investment programs involving swaps, received a net realized investment income loss of $0.9 and a net realized investment income gain of $3.7 million, respectively.

The unrealized loss of $2.3 million at September 30, 2009, primarily reflects decreases in international stock indices and changes in currency exchange rates. The combined swap structure generally realizes gains and losses on a rolling three year basis.

The respective September 30, 2009, and 2008 swap values are as follows:

	Notional Value	Current Value
9/30/2009 (dollars in millions)	$ 20.8	$ 18.2
9/30/2008 (dollars in millions)	18.6	13.2

Notes to Basic Financial Statements (continued)

Securities Lending

State statutes allow the System to participate in securities lending transactions, and the System has, by way of an Agreement, authorized Credit Suisse, the agent bank, to lend the System's securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal years, the agent bank lent, at the direction of the State Treasurer, the System's securities and received cash (United States) as collateral. Borrowers were required to deliver collateral for each loan equal to (i) in case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

The system did not impose any restrictions during fiscal year 2008 on the amounts of loans that the agent bank made on its behalf. In fiscal year 2009, the system amended the agreement with the agent bank agreeing to reduce the loans of the program. The agent bank indemnified the System by agreeing to purchase replacement securities, or return cash collateral in the event borrower failed to return the loaned security or pay distributions thereon, due to the borrower's insolvency. In fiscal year 2008, there was one such failure of a borrower, Lehman Brothers, Inc (September 2008). However, there were no losses resulting from the default of the borrower as the agent bank, Credit Suisse, indemnified the System.

Under Master Securities Lending Agreements between the System and each borrower, the System and the borrowers have the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in assets held in a collateral account dedicated to the System. As of September 30, 2009 and 2008, such assets had an average weighted maturity to next reset of 3.5 years and 32 days, respectively; and an average weighted maturity of 8.5 years and 3.3 years, respectively. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On September 30, 2009 and 2008, the System had no credit risk exposure to borrowers. The cash received for securities on loan for the System as of September 30, 2009 and 2008, was $42,934,888 and $47,518,751, respectively. The fair market value of assets held in the dedicated collateral account at the custodian for the System as of September 30, 2009 and 2008, was $33,381,620 and $36,415,878, respectively. The carrying amount, which is the fair market value, of securities on loan for the System as of September 30, 2009 and 2008, was $41,778,664 and $43,289,523, respectively.

Gross income, including capital gains, from security lending for fiscal years ending September 30, 2009 and 2008, with Credit Suisse was $866,665 and $2,311,871, respectively. Expenses associated with this income were the borrower's rebate of $334,028 and $1,891,932 and fees paid to the agent bank of $80,161 and $74,461, respectively.

Substantial volatility in the financial markets impacted fair value estimates for securities lending collateral. The System recorded an unrealized loss of $11.1 million at September 30, 2008, and a reduction of the loss of $1.5 million at September 30, 2009.

Risk

In accordance with GASB Statement No. 40, investments require certain disclosures regarding policies and practices, and the risks associated with them. The credit risk (including custodial credit risk and concentration of credit risk), the interest rate risk, and the foreign currency risk are discussed in the following paragraphs. Amounts represent the pro-rata share of the underlying investments as required by GASB Statement No. 40. These are held in internal investment pools and reported as such in the financial statements.

<u>Credit Risk</u> - Credit risk is the risk that an issuer will not fulfill its obligations.

- Short-Term Fixed Income Investments - Prime commercial paper investments must be rated A-1 or P-1 at the time of purchase as rated by the two major rating services Standard and Poor's Corporation (S&P) and Moody's Investor Service (Moody's), respectively. Borrowers must have at least $400.0 million in commercial paper outstanding, and the State Treasurer may not invest in more than 10% of the borrowers outstanding debt. The investments are further limited to $200.0 million in any borrower, unless the borrower has an A-1+ rating in which case the investment is not to exceed $300.0 million.

Notes to Basic Financial Statements (continued)

- Long-Term Fixed Income Investments – These investments must be investment grade or better at the time of purchase unless specific requirements are met as defined by Public Act 314 of 1965, as amended, and the State Treasurer's investment policy. Law defines investment grade as investments in the top four major grades, rated by two national rating services, S&P (AAA, AA, A, BBB) and Moody's (Aaa, Aa, A, Baa). At September 30, 2009, the System was in compliance with the policy in all material aspects.

Rated Debt Investments
(in thousands)
As of September 30, 2009 and 2008

	2009				2008			
Investment Type	**Fair Value**	**S&P**	**Fair Value**	**Moody's**	**Fair Value**	**S&P**	**Fair Value**	**Moody's**
Short Term	$ 5,635	A-1	$ 5,635	P-1	$ 8,920	A-1	$ 8,920	P-1
Government Securities								
US Agencies - Sponsored								
	4,011	AAA	4,011	Aaa	10,180	AAA	10,180	Aaa
Corporate Bonds & Notes								
	1,173	AAA	694	Aaa	2,871	AAA	2,398	Aaa
	4,934	AA	4,222	Aa	2,941	AA	3,258	Aa
	11,607	A	12,636	A	9,147	A	8,828	A
	7,257	BBB	7,859	Baa	4,621	BBB	4,867	Baa
	1,186	BB	248	Ba	86	BB	100	Ba
	113	B	52	B	21	B	7	B
	41	CCC	38	Caa	3	CCC	18	Caa
	4	CC	4	Ca	-	CC	2	Ca
	-	C	1	C	-	C	1	C
	-	D	-	D	1	D	-	D
	343	NR	904	NR	493	NR	706	NR
International [1]								
	1,004	AAA	-	Aaa	2,589	AAA	2,589	Aaa
	7,435	AA	8,058	Aa	6,692	AA	7,503	Aa
	9,308	A	10,927	A	7,388	A	7,326	A
	1,235	BBB	1,583	Baa	-	BBB	-	Baa
	834	BB	-	Ba	-	BB	-	Ba
	752	NR	-	NR	1,251	NR	501	NR
Securities Lending Collateral								
	1,053	A-1	1,053	P-1	-	A-1	-	P-1
	9,855	AAA	8,685	Aaa	11,071	AAA	11,375	Aaa
	3,979	AA	10,982	Aa	9,460	AA	10,723	Aa
	5,434	A	7,083	A	9,801	A	8,392	A
	10,164	BBB	554	Baa	2,531	BBB	4,013	Baa
	-	BB	1,928	Ba	499	BB	23	Ba
	464	B	776	B	108	B	382	B
	327	CCC	475	Caa	106	D	-	D
	2,004	NR	1,744	NR	2,760	NR	1,428	NR
Total	$ 90,152		$ 90,152		$ 93,540		$ 93,540	

NR - not rated

[1] International Investment types consist of domestic floating rate note used as part of a Swap strategy.

Notes to Basic Financial Statements (continued)

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the State will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either:

- The counterparty or
- The counterparty's trust department or agent but not in the government name.

The State Treasurer does not have a policy for custodial credit risk. However, the State's custodial bank had a credit rating of A+ at September 30, 2009. As of September 30, 2009, no securities were exposed to custodial credit risk. As of September 30, 2008, government securities with a market value of $145.0 thousand were exposed to custodial credit risk. These securities were held by the counterparty not in the name of the system.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Other than obligations issued, assumed or guaranteed by the United States, its agencies or United States government sponsored enterprises, the System is prohibited by Public Act 314 of 1965, as amended, from investing in more than 5% of the outstanding obligations of any one issuer or investing more than 5% of a System's assets in the obligations of any one issuer.

At September 30, 2009, and 2008, there were no investments in any single issuer that accounted for more than 5% of the System's assets nor were there any investments totaling more than 5% of the obligations of any one issuer, other than U.S. Government Securities as described above.

Interest Rate Risk - Fixed Income Investments - Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

The State Treasurer's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2009, and 2008, the fair value of the System's prime commercial paper was $5.6 million and $8.9 million with the weighted average maturity of 3 days and 5 days, respectively.

The State Treasurer does not have a policy regarding interest rate risk for long-term debt investments. However, the trust funds are invested with a long-term strategy. The goal is to balance higher returns while accepting minimum risk for the return. Analyzing the yield curve on individual securities as compared to U.S. Treasuries determines, in part, what is an acceptable risk for the return. Therefore, market conditions such as lower interest rates result in shorter duration and higher interest rates result in longer duration.

Notes to Basic Financial Statements (continued)

Debt Securities
(in thousands)
As of September 30, 2009 and 2008

	2009		2008	
	Fair Value	Effective Duration in Years	Fair Value	Effective Duration in Years
Government				
U. S. Treasury	$ 2,543	2.1	$ 593	6.8
U. S. Agencies - Backed	11,227	4.7	12,843	5.4
U. S. Agencies - Sponsored	4,011	3.9	10,180	4.1
Corporate	26,658	4.9	20,184	5.4
International*				
Corporate	20,568	0.1	17,919	0.03
Total	$ 65,007		$ 61,719	

Debt securities are exclusive of securities lending collateral.

*International contains Corporate Debt Securities as a part of their derivative strategies. The interest rates reset on a quarterly basis for these securities.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

The System invests in various securities denominated in foreign currencies. These investments are limited to 20% of the total assets of the System with an additional limit of 5% of the outstanding foreign securities of any single issuer. No investment is allowed in a country that has been identified by the United States State Department as engaging in or sponsoring terrorism. These limits are set forth in Public Act 314 of 1965, as amended. The types of foreign investments include equities, fixed income, mutual funds, real estate, and limited partnerships. At September 30, 2009, and 2008, the total amount of foreign investment subject to foreign currency risk was $21.3 million and $20.5 million which amounted to 8.9% and 7.3% of total investments (exclusive of securities lending collateral) of the System, respectively.

Notes to Basic Financial Statements (continued)

Foreign Currency Risk
(in thousands)
As of September 30, 2009

Region	Country	Currency	Alt. Invest. Market Value in U.S. $	Equity Market Value in U.S. $	Real Estate Market Value in U.S. $	International Equities Market Value in U.S. $	International Derivatives Market Value in U.S. $ *
AMERICA							
	Brazil	Real		$ 29			
	Canada	Dollar				$ 35	$ 25
EUROPE							
	European Union	Euro	$ 3,591	840		102	(69)
	Switzerland	Franc		599		21	5
	Sweden	Krona				4	45
	Denmark	Krone		5		7	(7)
	Norway	Krone				1	(4)
	U.K.	Sterling	120	712		54	(354)
PACIFIC							
	Australia	Dollar				26	4
	China	Renminbi		56		2	-
	Hong Kong	Dollar				9	23
	Japan	Yen	7	111		81	(58)
	New Zealand	Dollar				-	12
	Singapore	Dollar				11	(11)
	South Korea	Won				-	(20)
MIDDLE EAST							
	Israel	Shekel		15			
VARIOUS					$ 4,118	11,116	
	Total		$ 3,718	$ 2,367	$ 4,118	$ 11,469	$ (409)

*International derivatives' market value exposure to foreign currency risk is the net amount of unrealized gains and unrealized losses. Maturity dates on these investments range from October 2009 through April 2012, with an average maturity of 1.3 years.

Notes to Basic Financial Statements (continued)

Foreign Currency Risk
(in thousands)
As of September 30, 2008

Region	Country	Currency	Alt. Invest. Market Value in U.S. $	Equity Market Value in U.S. $	Real Estate Market Value in U.S. $	International Equities Market Value in U.S. $	International Derivatives Market Value in U.S. $ *
AMERICA							
	Canada	Dollar				$ 31	
	Mexico	Peso		$ 267			
EUROPE							
	European Union	Euro	$ 4,000	404		184	$ (488)
	Switzerland	Franc		400		18	(83)
	Sweden	Krona				5	(20)
	Denmark	Krone				7	(19)
	Norway	Krone				5	(25)
	U.K.	Sterling	161	3		93	(505)
PACIFIC							
	Australia	Dollar				22	(210)
	China	Renminbi		51			
	Hong Kong	Dollar				5	(55)
	Japan	Yen	18	554		55	(298)
	Singapore	Dollar				8	(26)
	South Korea	Won					(126)
MIDDLE EAST							
	Israel	Shekel		2			
VARIOUS					$ 5,689	10,381	
	Total		$ 4,179	$ 1,681	$ 5,689	$ 10,814	$ (1,855)

*International derivatives' market value exposure to foreign currency risk is the net amount of unrealized gains and unrealized losses. Maturity dates on these investments range from October 2008 through July 2011, with an average maturity of 1.8 years.

Notes to Basic Financial Statements (continued)

NOTE 5 – ACCOUNTING CHANGES AND RESTATEMENT

The Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, has been adopted by the State of Michigan for fiscal year 2008. Statement No. 45 prohibits the reporting of retiree related postemployment benefits within the State Sponsored Group Insurance Fund, an internal service fund administratively established to provide health, long-term disability, life, vision, and dental coverage for participating employees and retirees. Beginning October 1, 2007, all retiree related activity, including an equity transfer of $108,745 in accumulated net assets, is included in the Statements of OPEB Plan Net Assets and Changes in OPEB Plan Net Assets as reflected in this report.

The GASB has issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This Statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The requirements of this new Statement are effective for financial statements for periods beginning after June 15, 2009. This Statement will be implemented in fiscal year 2010.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Under the Administrative Procedures Act, members may appeal a decision made by the Board to the Circuit Court. Various cases that have exhausted the administrative procedures have been appealed in the court system. The cases are in the normal course of business and the System does not anticipate any material loss as a result of the contingent liabilities.

Required Supplementary Information

Schedules of Funding Progress

Expressing the net assets available for benefits as a percentage of the actuarial accrued liability provides one indication of the System's funding status. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the System. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded or over-funded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the System.

Pension Benefits ($ in millions)

Valuation Date Sept 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2000	$ 274.8	$ 204.2	$ (70.6)	134.6 %	$ 37.0	(190.7) %
2001	291.0	224.7	(66.3)	129.5	42.5	(155.7)
2002	291.7	229.2	(62.5)	127.3	42.4	(147.3)
2003	292.3	235.2	(57.1)	124.3	38.9	(146.6)
2004 *	286.9	236.4	(50.5)	121.3	37.5	(134.6)
2005	278.4	243.4	(35.0)	114.4	34.9	(100.3)
2006	282.8	243.7	(39.1)	116.0	33.1	(118.1)
2007	301.0	247.1	(53.9)	121.8	29.7	(181.5)
2008	303.7	247.0	(56.7)	123.0	29.5	(192.2)
2009	295.9	245.2	(50.7)	120.7	27.0	(187.8)

* Revised actuarial assumptions

Other Postemployment Benefits ($ in millions)

Valuation Date Sept 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2006	$ -	$ 6.4	$ 6.4	0.0 %	6.1	105.3 %
2007	-	6.6	6.6	0.0	6.1	107.5
2008	-	6.7	6.7	0.0	5.9	113.0
2009	-	6.6	6.6	0.0	6.1	108.2

Required Supplementary Information (continued)

Schedules of Employer and Other Contributions

Pension Benefits

Fiscal Year Ended Sept. 30	Annual Required Contribution (ARC)	Actual Contribution	Percentage Contributed
2000 [2]	$ (411,879)		0.0 %
2001 [2]	(955,186)		0.0
2002	(476,491)		0.0
2003	(135,812)		0.0
2004	(85,580)		0.0
2005 [1]	(441,948)	$ 34,765	0.0
2006	607,883	653,587	108.0
2007	186,180	231,235	124.0
2008		44,406	N/A
2009		43,108	N/A

[1] Revised actuarial assumptions.
[2] ARC is calculated as percentage of payroll reported to actuary.

