

Monroe County Employees' Retirement System

For the Years
Ended
December 31,
2011 and 2010

Financial
Statements

MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

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INDEPENDENT AUDITORS' REPORT

June 18, 2012

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

We have audited the accompanying statements of plan net assets of the *Monroe County Employees' Retirement System* (the "System") as of December 31, 2011 and 2010, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Monroe County Employees' Retirement System pension trust fund and do not purport to, and do not present fairly the financial position and the changes in financial position of Monroe County as of and for the years ended December 31, 2011 and 2010, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the System's net assets held in trust for pension benefits at December 31, 2011 and 2010, and changes therein for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the schedules of funding progress and contributions on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.



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FINANCIAL STATEMENTS

MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

Statements of Plan Net Assets

December 31, 2011 and 2010

	2011	2010
Assets		
Investments, at fair value		
U.S. treasuries	\$ 20,429,631	\$ 15,120,941
U.S. agencies	8,521,699	9,834,087
Foreign government bonds	13,241,677	10,035,931
Corporate bonds	31,699,747	33,674,729
Municipal bonds	476,133	715,893
Bond mutual fund	2,782,314	3,688,369
Domestic equities	34,651,993	36,973,181
International equities	7,302,298	11,656,389
American depository receipts	30,418,121	34,778,284
Domestic real estate investment trusts	1,995,591	1,987,802
International real estate investment trusts	1,912,205	2,686,448
Collateralized mortgage obligations	1,201,567	3,989,569
Money market	11,451,852	11,997,287
Total investments	<u>166,084,828</u>	<u>177,138,910</u>
Accounts receivable	472,667	494,208
Accrued interest and dividends receivable	<u>865,944</u>	<u>873,590</u>
Total assets	<u><u>167,423,439</u></u>	<u><u>178,506,708</u></u>
Liabilities		
Accounts payable and accrued expenses	637,740	1,364,796
Obligation for impaired investment of securities lending collateral	347,334	347,334
Foreign currency forward contracts payable	<u>123,188</u>	<u>91,947</u>
Total liabilities	<u><u>1,108,262</u></u>	<u><u>1,804,077</u></u>
Net assets held in trust for pension benefits (a schedule of funding progress is presented on Page 16)	<u><u>\$ 166,315,177</u></u>	<u><u>\$ 176,702,631</u></u>

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

MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

Statements of Changes in Plan Net Assets

For the Years Ended December 31, 2011 and 2010

	2011	2010
Additions		
Investment income:		
<i>From investing activities:</i>		
Net appreciation (depreciation) in fair value of investments	\$ (7,916,134)	\$11,584,757
Interest and dividends	5,212,531	5,476,869
Total investment gain (loss)	<u>(2,703,603)</u>	<u>17,061,626</u>
Investment management fees	<u>(914,322)</u>	<u>(976,152)</u>
Net gain (loss) from investing activities	<u>(3,617,925)</u>	<u>16,085,474</u>
<i>From securities lending activities:</i>		
Gross earnings	37,445	35,972
Borrower rebates	3,980	1,182
Securities lending fees	(12,412)	(13,205)
Loss on impairment of invested securities lending collateral	<u>-</u>	<u>(347,334)</u>
Net income (loss) from securities lending activities	<u>29,013</u>	<u>(323,385)</u>
Total net investment gain (loss)	<u>(3,588,912)</u>	<u>15,762,089</u>
Contributions:		
Employer	5,994,825	5,938,425
Participants:		
Regular	180,239	170,359
Time purchase	<u>482,699</u>	<u>1,666,173</u>
Total contributions	<u>6,657,763</u>	<u>7,774,957</u>
Total additions	<u>3,068,851</u>	<u>23,537,046</u>
Deductions		
Participant benefits	12,431,710	10,717,539
Participant refunds	736,163	1,477,250
Administrative expenses	<u>288,432</u>	<u>285,872</u>
Total deductions	<u>13,456,305</u>	<u>12,480,661</u>
Net additions (deductions) to net assets held in trust for benefits	(10,387,454)	11,056,385
Net assets held in trust for benefits, beginning of year	<u>176,702,631</u>	<u>165,646,246</u>
Net assets held in trust for benefits, end of year	<u>\$ 166,315,177</u>	<u>\$ 176,702,631</u>

