GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

MICHIGAN EDUCATION TRUST - PLAN D
ACTUARIAL SOUNDNESS VALUATION REPORT
AS OF SEPTEMBER 30, 2011

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January 11, 2011

Ms. Robin Lott
Executive Director
Michigan Education Trust
P.O. Box 30198
Lansing, MI 48909

Re: Michigan Education Trust - Plan D Actuarial Valuation as of September 30, 2011

Dear Ms. Lott:

Gabriel, Roeder, Smith & Company ("GRS") has performed an actuarial soundness valuation of the Michigan Education Trust - Plan D ("MET") as of September 30, 2011. The purpose of this actuarial valuation is to evaluate the financial viability of the program as of September 30, 2011.

This report presents the principal results of the actuarial valuation of MET including the following:

- A comparison of the actuarial present value of the obligations for prepaid tuition contracts purchased through September 30, 2011, with the value of the assets associated with the program as of that same date;
- An analysis of the factors which caused the deficit/surplus to change since the prior actuarial valuation; and
- A summary of the actuarial assumptions and methods utilized in the actuarial calculations.

This report was prepared at the request of the MET Board and is intended for use by the MET Board and those designated or approved by the MET Board. This report may be provided to parties other than the MET Board only in its entirety and only with the permission of the MET Board. This report should not be relied on for any purpose other than the purpose described above.

The valuation results set forth in this report are based upon data and information, furnished by MET, concerning program benefits, financial transactions, and beneficiaries of MET. We reviewed this information for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by MET. Further, the data and information provided is through September 30, 2011, and does not reflect subsequent market changes.

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The major actuarial assumptions used in this analysis were provided by and are the responsibility of MET. We are unable to judge the reasonableness of some of these assumptions without performing a substantial amount of additional work beyond the scope of the assignment.

Given the current asset allocation and liquidity requirements, the net investment rate of return assumption of 7.01 percent, appears to be consistent with applicable Actuarial Standards of Practice. However, other assumptions could also be reasonable, and could result in materially different results. This assumption, along with the tuition increase assumption, was changed from the last valuation.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law. We have performed an analysis of the sensitivity of certain changes in future assumptions.

We believe that the actuarial methods used in this report are reasonable and appropriate for the purpose for which they have been used. In addition, because it is not possible or practical to consider every possible contingency, we may use summary information, estimates or simplifications of calculations to facilitate the modeling of future events. We may also exclude factors or data that are deemed to be immaterial.

This report is not a recommendation to anyone to participate in MET. GRS makes no representations or warranties to any person participating in or considering participation in MET. Current and future participants should be aware that the promises of MET will only be met if the assets of MET are sufficient to pay its obligations.

To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the Michigan Education Trust - Plan D as of September 30, 2011. All calculations have been made in conformity with generally accepted actuarial principles and practices commonly applicable to similar types of arrangements.

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 herein.

The signing actuaries are independent of MET.