Other Postemployment Benefits

Fiscal Year Ended Sept. 30	Annual Required Contribution (ARC)	Actual Contribution	Percentage Contributed
2007	$ 473,742	$ 115,000	24.3 %
2008	481,673	115,000	23.9
2009	514,850	335,000	65.1

Note to Required Supplementary Information

NOTE A - DESCRIPTION

Ten year historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is presented in the preceding schedules. Other ten-year historical trend information related to the System is presented in the Statistical and Actuarial Sections of the report. This information is presented to enable the reader to assess the progress made by the System in accumulating sufficient assets to pay pension and other postemployment benefits as they become due. Because this is the third year the System is reporting other post employment benefits in accordance with GASB Statement No. 43, only three years of historical trend information is provided

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension and other postemployment benefit obligations as a factor.

The Schedules of Funding Progress and Schedules of Employer Contributions are reported as historical trend information. The Schedules of Funding Progress are presented to measure the progress being made to accumulate sufficient assets to pay benefits when due. The Schedules of Employer Contributions are presented to show the responsibility of the Employer in meeting the actuarial requirements to maintain the System on a sound financial basis.

Supporting Schedules

Comparative Summary Schedule of
Pension Plan Administrative Expenses
For Fiscal Years Ended September 30, 2009 and 2008

	2009	2008
Personnel Services:		
Staff Salaries	$ 10,471	$ 10,382
Retirement and Social Security	3,422	3,170
Other Fringe Benefits	2,442	2,444
Total	16,335	15,996
Professional Services:		
Accounting	3,057	2,697
Actuarial	60,800	52,000
Attorney General	13,947	12,647
Audit	38,658	32,866
Consulting	4,484	3,988
Total	120,946	104,198
Building Equipment:		
Building Rentals	1,848	1,552
Equipment Purchase, Maintenance, and Rentals	90	122
Total	1,938	1,674
Miscellaneous:		
Travel and Board Meetings	87	82
Office Supplies	61	59
Postage, Telephone and Other	4,239	4,917
Printing	2,129	1,478
Technological Support	13,174	15,784
Total	19,690	22,320
Total Administrative Expenses	$ 158,909	$ 144,188

Comparative Summary Schedule of
OPEB Plan Administrative Expenses
For Fiscal Years Ended September 30, 2009 and 2008

	2009	2008
Health Fees	$ 41,008	$ 37,952
Dental Fees	3,105	3,034
Vision Fees	1,020	992
Total Administrative Expenses	$ 45,133	$ 41,978

Supporting Schedules (continued)

Schedule of Investment Expenses
For Fiscal Years Ended September 30, 2009 and 2008

	2009	2008
Real Estate Operating Expenses	$ 9,505	$ 1,654
Securities Lending Expenses	414,189	1,966,393
Other Investment Expenses[1]		
ORS-Investment Expenses[2]	64,382	66,925
Custody Fees	4,931	6,403
Management Fees-Real Estate	90,843	88,475
Management Fees-Alternative	406,280	369,733
Management Fees-International	39,785	35,283
Research Fees	19,051	7,939
Total Investment Expenses	$ 1,048,966	$ 2,542,805

[1]Refer to Investment Section for fees paid to investment professionals.

[2]Does not include Treasury vendor refunds of $118, recorded as revenue, nor exclude Treasury Civil Service fees of $813, recorded as a pass-through, in the Schedule of Investment Fees - State Treasurer.

Schedule of Payments to Consultants
For Fiscal Years Ended September 30, 2009 and 2008

	2009	2008
Accounting	$ 3,057	$ 2,697
Actuary	60,800	52,000
Attorney General	13,947	12,647
Independent Auditors	38,658	32,866
Consulting	4,484	3,988
Total Payment to Consultants	$ 120,946	$ 104,198

Supporting Schedules (continued)

Detail of Changes in Plan Net Assets (Pension and Other Postemployment Benefits)

For the Year Ended September 30, 2009

	Employee Contributions	Employer Contributions	Retired Benefit Payments	Undistributed Investment Income	OPEB	Total
Additions:						
Member contributions	$ 1,644,585				$ 528,402	$ 2,172,987
Investment income (loss):						
Net investment income (loss)				$ (21,161,794)	531	(21,161,263)
Investment expenses:						
Real estate operating expenses				(9,504)	(1)	(9,505)
Other investment expenses				(625,270)	(2)	(625,272)
Securities lending activities:						
Securities lending income				866,662	3	866,665
Securities lending expenses				(414,187)	(2)	(414,189)
Net investment income (loss) *	-	-	-	(21,344,093)	529	(21,343,564)
Court fees			$ 43,108		335,000	378,108
Transfers from other systems/funds					-	-
Miscellaneous income			6,680	7	751	7,438
Total additions	1,644,585	-	49,788	(21,344,086)	864,682	(18,785,031)
Deductions:						
Benefits paid to plan members and beneficiaries:						
Retirement benefits			19,897,368			19,897,368
Health benefits					747,808	747,808
Dental/vision benefits					72,886	72,886
Administrative expenses				158,909	45,133	204,042
Total deductions	-	-	19,897,368	158,909	865,827	20,922,104
Net Increase (Decrease) Before Other Changes	1,644,585	-	(19,847,580)	(21,502,995)	(1,145)	(39,707,135)
Other Changes in Net Assets:						
Interest allocation	3,375,785	$ 535,095	11,609,619	(15,520,499)		-
Transfers upon retirement	(5,070,741)	(4,487,473)	9,558,214			-
Total other changes in net assets	(1,694,956)	(3,952,378)	21,167,833	(15,520,499)	-	-
Net Increase (Decrease)	(50,371)	(3,952,378)	1,320,253	(37,023,494)	(1,145)	(39,707,135)
Net Assets Held in Trust for Pension and OPEB Benefits:						
Beginning of Year	48,414,630	6,688,688	145,120,237	69,396,095	2,669	269,622,319
End of Year	$ 48,364,259	$ 2,736,310	$ 146,440,490	$ 32,372,601	$ 1,524	$ 229,915,184

* Fiscal year 2008 activity reclassified.

Supporting Schedules (continued)

Detail of Changes in Plan Net Assets (Pension and Other Postemployment Benefits)

For the Year Ended September 30, 2008

	Employee Contributions	Employer Contributions	Retired Benefit Payments	Undistributed Investment Income	OPEB	Total
Additions:						
Member contributions	$ 1,738,459				$ 539,440	$ 2,277,899
Investment income (loss):						
Net investment income (loss)				$ (48,294,010)	8,379	(48,285,631)
Investment expenses:						
Real estate operating expenses				(1,654)		(1,654)
Other investment expenses				(574,767)	10	(574,757)
Securities lending activities:						
Securities lending income				2,311,913	(42)	2,311,871
Securities lending expenses				(1,966,428)	35	(1,966,393)
Net investment income (loss) [2]	-	-	-	(48,524,946)	8,382	(48,516,564)
Court fees			$ 44,406		115,000	159,406
Transfers from other systems/funds					14,900	14,900
Miscellaneous income			10,124	883	3,543	14,550
Total additions	1,738,459	-	54,530	(48,524,063)	681,265	(46,049,809)
Deductions:						
Benefits paid to plan members and beneficiaries:						
Retirement benefits			19,180,381			19,180,381
Health benefits					720,335	720,335
Dental/vision benefits					69,640	69,640
Administrative expenses				144,188	41,978	186,166
Total deductions	-	-	19,180,381	144,188	831,953	20,156,522
Net Increase (Decrease) Before Other Changes	1,738,459	-	(19,125,851)	(48,668,251)	(150,688)	(66,206,331)
Other Changes in Net Assets:						
Interest allocation	3,425,533	$ 1,387,060	11,172,312	(15,988,210)	3,305	-
Transfers upon retirement	(1,383,257)	(12,036,621)	13,419,878			-
Total other changes in net assets	2,042,276	(10,649,561)	24,592,190	(15,988,210)	3,305	-
Net Increase (Decrease)	3,780,735	(10,649,561)	5,466,339	(64,656,461)	(147,383)	(66,206,331)
Net Assets Held in Trust for Pension and OPEB Benefits:						
Beginning of Year	44,633,895	17,338,249	139,653,898	134,052,556	150,052 [1]	335,828,650
End of Year	$ 48,414,630	$ 6,688,688	$ 145,120,237	$ 69,396,095	$ 2,669	$ 269,622,319

[1] Restated
[2] Fiscal year 2008 activity reclassified.

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INVESTMENT SECTION

Prepared by Michigan Department of Treasury, Bureau of Investments

Jon M. Braeutigam, Director

Report on Investment Activity
Asset Allocation
Investment Results
List of Largest Stock Holdings
List of Largest Bond Holdings
Schedule of Investment Fees
Schedule of Investment Commissions
Investment Summary

INVESTMENT SECTION

Report on Investment Activity

INTRODUCTION

The State Treasurer reports investment activity quarterly to the Investment Advisory Committee (Committee), which reviews the investments, goals, and objectives of the retirement funds and may submit recommendations regarding them to the State Treasurer. The Investment Advisory Committee may also, by a majority vote, direct the State Treasurer to dispose of any holdings that, in the Committee's judgment, are not suitable for the funds involved, and may, by unanimous vote, direct the State Treasurer to make specific investments.

The Investment Advisory Committee was created by Act 380 of the Public Acts of 1965. The three public members of the five-member committee are appointed by the Governor with the advice and consent of the Senate for three-year terms. The Director of the Department of Energy, Labor and Economic Growth and the Director of the Department of Management and Budget are ex-officio members. As of September 30, 2009, members of the Committee were as follows: David G. Sowerby, CFA (public member), Glenn P. Murray (public member), James B. Jacobs (public member), Stanley Pruss (ex-officio member), and Lisa Webb Sharpe (ex-officio member). The public members serve without pay, but may be paid actual and necessary travel and other expenses.

INVESTMENT POLICY & GOALS

Investment policy states that the fiduciary will operate within standard investment practices of the prudent person and in accordance with Public Employee Retirement System Investment Act 314 of 1965. The fiduciary is authorized to invest in government obligations, corporate obligations, various short-term obligations, corporate (domestic and international) stocks, private equity interests, mutual funds, real estate interests, and other investments subject to specific parameters. Above all, trust fund assets are to be invested for the exclusive benefit of the members of the System, in a fiduciary capacity.

The System's Proxy Voting Policy sets forth directives on the following issues: Boards of Directors, corporate governance, social issues, corporate restructurings and defenses. All proxies are reviewed and voted in accordance with the System's policy.

The primary function of the System is to provide retirement, survivor and disability benefits along with health and other postemployment benefits to its members. The State Treasurer is the sole investment fiduciary and custodian of the System's investments pursuant to State law. The goals of the System are:

1. Achieve the optimal rate of return possible within prudent levels of risk.
2. Maintain sufficient liquidity to pay benefits.
3. Diversify assets to preserve capital and avoid large losses.
4. Meet or exceed the actuarial assumption over the long term.
5. Perform in the top half of the public plan universe over the long term.
6. Exceed individual asset class benchmarks over the long term.
7. Operate in a cost-effective manner.

The strategy for achieving these goals is carried out by investing the assets of the System according to a two-year asset allocation model. The System currently invests in seven different asset classes, which provides for a well-diversified portfolio.

Report on Investment Activity (continued)

Asset Allocation
(Excludes Collateral on Loaned Securities)

Investment Category	As of 9/30/09 Actual %		Two-Year Target %
Domestic Equities			33.0%
Domestic Equity - Active	23.5%		
Large Cap Core Pool		7.0%	
Large Cap Value Pool		3.5%	
Large Cap Growth Pool		5.6%	
Large Cap Dividend Growth Pool		0.8%	
Large Cap Growth Managers Pool		2.2%	
Manager of Managers Pool		0.3%	
Mid Cap Pool		2.1%	
Small Cap Pool		1.9%	
Tactical Asset Allocation Pool		0.1%	
Domestic Equity - Passive	13.8%		
S&P 500 Index Pool		12.6%	
S&P MidCap Index Pool		1.2%	
International Equities	12.7%		15.0%
International Equity Pool - Passive		9.6%	
International Equity Pool - Active		2.9%	
Emerging Markets Pool		0.2%	
Alternative Investments Pool	15.4%		12.0%
Real Estate Pool	12.9%		15.0%
Fixed Income	17.7%		16.0%
Government Bond Pool		5.6%	
Corporate Bond Pools		8.0%	
Fixed Income Bond Pools		3.9%	
CMBS Investment Pool		0.2%	
Absolute Return	0.8%		4.0%
Special Situations Fund Pool		0.3%	
Absolute Return Strategies Pool		0.5%	
Real Return	0.0%		3.0%
Short Term Investment	3.2%		2.0%
Short Term Fixed Income Pool		2.4%	
Short Term Investment Pool		0.8%	
TOTAL	**100.0%**		**100.0%**

INVESTMENT AUTHORITY

Pursuant to State Law (Section 91 of Act No. 380 of the Public Acts of 1965, as amended), the State Treasurer, State of Michigan, is the investment fiduciary for the following four State sponsored retirement systems: Michigan Public School Employees' Retirement System, Michigan State Employees' Retirement System, Michigan State Police Retirement System, and Michigan Judges' Retirement System.

Act No. 314 of the Public Acts of 1965, as amended, authorizes the investment of assets of public employee retirement systems or plans created and established by the State or any political subdivision.

Report on Investment Activity (continued)

INVESTMENT RESULTS

Total Portfolio Results

For the fiscal year ended September 30, 2009, the total System's rate of return was (6.4%) as compiled by State Street Investment Analytics. Annualized rates of return for the three-year period ending September 30, 2009, were (1.1%); for the five-year period were 4.1%; and for the ten-year period were 3.7%.

Returns were calculated using a time-weighted rate of return in accordance with industry standards, unless a modification is described in the discussion of the reported return.

Fiscal year 2009 marked one of the most turbulent and volatile years in the capital markets and overall economy in several generations. Though a great deal of uncertainty and distress remains evident throughout the global economy and capital markets, the System's investments ended the year on a more positive note rising in the final three months of the fiscal year driven by a sharp recovery in the U.S. and international equity markets. Moreover, as challenging as the investment environment has been for pension plan investments across the country, the System has ample assets to provide benefits now and far into the future.

In the fall of 2008, the financial markets were in the midst of a truly historic period marked by precipitous declines in the U.S. and international equity markets, sharp declines in large portions of the bond market, and major signs of stress in alternative investments as well. Alternative assets are generally considered to include those outside the traditional stock and bond markets such as real estate, private equity, hedge funds, etc. The stress on the investment markets was so severe at times, major portions of the capital markets ceased to function effectively, or for a period of time, function at all.

The investment markets were reacting to many factors including the massive amount of debt that had accumulated throughout the economy generally, but particularly in the residential mortgage markets. Powered by years of borrowed funds, asset prices, most notably home prices in the U.S. and in a number of foreign countries as well, rose dramatically. The price increases outpaced both inflation and the growth of the incomes of those borrowing. Lenders, able to themselves borrow funds at low rates under a liberal monetary policy, lowered lending standards making subprime loans to homebuyers with little capital for down payments and uncertain ability to repay the loans. A subprime loan is defined generally as those where the borrower has a FICO score below 640.

The contraction of credit available to companies and consumers led to a dramatic decline in the overall U.S. and global economies. The U.S. unemployment rate ended fiscal year 2009 at 9.8%. Paralleling the effects on the financial services sector, investors witnessed bankruptcies and cutbacks in many non-financial companies, such as GM and Chrysler (which the System did not materially own).