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

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NOTES TO FINANCIAL STATEMENTS

MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

1. PLAN DESCRIPTION

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

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

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

System membership was determined as part of an actuarial valuation of the System as of December 31, 2010 and 2009, respectively, and consisted of the following at December 31:

	2010	2009
Retirees and beneficiaries currently receiving benefits	645	556
Terminated employees entitled to but not yet receiving benefits	138	136
Active participants	818	912

Central Dispatch supervisors are required to contribute 3.0% of the first \$7,800 in earnings and 5.0% of earnings thereafter to the System. Sheriff Command officers are required to contribute 1.53% of their annual earnings. Technical, Professional and Officeworkers union members hired after October 26, 2010 are required to contribute 3.0% of their annual earnings. Road Commission employees are required to contribute 3.1% of their annual earnings. All other County employees, along with employees of the Library System, Drain Commissioner, County Agency and Community Mental Health Authority, are not required to contribute.

The employer contributes such additional amounts, as necessary based on an actuarial determination, to provide assets sufficient to pay for member benefits. Employer contributions for the year ended December 31, 2011 totaled \$5,994,825 (including \$190,850 from the County for Central Dispatch employees, \$762,537 from the Road Commission, \$513,826 from the Community Mental Health Authority, \$388,958 from the Library and \$211,471 from the County Agency).

Employer contributions for the year ended December 31, 2010 totaled \$5,938,425 (including \$184,022 from the County for Central Dispatch employees, \$737,517 from the Road Commission, \$431,557 from the Community Mental Health Authority, \$355,740 from the Library and \$247,904 from the County Agency).

MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

3. INVESTMENTS AND SECURITIES LENDING

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

	2011	2010
Investments at fair value, as determined by quoted market price:		
U.S. treasuries	\$ 20,429,631	\$ 15,120,941
U.S. agencies		
Not on securities loan	6,038,550	9,573,787
On securities loan	2,483,149	260,300
Foreign government bonds	13,241,677	10,035,931
Corporate bonds		
Not on securities loan	31,699,747	32,458,812
On securities loan	-	1,215,917
Municipal bonds	476,133	715,893
Bond mutual fund	2,782,314	3,688,369
Domestic equities		
Not on securities loan	32,424,108	19,468,272
On securities loan	2,227,885	17,504,909
International equities	7,302,298	11,656,389
American depository receipts	30,418,121	34,778,284
Domestic real estate investment trusts	1,995,591	1,987,802
International real estate investment trusts	1,912,205	2,686,448
Collateralized mortgage obligations	1,201,567	3,989,568
Money market	11,451,852	11,997,288
Total investments	<u>\$ 166,084,828</u>	<u>\$ 177,138,910</u>

MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

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

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

As of December 31, 2011, the System's investments in debt securities were rated by Standard & Poor's as follows:

Rating	U.S. agencies	Foreign government bonds	Corporate bonds	Municipal bonds	Collateralized mortgage obligations
AAA	\$ 8,521,699	\$ 6,589,261	\$ 566,135	\$ -	\$ 237,647
AA+	-	-	2,369,817	-	-
AA	-	-	2,365,775	-	-
AA-	-	-	2,299,413	-	-
A+	-	-	2,551,491	476,133	77,992
A	-	1,301,619	9,673,606	-	-
A-	-	-	3,112,131	-	-
BBB+	-	-	5,224,007	-	-
BBB	-	-	1,850,253	-	-
BBB-	-	-	1,676,504	-	-
B+	-	-	10,615	-	-
Not rated	-	5,350,797	-	-	885,928
	<u>\$ 8,521,699</u>	<u>\$ 13,241,677</u>	<u>\$ 31,699,747</u>	<u>\$ 476,133</u>	<u>\$ 1,201,567</u>

MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

As of December 31, 2010, the System's investments in debt securities were rated by Standard & Poor's as follows:

Rating	U.S. agencies	Foreign government bonds	Corporate bonds	Municipal bonds	Collateralized mortgage obligations
AAA	\$ 9,834,087	\$ 3,357,144	\$ 660,037	\$ -	\$ 456,244
AA+	-	-	2,368,719	-	-
AA	-	-	793,118	-	369,535
AA-	-	-	3,246,124	-	-
A+	-	-	3,286,283	715,893	100,402
A	-	1,506,195	11,432,819	-	-
A-	-	-	4,199,813	-	-
BBB+	-	-	4,529,777	-	-
BBB	-	-	1,682,952	-	-
BBB-	-	-	1,460,860	-	-
BB-	-	-	-	-	98,204
B+	-	-	14,227	-	-
B	-	-	-	-	152,529
CCC	-	-	-	-	83,901
Not rated	-	5,172,592	-	-	2,728,754
	<u>\$ 9,834,087</u>	<u>\$ 10,035,931</u>	<u>\$ 33,674,729</u>	<u>\$ 715,893</u>	<u>\$ 3,989,569</u>

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

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

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

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's investment policy requires that no manager will hold more than 5% of its portion of the total fund in any single company and no more than 5% may be held in any single common stock. At December 31, 2010 and 2011 the System's investment portfolio was not concentrated.

MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

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

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

	Fair Value	Investment Maturities (fair value by years)			
		Less Than 1	1-5	6-10	More Than 10
2011					
U.S. treasuries	\$ 20,429,631	\$ -	\$ 6,276,431	\$ 8,762,093	\$ 5,391,107
U.S. agencies	8,521,699	-	5,343,384	810,479	2,367,836
Foreign governments	13,241,677	551,368	4,891,639	3,378,172	4,420,498
Corporate bonds	31,699,747	-	17,126,154	10,293,865	4,279,728
Municipal bonds	476,133	-	-	-	476,133
CMO	1,201,567	-	-	-	1,201,567
	<u>\$ 75,570,454</u>	<u>\$ 551,368</u>	<u>\$ 33,637,608</u>	<u>\$ 23,244,609</u>	<u>\$ 18,136,869</u>
2010					
U.S. treasuries	\$ 15,120,941	\$ 1,077,562	\$ 6,907,624	\$ 3,626,078	\$ 3,509,677
U.S. agencies	9,834,087	151,575	6,598,874	360,698	2,722,940
Foreign governments	10,035,931	2,295,842	2,706,500	3,725,272	1,308,317
Corporate bonds	33,674,729	2,593,031	16,666,159	11,241,228	3,174,311
Municipal bonds	715,893	-	-	-	715,893
CMO	3,989,569	-	-	-	3,989,569
	<u>\$ 73,371,150</u>	<u>\$ 6,118,010</u>	<u>\$ 32,879,157</u>	<u>\$ 18,953,276</u>	<u>\$ 15,420,707</u>

CMO - Collateralized mortgage obligations

Of the above balances as of December 31, 2011 and 2010, none of the corporate securities were callable.

MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

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

Investment/Country	Currency	Fair Value (in U.S. Dollars)	
		2011	2010
Foreign government bonds			
Australia	Australian dollar	\$ 2,156,324	\$ 1,999,652
Canada	Canadian dollar	1,553,046	1,568,465
Germany	European euro	490,951	-
Italy	European euro	813,966	-
Malaysia	Malaysian ringgit	1,034,027	1,068,309
Mexico	Mexican peso	1,545,947	-
New Zealand	New Zealand dollar	663,700	386,858
Norway	Norwegian krone	927,358	966,406
Poland	Polish zloty	1,301,619	1,506,195
South Africa	South African rand	826,163	-
Sweden	Swedish krona	-	1,248,260
United Kingdom	British pound	1,928,576	1,291,786
		<u>13,241,677</u>	<u>10,035,931</u>
International equities			
Australia	Australian dollar	\$ 130,342	\$ 35,979
Bermuda	Bermudian dollar	630,415	1,135,824
Canada	Canadian dollar	2,737,972	3,008,607
Cayman Islands	Cayman Islands dollar	143,643	228,833
China	Chinese renminbi	169,000	280,205
France	European euro	97,658	104,991
Germany	European euro	382,126	1,073,634
India	Indian rupee	198,055	306,085
Ireland	European euro	157,535	273,109
Israel	Israeli new shekel	141,595	500,856
Italy	European euro	-	1,005,042
Luxembourg	European euro	343,593	591,479
Netherlands	European euro	362,177	448,151
Norway	Norwegian krone	-	455,312
Singapore	Singapore dollar	167,650	239,245
Sweden	Swedish krona	-	56,536
Switzerland	Swiss franc	896,804	1,258,293
Taiwan	Taiwan dollar	242,701	97,365
United Kingdom	British pound	501,032	556,843
		<u>7,302,298</u>	<u>11,656,389</u>
	Total	<u>\$ 20,543,975</u>	<u>\$ 21,692,320</u>

MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

As part of a foreign currency overlay plan, the System has entered into certain forward contracts (derivatives) to reduce overall portfolio volatility caused by foreign currency risk. Following is a summary of these forward contracts, for which a liability in the amount of \$123,188 and a liability in the amount of \$91,947 as of December 31, 2011 and 2010, respectively, representing the fair value of those contracts, has been reported in the accompanying statements of plan net assets:

Investment/Currency	Current Maturity Date	Receivable (Payable) [in U.S. Dollars]	
		2011	2010
Australian dollar payable	01/13/12	\$ (2,636,310)	\$ (1,597,566)
British pounds receivable	03/01/12	1,720,941	2,079,828
Canadian dollar payable	02/15/12	(442,440)	(453,417)
Chilean peso receivable	01/26/12	582,177	-
Chinese yuan receivable	01/13/12	456,138	487,489
Chinese yuan receivable	01/11/12	475,699	-
Chinese yuan payable		-	(75,279)
European euros receivable	02/03/12	61,028	-
European euros payable	02/03/12	(753,116)	(934,971)
New Zealand dollars payable	03/09/12	(801,251)	(254,842)
Norwegian krone payable	01/11/12	(901,271)	-
Polish zloty payable		-	(444,710)
Polish zloty receivable		-	444,710
Singapore dollars receivable	02/23/12	705,585	-
South Korea won receivable	01/17/12	991,687	1,016,998
Swedish krona payable		-	(410,944)
Swedish krona receivable		-	410,944
United States dollars payable	01/13/12	(447,143)	(486,004)
United States dollars payable	01/11/12	(469,730)	(1,025,318)
United States dollars payable	01/26/12	(594,584)	(2,067,923)
United States dollars payable	02/03/12	(63,949)	(439,047)
United States dollars payable	01/17/12	(1,006,599)	(403,596)
United States dollars payable	03/01/12	(1,719,616)	-
United States dollars payable	02/23/12	(707,930)	-
United States dollars receivable		-	1,596,810
United States dollars receivable	01/11/12	912,792	461,051
United States dollars receivable	01/13/12	2,461,110	911,045
United States dollars receivable	02/03/12	811,420	446,729
United States dollars receivable	02/15/12	442,374	245,875
United States dollars receivable	03/09/12	799,800	400,191
Net contracts receivable (payable)		\$ (123,188)	\$ (91,947)

MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

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

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

Also at both year-ends, through a cash collateral investing program provided by the custodial bank, the System has an obligation to repay \$347,334 of cash collateral that was invested in a Sigma Finance Medium Term Note which is impaired. Any current or future recoveries from Sigma Finance are not expected.

