

**WAYNE COUNTY
EMPLOYEES RETIREMENT SYSTEM**

FIFTY-EIGHTH ANNUAL ACTUARIAL VALUATION

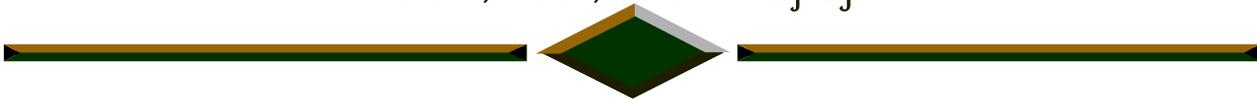
SEPTEMBER 30, 2001

Submitted to

THE RETIREMENT COMMISSION

Wayne County Employees Retirement System

Gabriel, Roeder, Smith & Company



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July 26, 2002

The Retirement Commission
Wayne County Employees Retirement System
Detroit, Michigan

Ladies and Gentlemen:

The results of the **Fifty-Eighth Annual Actuarial Valuation** of the assets, actuarial present values and contribution rates needed to fund benefits provided by the Wayne County Employees Retirement System are presented in this report. The purpose of this valuation was to measure the System's funding progress and to recommend a contribution rate for the fiscal year beginning October 1, 2002.

The date of the valuation was September 30, 2001.

Valuation results and comments are presented in Section A.

The valuation was based upon information, furnished by your Executive Secretary and his staff, concerning Retirement System benefits, financial assets and transactions, individual members, terminated members, retired members and beneficiaries. This information is summarized in Section B.

To the best of our knowledge, this report is complete and accurate and was made in accordance with standards of practice prescribed by the Actuarial Standards Board and in compliance with the Retirement System Ordinance (see Comments). The actuarial assumptions used for the valuations produce results which, in the aggregate, are reasonable.

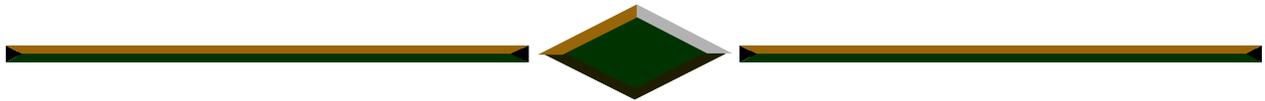
Respectfully submitted,

Norman L. Jones

Judith A. Kermans

JAK/rgs

SECTION A



Valuation Results and Comments

FUNDING OBJECTIVE

The funding objective for the Retirement System is to establish and receive percent of payroll contributions which, when invested at the assumed rate of return, will accumulate assets over each member's working years that will be sufficient to pay expected retirement benefits.

CONTRIBUTION RATES

The Retirement System is supported by member contributions, County contributions and investment income on Retirement System assets. Members contribute percentages of their pay (by Ordinance and/or collective bargaining agreement) and the County contributes the actuarially determined remainder needed to meet the funding objective.

Contributions are determined by the actuarial valuation and are sufficient to:

- (1) cover the actuarial costs allocated to the current year by the actuarial cost method (the normal cost); and
- (2) finance over a period of future years the actuarial costs not covered by present assets and anticipated future normal costs (unfunded actuarial accrued liability).

Contribution requirements for the fiscal year beginning October 1, 2002 are shown on page A-2.

**CONTRIBUTIONS TO FINANCE DEFINED BENEFIT PLANS
OF THE RETIREMENT SYSTEM
FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2002**

Defined Benefit Plans - Contributions for	2002	2001
Normal Cost		
Service allowances	16.05 %	14.72 %
Disability allowances	0.33 %	0.33 %
Survivor allowances	0.58 %	0.64 %
Termination benefits		
Deferred service allowances	0.21 %	0.19 %
Refunds of member contributions	0.09 %	0.11 %
Total Normal Cost	17.26 %	15.99 %
Less Portion Paid by Members*	2.77 %	2.85 %
County Defined Benefit Normal Cost	14.49 %	13.14 %
Unfunded Actuarial Accrued Liability (Full Funding Credit)#	(11.35)%	(13.14)%
Total Computed Employer Rate	3.14 %	0.00 %

* Weighted average of the various contribution rates.

Amortized as a level dollar amount over 15 years in 2002 and 16 years in 2001.

Historical contribution rates for prior fiscal years are shown on page A-3.

**HISTORICAL SCHEDULE OF NORMAL COST RATES
AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES
CONTRIBUTION AMOUNTS FOR DEFINED BENEFIT PLANS**

Fiscal Year Beginning	Valuation Date September 30+	Normal Cost Rate	UAAL Contribution Amount
1991	1990	11.55 %	\$2,459,300
1992	1991#@	11.33 %	(243,079)
1993	1992*	12.45 %	2,173,494
1994	1993*	13.11 %	1,984,363
1995	1994	13.06 %	1,284,550
1996	1995*	14.62 %	3,637,980
1997	1996*#@	12.36 %	none
1998	1997*	12.52 %	(898,609)
1999	1998#	13.18 %	(3,083,550)
2000	1999	13.14 %	(5,899,402)
2001	2000&	13.14 %	(9,136,242)
2002	2001	13.10 %	(8,589,339)
2002	2001*	14.49 %	(7,441,908)

* *Benefit changes are reflected in this valuation.*

After assumption changes.

@ *Adjustment made to funding value of assets.*

+ *Valuations before 1998 were based on a fiscal year ending November 30.*

& *Change in Inflation Equity calculation.*

FUNDING PROGRESS INDICATORS

The funding progress and status of the defined benefit plans is measured by the following indicators:

The ratio of the funding value of assets to accrued liabilities. The ratio is expected to hold steady or gradually move toward 100% in the absence of benefit improvements.

The ratio of the unfunded actuarial accrued liability to member payroll. In a soundly financed retirement system, the amount of the unfunded actuarial accrued liabilities will be controlled and prevented from increasing in the absence of benefit improvements. The ratio is a relative indicator of the condition in an inflationary environment.

Valuation Date September 30###	Accrued Liability	Funding Value of Assets(1)	Percent Funded	Member Payroll +	Unfunded Actuarial Accrued Liability	
					Dollars	% of Payroll
(\$ in thousands)						
1986	\$615,503	\$570,016	93%	\$125,131	\$45,487	36 %
1987	648,388	586,559	90%	134,890	61,829	46 %
1988	657,258	608,928	93%	135,941	48,330	36 %
1989	668,021	633,653	95%	147,799	34,368	23 %
1990	680,676	643,173	94%	157,406	37,503	24 %
1991#@	720,838	724,554	101%	166,936	(3,716)	-
1992*	761,660	730,036	96%	180,686	31,624	18 %
1993*	777,454	749,538	96%	184,010	27,916	15 %
1994	783,534	766,070	98%	182,662	17,464	10 %
1995*	829,174	781,424	94%	192,903	47,750	25 %
1996@*	861,655	861,655	100%	208,569	0	-
1997*	870,052	877,926	101%	224,075	(7,874)	-
1998#	906,620	879,774	97%	230,989	(26,381)	-
1999	915,339	965,798	106%	256,379	(50,458)	-
2000&	947,557	1,028,626	109%	275,627	(81,069)	-
2001	955,796	1,041,645	109%	294,128	(85,849)	-
2001*	979,176	1,041,645	106%	294,128	(62,469)	-

* Benefit changes are reflected in this valuation.

After changes in assumptions.

+ Includes defined contribution plan payroll.

(1) Reserve for inflation equity not included in this schedule.