Respectfully submitted,

Gabriel, Roeder, Smith and Company

Sincerely,

Alex Rivera　　　　Lance J. Weiss

Alex Rivera, F.S.A., M.A.A.A.
Senior Consultant

Lance Weiss, E.A., M.A.A.A.
Senior Consultant

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SECTION A

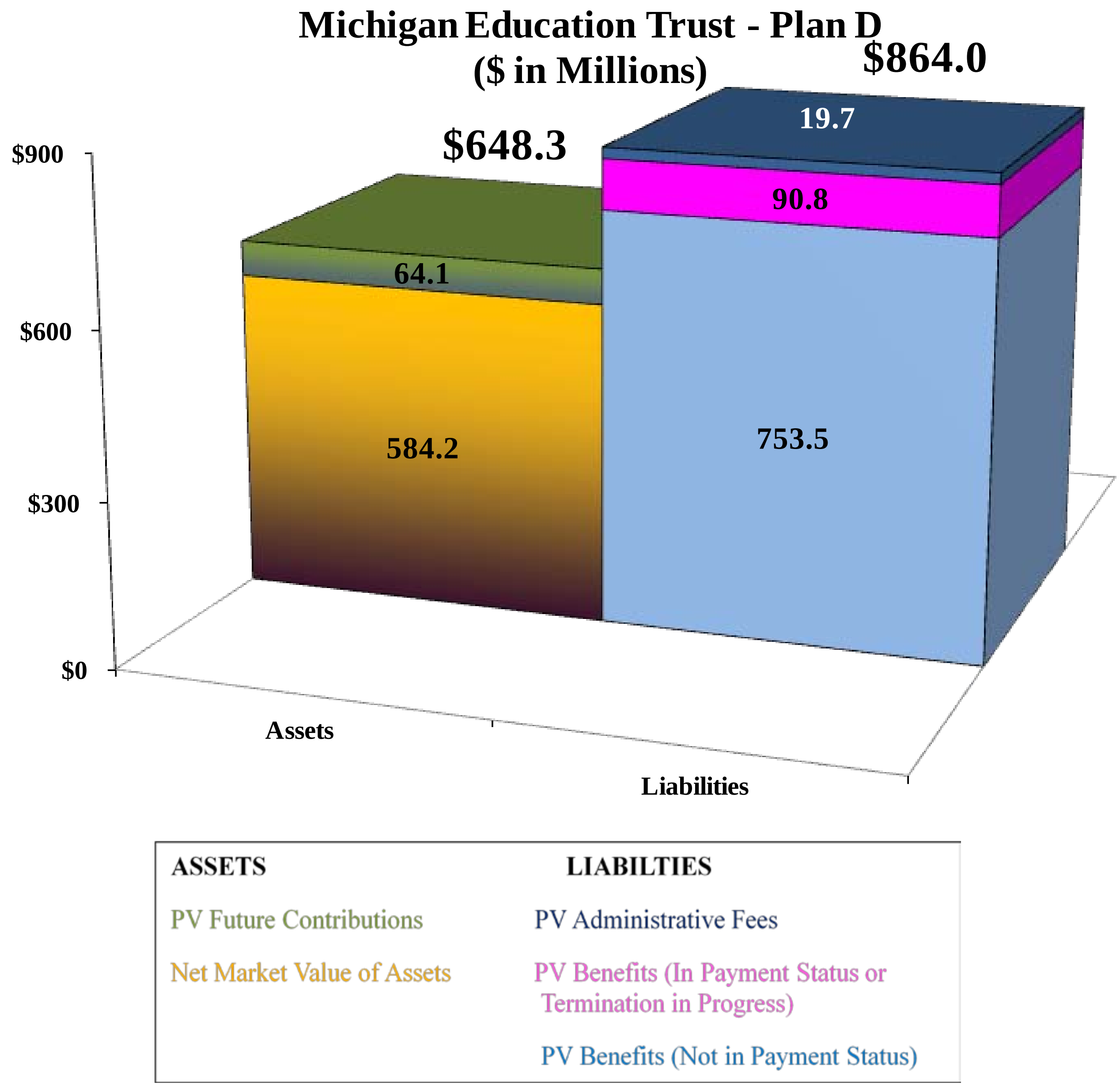
EXECUTIVE SUMMARY

SUMMARY OF RESULTS

Principal Valuation Results

Valuation Date:	September 30, 2011
Membership Summary:	
Counts	
Not yet in Payment Status	30,458
In Payment Status or Termination in Progress	5,725
Total	36,183
Average Years until Enrollment if not yet in Payment Status	5.6
Assets	
· Valuation Assets	$ 648,318,540
· Estimated Return on MVA	0.19%
Actuarial Liabilities (Present Value of Future Tuition Payments, Fees, and Administrative Expenses)	$ 864,034,973
Surplus/(Deficit)	$(215,716,433)
Funded Ratio	75.0%

SUMMARY OF ASSETS AND LIABILITIES AS OF SEPTEMBER 30, 2011



Funded Status as of September 30, 2011

	September 30, 2011
Actuarial Present Value of Future Tuition Payments, Fees and Expenses	$864,034,973
Market Value of Assets (Including the Present Value of Installment Contract Receivables)	$648,318,540
Surplus/(Deficit) as of September 30, 2011	($215,716,433)

Gain/Loss Summary

	Surplus/(Deficit)
Value at September 30, 2010	$ (127,613,127)
Projected Value at September 30, 2011	$ (115,406,468)
Gain/(Loss) Due to:	
Investment Experience	$ (44,128,133)
Tuition/Fee Inflation and Other Experience	(9,916,853)
Change in Discount Rate	(18,653,277)
Change in Tuition Increase Assumption	(27,611,702)
Total	$ (100,309,965)
Actual Value at September 30, 2011	$ (215,716,433)

DISCUSSION

Actuarial Valuation

Gabriel, Roeder, Smith & Company ("GRS") has performed an actuarial soundness valuation of the Michigan Education Trust - Plan D ("MET") as of September 30, 2011.

The primary purposes of the actuarial soundness valuation are to:

- determine the actuarial present value of the obligations for prepaid tuition contracts purchased through September 30, 2011, and compare such liabilities with the value of the assets associated with the program as of that same date; and
- analyze the factors which caused the deficit/surplus to change since the prior actuarial valuation.

This report summarizes the results under the current assumptions and also presents the impact of variances in the rate of tuition and fee increases as well as the rate of investment return on assets.

In addition, the report provides summaries of the member data, financial data, plan provisions, and actuarial assumptions and methods.

Background

MET is a public body created by Michigan's Legislature (Public Act 316 of 1986) and housed within the Michigan Department of Treasury. MET must operate and finance its activities only through its assets. To protect those assets from other uses by the State, only MET, and not the State, controls its assets.

MET allows beneficiaries to lock in future college tuition costs at current prices. The beneficiaries are also eligible for certain federal and state tax advantages.

Three different plan options are available. The **Full Benefits Plan** provides full in-state tuition and mandatory fees at any Michigan public university, or tuition and mandatory fees at Michigan public community colleges (in-district or out-of-district) up to the number of credit hours required for a standard four-year baccalaureate degree (usually 120 semester credit hours). Individuals may purchase the Full Benefits Plan in semester increments up to 10 semesters (five years) of tuition.

The **Limited Benefits Plan** provides in-state tuition and mandatory fees at Michigan public universities, or tuition and mandatory fees at Michigan public community colleges (in-district or out-of-district) up to 105 percent of the weighted average tuition of all Michigan public four-year universities. If a student decides to attend a Michigan public college where tuition costs are higher than average, the number of credits allowed will be prorated based on the number of credit hours MET can purchase with 105 percent of the weighted average cost of Michigan public four-year universities. This plan might not cover the full cost of Michigan's most expensive institutions.

Students who attend a school where tuition is not fully covered under the Limited Benefits Plan will receive the number of credit hours MET can purchase at the time of college enrollment.

For example, in 2011:

- If a student with a four-year Limited Benefits Plan contract attends the University of Michigan-Ann Arbor, MET will pay for 100 credit hours.

- If a student attends Michigan Technological University, MET will pay for 104 credit hours.
- If a student attends Michigan State University, MET will pay for 108 credit hours.

Individuals may purchase the Limited Benefits Plan in semester increments up to 10 semesters (five years).

The **Community College Plan** provides in-district tuition and mandatory fees at Michigan public community colleges. Some areas of the State are not within a community college district. Students who attend a community college out of their district will be responsible for paying the difference between the out-of-district and in-district tuition cost. Individuals may purchase the Community College Plan in semester increments up to four semesters (two years) under this contract.

MET Plan D is open to children from newborn through adult. The Beneficiary must be a resident of the State of Michigan and must have a valid Social Security Number.

Actuarial Assumptions

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The major actuarial assumptions used in this analysis were provided by and are the responsibility of MET.

In the previous soundness valuation, a discount rate assumption of 7.40 percent and a tuition increase assumption of 6.50 percent were used. Each year, the discount rate and tuition increase assumption are reviewed for reasonableness. Staff at the Department of Treasury then recommends updated assumptions to the MET Board. The recommended assumptions for the soundness valuation as of September 30, 2011, are as follows:

- Discount Rate: 7.01 percent
- Tuition Increase Assumption: 7.1 percent

The MET Board approved these assumptions for use in the September 30, 2011, soundness valuation at its December 1, 2011, meeting. The impact of the change in assumptions can be seen in Exhibit II on page 10.

Finally for the prior valuation as of September 30, 2010, mortality rates were assumed to follow the 1990-1991 U.S. Life Tables. For this valuation, no death and disability rates are assumed.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law. We have performed an analysis of the sensitivity of certain changes in future assumptions.

Financial Status of Program

As of September 30, 2011, the present value of all future tuition obligations under contracts outstanding (and including estimated future administrative expenses) at that date is $864.0 million. Fund assets as of September 30, 2011, including the market value of program assets and the present value of installment contract receivables, are $648.3 million.