4. ANNUAL REQUIRED CONTRIBUTION

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

	2011	2010
Annual required contribution/ pension cost	\$ 5,994,825	\$ 5,938,425
Contribution made	5,994,825	5,938,425
Increase (decrease) in net pension obligation	-	-
Net pension asset, beginning of year	-	-
 Net pension asset, end of year	 \$ -	 \$ -

The annual required contribution for 2011 and 2010 was determined as part of an actuarial valuation of the System as of December 31, 2009 and 2008, respectively, using the entry age normal cost method and is designed to accumulate sufficient assets to pay benefits when due. Normal cost is funded on a current basis. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over a period of 20 years. Significant actuarial assumptions used include: (a) a rate of return on investments of 7.0% per year compounded annually; (b) projected salary increases of 4.0% per year compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 1.0% to 8.0% per year, depending on age and service, attributable to seniority/merit; and (d) the assumption that pension benefits will not increase after retirement.

MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

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

5. FUNDED STATUS AND FUNDING PROGRESS

The funded status of the System as of December 31, 2010, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	(1)	\$231,680,911	
Actuarial value of assets	(2)	<u>192,859,386</u>	
Unfunded AAL (UAAL)	(3)	<u>38,821,525</u>	(1) - (2)
Funded ratio	(4)	<u>83.2%</u>	(2) / (1)
Covered payroll	(5)	<u>38,418,135</u>	
UAAL as % of covered payroll	(6)	<u>101.0%</u>	(3) / (5)

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

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

MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

■ Notes to Financial Statements

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

Valuation date	December 31, 2010
Actuarial cost method	Individual entry age normal cost
Amortization method	General Division liabilities were amortized using a 20-year level dollar method. Mental Health liabilities were amortized using a 10-year level dollar method
Asset valuation method	7-year smoothed market

Three-Year Trend Information			
Year Ended	Annual Pension Cost	Percentage of APC	Net Pension Obligation
12/31/09	\$ 5,547,369	100%	\$ -
12/31/10	5,938,425	100%	-
12/31/11	5,994,825	100%	-

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



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REQUIRED SUPPLEMENTARY INFORMATION

MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date, December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (Overfunded) (UAAL) (2-1)	Funded Ratio (1/2)	Covered Payroll	UAAL as a % of Covered Payroll (3/5)
2001	\$ 150,304,504	\$ 116,359,159	\$ (33,945,345)	129.2%	\$ 35,250,392	-96.3%
2002	148,404,995	125,652,447	(22,752,548)	118.1%	35,895,185	-63.4%
2003	162,683,115	139,141,015	(23,542,100)	116.9%	37,862,618	-62.2%
2004	162,725,639	150,510,011	(12,215,628)	108.1%	38,712,508	-31.6%
2005	163,151,579	163,641,875	490,296	99.7%	41,047,874	1.2%
2006	169,283,765	174,001,978	4,718,213	97.3%	41,821,305	11.3%
2007	181,320,182	186,841,313	5,521,131	97.0%	43,152,156	12.8%
2008	184,967,843	199,860,437	14,892,594	92.5%	43,961,798	33.9%
2009	188,779,278	211,333,497	22,554,219	89.3%	42,893,801	52.6%
2010	192,859,386	231,680,911	38,821,525	83.2%	38,418,135	101.0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2002	\$ 155,524	100.00%
2003	191,979	100.00%
2004	1,411,037	100.00%
2005	2,034,222	100.00%
2006	3,170,195	100.00%
2007	4,910,784	100.00%
2008	5,391,367	100.00%
2009	5,547,369	100.00%
2010	5,938,425	100.00%
2011	5,994,825	100.00%