@ After one time adjustment of funding value of assets.

Valuations before 1998 were based on a fiscal year ending November 30.

& Change in Inflation Equity calculation.

Comments on the Actuarial Valuation

COMMENT A: This valuation reflects changes in benefits for all Plan One members (except Sheriff Command) as follows:

- 2.65% benefit multiplier
- 4 year Average Final Compensation

The Sheriff Command Officers group received the 2.65% multiplier last year.

Reflecting these benefits in the valuation increased the computed employer contribution rate by 3.14% of total DBP payroll, based on a 15 year amortization period.

COMMENT B: The funding value of assets now exceeds computed accrued liabilities by \$64 million. The manner in which a full funding credit (negative unfunded accrued liability) is recognized is a matter of policy. In this valuation, the full funding credit was amortized over a period of 15 years, the minimum number of years that can be used for the amortization period in accordance with Board policy. Using a shorter amortization period would result in a lower computed employer contribution.

When the funding credit has been fully amortized, the County contribution rate will revert to the level of the employer normal cost (14.49%).

COMMENT C: Effective October 1, 2001, a new hybrid Plan 5 was established. Plan 5 will be available to all members hired after October 1, 2001 and to current system members who wish to transfer. Members who transfer may purchase service in Plan 5 based on a formula established by the Board.

COMMENT D: Recognized investment return was 8.2% on a funding value basis (see page B-6). However, on a market value basis there was a \$247 million loss. Under the asset valuation method, gains and losses are spread over a 4 year period. As a result of this year's market value loss, the funding value of assets exceeds the market value by \$91 million. If the unrecognized losses are not offset by future market gains (i.e., returns in excess of 8.0%), the funded status will decline over the next few years.

CONCLUSION: The Retirement System continues in good condition as measured by the funding progress test on page A-4.

ACTUARIAL BALANCE SHEET - SEPTEMBER 30, 2001

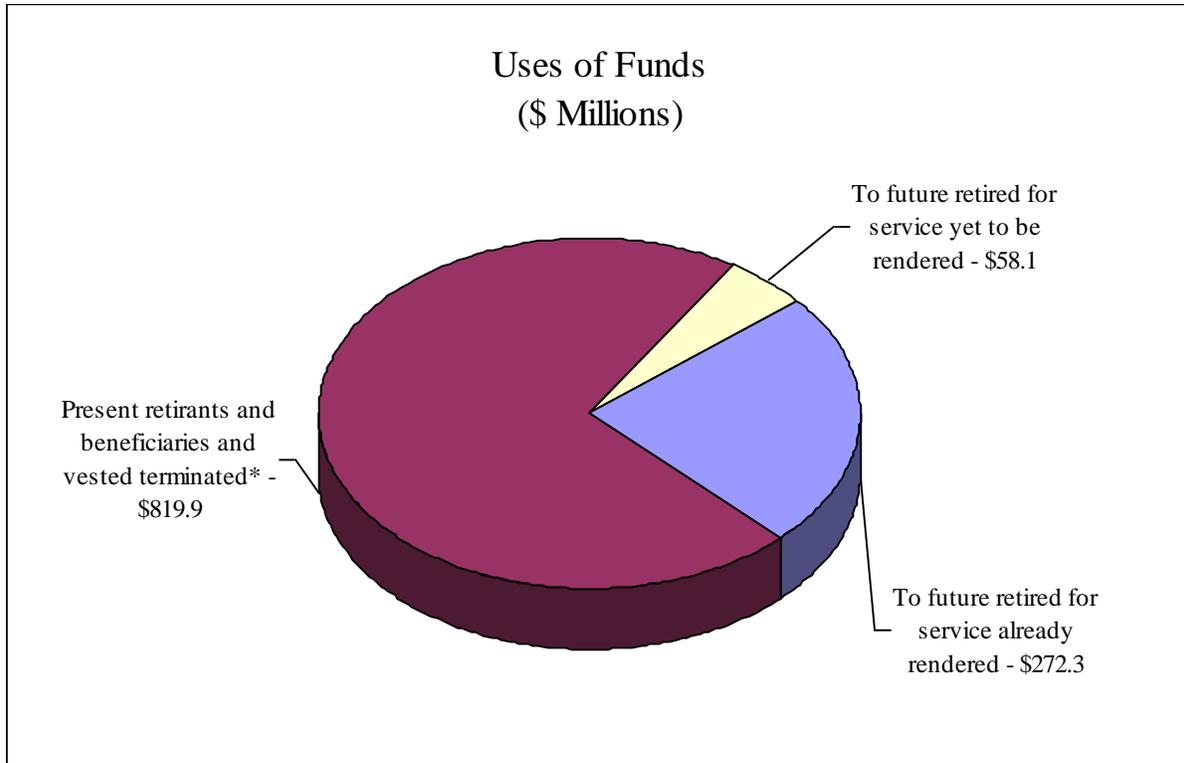
Present Resources and Expected Future Resources

A. Valuation assets	
1. Net assets from system financial statements (market value)	\$1,063,566,032
2. Valuation adjustment	91,181,054
3. Valuation assets	1,154,747,086
B. Actuarial present value of expected future employer contributions	
1. For normal costs	48,857,409
2. For unfunded actuarial accrued liabilities	(62,468,851)
3. Total	(13,611,442)
C. Actuarial present value of expected future member contributions	9,219,073
D. Total Actuarial Present Value of Present and Expected Future Resources	\$1,150,354,717

Actuarial Present Value of Expected Future Benefit Payments and Reserves

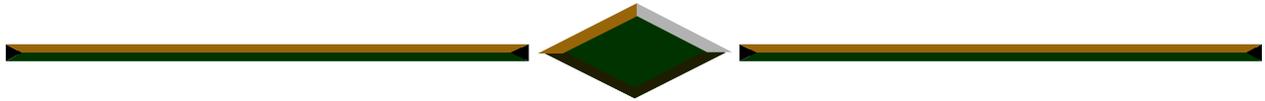
A. To retired members and beneficiaries	\$ 700,065,988
B. To vested terminated members	6,772,953
C. To present active members	
1. Allocated to service rendered prior to valuation date	272,336,797
2. Allocated to service likely to be rendered after valuation date	58,076,482
3. Total	330,413,279
D. Total Actuarial Present Value of Expected Future Benefit Payments	1,037,252,220
E. Reserve for Inflation Equity	113,102,497
F. Total Actuarial Present Value of Expected Future Benefit Payments and Reserves	\$1,150,354,717

**FINANCING \$1,150.3 MILLION OF BENEFIT PROMISES
SEPTEMBER 30, 2001**



* Includes Inflation Equity Fund

SECTION B



Summary of Benefit Provisions and Valuation Data

BRIEF SUMMARY OF BENEFIT PROVISIONS
DEFINED BENEFIT PLAN 1
(SEPTEMBER 30, 2001)

Availability

Defined Benefit Plan 1 was closed to new hires on August 15, 1983 (or on the date in a negotiated agreement).

Normal Retirement (no reduction factor for age):

Eligibility - Sheriff: 25 years of service or age 60 with 5 years of service.

Others: Age 50 with 25 years of service, age 60 with 5 years of service or any age with 30 years of service.

Pension Amount – Total service times 2.65% of average final compensation.

Maximum pension is 75% of AFC (less worker's compensation payments). Minimum monthly pension is \$5 times years of service.

Average Final Compensation (AFC) - Monthly average of covered compensations for best 4 years of credited service. Some lump sums, overtime & premium pay are included.