The difference between the market value of assets of $648.3 million and program obligations of $864.0 million represents a program deficit of $215.7 million. The comparable program deficit as of the last actuarial valuation as of September 30, 2010, was $127.6 million.

Under the approved assumptions, the program is 75.0 percent funded and is expected to pay benefits through 2020 if no new contracts were issued. It should be noted that new contracts are being offered in 2012 and are intended to be offered in future years.

Gain/Loss Analysis

As described above, the program deficit increased from $127.6 million as of September 30, 2010, to $215.7 million as of September 30, 2011. The primary factors which caused the deficit to increase are lower investment return than assumed, tuition increases higher than expected, and a change in the discount rate and tuition increase assumption.

Benefit Provisions

We understand there were no changes in the program provisions since the last actuarial valuation as of September 30, 2010.

Assets

MET assets are held in trust. MET provided the asset information used in the September 30, 2011, actuarial valuation.

This report contains several exhibits summarizing the plan's assets, including a summary of the market value of assets broken down by asset category and a reconciliation of the assets from the last valuation date to the current valuation date.

SECTION B

VALUATION RESULTS

Exhibit I
Principal Valuation Results as of September 30, (Continued)

		2011	2010[a]
1	Number of Members		
	a. Not yet in Payment Status:	30,458	
	b. In Payment Status or Termination in Progress:	5,725	
	c. Total	36,183	34,594
	Average Years until Enrollment if Not Yet In Payment Status	5.6	
2	Assets		
	a. Market Value of Assets (in Trust)	$ 584,236,997	
	b. PV Future Member Contributions	64,081,543	
	c. Total Market Value of Assets (MVA)	$ 648,318,540	$ 634,961,127
3	Actuarial Results		
	Liabilities - Tuition and Fees		
	a. Not yet in Payment Status:	$ 753,471,683	
	b. In Payment Status or Termination in Progress:	90,851,941	
	c. Total	$ 844,323,624	$ 762,574,254
	Liabilities - Present Value of Future Administrative Expenses	$ 19,711,349	N/A
	Liabilities Total	$ 864,034,973	$ 762,574,254
	Surplus/(Deficit)	$ (215,716,433)	$ (127,613,127)
	Funded Ratio	75.0%	83.3%

[a] *Based on the valuation results of the prior actuary.*

Exhibit I
Principal Valuation Results (Continued)

	2011	2010[a]
1 Assets		
a. Market Value of Assets (in Trust)	$ 584,236,997	
b. PV Future Member Contributions (Short Term)[b]	15,715,049	
c. PV Future Member Contributions (Long Term)[c]	48,366,494	
d. Total Market Value of Assets (MVA)	$ 648,318,540	$ 634,961,127
2 Actuarial Present Value of Tuition, Fees and Admin Expenses		
a. Short Term[b]	$ 90,791,460	
b. Long Term[c]	773,243,513	
c. Total	$ 864,034,973	$ 762,574,254
Surplus/(Deficit)	$ (215,716,433)	$ (127,613,127)
Funded Ratio	75.0%	83.3%

[a] *Based on report of the prior actuary*
[b] *Present value of amounts in following year.*
[c] *Present value of amounts after first year.*

Exhibit II
Gain/Loss Summary

	Present Value of Benefits	Valuation Assets	Surplus/(Deficit)
Values at September 30, 2010	$ 762,574,254	$ 634,961,127	$ (127,613,127)
Projected Values at September 30, 2011	$ 807,131,936	$ 691,725,468	$ (115,406,468)
Gain/(Loss) Due to:			
Investment Experience	$ -	$ (44,128,133)	$ (44,128,133)
Tuition/Fee Inflation and Other Experience	9,916,853	-	(9,916,853)
Change in Discount Rate	19,374,482	721,205	(18,653,277)
Change in Tuition Increase Assumption	27,611,702	-	(27,611,702)
Total	$ 56,903,037	$ (43,406,928)	$ (100,309,965)
Actual Values at September 30, 2011	$ 864,034,973	$ 648,318,540	$ (215,716,433)

Exhibit III
Sensitivity Testing Results

The actuarial assumptions regarding future increases in tuition costs and fees and the future rate of investment return were prescribed to us by MET. In our opinion, the assumptions prescribed to us are reasonable for the purpose of the measurement. However, no one knows with certainty what the future holds with respect to economic and other contingencies. For example, while it is assumed that the assets of the fund will earn 7.01 percent each year throughout the life of the contracts, actual returns are expected to vary from year to year. Therefore, we have projected MET results under alternative assumptions for future investment income and tuition increases, as follow:

1. Previous year’s assumptions (7.40 percent investment return, 6.50 percent tuition increases)
2. Tuition increases are 100 basis points higher/lower in each future year than assumed in the previous year’s soundness valuation.
3. The investment return is 100 basis points higher/lower in each future year than assumed in the previous year’s soundness valuation.
4. Tuition increases are 100 basis points lower and the investment return is 100 basis points higher in each future year than assumed in the previous year’s soundness valuation.
5. Tuition increases are 100 basis points higher and the investment return is 100 basis points lower in each future year than assumed in the previous year’s soundness valuation.
6. Final valuation assumptions approved by the MET Board

The impact of each of these scenarios on the principal valuation results is presented on the following page.

Exhibit III
Sensitivity Testing Results (Continued)