Faced with a sharply contracting economy and the nearly frozen financial sector, the U.S. government (and many foreign governments) enacted a series of programs designed to assist the lending markets. Programs such as the Troubled Asset Relief Program (TARP) and Term Asset-Backed Securities Loan Facility (TALF) were enacted to help areas such as commercial paper and mortgages regain normal operation and allow a sense of confidence and normalcy to re-emerge among investors, depositors, lenders, consumers, and corporate managements.

Equity Markets were extremely turbulent given the upheaval in the credit markets and general economy. As fiscal year 2009 began, the S&P 500 stood at 1,166. It subsequently plunged to a low of 666 on March 9, 2009, a 43% decline from the beginning of fiscal year 2009, and a 58% decline from its all time high of 1,576 on October 12, 2007. Yet, as rapid as the equity markets decline was during the first half of fiscal 2009, so too was the dramatic recovery in equity markets during the last half of the fiscal year. From its March 9th bottom of 666, the S&P 500 rose 59% to 1,057 at fiscal year end. This substantial gain has not yet fully offset the collapse that occurred in the period September 2008 to March of 2009.

Report on Investment Activity (continued)

Prior to the equity market collapse the System made some strategic moves in the equity markets over this period: First, selling $2 billion in equities in the twelve months leading up to the March 9, 2009, market low; second, underweighting the financial sector of the market prior to the collapse; third, selling the stock of several financial sector companies prior to the collapse; fourth, the System entered this period with a conservatively positioned fixed income portfolio; and fifth, the System made few new commitments to its real estate and private equity portfolios over fiscal year 2009

To conclude, the market environment created significant investment challenges for nearly all public pension systems in fiscal year 2009, since almost all public pension systems must invest in equities in order to meet their required future long-term liabilities. Fortunately, public defined benefit pension systems have a long term investment horizon, which allows the System to invest for the long term. This allows the System to be patient as markets rebound. Though this major recovery in values across multiple asset classes in the final half of the fiscal year was encouraging, the intent is to maintain a careful balance between actions designed to earn the returns necessary to meet the System's obligation and the risk management needed to protect the System's assets.

Large Cap Core Pool

The objective of the pool of large company core stocks is to generate a rate of return from investment in common stocks and equity equivalents that exceeds that of the S&P 500 Index.

The pool invests primarily in equities and equity-related securities of U.S. companies with market capitalization generally greater than $5 billion that have passed several screens based on the stocks' valuation, risk attributes and tracking error relative to the overall index. The goal is to build a portfolio of stocks that will provide excess returns relative to the S&P 500 while providing minimal tracking error to the index. At times a portion of the pool may be invested in exchange traded funds (ETFs) and fixed-income short-term securities with maturities of less than one year.

The pool invests in equities and equity related securities that are listed on U.S. national securities exchanges, including American Depository Receipts (ADRs). It may also invest in stocks that are traded over-the-counter. The pool diversifies its investments by allocating its equities with consideration of the weightings of the S&P 500 Index.

The following summarizes the weightings of the pool as of September 30, 2009:

Technology	21.0 %
Financials	17.9
Healthcare	14.0
Industrials	10.9
Consumer Discretionary	10.5
Telecom	7.2
Energy	7.1
Consumer Staples	6.6
Materials	2.3
Utilities	2.0
Short Term Investments	0.5
Total	**100.0 %**

The System's Large Cap Core pool total rate of return was (2.1%) for fiscal year 2009. This compared with (6.9%) for the S&P 500 Index.

Report on Investment Activity (continued)

At the close of fiscal year 2009, the Large Cap Core pool represented 7.0% of total investments. This compares to 12.6% for fiscal year 2008. The following summarizes the System's 0.5% ownership share of the Large Cap Core pool at September 30, 2009:

Large Cap Core Pool
(in thousands)

Short Term Pooled Investments	$	89
Equities		16,677
Settlement Principal Payable		(354)
Settlement Proceeds Receivable		369
Accrued Dividends		10
Total	**$**	**16,791**

Large Cap Value Pool

The objective of the pool of large company value stocks is to generate a rate of return from investment in common stocks and equity equivalents that exceeds that of the S&P 500 Value Index.

The pool invests primarily in equities and equity-related securities of U.S. companies with market capitalization generally greater than $5 billion that are significantly under-priced as measured by several valuation criteria, including price-to-earnings and price-to-book value ratios, as well as below fair value as determined by several quantitative and qualitative valuation models. The focus is on companies trading 25% or more below estimated fair value with experienced management and conservative accounting practices. At times a portion of the pool may be invested in fixed-income short-term securities with maturities of less than one year.

The pool invests in equities and equity related securities that are listed on U.S. national securities exchanges, including American Depository Receipts (ADRs). It may also invest in stocks that are traded over-the-counter. The pool diversifies its investments by allocating its equities among ten sectors with some consideration to the weightings of the S&P 500 Value Index.

The following summarizes the weightings of the pool as of September 30, 2009:

Healthcare	22.0	%
Financials	17.9	
Consumer Staples	11.4	
Technology	10.6	
Short Term Investments	9.8	
Consumer Discretionary	9.5	
Energy	9.3	
Industrials	5.7	
Telecom	3.3	
Materials	0.5	
Total	**100.0**	**%**

The System’s Large Cap Value pool total rate of return was (11.7%) for fiscal year 2009. This compared with (11.4%) for the S&P 500 Value Index.

Report on Investment Activity (continued)

At the close of fiscal year 2009, the Large Cap Value pool represented 3.5% of total investments. This compares to 3.9% for fiscal year 2008. The following summarizes the System's 0.5% ownership share of the Large Cap Value pool at September 30, 2009:

Large Cap Value Pool
(in thousands)

Short Term Pooled Investments	$	818
Equities		7,542
Accrued Dividends		13
Total	**$**	**8,373**

Large Cap Growth Pool

The primary investment objective is to generate a rate of return from investment in common stocks and equity equivalents that exceeds that of the S&P 500 Growth Index.

The pool invests primarily in equities and equity-related securities of U.S. companies with market capitalization generally greater than $3 billion and which offer above-average and sustainable growth in revenues, earnings, and cash flow, identifiable catalysts, and reasonable valuations relative to their fundamentals. The focus is on companies with a strong presence in categories anticipated to be fast growing, with high rates of unit sales growth and seasoned management. At times a portion of the pool may be invested in fixed-income short-term securities with maturities of less than one year.

The pool invests in equities and equity related securities that are listed on U.S. national securities exchanges, including American Depository Receipts (ADRs). It may also invest in stocks that are traded over-the-counter. The pool diversifies its investments by allocating its equities with weightings that approximate the weightings of the S&P 500 Growth Index.

The following summarizes the weightings of various sectors in the pool as of September 30, 2009:

Technology	30.6	%
Energy	16.9	
Healthcare	15.0	
Industrials	9.6	
Consumer Staples	9.4	
Financials	6.9	
Consumer Discretionary	4.3	
Short Term Investments	3.9	
Other	2.0	
Materials	1.4	
Total	**100.0**	**%**

The Large Cap Growth pool total rate of return was 1.2% for fiscal year 2009 versus (2.6%) for the S&P 500 Growth Index.

Report on Investment Activity (continued)

At the close of fiscal year 2009, the Large Cap Growth pool represented 5.6% of total investments. This compares to 5.2% for fiscal year 2008. The following summarizes the System's 0.5% ownership share of the Large Cap Growth pool at September 30, 2009:

Large Cap Growth Pool
(in thousands)

Short Term Pooled Investments	$	527
Equities		12,962
Settlement Principal Payable		(92)
Settlement Proceeds Receivable		13
Accrued Dividends		5
Total	**$**	**13,415**

Large Cap Dividend Growth Pool

The primary investment objective is to generate a rate of return from investment in common stocks and equity equivalents that exceeds that of the S&P 500 Growth Index.

The Large Cap Dividend Growth pool rate of return from inception to fiscal year end was 53.9%.

At the close of fiscal year 2009, the Large Cap Dividend Growth pool represented 0.8% of total investments. The following summarizes the System's 0.5% ownership share of the Large Cap Dividend Growth pool at September 30, 2009:

Large Cap Dividend Growth Pool
(in thousands)

Short Term Pooled Investments	$	40
Equities		1,973
Accrued Dividends		1
Total	**$**	**2,014**

Large Cap Growth Managers Pool

The primary investment objective is to generate a rate of return from investment in common stocks and equity equivalents that exceeds that of the S&P 500 Growth Index.

The rate of return from inception to fiscal year end for Edgewood Large Cap Growth was 27.6% and for Aletheia Large Cap Growth was 42.1%.

Report on Investment Activity (continued)

At the close of fiscal year 2009, the Large Cap Growth Managers pool represented 2.2% of total investments. The following summarizes the System's ownership share and composition of the Large Cap Growth Managers pool at September 30, 2009:

Large Cap Growth Managers Pool
(in thousands)

	Edgewood Large Cap Growth	Aletheia Large Cap Growth
Total Investment	$ 3,341	$ 1,861
Ownership Percentage	0.5%	0.5%

Manager of Managers Pool

The primary investment objective is to generate a rate of return from investment in common stocks and equivalents that exceeds the S&P 1500 Index by selecting stocks of all market capitalizations and investment styles.

In October 2007, three new managers were hired that specialize in creating manager-of-manager portfolios, allowing the System an opportunity to invest in minority- and women-owned and emerging investment managers in a risk-controlled environment.

The Manager of Managers pool total rate of return was (6.1%) for fiscal year 2009 versus (6.8%) for the S&P 1500 Index.

At the close of fiscal year 2009, the Manager of Managers pool represented 0.3% of total investments. This compares to 0.3% for fiscal year 2008. The following summarizes the System's ownership share and composition of the Manager of Managers pool at September 30, 2009:

Manager of Managers Pool
(in thousands)

	Attucks Asset Management	Bivium Capital Partners	Leading Edge Investment Advisors
Total Investment	$ 356	$ 269	$ 191
Ownership Percentage	0.5%	0.5%	0.5%

Mid Cap Pool

Nine Mid Cap managers were selected in 2005 and they were funded out of the Large Cap Value and Growth pools. The manager's investment styles range from value, growth and core and they select stocks with average market capitalizations greater than $1 billion but less than $5 billion. The investment objective of the Mid Cap manager pool is to generate a combined rate of return from investment in common stocks and equivalents that exceeds the S&P 400 Mid Cap Index.

Report on Investment Activity (continued)

The Mid Cap pool total rate of return was (3.9%) for fiscal year 2009 versus (3.1%) for the S&P 400 Mid Cap Index.

At the close of fiscal year 2009, the Mid Cap pool represented 2.1% of total investments. This compares to 2.2% for fiscal year 2008. The following summarizes the System's ownership share and composition of the Mid Cap pool at September 30, 2009:

Mid Cap Value and Core Pools
(in thousands)

	Artisan Mid Cap Value	Cramer Rosenthal McGlynn Mid Cap Value	Champlain Mid Cap Core	Los Angeles Capital Mid Cap Core	Munder Mid Cap Core
Total Investment	$ 912	$ 801	$ 374	$ 644	$ 733
Ownership Percentage	0.5%	0.6%	0.5%	0.5%	0.5%

Mid Cap Growth Pools
(in thousands)

	Rainer Mid Cap Growth	UBS Mid Cap Growth	Wellington Management Mid Cap Growth
Total Investment	$ 508	$ 525	$ 573
Ownership Percentage	0.6%	0.6%	0.6%

Small Cap Pool

The primary investment objective is to generate a rate of return from investment in common stocks and equivalents that exceeds the S&P 600 Small Cap Index by selecting stocks with market capitalizations greater than $60 million but less than $3 billion.

In December of 2006, five new small cap managers were hired in the Small Cap pool, and in January of 2007, three managers were terminated for performance reasons. The current System’s Small Cap pool is invested with one Growth, one Core, and five Value managers.

The Small Cap pool total rate of return was (0.2%) for fiscal year 2009 versus (10.6%) for the S&P 600 Small Cap Index.

Report on Investment Activity (continued)

At the close of fiscal year 2009, the Small Cap pool represented 1.9% of total investments. This compares to 1.1% for fiscal year 2008. The following summarizes the System's ownership share and composition of the Small Cap Pool at September 30, 2009:

Small Cap Value Pool
(in thousands)

	Donald Smith Small Cap Value	Fisher Small Cap Value	GW Capital Small Cap Value	Northpointe Small Cap Value	Opus Capital Small Cap Value
Total Investment	$ 648	$ 937	$ 527	$ 410	$ 373
Ownership Percentage	0.6%	0.5%	0.6%	0.6%	0.6%

Small Cap Growth and Core Pool
(in thousands)

	Champlain Small Cap Core	Pier Capital Small Cap Growth
Total Investment	$ 444	$ 1,105
Ownership Percentage	0.6%	0.6%

Tactical Asset Allocation Pool

The pool invests primarily in equities and equity-related securities of U.S. companies. At times a portion of the pool may be invested in fixed income short-term securities with maturities of less than one year. The pool invests in equities and equity-related securities that are listed on U.S. national securities exchanges, including American Depository Receipts (ADRs). It may also invest in stocks that are traded over-the-counter.

The Tactical Asset Allocation pool rate of return from inception to fiscal year end was 19.4%.

At the close of fiscal year 2009, the Tactical Asset Allocation pool represented 0.1% of total investments. The following summarizes the System's 0.5% ownership share of the Tactical Asset Allocation pool at September 30, 2009:

Tactical Asset Allocation Pool
(in thousands)

Equities	$ 131

Report on Investment Activity (continued)

S&P 500 Index Pool

The objective of the enhanced S&P 500 Index pool is to closely match the return performance of its benchmark, the S&P 500 Index, and to use low risk strategies to offset transaction costs and add to performance when possible. The pool generally holds all 500 stocks that make up the Standard & Poor's 500 Index in proportion to their weighting in the index. The following summarizes the sector weightings of the pool as of September 30, 2009:

Information Technology	18.6	%
Financials	15.2	
Healthcare	13.1	
Energy	11.7	
Consumer Staples	11.5	
Industrials	10.3	
Consumer Discretionary	9.1	
Utilities	3.7	
Materials	3.6	
Telecomm. Services	3.2	
Total	**100.0**	**%**

The S&P 500 Index pool total rate of return was (6.5%) for fiscal year 2009 versus (6.9%) for the S&P 500 Index.

At the close of fiscal year 2009, the S&P 500 Index pool represented 12.6% of total investments. This compares to 14.0% for fiscal year 2008. The following summarizes the System's 0.6% ownership share of the S&P 500 Index pool at September 30, 2009:

S&P 500 Index Pool
(in thousands)

Short Term Pooled Investments	$	62
Equities		29,994
Accrued Dividends		44
Total	**$**	**30,100**

S&P MidCap Index Pool

The objective of the S&P MidCap Index pool is to closely match the return performance of its benchmark, the S&P MidCap, and use low risk strategies to offset transaction costs and add to performance when possible. The pool invests in equities of mid-size firms.

The S&P MidCap Index pool total rate of return was (1.4%) for fiscal year 2009 versus (3.1%) for the S&P Mid Cap Index.