Vested Termination (deferred retirement):

Eligibility - 8 years of service. Pension begins at age 60.

Pension Amount - Computed as normal retirement but based upon service and AFC at time of termination.

Duty Disability Retirement:

Eligibility - No age or service requirements.

Pension Amount - Computed as normal retirement with additional service credit granted from date of retirement to age 60. Minimum pension is \$4,800 annually. Maximum pension is the lesser of 75% of AFC, and 100% of AFC less outside earnings and social security disability benefits. Worker's compensation payments offset the maximum.

Non-Duty Disability Retirement:

Eligibility - 10 years of service.

Pension Amount - Computed as normal retirement but based on service and AFC at time of termination.

Duty Death Before Retirement:

Eligibility - No age or service requirements.

Pension Amount - Pension to the spouse is computed as a normal retirement but actuarially reduced in accordance with a 100% joint and survivor election. Additional service credit is granted from date of death to date the deceased member would have attained 60 years of age. If there is no eligible spouse, unmarried children under age 18 receive equal shares of 50% of normal retirement pension. Spouse's pension shall not be less than \$4,800. Worker's compensation payments offset the maximum.

Non-Duty Death Before Retirement:

Eligibility - 10 years of service.

Pension Amount - Pension to the spouse is computed as a normal retirement but actuarially reduced in accordance with a 100% joint and survivor election. If there is no eligible spouse, unmarried children under age 18 receive equal shares of 50% of normal retirement pension.

Post-Retirement Cost-of-Living Adjustment:

Eligible for distributions from Reserve for Inflation Equity.

Member Contributions:

Sheriff Command Officers: 5.00% of annual compensation.

Sheriff Deputies: 4.25% of the first \$13,500 of annual compensation plus 6.25% of annual compensation in excess of \$13,500.

Others:

Credited Service	Contribution Rate
0 yrs. thru 8 yrs.	6.58% of compensation
9 yrs. thru 12 yrs.	4.58% of compensation
13 yrs. thru 16 yrs.	3.58% of compensation
17 yrs. or more	2.58% of compensation

BRIEF SUMMARY OF BENEFIT PROVISIONS
DEFINED BENEFIT PLAN 2
(SEPTEMBER 30, 2001)

Availability - Defined Benefit Plan 2 is available to persons hired after August 15, 1983 and to DBP 1 and DBP 3 members who elect to be covered by DBP 2.

Normal Retirement (no reduction factor for age):

Eligibility - Age 55 with 25 years of service or age 60 with 20 years of service; or, age 65 with 8 years of service.

Pension Amount - Average final compensation multiplied by the sum of a) 1% of credited service up to 20 years; and, b) 1.25% of credited service over 20 years. Maximum County financed portion is 75% of AFC.

Average Final Compensation (AFC) - Monthly average of covered compensation for the best 5 years of credited service. Covered compensation includes overtime, premium and holiday pay, but not lump sums.

Vested Termination (deferred retirement):

Eligibility - 8 years of service. Pension begins at age 65.

Pension Amount - Computed as normal retirement based on service and AFC at time of termination.

Duty Disability Retirement:

Eligibility - No age or service requirements.

Pension Amount - Computed as normal retirement with additional service credit granted from date of retirement to age 60. Maximum pension is the lesser of 75% of AFC, and 100% of AFC less outside earnings and social security disability benefits. Worker's compensation payments offset the maximum. Minimum pension for Sheriff Command Officers is 75% of AFC.

Non-Duty Disability Retirement:

Eligibility - 10 years of service.

Pension Amount - Computed as normal retirement but based on service and AFC at time of termination.

Death Before Retirement:

Eligibility - 10 years of service; or age 65 and 8 years of service (any amount of service if Duty related).

Pension Amount - Pension to the spouse is computed as a normal retirement but actuarially reduced in accordance with a 100% joint and survivor election. If there is no eligible spouse, unmarried children under 18 receive equal shares of 50% of normal retirement pension.

Post-Retirement Cost-of-Living Adjustment:

Eligible for distributions from the Reserve for Inflation Equity.

Member Contributions:

None.

BRIEF SUMMARY OF BENEFIT PROVISIONS
DEFINED BENEFIT PLAN 3
(SEPTEMBER 30, 2001)

Availability - Defined Benefit Plan 3 is available to persons last hired prior to August 15, 1983; and, to other persons if offered by collective bargaining agreement.

Normal Retirement (no reduction factor for age):

Eligibility - Age 55 with 25 years of service; or age 60 with 20 years of service; or age 65 with 5 years of service.

Pension Amount - Average final compensation multiplied by the sum of a) 1.5% of credited service up to 20 years; and b) 2.0% of credited service between 20 and 25 years; and, c) 2.5% of credited service over 25 years.

Average Final Compensation (AFC) - Monthly average of covered compensation for the last 5 years of credited service. Covered compensation includes overtime, premium and holiday pay, up to 320 hours of lump sum payments for unused sick leave and up to 120 hours of lump sum payments for unused vacation time.

Vested Termination (deferred retirement):

Eligibility - 8 years of service. Pension begins at age 65.

Pension Amount - Computed as normal retirement but based upon service and AFC at time of termination.

Duty Disability Retirement:

Sheriff Command Officers receive 75% of AFC.

Others: covered outside of Retirement System.

Non-Duty Disability Retirement:

Covered outside of Retirement System.

Non-Duty Death Before Retirement:

Eligibility - 10 years of service; or, age 65 with 5 years of service (any amount of service if Duty related).

Pension Amount - Pension to the spouse is computed as a normal retirement but actuarially reduced in accordance with a 100% joint and survivor election. If there is no eligible spouse, unmarried children under age 18 receive equal shares of 50% of normal retirement pension.

Post-Retirement Cost-of-Living Adjustment:

Eligible for distributions from the Reserve for Inflation Equity.

Member Contributions:

3% of covered compensation.

**DEFINED BENEFIT PLANS RESERVE BALANCES
(INCLUDING ADJUSTING ENTRIES)**

Accounts	Reserve Balances
	September 30, 2001
Reserve for Accum. Member Contributions	\$ 53,481,798
Reserve for Def. Ben. Employer Contributions	196,915,749
Reserve for Pension Payments	700,065,988
Reserve for Inflation Equity	113,102,497
Reserve for Undist. Investment Income & Exp.	0
Total Reserve Balances (Market Value)	\$1,063,566,032

DEVELOPMENT OF FUNDING VALUE OF RETIREMENT SYSTEM ASSETS

Year Ended September 30:	1999	2000	2001	2002	2003	2004
A. Funding Value Beginning of Year	\$1,004,270,835	\$1,068,753,711	\$1,157,112,947			
B. Market Value End of Year	1,205,726,918	1,315,297,293	1,063,566,032			
C. Market Value Beginning of Year	1,062,963,523	1,205,726,918	1,315,297,293			
D. Non-Investment Net Cash Flow	(81,168,980)	(86,566,371)	(93,955,449)			
E. Investment Income						
E1. Market Total: B - C - D	223,932,375	196,136,746	(157,775,812)			
E2. Amount for Immediate Recognition	77,094,908	82,037,642	88,810,818			
E3. Amount for Phased-In Recognition: E1-E2	146,837,467	114,099,104	(246,586,630)			
F. Phased-In Recognition of Investment Income						
F1. Current Year: 0.25 x E3	\$36,709,367	\$28,524,776	(61,646,658)			
F2. First Prior Years	(808,716)	36,709,367	28,524,776	\$(61,646,658)		
F3. Second Prior Years	28,462,540	(808,716)	36,709,367	28,524,776	\$(61,646,658)	
F4. Third Prior Years	4,193,757	28,462,538	(808,715)	36,709,366	28,524,776	\$(61,646,656)
F5. Total Recognized Investment Gain	68,556,948	92,887,965	2,778,770	3,587,484	(33,121,882)	(61,646,656)
G. Funding Value End of Year: A + D + E2 + F5	\$1,068,753,711	\$1,157,112,947	\$1,154,747,086			
H. Difference between Market & Funding Value	136,973,207	158,184,346	(91,181,054)	(94,768,538)	(61,646,656)	0
I. Recognized Rate of Return	15.1%	17.1%	8.3%			
J. Market Value Rate of Return	21.9%	16.9%	(12.4%)			