$ in Millions

	Baseline Valuation Assumptions	Assumed Tuition Increases +100 Basis Points	Assumed Tuition Increases - 100 Basis Points	Assumed Investment Return +100 Basis Points	Assumed Investment Return -100 Basis Points	Assumed Tuition Increases - 100 Basis Points and Investment Return +100 Basis Points	Assumed Tuition Increases +100 Basis Points and Investment Return -100 Basis Points	Final Valuation Assumptions
Assumed Investment Return	7.40%	7.40%	7.40%	8.40%	6.40%	8.40%	6.40%	7.01%
Assumed Tuition Increases	6.50%	7.50%	5.50%	6.50%	6.50%	5.50%	7.50%	7.10%
1 Assets								
a. Market Value of Assets (in Trust)	$584.2	$584.2	$584.2	$584.2	$584.2	$584.2	$584.2	$584.2
b. PV Future Member Contributions	63.4	63.4	63.4	61.6	65.2	61.6	65.2	64.1
c. Total Market Value of Assets (MVA)	$647.6	$647.6	$647.6	$645.8	$649.4	$645.8	$649.4	$648.3
2 Actuarial Results								
Liabilities - Tuition and Fees								
a. Not yet in Payment Status:	$707.8	$751.8	$667.2	$663.1	$757.3	$626.2	$805.9	$753.5
b. In Payment Status or Termination in Progress:	90.1	90.6	89.7	89.2	91.2	88.7	91.7	90.8
c. Total	$797.9	$842.4	$756.9	$752.3	$848.5	$714.9	$897.6	$844.3
Liabilities - PV of Future Admin. Expenses	$19.1	$19.7	$18.5	$18.4	$19.8	$17.9	$20.4	$19.7
Liabilities Total	$817.0	$862.1	$775.4	$770.7	$868.3	$732.8	$918.0	$864.0
Surplus/(Deficit)	($169.4)	($214.5)	($127.8)	($124.9)	($218.9)	($87.0)	($268.6)	($215.7)
Funded Ratio	79.3%	75.1%	83.5%	83.8%	74.8%	88.1%	70.7%	75.0%
Difference From Results based on Previous Year's Assumptions								
Deficit	$0.0	-$45.1	$41.6	$44.5	-$49.5	$82.4	-$99.2	-$46.3
Funded Ratio	0.0%	-4.2%	4.2%	4.5%	-4.5%	8.8%	-8.6%	-4.3%

SECTION C

FUND ASSETS

STATEMENT OF PLAN ASSETS (ASSETS AT MARKET VALUE)

Michigan Education Trust - Plan D

Statement of Plan Net Assets

Year ended September 30, 2011

1. Cash and cash equivalents	$	14,308,124
2. Investments		
a. Short-term Investments	$	48,800,005
b. Unamortized discount on short-term investments		(1,011,750)
c. Bonds		160,006,157
d. Equity mutual funds		363,575,876
Total investments	$	571,370,288
3. Receivables		
a. Advances to state general fund	$	-
b. Interest and dividends receivable		1,515,929
c. Tuition contracts receivable		64,081,543
d. Due from others		40,297
Total receivables	$	65,637,769
4. Liabilities		
a. Undisbursed charitable tuition	$	-
b. Compensated absences		-
c. Due to vendors and contract purchasers		-
d. Due to MET Program (if applicable)		2,997,641
Total liabilities	$	2,997,641
5. Net assets = (1) + (2) + (3) - (4)	$	648,318,540

RECONCILIATION OF PLAN ASSETS

Michigan Education Trust - Plan D
Statement of Changes in Plan Net Assets
Twelve Month Period ended September 30, 2011

1. Value of assets at beginning of year	$	634,961,126
2. Changes during year		
a. Additions		
(1) Investment income	$	12,525,755
(2) Miscellaneous income		117,782
(3) Net gain on sale of security		520,085
(4) Prepaid tuition of 2011 enrollments		32,332,551
(5) Other contracts receipts		39,040,231
Total Additions = (1) + (2) + (3) + (4) + (5)	$	84,536,404
b. Deductions		
(1) Administrative and other expenses	$	2,948,174
(2) Amounts paid under contracts		
(a) Tuition benefits		46,097,275
(b) Termination benefits		
[1] Paid to colleges	$	6,241,834
[2] Loan defaults/Death refunds		192,171
[3] Paid to refund designee		2,216,023
Total termination benefits	$	8,650,028
Total paid under contracts = (a) + (b)	$	54,747,303
Total Deductions = (1) + (2)	$	57,695,477
c. Unrealized appreciation (depreciation)	$	(13,483,512)
Net increases (decreases) during year = a - b + c	$	13,357,415
Net value of assets at end of year = 1 + 2	$	648,318,540

SECTION D

PARTICIPANT DATA

HISTORICAL SUMMARY AS OF SEPTEMBER 30, 2011

	2011	2010	2009	2008	2007
Number of Contracts					
Lump Sum					
Full benefits	18,800	17,945	16,849	15,719	14,378
Limited benefits	4,739	4,412	4,157	3,963	3,730
Community college	1,689	1,616	1,532	1,478	1,387
Monthly Purchase					
Full benefits	7,122	6,947	6,637	6,212	5,847
Limited benefits	2,256	2,134	1,995	1,847	1,739
Community college	1,577	1,540	1,446	1,351	1,265
Total	**36,183**	**34,594**	**32,616**	**30,570**	**28,346**
Assets					
Market value	**$648,318,540**	**$634,961,127**	**$589,643,148**	**$559,065,992**	**$607,243,457**

CONTRACT DATA SUMMARY

	Lump Sum			Monthly Purchase			
	Full Benefits	**Limited Benefits**	**Community College**	**Full Benefits**	**Limited Benefits**	**Community College**	**Total**
Total as of 9/30/2010	17,945	4,412	1,616	6,947	2,134	1,540	34,594
Adjustment for prior years	86	34	0	32	8	2	162
New contracts issued	1,466	552	137	370	202	87	2,814
Contracts paid in full	(697)	(259)	(64)	(227)	(88)	(52)	(1,387)
Total as of 9/30/2011	**18,800**	**4,739**	**1,689**	**7,122**	**2,256**	**1,577**	**36,183**

CONTRACTS IN PAYMENT STATUS AS OF SEPTEMBER 30, 2011

	Full Benefits Contracts	Limited Benefits Contracts	Community College Contracts	Total
1. Michigan Public 4-Year College				
Central Michigan University	229	100	1	330
Eastern Michigan University	83	40	0	123
Ferris State University	63	24	0	87
(Kendall Art & Design of Ferris)	8	5	0	13
Grand Valley State University	199	77	0	276
Lake Superior State University	12	4	0	16
Michigan State University	850	186	5	1,041
Michigan Technological University	38	17	0	55
Northern Michigan University	50	11	1	62
Oakland University	123	46	1	170
Saginaw Valley State University	30	13	0	43
University of Michigan-Dearborn	65	20	0	85
University of Michigan-Flint	25	13	0	38
University of Michigan-Ann Arbor	966	94	1	1,061
Wayne State University	114	43	0	157
Western Michigan University	150	74	2	226
Total Michigan Public 4-Year College	**3,005**	**767**	**11**	**3,783**

CONTRACTS IN PAYMENT STATUS AS OF SEPTEMBER 30, 2011 (CONT'D)