Report on Investment Activity (continued)

At the close of fiscal year 2009, the S&P MidCap Index pool represented 1.2% of total investments. This compares to 1.6% for fiscal year 2008. The following summarizes the System's 0.5% ownership share of the S&P MidCap Index pool at September 30, 2009:

S&P MidCap Index Pool
(in thousands)

Short Term Pooled Investments	$	9
Equities		2,966
Accrued Dividends		2
Total	**$**	**2,977**

International Equity Pool - Passive

The objective of the International Equity Pool - Passive is to match the return performance of the S&P Broad Market Index (BMI) Europe and Pacific Composite (EPAC) adjusted for net dividends. Fifty percent of the benchmark is hedged to the U.S. Dollar and the other half is impacted by foreign currency exchange rate changes. In January 2009, a global stock portfolio, having above average dividend yields, was added to increase portfolio management flexibility. The total passive international return for the fiscal year was 8.5% compared to the S&P Developed BMI-EPAC Net 50/50 return of 3.0%.

Core passive exposure to international equity returns is achieved primarily by investing in a combination of fixed income LIBOR notes, short-term fixed income investments, and equity swap agreements on foreign stock indices in developed markets. Interest on the dedicated notes and short-term fixed income investments is exchanged for international stock returns, and the total notional amount of the swap agreements is invested in the approximate proportions of the S&P Broad Market Index (BMI) Europe and Pacific Composite (EPAC) country weightings in related indices. Use of swap agreements for a core position began in 1993, an American Depository Receipts (ADR) and index-related security portfolio was added in June of 1999 to increase portfolio management flexibility, and a multiple country fund portfolio with smaller capitalization stocks was added in September of 2002 to improve exposure to the smallest companies in the BMI index. Use of futures as an investment to hedge cash flows and balances began in December of 2008, and this use is expected to continue in the future. The combined Swap agreements, notes and short-term investments together continue to perform like a stock index fund that realizes all gains and losses on a rolling three year basis.

The combination of stock, notes, dedicated short-term investments, futures and equity swap agreements was valued at $23.1 million on September 30, 2009. That valuation included a net unrealized loss of $1.5 million. During fiscal year 2009, the pool received realized losses of $1.4 million on stock, futures, swap equity exposures and dedicated short-term investments. During the same period, $0.4 million of dividend and interest income was earned from the international equity pool.

Report on Investment Activity (continued)

At the close of fiscal year 2009, the International Equity – Passive pool represented 9.6% of total investments. This compares to 6.2% for fiscal year 2008. The following summarizes the System's 0.5% ownership share of the International Equity Pool - Passive at September 30, 2009:

International Equity Pool - Passive
(in thousands)

Short Term Pooled Investments	$	64
Equities		4,764
Fixed Income Securities		20,568
Market Value of Equity Contracts		(2,358)
Accrued Dividends and Interest		32
Total	**$**	**23,070**

International Equity Pool - Active

The investment objective is to generate a rate of return from investment in common stocks and equivalents that exceeds the S&P Broad Market Index (BMI) World Ex-United States. That benchmark is impacted by foreign currency exchange rate changes.

In fiscal year 2005, the System invested in AllianceBernstein International Style Blend, a mix of Large Cap Growth and Value. During fiscal year 2006, investments were made in the following funds: The Wellington Trust Company International Research Equity Fund and the State Street Global Asset International Alpha Select Pool. Two international managers, SSgA Int’l Small Cap Alpha and GlobeFlex Int’l Small Cap, were selected and funded during April 2007, and added to the three managers already in the pool.

The International Equity Pool – Active total rate of return was (0.9%) for fiscal year 2009 versus 4.9% for the S&P Broad Market Index (BMI) World Ex-United States.

At the close of fiscal year 2009, the International Equity - Active pool represented 2.9% of total investments. This compares to 2.5% for fiscal year 2008. The following summarizes the System’s ownership share and composition of the pool at September 30, 2009:

International Equity Pool - Active
(in thousands)

	AllianceBernstein International	Wellington International	SSgA International	Globeflex Int'l Small Cap	SSgA Int'l Small Cap
Total Investment	$ 1,977	$ 2,007	$ 2,301	$ 354	$ 356
Ownership Percentage	0.6%	0.6%	0.6%	0.5%	0.5%

Emerging Markets Pool

The objective of the Emerging Markets pool is to closely match the return performance of its benchmark, the MSCI Emerging Markets Index. The pool invests in equities and equity-related securities in emerging countries in Europe, Asia, Africa, and Latin America. At times a portion of the pool may be invested in fixed income short-term securities with maturities of less than one year.

Report on Investment Activity (continued)

The pool invests in equities and equity-related securities that are listed on foreign securities exchanges. It may also invest in stocks that are traded on U.S. national securities exchanges, including American Depository Receipts (ADRs) and in stocks that are traded over-the-counter. At September 30, 2009 the LA Capital Emerging Markets component of the pool was temporarily invested in cash equivalents.

The Emerging Markets pool rate of return from inception to fiscal year end was 20.1%.

At the close of fiscal year 2009, the Emerging Markets pool represented 0.2% of total investments. The following summarizes the System's ownership share and composition of the Emerging Markets pool at September 30, 2009:

Emerging Markets Pool
(in thousands)

	Vanguard Emerging Markets	LA Capital Emerging Markets
Total Investment	$ 289	$ 75
Ownership Percentage	0.5%	0.5%

Alternative Investments Pool

The Alternative Investments pool objective is to meet or exceed the benchmark for all private equity investments over long time periods. The benchmark is a blend of the S&P 500 Index plus 300 basis points and the 10 Year Yield plus 300 basis points using ending weights of equity and fixed income holdings within the portfolio.

Alternative Investments are investments in the private equity market, primarily through limited partnerships. The following summarizes the weightings of the pool as of September 30, 2009:

Buyout Funds	51.6	%
Special Situation Funds	19.9	
Venture Capital Funds	10.8	
Fund of Funds	6.4	
Liquidation Portfolio	5.7	
Other	3.1	
Mezzanine Funds	2.5	
Total	**100.0**	**%**

The Alternative Investments pool had a return of (21.8%) for the fiscal year ended September 30, 2009, versus the benchmark of (1.8%).

T. Rowe Price managed the stock distributions of the Alternative Investments beginning in October 2006. The T. Rowe Price return for the fiscal year ending September 30, 2009, was (5.0%).

Report on Investment Activity (continued)

At the close of fiscal year 2009, the Alternative Investments pool represented 15.4% of total investments and T. Rowe Price represented 0.02% of total investments. This compares to 14.3% for Alternative and 0.02% for T. Rowe Price for fiscal year 2008. The following summarizes the System's ownership share and composition of the Alternative Investments pool and T. Rowe Price at September 30, 2009:

Alternative Investments Pool
(in thousands)

	Alternative	T. Rowe Price
Short Term Pooled Investments	$ 442	$ 39
Equities	36,375	6
Settlement Proceeds Receivable	-	13
Total	**$ 36,817**	**$ 58**
Ownership Percentage	0.4%	0.5%

Real Estate Pool

The Real Estate pool seeks favorable returns primarily through rental income and appreciation of real estate investments. Real estate investments are typically held through various legal investment entities, such as limited partnerships or limited liability companies, established for the specific purpose of owning, leasing, managing, financing, or developing real estate and real estate related investments. Independent third parties regularly value the real estate investments to establish market values.

The Real Estate pool diversifies its holdings by:

- Geography - The pool is diversified geographically with emphasis placed upon domestic (U.S.) real estate investments. The pool may also make foreign real estate investments, which are not expected to exceed 20% of the value of the pool.
- Property Size and Value - The pool diversifies its holdings so that it is not concentrated in a limited number of large real estate investments.
- Property Type - The pool is diversified by type of property as summarized in the table below.

Multi-family apartments	25.6 %
Hotels	20.9
Commercial office buildings	19.3
Retail shopping centers	15.7
Industrial warehouse buildings	8.8
For Sale Housing	4.3
Senior Living	3.1
Land	1.8
Short Term Investments	0.5
Total	**100.0 %**

The Real Estate pool generated a return of (23.3%) for fiscal year 2009. The benchmark return of (23.1%) is the National Council of Real Estate Investment Fiduciaries Property Index less 130 basis points. Commercial real estate values declined during the fiscal year due to economic recession. Transaction activity slowed considerably due to more conservative underwriting, and commercial real estate investors were forced to reduce debt levels due to a lack of available credit.

Report on Investment Activity (continued)

At the close of fiscal year 2009, the Real Estate pool represented 12.9% of total investments. This compares to 15.9% for fiscal year 2008. The following summarizes the System's 0.8% ownership share of the Real Estate pool at September 30, 2009:

Real Estate Pool
(in thousands)

Short Term Pooled Investments	$	214
Equities		30,589
Total	**$**	**30,803**

Government Bond Pool

The objectives are to maximize the rate of return consistent with sound portfolio management principles and to outperform the Barclays Government Index.

The Government Bond Pool invests in a diversified portfolio of United States' government bonds including, but not limited to: treasuries, agencies, government sponsored enterprises and government guaranteed mortgages. To achieve above average returns, the pool emphasizes those sectors exhibiting the best risk/reward relationship relative to historical norms and the outlook for interest rates.

During the fiscal year, rates continued to be volatile. Ten-year treasuries started the year at 3.7%, rose to 4.1%, then declined to 2.1% and ended at 3.3%. During the year, the curve declined through its entirety, though rates from three months to ten years showed a steeper decline.

For the fiscal year ending September 30, 2009, the Government Bond pool returned 8.8% compared to the 6.7% return of the Barclays Government Index.

The following summarizes the security type breakdown of the pool as of September 30, 2009:

GNMA	52.7	%
U.S. Guaranteed	28.8	
U.S. Agency	15.5	
U.S. Treasury	2.2	
Short Term Investments/Accruals	0.8	
Total	**100.0**	**%**

At the close of fiscal year 2009, the Government Bond pool represented 5.6% of total investments. This compares to 7.5% for fiscal year 2008. The following summarizes the System's 0.6% ownership share of the Government Bond pool at September 30, 2009:

Government Bond Pool
(in thousands)

Short Term Pooled Investments	$	10
Fixed Income Securities		13,282
Accrued Interest		98
Total	**$**	**13,390**

Report on Investment Activity (continued)

Corporate Bond Pool

The objectives are to maximize the rate of return consistent with sound portfolio management principles and to outperform the Barclays Credit Index.

The Corporate Bond Pool invests in a diversified portfolio of investment grade corporate issues. Such issues are rated in the top four categories by nationally recognized rating agencies. Non-rated issues may be acceptable if they are determined to be of comparable quality. To achieve above average returns, the pool emphasizes those sectors exhibiting the best risk/reward ratio relative to historical norms and the outlook for interest rates.

For the fiscal year ending September 30, 2009, the Corporate Bond pool returned 15.6% compared to the 19.5% return of the Barclays Credit Index. The pool's performance improved as the year progressed due to the decline in rates later in the year.

The following summarizes the security type breakdown of the pool as of September 30, 2009:

Financials	16.9	%
Healthcare	14.9	
Utilities	14.8	
Consumer Staples	11.8	
Industrials	11.4	
Consumer Discretionary	11.0	
Energy	6.6	
Materials	5.8	
Information Technology	3.3	
Short Term Investments/Accruals	2.5	
Other	0.7	
Telecommunications	0.3	
Total	**100.0**	**%**

At the close of fiscal year 2009, the Corporate Bond pool represented 8.0% of total investments. This compares to 5.4% for fiscal year 2008. The following summarizes the System's 0.4% ownership share of the Corporate Bond pool at September 30, 2009:

Corporate Bond Pool
(in thousands)

Short Term Pooled Investments	$	253
Fixed Income Securities		18,785
Settlement Principal Payable		(15)
Accrued interest		240
Total	**$**	**19,263**

Fixed Income Core Pools

Five Fixed Income Core managers were selected in fiscal year 2006, beginning March 31, 2006. Their objective is to generate a rate of return exceeding the Barclays Aggregate Index net of fees.

Report on Investment Activity (continued)

Delaware Investments, Dodge & Cox, Dupont Capital Management, Pyramis Global Advisors, and Metropolitan West Asset Management were the firms hired.

The Fixed Income Core pools combined rate of return for the fiscal year was 12.5% versus the benchmark's 10.6%.

At the close of fiscal year 2009, the Fixed Income Core pools represented 2.5% of total investments. This compares to 1.8% for fiscal year 2008. The following summarizes the System's ownership share and composition of the five Fixed Income Core pools at September 30, 2009:

Fixed Income Core Pools
(in thousands)

	Delaware Fixed Income Core	Dodge & Cox Fixed Income Core	Dupont Fixed Income Core	Pyramis Fixed Income Core	Metro West Fixed Income Core
Total Investment	$ 712	$ 1,231	$ 1,023	$ 1,700	$ 1,225
Ownership Percentage	0.6%	0.6%	0.6%	0.6%	0.6%

Fixed Income Corporate Manager Pools

Four fixed income corporate managers were selected and commenced management on September 15, 2006, with an objective of exceeding the return of the Barclays Credit Index net of fees.

The four managers hired were AllianceBernstein, Prudential Financial, Western Asset, and Taplin, Canida & Habacht. In the interim, Western Asset and Taplin, Canida, & Habacht have been terminated.

The Fixed Income Corporate Manager pools combined rate of return for the fiscal year was 20.4% versus the benchmark's 19.5%.

At the close of fiscal year 2009, the Fixed Income Corporate Manager pools represented 1.4% of total investments. This compares to 1.4% for fiscal year 2008. The following summarizes the System's ownership share and composition of the Fixed Income Corporate Manager pools at September 30, 2009:

Fixed Income Corporate Manager Pools
(in thousands)

	Alliance Bernstein Corporate	Prudential Financial Corporate
Total Investment	$ 1,014	$ 2,321
Ownership Percentage	0.6%	0.6%

Report on Investment Activity (continued)

CMBS Investment Pool

In May 2008, the System received approval for an investment in a core Commercial Mortgage Backed Securities (CMBS) Investment Pool. This pool was developed in conjunction with Principal Real Estate Investors (PREI), an SEC registered Real Estate Advisory firm located in Des Moines, Iowa. The overall investment will be operated on a separate account basis with PREI providing investment selection, ongoing servicing and reporting. The mandate will allow PREI to purchase and trade up and down the "A" tranche capital structure to achieve the best risk adjusted return trade off. The pool places certain percentage limitations on how much may be invested in each of the "A" tranches from AAA to AA-.

The CMBS Investment pool rate of return for the fiscal year was (17.5%) versus the benchmark's (11.0%).

At the close of fiscal year 2009, the CMBS Investment pool represented 0.2% of total investments. This compares to 0.2% for fiscal year 2008. The following summarizes the System's 0.5% ownership share of the CMBS Investment pool at September 30, 2009:

CMBS Investment Pool
(in thousands)

Total Investment	$	445

Special Situations Fund I Pool

The pool seeks to provide capital growth, current income, and preservation of capital through a portfolio of large cap equities, fixed income securities, and option strategies. The pool is measured against the HFRX Absolute Return Index.

The Special Situations Fund I pool rate of return from inception to fiscal year end was 14.9%.

At the close of fiscal year 2009, the Special Situations Fund I pool represented 0.3% of total investments. The following summarizes the System's 0.7% ownership share of the Special Situations Fund I pool at September 30, 2009:

Special Situations Fund I Pool
(in thousands)

Short Term Pooled investments	$	90
Equities		460
Fixed Income Securities		225
Accrued Dividends and Interest		6
Total	**$**	**781**

Absolute Return Strategies Pool

The primary investment objective is to generate a rate of return that exceeds the HFRX Absolute Return Index, driven by a diverse group of alternative investment strategies that aim to deliver risk-adjusted absolute returns uncorrelated to broad market indices.

The Absolute Return Strategies pool rate of return for the fiscal year was (22.0%) versus the benchmark's (11.8%).