The Funding Value of Assets recognizes assumed investment income (line E2) fully each year. Differences between actual and assumed investment income (line E3) are phased in over a closed 4 year period. During periods when investment performance exceeds the assumed rate, Funding Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Funding Value of Assets will tend to be greater than Market Value. The Funding Value of Assets is *unbiased* with respect to Market Value. At any time it may be either greater or less than Market Value. If assumed rates are exactly realized for 3 consecutive years, it will become equal to Market Value.

DERIVATION OF RESERVE FOR INFLATION EQUITY

	9/30/00	9/30/01
Rate of investment return		
(1) Actual return on funding value of assets	17.06 %	8.25 %
(2) Threshold return #	11.00 %	8.00 %
(3) Excess, if any, of (1) over (2)	6.06 %	0.25 %
Actuarial present value of pensions	\$ 678,352,080	\$ 700,065,988
Dollars available for allocation	41,108,136	1,750,165
Reserve balance - start of year	102,956,093	128,487,239
Disbursements during year	15,576,990	17,134,907
Transfer for minimum pensions	0	0
Current year addition	41,108,136	1,750,165
Reserve balance - end of year	\$ 128,487,239	\$ 113,102,497
Reserve for year end transfer	N/A	N/A

The threshold return for the reserve for inflation equity was increased temporarily to 11.00% for the 9/30/2000 year.

**APPLICATION OF THE FUNDING VALUE
OF DEFINED BENEFIT PLAN ASSETS
IN FINANCING ACTUARIAL ACCRUED LIABILITIES**

Reserve for	Applied To		
	Active & Inactive Members	Retired Members and Beneficiaries	Totals
Accum. Member Contributions	\$ 53,481,798		\$ 53,481,798
Defined Ben. Employer Contributions	288,096,803		288,096,803
Pension Payments		\$700,065,988	700,065,988
Total Assets Applied			1,041,644,589
Inflation Equity Reserve			113,102,497
Undist. Investment Income			none
Funding Value of Assets*			\$1,154,747,086

* Development of the funding value of assets is shown on page B-6.

RETIRED MEMBERS AND BENEFICIARIES ADDED AND REMOVED

Year Ended Sept. 30	Added		Removed		Net Increase		End of Year	
	No.	Annual Pensions	No.	Annual@ Pensions	No.	Annual Pensions	No.	Annual Pensions
1970	298	\$1,887,508	148	\$ 307,186	150	\$1,580,322	2,454	\$ 7,067,753
1975	323	2,300,782	129	575,157	194	1,725,625	3,277	14,532,239
1980	322	3,629,866	140	1,009,861	182	2,620,005	4,359	28,307,255
1985	329	4,609,633	204	2,002,018	125	2,607,615	5,861	53,297,557
1990	176	3,004,814	172	1,986,571	4	1,018,243	6,149	59,607,315
1991	169	2,531,422	154	1,868,781	15	662,641	6,164	60,269,956
1992	195	3,876,810	148	1,831,565	47	2,045,245	6,211	62,315,201
1993	172	3,914,864	173	1,885,010	(1)	2,029,854	6,210	64,345,055
1994	191	3,626,150	163	1,844,072	28	1,782,078	6,238	66,127,133
1995	150	3,481,882	171	2,223,393	(21)	1,258,489	6,217	67,385,622
1996	212	6,445,919	210	3,101,236	2	3,344,683	6,219	70,730,305
1997	171	4,593,132	188	1,328,817	(17)	3,264,315	6,202	73,994,620
1998	112	3,428,743	174	1,823,043	(62)	1,605,700	6,140	75,600,320
1999	133	3,496,500	221	2,143,122	(88)	1,353,378	6,052	76,953,698
2000	136	4,414,263	204	2,481,571	(68)	1,932,692	5,984	78,886,390
2001	131	4,993,401	221	2,733,398	(90)	2,260,003	5,894	81,146,393

@ Includes annual benefit adjustments.

RETIRED MEMBERS AND BENEFICIARIES COMPARATIVE SCHEDULE

Valuation Date Sept. 30	Pensions Being Paid					Average Pension	Active Member Ratio(2)
	No.	Amount*	% of Member Payroll#	Annual % Increase(1)			
				No.	Amount		
1950	477	\$ 450	2.0 %	37.9 %	44.4 %	\$ 943	11.9
1955	931	1,166	3.6 %	14.3 %	21.0 %	1,252	6.9
1960	1,487	2,454	5.9 %	9.3 %	14.7 %	1,565	4.7
1965	1,949	4,025	7.8 %	7.4 %	14.2 %	2,065	3.8
1970	2,454	7,068	8.7 %	6.5 %	11.9 %	2,880	3.3
1975	3,277	14,532	12.5 %	6.3 %	15.5 %	4,435	2.4
1980	4,359	28,307	15.9 %	5.9 %	14.3 %	6,494	1.6
1985	5,861	53,298	41.0 %	6.1 %	13.5 %	9,094	0.8
1990	6,149	59,607	37.9 %	1.0 %	2.3 %	9,694	0.8
1995	6,217	67,386	85.0 %	0.2 %	2.5 %	10,839	0.9
1996	6,219	70,730	94.9 %	0.0 %	5.0 %	11,373	0.9
1997	6,202	73,995	103.2 %	(0.3)%	4.6 %	11,931	0.9
1998	6,140	75,600	112.1 %	(1.0)%	2.2 %	12,313	0.9
1999	6,052	76,954	113.3 %	(1.4)%	1.8 %	12,715	1.0
2000	5,984	78,886	118.0 %	(1.1)%	2.5 %	13,183	1.0
2001	5,894	81,146	128.7 %	(1.5)%	2.9 %	13,768	1.0

(1) For 1950, 1955, 1960, 1965, 1970, 1975, 1980, 1985, 1990 and 1995 the percentage increase shown is the average of the 5 annual increases ending with the stated year.

(2) Number of active members (including defined contribution plan members) divided by number of retired members and beneficiaries.

* In thousands of dollars.

EXCLUDES Defined Contribution Plan payroll after 1991.

RETIRED MEMBERS AND BENEFICIARIES SEPTEMBER 30, 2001
BY ATTAINED AGE GROUPS

Attained Age Group	Totals	
	No.	Annual Pensions
Under 35	5	\$ 43,530
35-39	3	9,974
40-44	14	150,154
45-49	79	1,515,631
50-54	391	9,536,252
55-59	538	12,912,723
60-64	579	12,298,736
65-69	727	10,738,070
70-74	983	12,137,497
75-79	1,087	10,861,149
80-84	826	7,152,961
85-89	469	2,796,435
90-94	153	822,224
95-99	39	160,835
100 & Over	1	10,222
Totals	5,894	\$81,146,393

Average age now: 71.6 yrs.
Average age at retirement: 55.9 yrs.
Average service at retirement: 23.0 yrs.