	Full Benefits Contracts	Limited Benefits Contracts	Community College Contracts	Total
2. Michigan Community College				
Alpena Community College	0	0	0	0
Bay De Noc Community College	0	1	1	2
Delta College	6	2	7	15
Glen Oaks Community College	0	0	2	2
Gogebic Community College	0	0	0	0
Grand Rapids Community College	13	4	14	31
Henry Ford Community College	15	3	16	34
Jackson Community College	3	1	4	8
Kalamazoo Valley Community College	6	3	12	21
Kellogg Community College	1	1	3	5
Kirtland Community College	1	0	0	1
Lake Michigan Community College	2	1	5	8
Lansing Community College	18	12	36	66
Macomb County Community College	24	8	45	77
Mid-Michigan Community College	3	1	1	5
Monroe Community College	1	1	4	6
Montcalm Community College	0	0	0	0
Mott Community College	8	2	8	18
Muskegon Community College	0	0	7	7
North Central Michigan College	4	1	1	6
Northwestern Michigan College	4	0	9	13
Oakland Community College	33	10	32	75
Schoolcraft College	21	13	25	59
Southwestern Michigan College	1	0	5	6
St. Clair County Community College	2	0	14	16
Washtenaw Community College	14	11	14	39
Wayne County Community College	5	5	9	19
West Shore Community College	0	0	1	1
Total Michigan Community College	**185**	**80**	**275**	**540**
Total Active Contracts (1.) + (2.)	**3,190**	**847**	**286**	**4,323**

CONTRACTS IN PAYMENT STATUS AS OF SEPTEMBER 30, 2011 (CONT'D)

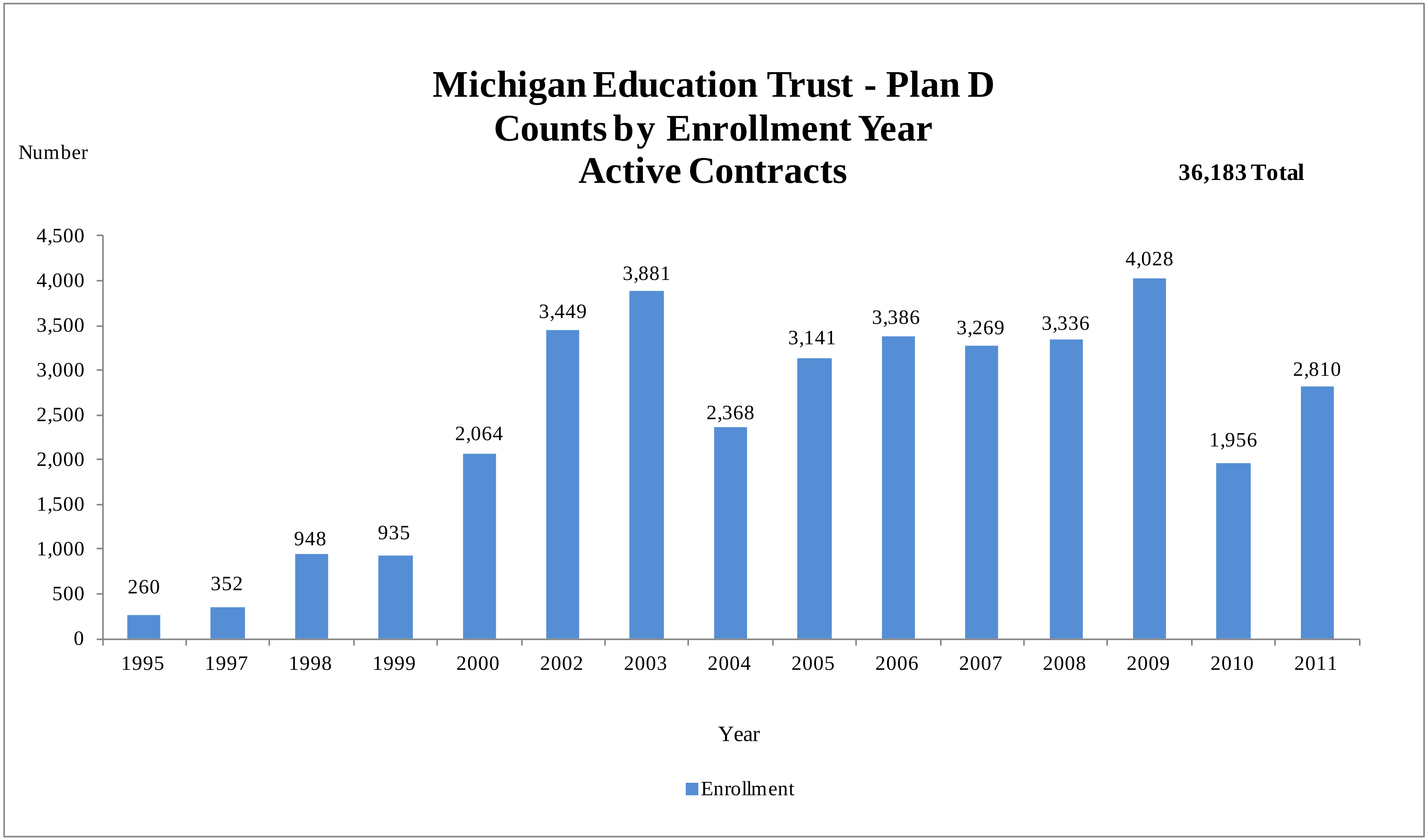
	Full Benefits Contracts	Limited Benefits Contracts	Community College Contracts	Total
3. Terminations in Progress				
Reason:				
Private College	259	70	25	354
Out of State/Pay College	470	70	11	551
Out of State/Pay Refund Designee	16	18	3	37
Full Scholarship	39	3	4	46
Not Attending College	96	23	8	127
Attend Community College with Full Benefits Contract	23	23	0	46
Attend 4-year College with Community College Contract	0	0	108	108
Military Termination	7	4	1	12
Total Terminations in Progress	**910**	**211**	**160**	**1,281**
4. Inactive Students	**103**	**15**	**3**	**121**
Grand Total, Contracts in Payment Status (1.) + (2.) + (3.) + (4.)	**4,203**	**1,073**	**449**	**5,725**
5. Not Yet in Payment Status	**21,719**	**5,922**	**2,817**	**30,458**
Grand Total, Active Contracts (1.) + (2.) + (3.) + (4.) + (5.)	**25,922**	**6,995**	**3,266**	**36,183**