Report on Investment Activity (continued)

At the close of fiscal year 2009, the Absolute Return Strategies pool represented 0.5% of total investments. The following summarizes the System's 0.2% ownership share of the Absolute Return Strategies pool at September 30, 2009:

Absolute Return Strategies Pool
(in thousands)

Total Investment	$	1,234

Short Term Fixed Income Pool

The objective of the Short Term Fixed Income pool is to closely match the return performance of its benchmark, the 30 day Treasury bill.

Potential areas of investment are:

- Obligations of the United States or its agencies.
- Short duration investment grade corporate issues.

The Short Term Fixed Income pool rate of return from inception to fiscal year end was 1.3%.

At the close of fiscal year 2009, the Short Term Fixed Income pool represented 2.4% of total investments. The following summarizes the System's 0.6% ownership share of the Short Term Fixed Income pool at September 30, 2009:

Short Term Fixed Income Pool
(in thousands)

Short Term Pooled Investments	$	2,973
Fixed Income Securities		2,795
Accrued interest		3
Total	**$**	**5,771**

Short Term Investment Pool

The objective of the Short Term Investment pool is to closely match the return performance of its benchmark, the 30 day Treasury bill. The Short Term Investment pool return for the fiscal year was 0.9% versus the benchmark's 0.1%.

Potential areas of investment are:

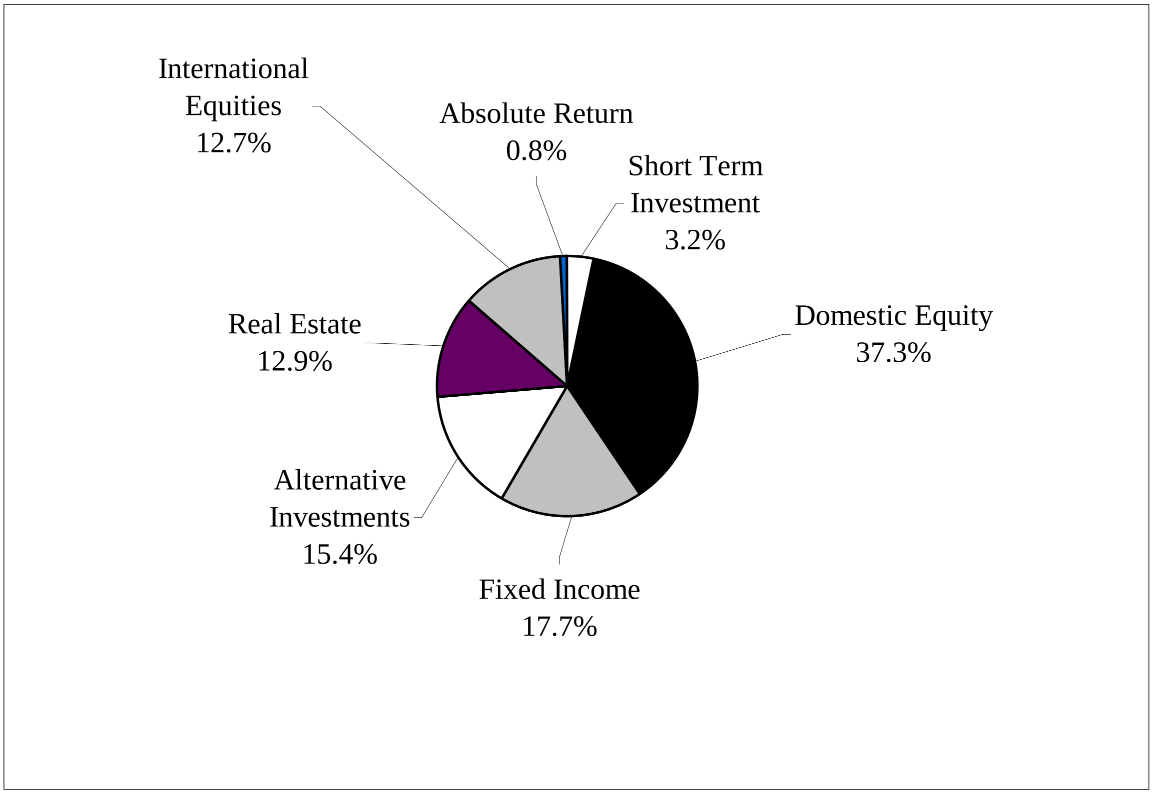
- Obligations of the United States or its agencies.
- Banker's acceptances, commercial accounts, certificates of deposit or depository receipts.
- Repurchase agreements for the purchase of securities issued by the US government or its agencies.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two national rating services as determined by the State Treasurer.

As of September 30, 2009, the Short Term Investment pool was 100% invested in commercial paper because of its advantages in yield and flexibility in maturities.

At the close of fiscal year 2009, the Short Term Investment pool represented 0.8% of total investments. This compares to 3.5% for fiscal year 2008. The System's ownership share of the Short Term Investment pool at September 30, 2009 was $1,989,929 composed of fixed income securities and equity in common cash.

INVESTMENT SECTION

Asset Allocation – Security Type Only



Investment Results for the Period Ending September 30, 2009

Investment Category	Current Year	Annualized Rate of Return[1] 3 Years	5 Years	10 Years
Total Portfolio	(6.4) %	(1.1) %	4.1 %	3.7 %
Total Domestic Equity	(4.5)	(4.4)	1.6	0.8
S&P 1500 Index	(6.8)	(5.1)	1.4	0.6
Large Cap Core Equity Pool	(2.1)			
Large Cap Value Pool	(11.7)	(8.5)	0.0	
Large Cap Growth Pool	1.2	(1.5)	2.1	
Mid Cap Pool	(3.9)	(2.2)		
Small Cap Pool	(0.2)	1.1	5.5	
Manager of Managers Pool	(6.1)			
S&P 500 Index Pool	(6.5)	(5.2)	1.2	
S&P MidCap Index Pool	(1.4)	(0.5)	5.2	
International Equities Pool - Passive	8.5	(4.2)	5.6	2.6
S&P Citigroup BMI - EPAC 50/50	3.0	(4.7)	5.8	2.6
International Equities Pool - Active	(0.9)	(5.0)		
Alternative Investments Pool	(21.8)	2.3	10.5	7.3
Alternative Blended Benchmark[2]	(1.8)	(1.1)	4.9	3.6
T. Rowe Price (Stock Distributions)	(5.0)	(22.8)		
Real Estate Pool	(23.3)	(0.6)	6.0	7.3
NCREIF Property Blended Index[3]	(23.1)	(2.5)	5.0	6.9
Total Fixed Income	13.1	7.5	5.8	6.4
Barclays Government/Credit	11.5	6.3	4.9	6.3
Government Bond Pool	8.8	6.8	5.6	
Corporate Bond Pool	15.6	7.8	5.8	
Fixed Income Core Pool	12.5	6.4		
Fixed Income Managers Pool	20.4	5.3		
CMBS Investment Pool	(17.5)			
Absolute and Real Return Strategies	(15.0)			
Short Term Investment Pool	2.1	1.6	2.4	2.7
30 Day Treasury Bill	0.1	2.4	2.8	2.8

1Calculations used a time-weighted rate of return based on the market rate of return in accordance with industry standards. Excludes income and investment gains and losses from securities lending.

2 As of 1/1/07, index is blend of S&P 500 plus 300 bps and 10 year yield plus 300 bps based on ending weights. History prior to 1/1/07 is S&P500 plus 300 bps.

3 As of 10/1/05, index is NCREIF less 130 bp. History prior to 10/1/05 reflects NCREIF less 75 bp.

Largest Assets Held

Largest Stock Holdings (By Market Value)*
September 30, 2009

Rank	Shares	Stocks	Market Value
1	31,186	Exxon Mobil Corporation	$ 2,139,638
2	75,897	Microsoft Corporation	1,964,965
3	10,439	Apple Inc.	1,935,147
4	17,998	SPDR Trust Series I	1,899,874
5	3,436	Google Inc.	1,703,588
6	34,098	Wal-Mart Stores, Inc.	1,673,863
7	52,532	AT&T Inc.	1,418,882
8	22,095	Johnson & Johnson	1,345,361
9	71,385	Bank of America Corporation	1,207,831
10	50,335	Cisco Systems, Inc.	1,184,881

Largest Bond Holdings (By Market Value)*
September 30, 2009

Rank	Par Amount	Description	Market Value
1	$ 1,386,400	Treasury Bill Due 10-22-2009	$ 1,386,369
2	1,253,926	JPMorgan Chase & Co .63313% FRN Due 11-1-2012	1,231,384
3	1,085,590	Wachovia Corp .63313% FRN Due 4-23-2012	1,062,318
4	955,901	Toyota Motor Credit Corp 4.0375% Due 1-9-2012	1,012,386
5	1,003,141	Berkshire Hathaway Fin .81% FRN Due 1-11-2011	1,003,829
6	1,206,686	General Electric Cap Corp .61% FRN Due 2-15-2017	991,503
7	752,356	John Deere Capital Corp .83688% FRN Due 2-26-2010	753,630
8	752,356	Citigroup Funding Inc .755% FRN Due 10-22-2009	752,485
9	752,356	American Honda Finance .625% FRN Due 11-20-2009	752,101
10	752,356	Vulcan Materials 1.549% FRN Due 12-15-2010	749,260

Largest Bond Holdings are exclusive of securities lending collateral.

*A complete list of holdings is available from the Michigan Department of Treasury.

The System's investments are commingled in various pooled accounts. Amounts, par value and number of shares represents the System's pro-rata share based on its ownership of the investment pools.

Schedule of Investment Fees

The State Treasurer is the investment fiduciary and custodian of the System's funds pursuant to State law. Outside advisors are utilized to augment the State Treasurer's internal staff. Only 40.35% of the total investment portfolio is managed by fully discretionary outside advisors. The Michigan Department of Treasury's cost of operations applicable to the System for the fiscal year amounted to $64 thousand or four and four-tenths basis points (.044%) of the market value of the Assets under Management by the State Treasurer.

Act 380 of the Public Acts of 1965 created an Investment Advisory Committee (Committee) comprised of the directors of the Department of Energy, Labor, and Economic Growth and the Department of Management and Budget, or their duly authorized representatives, and three public members appointed by the Governor with the advice and consent of the Senate. The public members serve without pay, but may be paid actual and necessary travel and other expenses. The Committee meets quarterly to review investments, goals and objectives and may submit recommendations to the State Treasurer. The Committee may also, by a majority vote, direct the State Treasurer to dispose of any holding which, in the Committee's judgment, is not suitable for the fund involved, and may by unanimous vote direct the State Treasurer to make specific investments.

Schedule of Investment Fees

Investment Managers' Fees:

	Assets under Management (in thousands)	Fees (in thousands)	Basis Points *
State Treasurer	$ 142,306	$ 64	4.4
Outside Advisors for			
Fixed Income	9,670	16	16.7
Mid Cap Equity	5,070	29	58.0
Small Cap Equity	4,444	19	43.0
International Equity	11,545	42	35.9
Equity	7,252	11	15.1
Alternative	36,875	406	110.2
Real Estate	22,377	91	40.6
Total	$ 239,539	$ 678	

Other Investment Services Fees:

	Assets	Fees	
Assets in Custody	$ 238,974	$ 24	
Securities on Loan	41,779	80	

* Outside Advisors Fees are netted against the income for Fixed Income, Equity, Small Cap Equity, Mid Cap Equity, and International Equity. For Alternative Investment partnership agreements that define the management fees, the asset management fees range from 75 basis points on remaining assets under management to 250 basis points of the committed capital. For Real Estate, the asset management fees range from 50 to 175 basis points. Alternative and Real Estate fees, in most cases, are netted against income.

Schedule of Investment Commissions

	Fiscal Year Ended September 30, 2009						
	Actual Commissions Paid [1]	Actual Number of Shares Traded [1]	Average Commission Per Share	Estimated Trade Costs Per Share	Estimated Research Costs Per Share	Estimated Trade Costs	Estimated Research Costs
Investment Brokerage Firms:							
Banc Of America Securities LLC	$ 501	32,082	$ 0.02	$ 0.01	$ 0.01	$ 321	$ 321
Barclays Captial Inc.	1,437	53,727	0.03	0.01	0.02	537	1,075
Bear, Stearns & Co Inc	31	1,025	0.03	0.01	0.02	10	21
BNY Convergex	264	13,206	0.02	0.01	0.01	132	132
BTIG, LLC	2,353	186,602	0.01	0.01	-	1,866	-
Cantor Fitzgerald & Co.	682	34,335	0.02	0.01	0.01	343	343
Capital Institutional Services, Inc.	188	6,318	0.03	0.01	0.02	63	126
Citigroup Global Markets, Inc.	4,890	182,967	0.03	0.01	0.02	1,830	3,659
Cowen & Company, LLC	2,997	106,585	0.03	0.01	0.02	1,066	2,132
Credit Suisse Securities LLC	4,813	213,501	0.02	0.01	0.01	2,135	2,135
Deutsche Bank - Alex Brown	220	18,580	0.01	0.01	-	186	-
Deutsche Bank Securities Inc.	1,113	48,760	0.02	0.01	0.01	488	488
Goldman, Sachs & Co.	2,567	100,170	0.03	0.01	0.02	1,002	2,003
The Griswold Company, Incorporated	4,577	293,164	0.02	0.01	0.01	2,932	2,932
ISI Capital, LLC	4,075	147,321	0.03	0.01	0.02	1,473	2,946
J P Morgan Securities Inc.	7,025	303,784	0.02	0.01	0.01	3,038	3,038
Keefe, Bruyette & Woods, Inc.	5	115	0.04	0.01	0.03	1	3
Ladenburg Thalman	54	1,794	0.03	0.01	0.02	18	36
Merrill Lynch,Pierce,Fenner & Smith, Incorporated	5,382	215,149	0.03	0.01	0.02	2,151	4,303
Mischler Financial Group, Inc.	1,317	45,360	0.03	0.01	0.02	454	907
Morgan Stanley & Co., Incorporated	1,573	62,350	0.03	0.01	0.02	623	1,247
OTA LLC	480	18,572	0.03	0.01	0.02	186	371
Sanford C. Bernstein & Co., LLC	4,364	158,708	0.03	0.01	0.02	1,587	3,174
Soleil Securities Corporation	500	16,671	0.03	0.01	0.02	167	333
Stanford Group Company	456	15,213	0.03	0.01	0.02	152	304
Thomas Weisel Partners LLC	181	4,693	0.04	0.01	0.03	47	141
UBS Securities LLC	3,247	132,376	0.02	0.01	0.01	1,324	1,324
Wayne Company	602	26,454	0.02	0.01	0.01	264	265
Weeden & Co., LP	5,279	527,933	0.01	0.01	-	5,279	-
Total	$ 61,173	2,967,515	$ 0.03 [2]	$ 0.01	$ 0.02	$ 29,675	$ 33,759

[1] Commissions are included in purchase and sale prices of investments. The commissions and shares represent the System's pro-rata share based on ownership of commission and share transactions in the investment pools.

[2] The average commission per share for all brokerage firms.

Investment Summary

Fiscal Year Ended September 30, 2009

	Market Value[1]	Percent of Total Market Value	Investment & Interest Income[2]	Percent of Total Investment & Interest Income
Fixed Income Pools	$ 42,322,684	17.7%	$ 5,232,006	(23.0)%
Domestic Equity Pools	89,333,788	37.3%	(10,652,383)	46.9%
Real Estate Pool	30,802,642	12.9%	(14,519,786)	63.9%
Alternative Investments Pool	36,875,032	15.4%	(5,814,063)	25.6%
International Equities Pools	30,429,075	12.7%	3,361,503	(14.8)%
Absolute Return Pools	2,015,096	0.8%	(50,410)	0.2%
Short Term Investment Pools	7,760,760	3.2%	(268,207)	1.2%
Total	$ 239,539,077	100.0%	$ (22,711,340)	100.0%

1 Market value excludes $33,381,620 in cash collateral for security lending for fiscal year 2009.

2 Total Investment & Interest Income excludes net security lending income of $452,476 and unrealized gain of $1,549,605 for securities lending collateral.