RETIRED MEMBERS AND BENEFICIARIES SEPTEMBER 30, 2001
BY TYPE OF RETIREMENT

<u>Type of Pension Being Paid</u>	<u>Benefit Paid</u>	<u>Number</u>
Age & Service Pensions		
S.S. Equated		
Straight Life	\$ 17,372,075	1,204
Option1	794,287	35
Option2	11,380,490	592
Option3	8,385,710	398
Total	37,932,562	2,229
Not S.S. Equated		
Staight Life	\$ 15,034,259	1,340
Option1	605,506	22
Option2	6,346,607	361
Option3	8,499,579	524
Total	30,485,951	2,247
Survivor beneficiary of deceased retired member	5,820,566	733
Total Age and Service Pension	\$ 74,239,079	5,209
Casualty Pensions		
Duty Disability	\$ 2,926,467	174
Non-Duty Disabilty	1,660,620	203
Survivor beneficiary of deceased retired member	649,115	101
Duty Death	134,927	18
Non-Duty Death	1,536,185	189
Total Casualty Pension	6,907,314	685
Total Pension Being Paid	\$ 81,146,393	5,894

Vested former members included in the valuation totaled 150. A vested former member is a person who has left the employ of the County after acquiring credited service sufficient for a vested pension and has not withdrawn the accumulated member contributions from the Reserve for Accumulated Member Contributions. A vested former member may retire upon satisfying the conditions for normal retirement.

**VESTED FORMER MEMBERS SEPTEMBER 30, 2001
TABULATED BY ATTAINED AGE GROUPS**

Attained Ages	No.	Estimated Annual Allowances
20-24		
30-34	1	\$ 6,092
35-39		
40-44	5	11,461
45-49	5	17,365
50-54	18	95,896
55-59	43	237,590
60-64	56	306,278
65-69	15	86,207
70 & Up	7	99,172
Totals	150	\$860,061

Also included in the valuation, in the General division, were 28 former members who were transferred to State employment during 1981 and are eligible for deferred retirement and 9 former members who transferred to the State and have since terminated. The total vested benefits for the 9 terminated members is \$57,472.

ACTIVE MEMBERS SEPTEMBER 30, 2001

Plan	No.	Valuation Payroll	Average		
			Pay	Age	Service
Defined Benefit Plan #1					
General	499	\$ 32,119,775	\$64,368	53.9 yrs.	24.5 yrs.
DPS	130	8,530,440	65,619	49.6	25.0
Sheriff	144	9,240,835	64,172	51.3	25.1
Total	773	49,891,050	64,542	52.7	24.7
Defined Benefit Plan #2					
General	119	4,639,322	38,986	44.2	10.9
DPS	18	760,892	42,272	44.6	15.2
Sheriff	42	1,884,413	44,867	33.5	7.4
Total	179	7,284,627	40,696	41.7	10.5
Defined Benefit Plan #3					
General	39	1,702,563	43,655	48.8	15.4
DPS	4	281,831	70,458	53.8	16.2
Sheriff	63	3,885,578	61,676	43.8	16.9
Total	106	5,869,972	55,377	46.0	16.3
Defined Benefit Sub-total	1,058	63,045,649	59,589	50.2	21.5
Defined Contribution Plan #4	5,018	231,082,080	46,051	41.0	8.0
Total	6,076	\$294,127,729	\$48,408	42.6	10.4

**ACTIVE AND INACTIVE MEMBERS IN VALUATION
HISTORICAL SCHEDULE
PLAN ONE ONLY**

Valuation Date September 30	Inactive @		Active Members				
	No.	Estimated Pensions	No.	Valuation Payroll#	Average Pay	Age	Service
Defined Benefit Plan 1							
1960	189	\$ 170,799	6,927	\$ 41,340,361	\$ 5,968	- yrs.	- yrs.
1965	215	206,806	7,416	51,699,553	6,971	-	-
1970	283	N/A	8,170	81,395,280	9,963	41.8	10.2
1975	254	579,747	7,906	115,811,211	14,649	42.0	10.5
1980	323	1,107,547	6,832	178,221,092	26,086	42.8	12.1
1985	245	1,229,467	3,520	104,007,698	29,548	43.6	13.4
1990	181	985,556	2,212	83,199,604	37,613	47.7	18.2
1995	110	700,859	1,454	67,055,260	46,118	50.3	22.1
1996	95	622,037	1,284	62,556,582	48,720	50.4	22.3
1997	85	589,516	1,147	59,244,708	51,652	50.7	22.8
1998	83	578,669	1,070	55,601,809	51,964	51.1	23.3
1999	74	529,010	981	55,641,299	56,719	51.8	23.9
2000	72	519,980	874	53,822,371	61,582	52.3	24.2
2001	69	490,230	773	49,891,050	64,542	52.7	24.7

Cost-of-living increases included since 1976. Beginning in 1979 gross fiscal pay was provided.

@ In addition, 304 members were transferred to the State in 1981 (with 28 remaining in 2001 and 9 who have since terminated from the State) who are eligible for deferred retirement.

**ACTIVE AND INACTIVE MEMBERS IN VALUATION
HISTORICAL SCHEDULE**

Valuation Date September 30	Inactive @		Active Members				
	No.	Estimated Pensions	No.	Valuation Payroll#	Average Pay	Age	Service
Defined Benefit Plan 2							
1997	80	\$ 366,999	223	\$ 7,305,951	\$ 32,762	39.7 yrs.	8.8 yrs.
1998	80	366,999	201	6,781,642	33,740	40.2	9.7
1999	79	364,018	189	7,076,081	37,440	40.5	10.0
2000	80	365,994	185	7,025,511	37,976	40.4	9.9
2001	81	369,832	179	7,284,627	40,696	41.7	10.5
Defined Benefit Plan 3							
1997	0	0	122	5,169,684	42,374	43.2	12.4
1998	0	0	115	5,027,153	43,714	43.7	13.3
1999	0	0	110	5,216,777	47,425	44.2	14.3
2000	0	0	108	6,007,889	55,629	45.5	15.3
2001	0	0	106	5,869,972	55,377	46.0	16.3
Defined Contribution Plan 4							
1997	NA	NA	4,290	152,354,608	35,514	38.8	6.6
1998	NA	NA	4,427	163,578,340	36,950	39.3	6.9
1999	NA	NA	4,623	188,444,349	40,762	39.8	7.3
2000	NA	NA	4,828	208,770,801	43,242	40.3	7.7
2001	NA	NA	5,018	231,082,080	46,051	41.0	8.0
Retirement System Totals							
1965	215	206,806	7,416	51,699,553	6,971	-	-
1970	283	461,045	8,170	81,396,280	9,963	41.7	10.2
1975	254	579,747	7,906	115,811,211	14,649	42.0	10.5
1980	323	1,107,547	6,832	178,221,092	26,086	42.8	12.1
1985	245	1,229,467	4,758	129,534,998	27,225	41.1	11.0
1990	251	1,286,311	4,999	157,406,461	31,488	41.0	10.9
1996	183	1,035,279	5,654	208,568,866	36,889	41.0	10.2
1997	165	956,515	5,782	224,074,951	38,754	41.3	10.0
1998	163	945,667	5,813	230,988,944	39,737	41.6	10.1
1999	153	893,028	5,903	256,378,506	43,432	41.9	10.3
2000	152	885,974	5,995	275,626,572	45,976	42.1	10.3
2001	150	860,061	6,076	294,127,729	48,408	42.6	10.4

Cost-of-living increases included since 1976. Beginning in 1979 gross fiscal pay was provided.