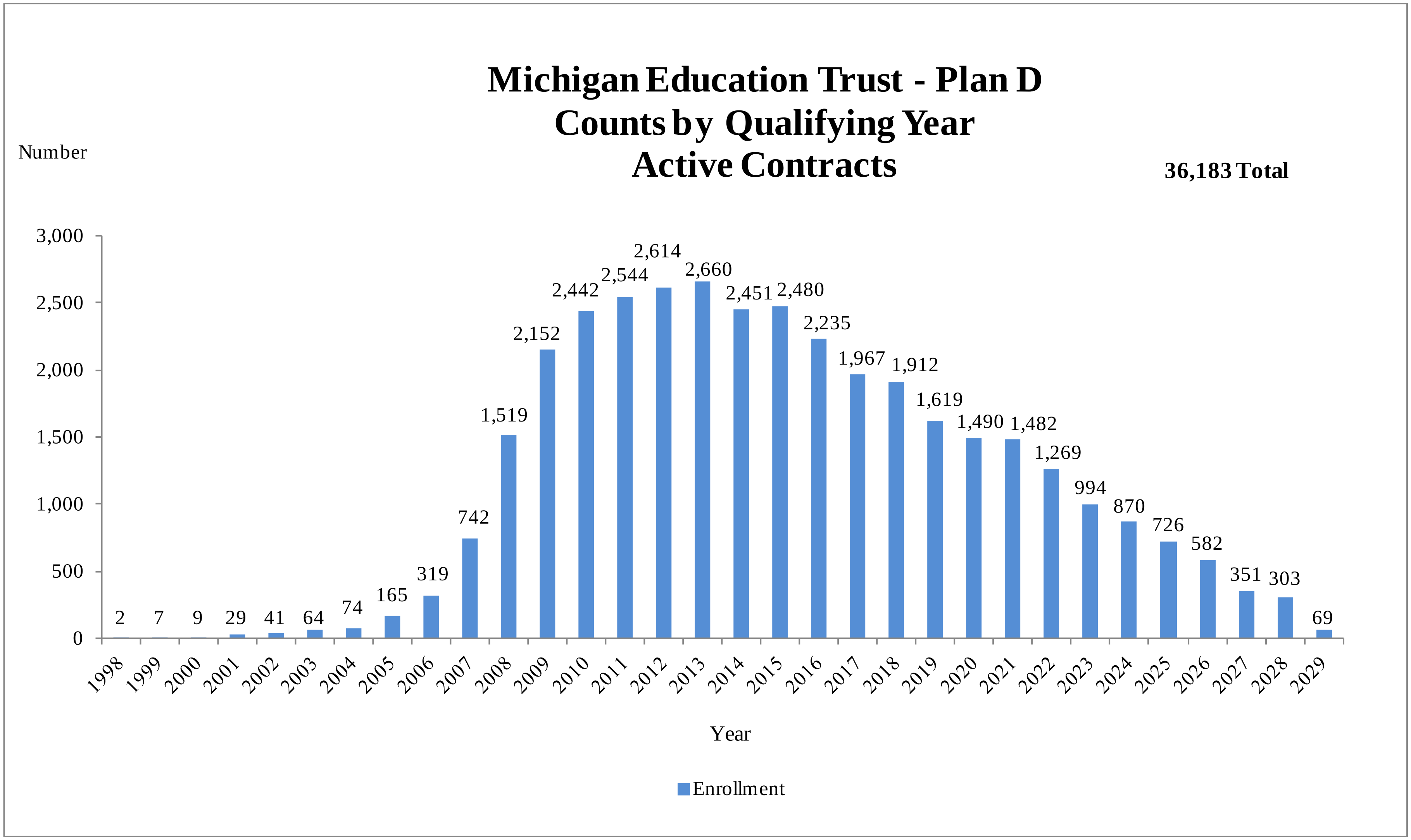
CONTRACTS PAID IN FULL IN THE YEAR ENDING SEPTEMBER 30, 2011

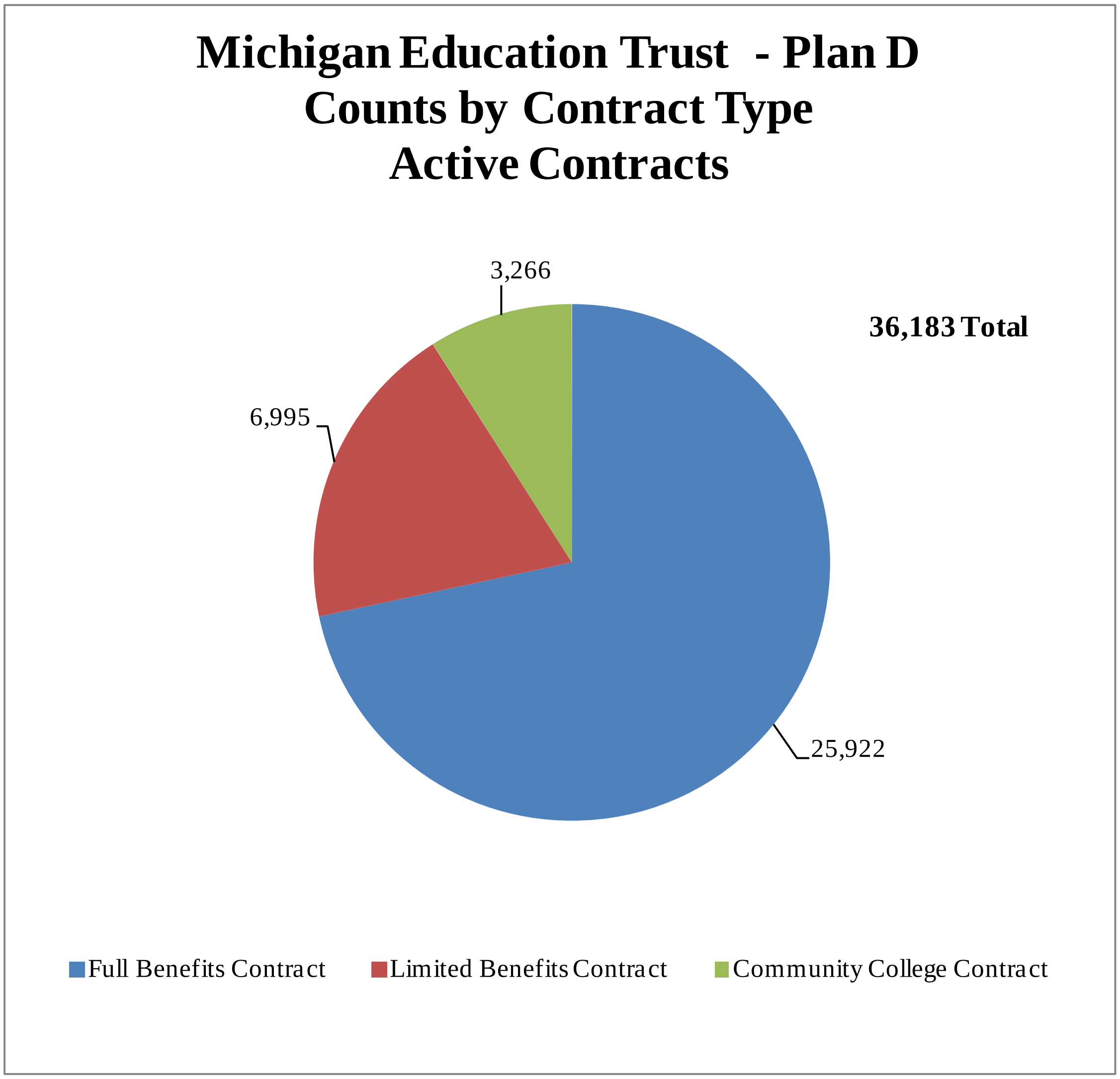
	Lump Sum			Monthly Purchase			
	Full Benefits	Limited Benefits	Community College	Full Benefits	Limited Benefits	Community College	Total
1. Attended Public Colleges	545	212	34	161	65	32	1,049
2. Terminations							
Private Colleges	49	16	4	10	9	2	90
Out-of-State/Pay College	53	12	1	29	3	0	98
Out-of-State/Pay Refund Designee	4	2	0	2	1	0	9
Full Scholarship	13	1	0	3	0	1	18
Not Attending College	16	8	4	16	8	10	62
Death	0	0	0	0	0	0	0
Attending Community College with Full Benefits Contract	15	7	0	6	2	0	30
Attending 4- year College with Community College Contract	0	0	21	0	0	5	26
Other	2	1	0	0	0	2	5
Total Terminations	152	47	30	66	23	20	338
Total Contracts Paid in Full	**697**	**259**	**64**	**227**	**88**	**52**	**1,387**