Investment Summary

Fiscal Year Ended September 30, 2008

	Market Value[1]	Percent of Total Market Value	Investment & Interest Income[2]	Percent of Total Investment & Interest Income
Fixed Income Pools	$ 45,775,439	16.3%	$ 2,626,011	(7.1)%
Domestic Equity Pools	115,958,889	41.3%	(32,700,787)	87.9%
Real Estate Pool	44,651,430	15.9%	2,743,147	(7.4)%
Alternative Investment Pool	40,107,303	14.3%	2,109,368	(5.6)%
International Equities Pools	24,484,470	8.7%	(11,936,998)	32.1%
Short Term Investment Pools	9,858,746	3.5%	(23,499)	0.1%
Total	$ 280,836,277	100.0%	$ (37,182,758)	100.0%

1 Market value excludes $36,415,878 in securities lending collateral for fiscal year 2008.

2 Total Investment & Interest Income excludes net security lending income of $345,478 and unrealized loss of $11,102,873 for securities lending collateral.

ACTUARIAL SECTION

Actuary's Certification
Summary of Actuarial Assumptions and Methods
Schedule of Active Member Valuation Data
Schedule of Changes in Retirement Rolls
Prioritized Solvency Test
Analysis of System Experience
Summary of Plan Provisions

ACTUARIAL SECTION

Actuary's Certification

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

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November 24, 2009

Ms. Lisa Webb Sharpe, Director
Department of Management and Budget
and
The Retirement Board
Michigan Judges' Retirement System
P.O. Box 30171
Lansing, Michigan 48909

Ladies and Gentlemen:

The basic financial objective of the Michigan Judges' Retirement System (JRS) is to establish and receive contributions which when combined with present assets and future investment return will be sufficient to meet the financial obligations of the system to present and future benefit recipients.

The financial objective is addressed within the actuarial valuation. The valuation process develops employer contributions that are sufficient to fund the plan's normal cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund any unfunded accrued liabilities over a reasonable period. The most recent valuation was completed based upon population data, asset data, and plan provisions as of September 30, 2009.

The Retirement System provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year to year consistency. The actuary summarizes and tabulates population data in order to analyze long term trends. The plan's external auditor also audits the actuarial data annually.

Annual actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rate of investment return and payroll growth, eligibility for the various classes of benefits and longevity among retired lives. These assumptions are adopted by the Board and the Department after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the disclosure requirements of GASB Statement Nos. 25 and 43. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed.

Actuary's Certification (continued)

Ms. Lisa Webb Sharpe
November 24, 2009
Page 2

Our firm provided the following supporting schedules for use in the Comprehensive Annual Financial Report:

Financial Section

- Note 1 Table of System's Membership
- Note 3 - Summary of Actuarial Assumptions
- Schedules of Funding Progress
- Schedules of Employer Contributions (Annual Required Contribution)

Actuarial Section

- Summary of Actuarial Assumptions and Methods
- Percent of Eligible Active Members Retiring Within Next Year
- Separation from Active Employment Before Age and Service Retirement and Individual Pay Increase Assumptions
- Schedule of Active Member Valuation Data
- Schedule of Changes in the Retirement Rolls
- Prioritized Solvency Tests
- Analysis of System Experience

Statistical Section

- Schedule of Retired Members by Type of Pension Benefit
- Schedule of Retired Members by Type of Health Benefit
- Schedules of Average Benefit Payments – Pension, Medical, Dental, and Vision

Although our firm provided supporting schedules in connection with GASB statements numbers 43 and 45, we recommend consultation with legal counsel and the auditors to determine whether Statement 43 applies.

The actuarial valuations of JRS as of September 30, 2009 were performed by qualified actuaries in accordance with standards of practice prescribed by the Actuarial Standards Board and in compliance with applicable state statutes. The undersigned are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. It is our opinion that the calculated employer contribution meets the financial objective of the Retirement System.

Respectfully submitted,

Mark Buis   Alan E. Sonnanstine

Mark Buis, FSA, EA, MAAA   Alan Sonnanstine, ASA, MAAA

MB:mrb

Gabriel Roeder Smith & Company

Summary of Actuarial Assumptions and Methods

1. The investment return rate used in the valuations was 8% per year net of expenses, compounded annually. This rate of return is not the assumed real rate of return. The real rate of return is the rate of investment return in excess of the inflation rate. Considering other financial assumptions, this 8% investment return rate translates to an assumed long-term real rate of return of 4.5%. Adopted 2004.

2. The healthy life mortality table used in evaluating allowances to be paid was the 1994 Group Annuity Mortality Table. Adopted 2004.

3. Sample probabilities of retirement with an age and service allowance are shown in Schedule 1 on the next page. Adopted 2004.

4. Sample probabilities of withdrawal from service and disability, together with individual pay increase assumptions, are shown in Schedule 2 on the next page. Adopted 2004.

5. The active member population is closed to new hires. This will result in a gradual reduction in the total active member payroll over time. Adopted 1997.

6. An individual entry age actuarial cost method of valuation was used in determining age and service and deferred retirement actuarial liabilities and normal cost. Adopted 1975. Unfunded actuarial accrued liabilities, including actuarial gains and losses, are financed over a declining 40-year period beginning October 1, 1996. Adopted or re-adopted 1996.

7. The Department of Management and Budget approved the use of market value of assets as of September 30, 1997, for actuarial valuation purposes. For investment gains or losses that occur after that date, a 5-year smoothing technique will be used. Specifically, the excess (shortfall) of actual investment income (including interest, dividends, realized and unrealized gains or losses) over the imputed income at the valuation interest rate is considered the gain (loss), which is spread over five years. Adopted 1997.

8. The data about persons now covered and about present assets was furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.

9. The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA). The assumptions used in the actuarial valuations were adopted by the System's Board and the Department of Management and Budget after consulting with the actuary.

10. A 5-year experience investigation, covering the period from September 30, 1997, through September 30, 2002, was completed in April 2004. The purpose of the study was to analyze the actual experience of the System versus that anticipated by the actuarial assumptions then in use. The combined effect of the recommended changes in assumptions was a decrease in actuarial accrued liabilities of approximately 1.3% and a decrease in computed employer contributions to zero. Adopted 2004.

11. Gabriel Roeder Smith & Co. was awarded the actuarial and consulting services contract beginning October 4, 2006.

12. Seventy-five percent of male and sixty percent of female future retirees are assumed to elect coverage for 1 or more dependents. Adopted 2007.

13. Seventy-five percent of male retirees and sixty percent of female retirees are assumed to have coverage continuing after death. Adopted 2007.

14. Zero percent of eligible participants are assumed to opt out of the retiree health plan. Adopted 2007.

Summary of Actuarial Assumptions and Methods (continued)

SCHEDULE 1

Percent of Eligible Active Members Retiring Within Next Year

Retirement Ages	
55-59	6 %
60	10
61	8
62	10
63	8
64	8
65	18
66-68	8
69	12
70	25
71	30
72	35
73	40
74	50
75	100

SCHEDULE 2

Separation From Active Employment Before
Age & Service Retirement & Individual Pay Increase Assumptions

Sample Ages	Percent of Active Members Withdrawing Within Next Year (Men and Women)	Percent of Active Members Becoming Disabled Within Next Year	Percent Increase In Pay During Next Year
20		0.00 %	4.0 %
25		0.00	4.0
30	0.75 %	0.00	4.0
35	0.75	0.01	4.0
40	0.75	0.03	4.0
45	0.75	0.06	4.0
50	0.75	0.09	4.0
55	0.75	0.12	4.0
60	0.75	0.18	4.0

Actuarial Valuation Data

Schedule of Active Member Valuation Data

Valuation Date Sept. 30	Inactive Number	Active Number	Reported Annual Payroll*	Average Annual Pay	% Increase	Average Age	Average Service
2000	17	399	$ 37,022,723	$ 92,789	7.1 %	54.0	11.0
2001	15	380	42,543,811	111,957	20.7	54.4	11.7
2002	16	367	42,441,201	115,644	3.3	55.3	12.4
2003	13	337	38,900,163	115,431	(0.2)	55.4	13.2
2004	11	325	37,453,179	115,241	(0.2)	56.1	13.6
2005	18	302	34,935,846	115,682	0.4	57.0	14.8
2006	16	291	33,066,573	113,631	(1.8)	57.8	15.9
2007	16	260	29,716,615	114,295	0.6	58.4	16.5
2008	13	257	29,475,726	114,692	0.3	59.4	17.5
2009	9	234	27,027,185	115,501	0.7	59.9	18.3

* Prior to 2006, reported annual payroll in this schedule is 2% higher than the actual data reported to the actuary.

Schedule of Changes in the Retirement Rolls *

Year Ended Sept. 30	Added to Rolls No.	Added to Rolls Annual Allowances	Removed from Rolls No.	Removed from Rolls Annual Allowances	Rolls--End of Year No.	Rolls--End of Year Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
2000	16	$ 656,659	12	$ 449,123	535	$ 15,219,082	1.4 %	28,447
2001	30	1,027,902	19	399,313	546	16,027,671	5.3	29,355
2002	8	310,381	19	659,722	535	15,678,330	(2.2)	29,305
2003	27	1,099,372	11	520,658	551	17,144,956	9.4	31,116
2004	13	836,992	15	562,582	549	17,572,770	2.5	32,009
2005	16	816,849	13	387,731	552	18,001,888	2.4	32,612
2006	19	827,419	38	877,683	533	17,951,624	(0.3)	33,680
2007	38	1,797,377	29	657,528	542	19,091,473	6.3	35,224
2008	25	879,299	27	927,730	540	19,043,042	(0.3)	35,265
2009	44	1,987,777	42	1,316,828	542	19,713,991	3.5	36,373

* Restated based on more complete information.

Prioritized Solvency Test

The System's funding objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the System are level in concept and soundly executed, the System will pay all promised benefits when due, the ultimate test of financial soundness. Testing for level contribution rates is the long-term solvency test.

A prioritized solvency test is another means of checking a System's progress under its funding program. In a short condition test, the System's present assets (cash and investments) are compared with: (1) active member contributions on deposit; (2) the liabilities for future benefits to present retired lives; and (3) the liabilities for service already rendered by active and inactive members. In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) are normally partially covered by the remainder of present assets. Generally, if the System has been using level-cost financing, the funded portion of liability 3 will increase over time. Liability 3 being fully funded is not necessarily a by-product of level percent of payroll funding methods.

The schedules that follow illustrate the history of the liabilities of the System and are indicative of the System's policy of following the discipline of level percent of payroll financing.

Pension Benefits
($ in thousands)

	Actuarial Accrued Liability (AAL)				Portion of AAL Covered by Assets			
	(1)	(2)	(3)					
Valuation Date Sept. 30	Active Member Contributions	Retirants and Beneficiaries	Active and Inactive Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)	(4) [1]
2000	$ 28,812	$ 120,480	$ 54,933	$ 274,843	100 %	100 %	228.6 %	134.6 %
2001	29,469	125,097	70,171	290,998	100	100	194.4	129.5
2002	33,457	120,456	75,309	291,730	100	100	183.0	127.3
2003	34,355	131,719	69,167	292,258	100	100	182.4	124.2
2004 [2]	37,089	138,141	61,219	286,873	100	100	182.4	121.3
2005	38,695	142,689	61,987	278,423	100	100	156.5	114.4
2006	43,094	142,384	58,230	282,822	100	100	167.2	116.0
2007	42,250	151,691	53,142	301,047	100	100	201.5	121.8
2008	48,109	149,608	49,293	303,746	100	100	215.1	123.0
2009	46,561	154,758	43,879	295,911	100	100	215.6	120.7

[1] Percents funded on a total valuation asset and total actuarial accrued liability basis.

[2] Revised actuarial assumptions.

Prioritized Solvency Test (continued)

Other Postemployment Benefits
($ in thousands)

Valuation Date Sept. 30	Actuarial Accrued Liability (AAL) (1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active and Inactive Members (Employer Financed Portion)	Valuation Assets	Portion of AAL Covered by Assets (1)	(2)	(3)	(4)[1]
2008	$ -	$ 3,082	$ 3,633	$ -	0 %	0 %	0 %	0 %
2009	-	2,974	3,619	-	0	0	0	0

[1] Percents funded on a total valuation asset and total actuarial accrued liability basis.

Analysis of System Experience

Gains/(Losses) in Accrued Liabilities During Year Ended September 30, 2009
Resulting from Differences Between Assumed Experience & Actual Experience

	Type of Activity	Gain/(Loss)
1.	**Retirements (including Disability Retirement).** If members retire at older ages or with lower final average pay than assumed, there is a gain. If younger ages or higher average pays, a loss.	$ 1,258,564
2.	**Withdrawal From Employment** (including death-in-service). If more liabilities are released by withdrawals and deaths than assumed, there is a gain. If smaller releases, a loss.	(225,343)
3.	**Pay Increases.** If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	3,260,885
4.	**Investment Income.** If there is greater investment income than assumed, there is a gain. If less income, a loss.	(13,196,887)
5.	**Death After Retirement.** If retirants live longer than assumed, there is a loss. If not as long, a gain.	1,996,924
6.	**Rehires.** Rehires into the System will generally result in an actuarial loss.	(577,758)
7.	**Other.** Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, etc.	294,952
8.	**Composite Gain (or Loss) During Year**	$ (7,188,663)

Summary of Plan Provisions

Our actuarial valuation of the System as of September 30, 2009, is based on the present provisions of the Judges' Retirement Act (Public Act No. 234 of 1992, as amended).

Regular Retirement

Eligibility - Age 60 with 8 years credited service; or age 55 with 18 years credited service, or 25 years with no age requirement.

Annual Amount - If less than 12 years of credited service, 3% of final annual compensation times years of credited service; for 12 or more years of credited service, 50% of final annual compensation plus 2.5% of such compensation for each year of credited service in excess of 12 years to a maximum of 60%. Former System members receive 3% of final annual compensation times years of credited service to a maximum of the greater of 40% of final annual compensation or $15,000, but not to exceed 66.67% of final annual compensation when added to a local retirement system benefit; or 3.5% of final annual compensation times years of credited service to a maximum of 66.67% of final annual compensation if elected.

Final Annual Compensation - Annual state salary at time of retirement plus state salary standardization, if any. For former Probate System members, final annual compensation is member's certified salary at time of retirement. For 36th District Court judges, final annual compensation is total state and district control unit salary at time of retirement. For Probate Court judges serving in a single county of less than 15,000 population, final annual compensation is total judicial salary at the time of retirement.

Early Retirement (age reduction factor used)

Eligibility - Age 55 with 12 but less than 18 years credited service.

Annual Amount - Regular retirement benefit, reduced by 0.5% for each month by which the commencement age is less than 60.

Deferred Retirement (vested benefit)

Eligibility - 8 years of credited service.

Annual Amount - Regular retirement benefit. If less than 12 years of credited service, payable at age 60; if 18 or more years of credited service payable at age 55; if more than 12 but less than 18 years of credited service reduced amount payable at age 55.

Disability Retirement

Eligibility - 8 years of credited service.

Annual Amount - Regular retirement benefit, based upon member's credited service and final salary at time of disability.