@ In addition, 304 members were transferred to the State in 1981 (with 28 remaining in 2001 and 9 who have since terminated from the State) who are eligible for deferred retirement.

DEFINED BENEFIT PLAN #1
ACTIVE MEMBERS SEPTEMBER 30, 2001
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Salary
30-34									
35-39			1	8				9	\$ 494,533
40-44	1	3	6	33	22			65	3,773,605
45-49	1	5	8	33	62	59	6	174	11,654,690
50-54	1	5	8	21	70	106	40	251	16,240,962
55-59	3	6	5	11	33	46	67	171	10,748,580
60		1		1	5	3	5	15	870,373
61			1	1	2	2	10	16	1,114,328
62					2	7	3	12	874,083
63				1	2	1	3	7	457,366
64					4	1	6	11	683,189
65					3	2	3	8	545,454
66					1	1	4	6	398,434
67				1	1	2	3	7	625,056
68					1		1	2	77,983
69			2		1	1	2	6	478,147
70							2	2	91,194
71				1			1	2	116,939
72					1	1		2	165,046
73					1			1	34,298
74							1	1	72,328
75						2		2	192,557
76									
77							2	2	111,541
78									
79					1			1	70,364
Totals	6	20	31	111	212	234	159	773	\$49,891,050

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

Age: 52.7 years
Service: 24.7 years
Annual Pay: \$64,542

DEFINED BENEFIT PLAN #2
ACTIVE MEMBERS SEPTEMBER 30, 2001
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Salary
Under 25	12	1						13	\$ 360,676
25-29	14	3						17	527,833
30-34	13	7	7					27	941,730
35-39	3	2	10	3				18	795,202
40-44	1	3	13	5				22	989,745
45-49	7		9	11	1	1		29	1,251,198
50-54	6	1	7	4	6	4	3	31	1,450,859
55-59	2		5	1		2	2	12	612,322
60	1		1					2	94,846
61			2					2	93,672
62	1							1	18,304
63		1						1	24,567
65				1				1	51,804
68			1					1	26,899
69	1							1	18,304
73			1					1	26,666
Totals	61	18	56	25	7	7	5	179	\$7,284,627

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

Age: 41.7 years
Service: 10.5 years
Annual Pay: \$40,696

DEFINED BENEFIT PLAN #3
ACTIVE MEMBERS SEPTEMBER 30, 2001
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Salary
30-34									
35-39			3	15				18	\$ 1,018,079
40-44			3	31				34	1,961,490
45-49			4	17	2			23	1,259,607
50-54			4	14				18	1,000,536
55-59			4	3				7	368,250
60				1				1	25,958
61				2				2	124,630
62			1	1				2	63,582
67				1				1	47,840
Totals			19	85	2			106	\$5,869,972

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

Age: 46.0 years
Service: 16.3 years
Annual Pay: \$55,377

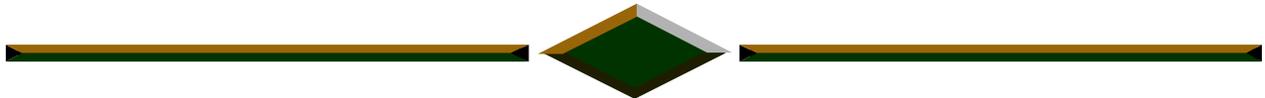
DEFINED CONTRIBUTION PLAN #4
ACTIVE MEMBERS SEPTEMBER 30, 2001
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Salary
15-19	5							5	\$ 92,276
20-24	155	2						157	4,177,155
25-29	380	76						456	15,381,429
30-34	400	302	126	4				832	34,059,737
35-39	313	269	283	101				966	44,793,254
40-44	260	189	219	164	16			848	42,161,011
45-49	221	161	154	114	45	18	2	715	36,317,333
50-54	157	115	112	64	32	36	6	522	27,413,069
55-59	101	61	70	32	11	22	8	305	15,341,683
60	13	10	16	1	2	1		43	1,999,847
61	9	9	11	4			3	36	2,164,927
62	5	8	9	4	1			27	1,368,152
63	3	6	8	4			1	22	1,131,012
64	9	9	5	1			1	25	1,212,230
65	5	6	3	2			2	18	1,014,430
66	3	5	3	1		1		13	885,221
67	1		2	3				6	409,111
68	1	2	1				1	5	252,391
69	1							1	53,857
70	1		1				1	3	120,623
71	1	1						2	95,475
72		2						2	47,037
73			3					3	236,742
74			1					1	49,356
75						1	1	2	194,347
77	1	1						2	83,808
79			1					1	26,567
Totals	2,045	1,234	1,028	499	107	79	26	5,018	\$231,082,080

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

Age: 41.0 years
Service: 8.0 years
Annual Pay: \$46,051

SECTION C



Financial Principles
Actuarial Valuation Process
Actuarial Cost Methods
Actuarial Assumptions
and
Definitions of Technical Terms

BASIC FINANCIAL PRINCIPLES AND OPERATION OF THE RETIREMENT SYSTEM

Benefit Promises Made Which Must Be Paid For. A retirement program is an orderly means of handing out, keeping track of, and financing pension promises to a group of employees. As each member of the retirement program acquires a unit of service credit the member is, in effect, handed an “IOU” which reads: “The Retirement System promises to pay you one unit of retirement benefits, payments in cash commencing when you retire.”

The principal related financial question is: When shall the money required to cover the “IOU” be contributed? This year, when the benefit of the member’s service is received? Or, some future year when the “IOU” becomes a cash demand?

The Constitution of the State of Michigan is directed to the question:

“Financial benefits arising on account of service rendered in each fiscal year shall be funded during that year and such funding shall not be used for financing unfunded accrued liabilities.”

This Retirement System meets this requirement by having as its financial objective the establishment and receipt of contributions, expressed as percents of active member payroll, which will remain approximately level from year to year and will not have to be increased for future generations of taxpayers.

Translated into actuarial terminology, a level percent-of-payroll contribution objective means that the contribution rate must be at least:

Normal Cost (the present value of future benefits assigned to members’ service being rendered in the current year)

. . . plus . . .

Interest on the Unfunded Actuarial Accrued Liability (the difference between the actuarial accrued liability and current system assets).

The accumulation of invested assets is a by-product of level percent of payroll contributions, not the objective. Investment income becomes the 3rd major contributor to the retirement program, and the amount is directly reacted to the amount of contributions and investment performance.

If contributions to the retirement program are less than the preceding amount, the difference, plus investment earnings not realized thereon, will have to be contributed at some later time, or, benefits will have to be reduced, to satisfy the fundamental fiscal equation under which all retirement programs must operate:

$$\mathbf{B = C + I - E}$$

The aggregate amount of **B**enefit payments to any group of members and their beneficiaries cannot exceed the sum of:

The aggregate amount of **C**ontributions received on behalf of the group

. . . plus . . .

Investment earnings on contributions received and not required for immediate cash payments of benefits

. . . minus . . .

The **E**xpenses of operating the program.

Computed Contribution Rate Needed To Finance Benefits. From a given schedule of benefits and from the data furnished, the actuary calculates the contribution rate *by means of an actuarial valuation* -the technique of assigning monetary values to the risks assumed in operating a retirement program.