ACTIVE MONTHLY PURCHASE CONTRACTS

	Full Benefits	Limited Benefits	Community College	Total
Active Purchasers as of 9/30/2010	3239	1098	681	5018
Adjustment for prior years	(12)	(12)	29	5
Contracts issued in 2011	370	202	87	659
Purchases completed	(528)	(163)	(94)	(785)
Discontinued	(68)	(23)	(45)	(136)
Active Purchasers as of 9/30/2011	**3001**	**1102**	**658**	**4761**


Michigan Education Trust - Plan D
Counts by Enrollment Year
Active Contracts
36,183 Total
Number
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
260
352
948
935
2,064
3,449
3,881
2,368
3,141
3,386
3,269
3,336
4,028
1,956
2,810
1995
1997
1998
1999
2000
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
Year
Enrollment


Michigan Education Trust - Plan D
Counts by Qualifying Year
Active Contracts
36,183 Total
Number
3,000
2,500
2,000
1,500
1,000
500
0
2
7
9
29
41
64
74
165
319
742
1,519
2,152
2,442
2,544
2,614
2,660
2,451
2,480
2,235
1,967
1,912
1,619
1,490
1,482
1,269
994
870
726
582
351
303
69
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
Year
Enrollment


Michigan Education Trust - Plan D
Counts by Contract Type
Active Contracts
3,266
36,183 Total
6,995
25,922
Full Benefits Contract
Limited Benefits Contract
Community College Contract

SECTION E

METHODS & ASSUMPTIONS

VALUATION METHODS AND ASSUMPTIONS

The actuarial assumptions used in the valuation are shown in this Section.

Measurement Date September 30, 2011

The net investment return rate 7.01 percent per annum, compounded annually

Weighted Average Tuition and Increases by Contract Type

	Four Year Public College	Community College
Weighted Average Tuition and Fees	$11,125	$2,918
Average Tuition and Fees	$10,847	$3,073
Lowest Tuition and Fees	$8,433	$2,138
Tuition and Fees Increase Assumption	7.10%	7.10%

The Tuition and Fee increase assumptions were chosen by the Board and consider historical public tuition and fee inflation over a 5 to 10-year horizon, as well as current economic and political conditions.

Administrative Expenses

Administrative expenses of the Program are assumed to be paid through a combination of investment earnings and fees assessed on purchasers. Total administrative expenses budgeted for MET Plans B and C and MET Plan D net of advertising and public relations expenses is equal to $3,724,710. This amount was prorated by the number of active contracts in MET Plans B and C vs. MET Plan D. Therefore, the amount budgeted for MET II in 2011-2012 is $2,842,015. This amount is inflated by 3.5 percent per year. Furthermore, it is assumed that future contract purchases would cover advertising and public relations expenses. Advertising and public relations expenses for 2011-2012 were budgeted to be $660,000. This amount is also inflated by 3.5 percent per year.

Bias Load

A load of 10.0 percent was added to the WAT for all contract types to recognize the bias toward enrollment at more expensive schools.

Experience Load

Two features of the program may cause greater payments than expected. These two features are a) the ability of a beneficiary to attend a college for which block pricing is in effect resulting in the possibility of having the program pay for more years than purchased and b) the ability of a beneficiary to have more than 120 hours covered (even though, for example, four years of coverage was purchased) due to being in a specific program requiring more than 120 hours for an undergraduate degree (e.g. Engineering). A load of 2.0 percent was added to all liabilities to account for this.

Future Contract Sales

MET Plan D is open to new entrants. It is assumed that 3,000 contracts will be sold during each future enrollment period.

Utilization of Benefits (applies only to members that have not begun utilizing benefits)

Beneficiaries are assumed to use the benefits as defined in the contract beginning in their qualifying year and subsequently according to the following schedule:

Distribution of Benefit Utilization				
Number of Years Since Benefit Utilization Begins	Number of Years Purchased			
	0 - 1	1 - 2	2 - 3	More than 3
1	85%	45%	33%	24%
2	10%	30%	25%	24%
3	5%	15%	18%	20%
4		5%	12%	18%
5		5%	7%	7%
6			3%	3%
7			2%	2%
8				1%
9				1%

Utilization of Benefits (applies only to members that have begun utilizing benefits)

Once a beneficiary has begun using benefits, it is assumed that beneficiaries will utilize 30 credits per year until benefits are fully depleted.