Death Before or After Retirement (Spouse or Dependent Children)

Eligibility - 8 years of credited service.

Annual Amount - 50% of the member's accrued pension.

Summary of Plan Provisions (continued)

Post Retirement Cost-of-Living Adjustments

None, except that judges who were active judges prior to September 8, 1961, (and their survivors) have their benefits adjusted as active judges' salaries change.

Member Contributions

Non-Trial Judges - 5% of salary (2% for health benefits).

Trial Judges with Full Standardization - 7% of salary.

Trial Judges without Full Standardization - 3.5% of salary.

Probate Judges under 3% Formula - 7% of salary to maximum of $980.

Probate Judges under 3.5% Formula - 7% of salary (no maximum).

District Court Judges of the Thirty-sixth District - 3.5% of salary.

Defined Contribution Legislation - (Public Act 523 of 1996)

New employees hired on or after March 31, 1997, become participants in Tier 2 (i.e. a defined contribution plan) rather than Tier 1 (i.e., the above described defined benefit plan).

Active members on March 30, 1997, had an opportunity to irrevocably elect to terminate membership in Tier 1 and become participants in Tier 2. Elections were in writing and submitted between January 2, 1998, and April 30, 1998. Such members became Tier 2 participants on June 1, 1998, and had the actuarial present value of their Tier 1 accrued benefit transferred into Tier 2 by September 30, 1998.

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STATISTICAL SECTION

Schedules of Additions by Source
Schedules of Deductions by Type
Schedules of Changes in Net Assets
Schedules of Benefits and Refunds by Type
Schedules of Retired Members by Type of Benefit
Schedule of Other Post Employment Benefits
Schedules of Average Benefit Payments
Schedule of Principal Participating Employers
Ten Year History of Membership
Schedule of Participating Employers

STATISTICAL SECTION

This part of the System's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the System's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the System's financial performance and fiscal health has changed over time. The schedules are presented for the last ten fiscal years. Schedules included are:

- Schedule of Pension Plan Additions by Source
- Schedule of OPEB Plan Additions by Source
- Schedule of Pension Plan Deductions by Type
- Schedule of OPEB Plan Deductions by Type
- Schedule of Changes in Net Assets – Pension Plan
- Schedule of Changes in Net Assets – OPEB Plan
- Schedule of Pension Benefits and Refunds by Type
- Schedule of OPEB Benefits by Type

Operating Information

These schedules contain contextual information to assist the reader's understanding of how the System's financial information relates to the combination of participating members and the benefits it provides. Schedules are presented for the last ten fiscal years, except where noted. Schedules included are:

- Schedule of Retired Members by Type of Pension Benefit
- Schedule of Retired Members by Type of Other Postemployment Benefit
- Schedule of Other Post Employment Benefits
- Schedule of Average Benefit Payments - Pension
- Schedule of Average Benefit Payments - OPEB
- Schedule of Principal Participating Employers
- Ten Year History of Membership
- Schedule of Participating Employers

Schedule of Pension Plan Additions by Source
Last Ten Years

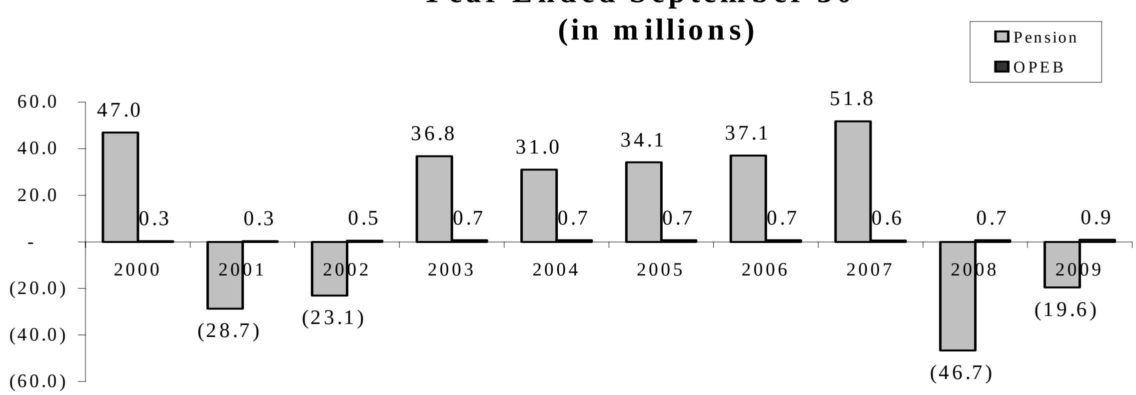
Fiscal Year Ended Sept. 30	Member Contributions	Net Investment & Other Income	Total
2000	$ 2,874,966	$ 44,164,101	$ 47,039,067
2001	2,304,041	(30,995,562)	(28,691,521)
2002	2,857,224	(25,998,096)	(23,140,872)
2003	2,288,608	34,560,288	36,848,896
2004	2,143,714	28,818,651	30,962,365
2005	2,077,550	32,011,495	34,089,045
2006	2,017,943	35,106,967	37,124,910
2007	1,845,878	49,974,396	51,820,274
2008	1,738,459	(48,472,838)	(46,734,379)
2009	1,644,585	(21,294,298)	(19,649,713)

Since System is fully funded, no employer contributions are required.

Schedule of OPEB Plan Additions by Source
Last Ten Years

Fiscal Year Ended Sept. 30	Member Contributions	Net Investment & Other Income	Total
2000	$ 324,441		$ 324,441
2001	345,851		345,851
2002	362,987	$ 100,000	462,987
2003	451,035	265,000	716,035
2004	483,966	215,000	698,966
2005	450,657	215,000	665,657
2006	518,057	215,000	733,057
2007	530,336	115,535	645,871
2008	539,440	145,130	684,570
2009	528,402	336,280	864,682

Total Additions
Year Ended September 30
(in millions)



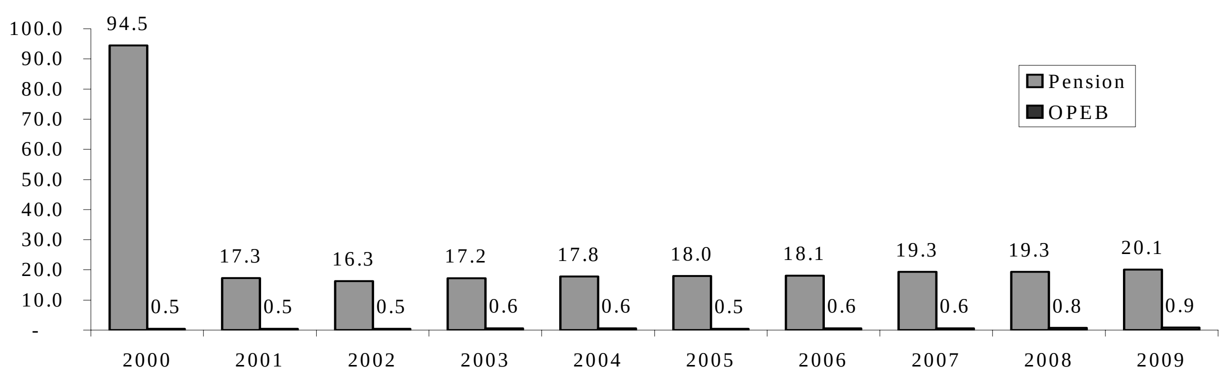
Schedule of Pension Plan Deductions by Type
Last Ten Years

Fiscal Year Ended Sept. 30	Benefit Payments	Refunds and Transfers	Administrative and Other Expenses	Total
2000	$ 15,260,878	$ 78,765,632	$ 517,046	$ 94,543,556
2001	15,793,191	975,633	500,501	17,269,325
2002	15,809,951	52,862	404,983	16,267,796
2003	16,728,017	1,074	500,590	17,229,681
2004	17,540,889	67,792	210,178	17,818,859
2005	17,797,840		167,993	17,965,833
2006	17,952,735		170,023	18,122,758
2007	18,919,433	247,941	181,848	19,349,222
2008	19,180,381		144,188	19,324,569
2009	19,897,368		158,909	20,056,277

Schedule of OPEB Plan Deductions by Type
Last Ten Years

Fiscal Year Ended Sept. 30	Benefit Payments	Administrative Expenses	Total
2000	$ 450,345		$ 450,345
2001	505,459		505,459
2002	519,669		519,669
2003	564,801		564,801
2004	576,043		576,043
2005	510,152		510,152
2006	596,769		596,769
2007	611,246		611,246
2008	789,975	$ 41,978	831,953
2009	820,694	45,133	865,827

Total Deductions
Year Ended September 30
(in millions)



Schedule of Changes in Net Assets - Pension Plan
Last Ten Years
(in thousands)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Member contributions	$ 2,875	$ 2,304	$ 2,857	$ 2,289	$ 2,144	$ 2,078	$ 2,018	$ 1,846	$ 1,738	$ 1,645
Employer contributions										
Net investment income	44,164	(30,996)	(25,998)	34,560	28,818	31,977	34,452	49,716	(48,525)	(21,344)
Court fees						34	654	231	44	43
Miscellaneous income							1	27	8	7
Total Additions	47,039	(28,692)	(23,141)	36,849	30,962	34,089	37,125	51,820	(46,735)	(19,650)
Pension benefits	15,261	15,793	15,810	16,728	17,541	17,798	17,953	18,919	19,180	19,897
Refunds of member contributions	78,766	976	53	1	67			248		
Administrative expenses	517	500	405	501	210	168	170	182	144	159
Total Deductions	94,544	17,269	16,268	17,230	17,818	17,966	18,123	19,349	19,324	20,056
Changes in net assets	$ (47,505)	$ (45,961)	$ (39,409)	$ 19,619	$ 13,144	$ 16,123	$ 19,002	$ 32,471	$ (66,059)	$ (39,706)

Schedule of Changes in Net Assets - OPEB Plan
Last Ten Years
(in thousands)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Member contributions	$ 324	$ 346	$ 363	$ 451	$ 484	$ 451	$ 518	$ 530	$ 539	$ 528
Net investment income									8	1
Court fees			100	265	215	215	215	115	115	335
Tranfer from other systems									15	
Miscellaneous income								1	7	1
Total Additions	324	346	463	716	699	666	733	646	684	865
Health care benefits	450	505	520	565	576	510	597	611	790	821
Administrative expenses									42	45
Total Deductions	450	505	520	565	576	510	597	611	832	866
Changes in net assets	$ (126)	$ (159)	$ (57)	$ 151	$ 123	$ 156	$ 136	$ 35	$ (148)	$ (1)

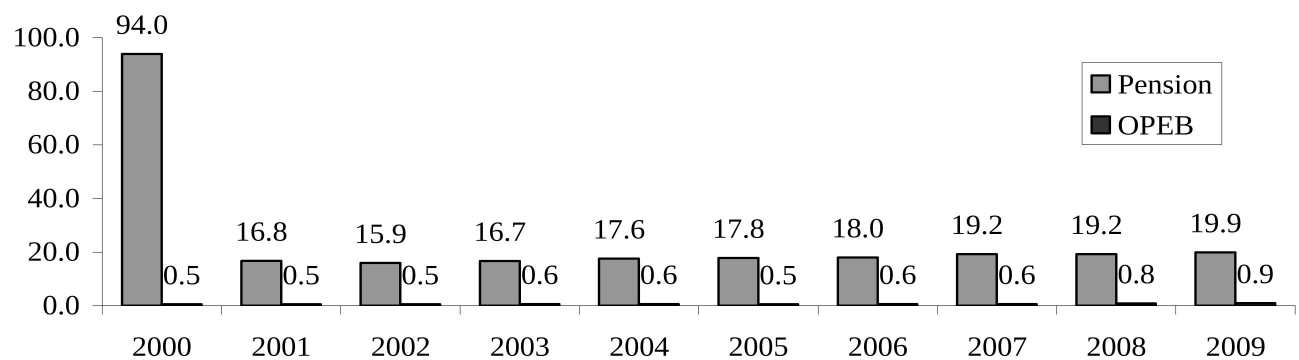
Schedule of Pension Benefits and Refunds by Type
Last Ten Years

Fiscal Year Ended Sept. 30	Regular Benefits	Disability Benefits	Survivor Benefits	Refunds: Employee Contribution	Refunds: Retired Benefit	Transfers	Total
2000	$ 14,818,706	$ 442,172		$ 1,854,135		$ 76,911,497	$ 94,026,510
2001	15,352,750	440,441		51,373	$ 13,581	910,679	16,768,824
2002	15,375,626	434,325		52,862			15,862,813
2003	16,236,804	491,213		1,074			16,729,091
2004	17,011,125	529,764		67,792			17,608,681
2005	17,269,422	528,418					17,797,840
2006	14,611,531	297,408	$ 3,043,796				17,952,735
2007	14,996,160	260,585	3,662,688	246,389	1,552		19,167,374
2008	15,231,453	233,700	3,715,228				19,180,381
2009	15,741,513	211,077	3,944,778				19,897,368

Schedule of OPEB Benefits by Type
Last Ten Years

Fiscal Year Ended Sept. 30	Health Benefits	Dental Benefits	Vision Benefits	Administrative Expenses	Total
2000	$ 391,355	$ 50,660	$ 8,330		$ 450,345
2001	435,444	61,978	8,037		505,459
2002	441,453	69,927	8,289		519,669
2003	482,449	73,619	8,733		564,801
2004	489,225	77,691	9,127		576,043
2005	422,261	78,495	9,396		510,152
2006	486,112	98,652	12,005		596,769
2007	500,954	98,160	12,132		611,246
2008	720,335	62,770	6,870	$ 41,978	831,953
2009	747,808	65,013	7,873	45,133	865,827

Total Benefit Expenses
Year Ended September 30
(in millions)



Schedule of Retired Members by Type of Pension Benefit

September 30, 2009

Amount of Monthly Pension Benefit	Number of Retirees	Type of Retirement *					Selected Option**		
		1	2	3	4	5	Opt 1	Opt 2	Opt 3
$ 1 - 400	4	2	1	1	-	-	4	-	-
401 - 800	30	7	19	4	-	-	27	3	-
801 - 1,200	46	24	15	3	2	2	37	8	1
1,201 - 1,600	43	17	20	6	-	-	36	6	1
1,601 - 2,000	73	28	36	6	1	2	64	8	1
2,001 - 2,400	34	15	15	2	1	1	21	13	-
2,401 - 2,800	39	25	13	-	-	1	30	8	1
2,801 - 3,200	25	17	6	-	-	2	12	13	-
3,201 - 3,600	35	31	3	1	-	-	22	13	-
3,601 - 4,000	62	53	5	3	-	1	48	13	1
Over 4,000	151	143	3	2	2	1	137	14	-
Totals	542	362	136	28	6	10	438	99	5

* Type of Retirement
1 - Normal retirement for age & service
2 - Survivor payment - normal retirement or early retirement
3 - Survivor payment - death in service
4 - Non-duty disability retirement (incl. survivors)
5 - Survivor payment - disability retirement

**Selected Option
Opt 1 - Straight life allowance
Opt 2 - 100% Survivor option
Opt 3 - 50% Survivor option

Source: Gabriel Roeder Smith & Co.