THE ACTUARIAL VALUATION PROCESS

The financing diagram on page C-3 shows the relationship between the two fundamentally different philosophies of paying for retirement benefits: the method where contributions match cash benefit payments (or barely exceed cash benefit payments, as in the Federal Social Security program) which is an *increasing contribution method*; and the *level contribution method* which equalizes contributions between the generations.

The actuarial valuation is the mathematical process by which the level contribution rate is determined, and the flow of activity constituting the valuation may be summarized as follows:

- A. *Census Data*, furnished by plan administrator.
 - Retired lives now receiving benefits
 - Former employees with vested benefits not yet payable
 - Active employees

- B. + *Asset data* (cash & investments), furnished by plan administrator

- C. + *Assumptions concerning future experience in various risk areas*, which assumptions are established by the Retirement System after consulting with the actuary

- D. + *The funding method* (the long-term, planned pattern for employer contributions)

- E. + *Mathematically combining the assumptions, the funding method, and the data*

- F. = Determination of:
 - Plan financial position; and/or
 - New Employer Contribution Rate

ACTUARIAL COST METHODS

The actuarial cost method is a procedure for allocating the actuarial present value of benefits and expenses to time periods. The method used for your valuation is known as the projected unit credit actuarial cost method, and has the following characteristics:

- (i) The future annual normal costs for each individual active member are sufficient to accumulate the value of the member's pension, at time of retirement, attributable to service likely to be rendered after the valuation date.
- (ii) Each annual normal cost is the percentage of the member's current pay that is expected to finance the portion of the member's future benefit that is accruing in the current year.

The projected unit credit actuarial cost method allocates the actuarial present value of each member's projected benefits to time periods in the ratio of credited service during the time period to total projected credited service.

The portion of the actuarial present value allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial accrued liability. Deducting accrued assets from the actuarial accrued liability determines the unfunded actuarial accrued liability.

The base rate of increase in salaries used to calculate the actuarial liability was assumed to be 4.0%.

ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION

Contribution requirements and actuarial present values are calculated by applying estimates of future experience (actuarial assumptions) to the benefit provisions and participant data of the System, using the actuarial cost methods described on page C-6.

The principal areas of activity which require experience estimates are:

- long-term rates of investment return to be generated by the assets of the System
- patterns of pay increases to members
- rates of mortality among members, retired members and beneficiaries
- rates of withdrawal of active members
- rates of disability among active members
- the age patterns of actual retirements.

In an actuarial valuation, the monetary effect of each activity is calculated for as long as a present covered person survives - - - a period of time which can be as long as a century.

Actual experience of the System will not coincide exactly with the experience estimates. Each valuation provides a complete recalculation of estimated future experience and takes into account all past differences between estimated and actual experience. The result is a continual series of adjustments (usually small) to the computed contribution rate.

From time to time one or more of the estimates are modified to reflect experience trends but not random or temporary year to year fluctuations.

ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION

Investment Return (net of administrative expenses).

8.0% per year, compounded annually. This rate consists of a real rate of return of **4.0%** a year plus a long-term rate of inflation of **4.0%** a year.

This assumption is used to equate the value of payments due at different points in time and was first used for the September 30, 1998 valuation. Approximate rates of investment return, for the purpose of comparisons with assumed rates, are shown below.

	Year Ended September 30					5 Year Average
	2001	2000	1999	1998	1997	
Recognized Rate of Return	8.3%	17.1%	15.1%	10.1%	11.7%	12.4%

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

These rates of return should not be used for measurement of an investment advisor's performance or for comparisons with other systems -- *to do so will mislead*.

Rates of salary increase were as follows:

Sample Ages	Annual Rate of Salary Increase for Sample Age		
	Base Assumption	Merit & Longevity	
		General & DPS	Sheriff
20	4.0%	2.5%	2.5%
25	4.0%	2.5%	2.5%
30	4.0%	2.5%	2.5%
35	4.0%	2.4%	2.4%
40	4.0%	2.2%	2.2%
45	4.0%	2.0%	2.0%
50	4.0%	1.7%	1.7%
55	4.0%	1.4%	1.4%
60	4.0%	1.1%	1.1%
Ref		172	172

These rates are used to project current salaries to those upon which pension amounts are likely to be based. The current rates were first used for the supplemental September 30, 1998 actuarial valuation.

Rates of separation from active membership were as follows:

Sample Ages	% of Active Members Separating Within the Next Year		
	General	DPS	Sheriff
	20	5.00%	5.00%
25	5.10%	5.00%	4.50%
30	4.90%	4.50%	3.90%
35	4.40%	3.55%	2.30%
40	3.60%	1.45%	0.90%
45	2.80%	0.75%	0.50%
50	2.00%	0.75%	0.50%
55	1.30%	0.75%	0.50%
60	1.00%	0.75%	0.50%
Ref	1 30	1 55	1 53

Rates for all divisions were first used for the September 30, 1998 valuation.

The probabilities of retirement for members satisfying the age and service conditions for retirement are as follows:

Retirement Ages	Percent of Active Members Retiring Within Next Year			
	General	D.P.S.	Sheriff	Defined Benefit Plans 2 & 3
45	30%	30%	30%	
46	30%	30%	30%	
47	30%	30%	30%	
48	30%	30%	30%	
49	30%	30%	30%	
50	18%	25%	30%	
51	18%	25%	30%	
52	18%	25%	30%	
53	18%	25%	25%	
54	18%	25%	20%	
55	18%	25%	20%	5%
56	18%	25%	20%	5%
57	18%	25%	20%	5%
58	18%	25%	20%	5%
59	18%	25%	20%	5%
60	18%	25%	20%	5%
61	18%	25%	20%	5%
62	25%	35%	20%	30%
63	25%	35%	25%	10%
64	25%	35%	25%	10%
65	25%	35%	25%	60%
66	20%	35%	25%	30%
67	20%	35%	25%	40%
68	20%	35%	25%	50%
69	20%	35%	25%	90%
70	20%	100%	100%	100%
71	20%	100%	100%	100%
72	20%	100%	100%	100%
73	20%	100%	100%	100%
74	20%	100%	100%	100%
75	100%	100%	100%	100%
Ref	558	560	559	40

Defined Benefit Plan 1 General & D.P.S.: Assumed age and service conditions for retirement were any age with 30 or more years of service; age 50 with 25 years of service; or, age 60 years with 5 or more years of service. **Sheriff:** Assumed age and service conditions for retirement were 25 or more years of service; or, age 60 years with 5 or more years of service. For those who are age 50 and have at least 28 years of service, a 30% probability of retirement was assumed.

Defined Benefit Plans 2 and 3: Assumed age and service conditions for retirement were age 55 years with 25 or more years of service; or, age 60 years with 20 or more years of service; or, age 65 with 5 (8 years for plan 2) or more years of service.

The rates were first used for the September 30, 1998, valuation for defined benefit plan 1, and the November 30, 1983 supplemental actuarial valuation for defined benefit plans 2 and 3.

Rates of disability are represented by the following table:

Sample Ages	Percent Becoming Disabled Within Next Year		
	Plan 1 General		Other
20	0.08%		0.10%
25	0.08%		0.10%
30	0.08%		0.07%
35	0.08%		0.12%
40	0.20%		0.28%
45	0.26%		0.51%
50	0.49%		0.81%
55	0.89%		1.13%
60	1.41%		1.44%
Ref	9	x 1	8 x 1

Lump sum redemption factors are used to project increases in average final compensation from the inclusion of lump sum redemptions of unused sick leave and vacation time.