Contract Terminations

Refund Type	Refund	Amount of Refund - Full or Limited Benefits	Amount of Refund - Community College Benefits	Termination Code and Code Description	Distribution of Contract Termination		
					Full Benefits	Limited Benefits	Community College Benefits
1	Weighted Average Tuition	$ 11,125	$ 2,918	1 - Attend Mich. Independent college direct refund to college	25.0%	24.5%	10.0%
2	Average Tuition	$ 10,847	$ 3,073	2 - Attend out of state college - direct refund to college 4 - Full scholarship	43.0%	18.0%	11.0%
3	Lowest Tuition	$ 8,433	$ 2,138	3 - Attend Mich. Independent or out of state college - direct refund to refund designee 5 - Will not attend college 10 - Other (military)	28.0%	47.5%	29.0%
4	Lowest Tuition	$ 8,433	$ 2,138	7 - Purchase full or limited benefit, but attend community college	4.0%	10.0%	0.0%
5	Community College WAT	$ 2,918	$ 2,918	8 - Purchase community college, but attend 4-yr public college	0.0%	0.0%	50.0%
6	Lowest Tuition	$ 8,433	$ 2,138	6 - Death or disability	0.0%	0.0%	0.0%
				Average Refund	**$ 10,144**	**$ 9,527**	**$ 2,708**

Refunds are paid out in accordance with the contract provisions over a period of 4 years for full and limited benefit contracts and 2 years for community college contracts.

Probability of Refund in Qualifying Year

Years from Qualifying Year at Time of Valuation	Full Benefits	Limited Benefits	Community College
-2 or more	29%	32%	54%
-1	15%	16%	28%
0	10%	11%	19%
1	8%	8%	14%
2	6%	6%	10%
3	4%	4%	8%
4	3%	3%	6%
5	2%	2%	3%
6	1%	1%	2%
7	1%	1%	1%
8 or more	0%	0%	0%

Negative values represent period to qualifying year, positive values represent period after qualifying year.

Mortality and disability

No assumption is made for death or disability. Valuing the rate of incidence is expected to be immaterial.

SECTION F

PLAN PROVISIONS

PLAN PROVISIONS

A. Issue Years : 1995, 1997, 1998, 1999, 2000, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, and 2010.

B. Benefit Provisions

1. Full Benefits Plan

a. Michigan Public 4-Year College	Full benefits plan provides for tuition and mandatory fees for the number of years specified in the contract, from one to four years.
b. Community College	If the beneficiary elects to attend a community college, MET will pay the community college tuition cost or the lowest university tuition cost, depending on the options selected by the beneficiary.
c. Michigan Independent College	If the beneficiary elects to attend a Michigan independent college, the contract may be terminated, and MET will pay tuition to the independent college based on the weighted average tuition cost. If the payment is not made to the college, the amount will be based on the lowest tuition.
d. Out-of-State College	If the beneficiary elects to attend an out-of-state college, the contract may be terminated, and MET will pay to the college four annual installments based on the average tuition cost. If payment is not made to the college, the amount will be based on the lowest tuition.
e. Full Scholarship	If the beneficiary receives a full scholarship, the contract may be terminated, and MET will pay four annual installments based on the average tuition cost.
f. Death or Disability	If the beneficiary dies or has a disability which renders the beneficiary incapable of attending college, the contract may be terminated, and MET will pay one installment based on the lowest tuition cost.
g. No College	If the beneficiary does not attend college, the contract may be terminated, and MET will pay four annual installments based on the lowest tuition cost.

2. Limited Benefits Plan

a. Michigan Public 4-Year College	Limited benefits plan provides for tuition and mandatory fees for the number of years specified in the contract, from one to four years not to exceed 105% of the WAT. However, if tuition and mandatory fees exceed 105% of the WAT, the beneficiary is provided a reduced number of credit hours.
b. Community College	If the beneficiary elects to attend a community college, MET will pay the community college tuition cost or the lowest university tuition cost, depending on options selected by the beneficiary.
c. Michigan Independent College	If the beneficiary elects to attend a Michigan independent college, the contract may be terminated, and MET will provide funds to the independent college based on the weighted average tuition at the colleges with tuition less than 105% of the weighted average tuition. If payment is not made to the college, the amount will be based on the lowest tuition.
d. Out-of-State College	If the beneficiary elects to attend an out-of-state college, the contract may be terminated, and MET will pay four annual installments based on the lowest tuition cost.
e. Full Scholarship	If the beneficiary receives a full scholarship, the contract may be terminated, and MET will pay four annual installments based on the lowest tuition cost.
f. Death or Disability	If the beneficiary dies or has a disability which renders the beneficiary incapable of attending college, the contract may be terminated, and MET will pay one installment based on the lowest tuition cost.
g. No College	If the beneficiary does not attend college, the contract may be terminated, and MET will pay four annual installments based on the lowest tuition cost.

3. Community College Plan

a. Community College	Community college plan provides for tuition and mandatory fees for the number of years specified in the contract, from one to two years.
b. Other Michigan College	If the beneficiary elects to attend a Michigan four-year public college or a Michigan independent college, the contract may be terminated, and MET will pay tuition to the college in two annual installments as needed based on the community college weighted average tuition cost in the year prior to the contract termination.
c. Out-of-State College	If the beneficiary elects to attend an out-of-state college, the contract may be terminated, and MET will pay to the college two annual installments based on the community college average tuition cost. If payment is not made to the college, the amount will be based on the lowest tuition.
d. Full Scholarship	If the beneficiary receives a full scholarship, the contract may be terminated, and MET will pay two annual installments based on the community college average tuition cost.
e. Death or Disability	If the beneficiary dies or has a disability which renders the beneficiary incapable of attending college, the contract may be terminated, and MET will pay one installment based on the community college lowest tuition cost.
f. No College	If the beneficiary does not attend college, the contract may be terminated, and MET will pay two annual installments based on the community college lowest tuition cost.

C. Transferability	If the contract is transferred to an older beneficiary, MET may charge additional costs, which include a transfer fee, the cost differential between beneficiary ages/grades and MET's loss of investment income. If the older beneficiary accepts the academic year of the original beneficiary, the additional cost can be waived.

D. Monthly Purchase

The purchaser of a monthly purchase contract purchases a percent of educational benefits with every monthly purchase amount which is received by MET. A purchaser may choose to make monthly payments over 4, 7, 10, or 15 years.