Schedule of Retired Members by Type of Other Postemployment Benefit
September 30, 2009

Amount of Monthly Pension Benefit	Eligible Retirees	Type of Other Postemployment Benefits: Health	Dental	Vision
$ 1 – 400	4	1	-	1
401 – 800	30	4	6	5
801 – 1,200	46	7	12	7
1,201 – 1,600	43	2	7	4
1,601 – 2,000	73	11	12	8
2,001 - 2,400	34	7	12	12
2,401 - 2,800	39	3	11	6
2,801 - 3,200	25	3	2	1
3,201 - 3,600	35	3	10	6
3,601 - 4,000	62	11	21	19
Over 4,000	151	28	48	47
Totals	542	80	141	116

Source: Gabriel Roeder Smith & Co.

Schedule of Other Postemployement Benefits
For Years Ended September 30, 2009 and 2008

	2009	2008
Claims		
Health insurance	$ 595,998	$ 568,434
Vision insurance	7,110	6,121
Dental insurance	63,109	60,827
Total Claims	666,217	635,382
Estimated Claims Liability		
Health insurance	151,810	151,901
Vision insurance	763	748
Dental insurance	1,904	1,944
Total Estimated Claims Liability	154,477	154,593
Administrative Fees		
Health insurance	41,008	37,952
Vision insurance	1,020	992
Dental insurance	3,105	3,034
Total Administrative Fees	45,133	41,978
Grand Total	$ 865,827	$ 831,953

STATISTICAL SECTION

Schedule of Average Benefit Payments - Pension
Last Ten Years

Payment Periods	Credited Service (Years) as of September 30							
	0 - 5	5 - 10	10 - 15	15 - 20	20 - 25	25 - 30	30 +	Total
Period 10/1/99 to 9/30/00:								
Average Monthly Benefit	$ 923	$ 1,240	$ 1,637	$ 2,588	$ 2,990	$ 2,429	$ 3,477	$ 2,371
Average Final Average Salary	1,147	58,188	49,653	58,814	66,470	77,869	68,504	58,893
Number of Active Retirants	17	30	112	184	124	49	19	535
Period 10/1/00 to 9/30/01:								
Average Monthly Benefit	$ 1,144	$ 1,365	$ 1,668	$ 2,618	$ 3,080	$ 2,628	$ 3,761	$ 2,446
Average Final Average Salary	7,066	59,526	51,362	60,795	67,803	83,459	73,014	60,618
Number of Active Retirants	23	31	109	188	128	47	20	546
Period 10/1/01 to 9/30/02:								
Average Monthly Benefit	$ 1,144	$ 1,363	$ 1,712	$ 2,618	$ 3,015	$ 2,718	$ 3,904	$ 2,442
Average Final Average Salary	7,066	60,075	53,476	62,450	67,578	84,054	76,199	61,683
Number of Active Retirants	23	32	109	180	125	47	19	535
Period 10/1/02 to 9/30/03:								
Average Monthly Benefit	$ 1,026	$ 1,251	$ 1,978	$ 2,771	$ 3,217	$ 2,722	$ 4,197	$ 2,593
Average Final Average Salary	813	49,406	48,531	56,406	61,051	58,177	59,739	53,211
Number of Active Retirants	24	31	118	188	121	46	23	551
Period 10/1/03 to 9/30/04:								
Average Monthly Benefit	$ 1,026	$ 1,247	$ 2,016	$ 2,917	$ 3,317	$ 2,940	$ 3,871	$ 2,667
Average Final Average Salary	813	49,810	48,982	55,299	61,840	59,355	59,739	53,149
Number of Active Retirants	24	33	118	188	117	46	23	549
Period 10/1/04 to 9/30/05:								
Average Monthly Benefit	$ 1,057	$ 1,263	$ 2,074	$ 2,984	$ 3,382	$ 2,986	$ 3,850	$ 2,718
Average Final Average Salary	780	51,605	48,782	53,902	62,131	58,827	59,739	52,634
Number of Active Retirants	25	34	117	193	116	44	23	552
Period 10/1/05 to 9/30/06:								
Average Monthly Benefit	$ 1,023	$ 1,411	$ 2,098	$ 3,013	$ 3,364	$ 2,953	$ 3,569	$ 2,807
Average Final Average Salary	3,250	71,249	61,140	69,683	76,983	75,353	92,016	70,441
Number of Active Retirants	6	30	112	193	117	49	26	533
Period 10/1/06 to 9/30/07:								
Average Monthly Benefit	$ 888	$ 1,467	$ 2,126	$ 3,228	$ 3,440	$ 3,064	$ 3,569	$ 2,935
Average Final Average Salary	3,900	70,222	63,067	72,137	80,455	81,286	93,887	73,280
Number of Active Retirants	5	31	109	202	124	45	26	542
Period 10/1/07 to 9/30/08:								
Average Monthly Benefit	$ 888	$ 1,467	$ 2,164	$ 3,265	$ 3,323	$ 3,074	$ 3,704	$ 2,939
Average Final Average Salary	3,900	70,222	64,589	72,403	81,027	80,861	97,424	73,861
Number of Active Retirants	5	31	107	206	123	44	24	540
Period 10/1/08 to 9/30/09:								
Average Monthly Benefit	$ 888	$ 1,421	$ 2,303	$ 3,377	$ 3,401	$ 3,211	$ 3,793	$ 3,031
Average Final Average Salary	37,149	74,389	67,177	78,416	83,236	81,197	90,472	77,308
Number of Active Retirants	5	32	109	210	126	40	20	542

Source: Gabriel Roeder Smith & Co.

Schedule of Average Benefit Payments - Health

Last Three Years

Payment Periods	Credited Service (Years) as of September 30							
	0 - 5	5 - 10	10 - 15	15 - 20	20 - 25	25 - 30	30 +	Total
Period 10/1/06 to 9/30/07								
Average Monthly Benefit	$ 17	$ 2,102	$ 2,235	$ 3,544	$ 3,791	$ 4,426	$ 5,859	$ 3,351
Average Final Average Salary	19,500	84,638	63,913	79,862	88,876	105,084	131,721	81,436
Number of Active Retirants	1	3	20	33	19	9	2	87
Period 10/1/07 to 9/30/08								
Average Monthly Benefit	$ 17	$ 2,102	$ 2,264	$ 3,456	$ 3,488	$ 4,648	$ 5,859	$ 3,287
Average Final Average Salary	19,500	84,638	66,144	78,843	88,876	105,720	131,721	81,745
Number of Active Retirants	1	3	18	32	19	8	2	83
Period 10/1/08 to 9/30/09								
Average Monthly Benefit	$ 17	$ 2,102	$ 2,264	$ 3,699	$ 3,337	$ 5,392	$ 5,859	$ 3,361
Average Final Average Salary	19,500	84,638	66,144	85,685	89,254	125,557	131,721	85,455
Number of Active Retirants	1	3	18	30	20	6	2	80

Source: Gabriel Roeder Smith & Co.

Schedule of Average Benefit Payments - Dental

Last Three Years

Payment Periods	Credited Service (Years) as of September 30							
	0 - 5	5 - 10	10 - 15	15 - 20	20 - 25	25 - 30	30 +	Total
Period 10/1/06 to 9/30/07								
Average Monthly Benefit	-	$ 1,923	$ 2,408	$ 3,471	$ 3,599	$ 4,088	$ 4,017	$ 3,349
Average Final Average Salary	-	84,070	65,954	76,790	79,234	95,142	88,821	78,270
Number of Active Retirants	-	5	28	55	38	17	7	150
Period 10/1/07 to 9/30/08								
Average Monthly Benefit	-	$ 1,923	$ 2,510	$ 3,447	$ 3,513	$ 4,178	$ 3,990	$ 3,354
Average Final Average Salary	-	84,070	68,761	77,730	81,887	94,839	88,958	79,829
Number of Active Retirants	-	5	25	56	38	16	6	146
Period 10/1/08 to 9/30/09								
Average Monthly Benefit	-	$ 1,923	$ 2,616	$ 3,510	$ 3,505	$ 4,429	$ 4,054	$ 3,394
Average Final Average Salary	-	84,070	70,379	81,063	83,005	101,786	99,613	82,293
Number of Active Retirants	-	5	26	55	37	14	4	141

Source: Gabriel Roeder Smith & Co.

Schedule of Average Benefit Payments - Vision

Last Three Years

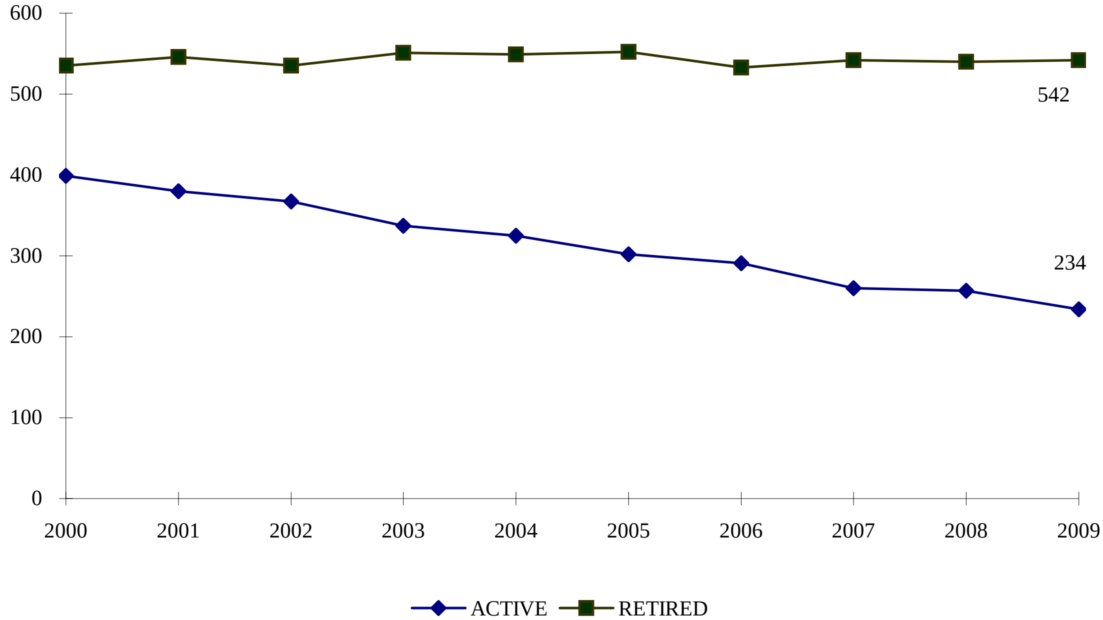
Payment Periods	Credited Service (Years) as of September 30							
	0 - 5	5 - 10	10 - 15	15 - 20	20 - 25	25 - 30	30 +	Total
Period 10/1/06 to 9/30/07								
Average Monthly Benefit	$ 17	$ 2,186	$ 2,526	$ 3,795	$ 4,003	$ 4,377	$ 4,065	$ 3,651
Average Final Average Salary	19,500	96,442	67,760	80,314	86,286	102,028	99,110	83,177
Number of Active Retirants	1	3	20	42	35	14	5	120
Period 10/1/07 to 9/30/08								
Average Monthly Benefit	$ 17	$ 2,186	$ 2,588	$ 3,801	$ 3,775	$ 4,510	$ 4,038	$ 3,618
Average Final Average Salary	19,500	96,442	70,418	81,753	86,286	102,184	101,887	84,189
Number of Active Retirants	1	3	18	42	35	13	4	116
Period 10/1/08 to 9/30/09								
Average Monthly Benefit	$ 17	$ 2,186	$ 2,728	$ 3,916	$ 3,719	$ 4,624	$ 4,317	$ 3,667
Average Final Average Salary	19,500	96,442	72,545	85,688	87,123	106,348	111,045	86,469
Number of Active Retirants	1	3	19	43	35	12	3	116

Source: Gabriel Roeder Smith & Co.

Schedule of Principal Participating Employers
For Fiscal Years Ending September 30, 2009 and 2000

	2009		2000	
Participating Employers	Employees	Percentage of Total System	Employees	Percentage of Total System
Court of Appeals	17	2.17 %	26	2.73 %
03rd Circuit Court	15	1.91	36	3.79
36th District Court	11	1.40	25	2.63
Recorders Court	7	0.89	22	2.31
06th Circuit Court	7	0.89	16	1.68
16th Circuit Court	5	0.64	8	0.84
07th Circuit Court	4	0.51	6	0.63
14th Circuit Court	4	0.51	4	0.42
22nd Circuit Court	4	0.51	4	0.42
08th District Court	4	0.51	5	0.53
61st District Court	4	0.51	7	0.74
67th District Court	4	0.51	6	0.63
70th District Court	4	0.51	6	0.63
Supreme Court	4	0.51	4	0.42
Wayne County Probate Court	4	0.51	9	0.95
All other	687	87.52	767	80.65
Total	785	100.00 %	951	100.00 %

Ten Year History of Membership
Fiscal Year Ended September 30



Source: Gabriel Roeder Smith & Co.

STATISTICAL SECTION

Schedule of Participating Employers through 9/30/09

Elected Offices
Supreme Court
Court Of Appeals
03rd Circuit Court
04th Circuit Court
05th Circuit Court
06th Circuit Court
07th Circuit Court
08th Circuit Court
09th Circuit Court
10th Circuit Court
13th Circuit Court
14th Circuit Court
16th Circuit Court
17th Circuit Court
18th Circuit Court
20th Circuit Court
21st Circuit Court
22nd Circuit Court
27th Circuit Court
30th Circuit Court
31st Circuit Court
32nd Circuit Court
34th Circuit Court
35th Circuit Court
36th Circuit Court
37th Circuit Court
38th Circuit Court
39th Circuit Court
40th Circuit Court
41st Circuit Court
46th Circuit Court
56th Circuit Court
57th Circuit Court
03rd District Court
05th District Court
07th District Court
08th District Court
10th District Court
14th District Court
15th District Court
16th District Court
17th District Court
19th District Court
21st District Court
22nd District Court
25th District Court
26th District Court
28th District Court
31st District Court
33rd District Court
36th District Court
37th District Court
39th District Court
40A District Court
41B District Court
42nd District Court
43rd District Court
44th District Court
46th District Court
48th District Court
51st District Court
52nd District Court
54B District Court
56A District Court
57th District Court
58th District Court
60th District Court
61st District Court
63rd District Court
64th District Court
65th District Court
66th District Court
67th District Court
68th District Court
70th District Court
71st District Court
74th District Court
76th District Court
77th District Court
78th District Court
80th District Court

Schedule of Participating Employers through 9/30/09 (continued)

81st District Court
82nd District Court
84th District Court
85th District Court
86th District Court
87th District Court
88th District Court
90th District Court
91st District Court
95th District Court
98th District Court
Bay County Probate Court
Benzie County Probate Court
Branch County Probate Court
Calhoun County Probate Court
Cass County Probate Court
Chippewa County Probate Court
Clare County Probate Court
Emmet County Probate Court
Gogebic County Probate Court
Huron County Probate Court
Iosco County Probate Court
Iron County Probate Court
Isabella County Probate Court
Kalamazoo County Probate Court
Kent County Probate Court
Lake County Probate Court
Leelanau County Probate Court
Macomb County Probate Court
Mason County Probate Court
Mecosta/Osceola Probate District 18
Monroe County Probate Court
Montmorency County Probate Court
Muskegon County Probate Court
Oscoda County Probate Court
Ottawa County Probate Court
Recorders Court
Sanilac County Probate Court
Shiawassee County Probate Court
St Joseph County Probate Court
Washtenaw County Probate Court
Wayne County Probate Court
Wexford County Probate Court

ACKNOWLEDGMENTS

The *Michigan Judges' Retirement System Comprehensive Annual Financial Report* is prepared by Financial Services, Fiscal Management Division. Staff of the division for the fiscal year 2008-2009 report included:

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The report may be viewed on-line at: www.michigan.gov/ors