Lump sum redemption factors applicable to Defined Benefit Plans 1 and 3 were:

Factors			
Service Retirements		Death-in-Service	Disability Retirements
Regular	Deferred		
5.0%	5.0%	0.0%	0.0%

The lump sum redemption factor applicable to Defined Benefit Plan 2 was zero.

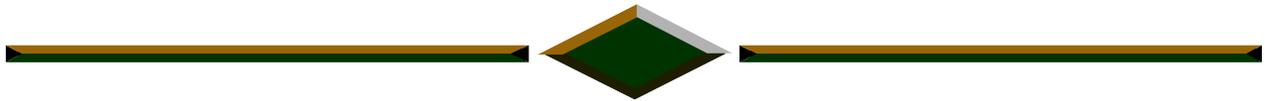
Number of active members: The number of active members (in all plans) was assumed to remain constant.

The mortality table used to measure post-retirement mortality was the 1983 Group Annuity Mortality Table. This assumption was first used for the September 30, 1998 supplemental actuarial valuation.

Mortality rates are used to measure the probabilities of members dying before retirement and the probabilities of each pension payment being made after retirement.

Sample Attained	Single Life Retirement Values			
	Present Value of \$1 Monthly for Life		Future Life Expectancy (years)	
Ages	Men	Women	Men	Women
45	\$138.18	\$144.67	33.74	39.69
50	132.10	140.42	29.18	34.92
55	124.57	134.74	24.82	30.24
60	115.04	127.24	20.64	25.67
65	103.26	117.61	16.69	21.29
70	90.18	105.53	13.18	17.13
75	76.40	91.57	10.15	13.37
80	62.65	77.16	7.64	10.20
Ref:	30 x 1.00	31 x 1.00		

SECTION D



Financial Reporting

**STATEMENT OF MARKET VALUE OF PLAN NET ASSETS
AS OF SEPTEMBER 30, 2000 AND SEPTEMBER 30, 2001**

	2001	2000
Assets:		
Cash and short-term investments	\$ 190,035,503	\$ 52,760,011
Receivables:		
Accrued interest and dividends	7,015,322	7,728,770
Investments, at fair value:		
U.S. Government Bonds	147,850,065	128,102,728
Corporate Bonds	201,242,944	231,708,995
Bond Mutual Funds	0	15,919,840
Mortgages	75,794,726	81,137,514
Investments in Partnerships	55,467,487	5,000,000
Stocks	393,492,529	793,128,739
	873,847,751	1,254,997,816
Total Assets	\$1,070,898,576	\$1,315,486,597
Liabilities		
Payables	7,332,544	189,304
Net assets held in trust for pension benefits (A schedule of funding progress for the plan is presented on page D-5.)	\$1,063,566,032	\$1,315,297,293

**STATEMENT OF CHANGES IN MARKET VALUE OF NET ASSETS FOR THE
FISCAL YEARS ENDED SEPTEMBER 30, 2000 AND SEPTEMBER 30, 2001**

	Reconciliation as of September 30, 2001	Reconciliation as of September 30, 2000
Additions:		
Contributions		
Employer	\$ 38,562	\$ 3,804,618
Plan members	2,806,787	2,911,140
Total contributions	2,845,349	6,715,758
Investment Income	(152,969,627)	200,426,190
Total Additions	(150,124,278)	207,141,948
Deductions:		
Benefits	96,682,590 @	93,199,134 @
Refunds of contributions	118,208	82,995
Investment expenses	1,759,603	1,846,660
Administrative expenses	3,046,581	2,442,784
Total deductions	101,606,982	97,571,572
Net Increase	(251,731,261)	109,570,375
Net assets held in trust for pension benefits:		
Beginning of year	1,315,297,293	1,205,726,918
End of year	\$1,063,566,032	\$1,315,297,293

@ Includes 13th check disbursement.

Plan Description. The Wayne County Employees Retirement System is a single-employer defined benefit and defined contribution pension plan that covers the employees of Wayne County.

The plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

Contributions. Plan members contributions are in accordance with the schedules on pages B-2, B-3, and B-4.

The employer's funding policy provides for periodic employer contributions based upon a *fundamental financial objective of having rates of contribution which remain relatively level from generation to generation of Wayne County citizens.* To determine the employer contribution rates and to assess the extent to which the fundamental financial objective is being achieved, the System has actuarial valuations prepared annually. In preparing those valuations, the projected unit credit actuarial cost method is used to determine normal cost and actuarial accrued liabilities.

On the basis of the September 30, 2001 actuarial valuation, the employer contributions were determined to be as follows:

<u>Contributions for</u>	<u>Dollar Amounts</u>
Normal Cost	\$8,769,902
Accrued Liabilities	<u>(7,441,908)</u>
Total Employer DBP Contributions	\$ 1,327,994

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(DOLLAR AMOUNTS IN MILLIONS)

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered+ Payroll (c)	UAAL as a Percent of Covered Payroll [(b)-(a)]/(c)
11/30/1991#	\$724.6	\$720.8	\$ (3.8)	100.5 %	\$166.9	--
11/30/1992#	730.0	761.7	31.7	95.8 %	180.7	17.5 %
11/30/1993#	749.5	777.5	28.0	96.4 %	184.0	15.2 %
11/30/1994	766.1	783.5	17.4	97.8 %	182.7	9.5 %
11/30/1995#	781.4	829.2	47.8	94.2 %	192.9	24.8 %
11/30/1996#@	866.9	866.9	0.0	100.0 %	208.6	--
11/30/1997#	877.9	870.1	(7.8)	100.9 %	224.1	--
9/30/1998#	933.0	906.6	(26.4)	102.9 %	231.0	--
9/30/1999	965.8	915.3	(50.5)	105.5 %	256.4	--
9/30/2000&	1,028.6	947.6	(81.0)	108.5 %	275.6	--
9/30/2001	1,041.6	955.8	(85.8)	109.0 %	294.1	--
9/30/2001#	1,041.6	979.2	(62.4)	106.4 %	294.1	--

After changes in benefit provisions or revised actuarial assumptions.

* Excludes reserve for inflation equity.

+ Includes defined contribution plan payroll.

@ After one-time adjustment equal to UAAL.

& Change in Inflation Equity calculation.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
DEFINED BENEFIT PLANS ONLY
(\$ IN THOUSANDS)**

Fiscal Year Ended September 30#	Annual Recommended Contributions	Actual Contributions	Percent Contributed
1992	\$14,385	\$13,122	91%
1993	10,997	10,147	92%
1994	14,431	12,390	86%
1995	14,180	12,147	88%
1996	12,250	12,103	99%
1997	14,470*	12,746	88%
1998	8,751	7,095	81%
1999	7,632	7,642	100%
2000	5,446	3,805	70%
2001	2,670	39	1%
2002	0	N/A	N/A
2003	1,328	N/A	N/A

* Restated from prior report.

Valuations before 1998 were based on a fiscal year ending November 30.

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

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

Valuation date	September 30, 2001
Actuarial cost method	Projected unit credit actuarial cost method
Amortization method	Level percent of payroll
Remaining amortization period	N/A
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	4.0% - 7.0%
Cost-of-living adjustments	N/A
<hr/>	
* Includes inflation at	4.0%

July 26, 2002

Mr. Ronald Yee, Director
Wayne County Employees
Retirement System
400 Monroe, Suite 320
Detroit, Michigan 48226

Dear Ron:

Enclosed are 45 copies of the September 30, 2001 Actuarial Valuation report for the Wayne County Employees Retirement System. We would be happy to meet with the Board to review the report.

Sincerely,

Judith A. Kermans

JAK/lr

Enclosures