MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT

FINANCIAL AUDIT
OF THE

STATE OF MICHIGAN 401K PLAN

October 1, 2008 through September 30, 2009

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

071-0156-10

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

– Article IV, Section 53 of the Michigan Constitution

Audit report information can be accessed at:
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Michigan

Office of the Auditor General

REPORT SUMMARY

Financial Audit

State of Michigan 401K Plan

October 1, 2008 through September 30, 2009

Report Number:
071-0156-10

Released:
December 2009

A financial audit determines if the financial statements are fairly presented; considers internal control over financial reporting; and determines compliance with requirements material to the financial statements. This financial audit of the State of Michigan 401K Plan was conducted as part of the constitutional responsibility of the Office of the Auditor General.

Financial Statements:

Auditor's Report Issued

We issued an unqualified opinion on the State of Michigan 401K Plan financial statements.

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Internal Control Over Financial Reporting and on Compliance and Other Matters

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of the State of Michigan 401K Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

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Background:

The State of Michigan 401K Plan is a pension (and other employee benefit) trust fund of the State of Michigan. The Plan was established by the Civil Service Commission in 1985 as a 401k plan and amended in March 1997 to implement a defined contribution component as a means for all employees to build funds for retirement. All employees of the State are eligible to participate in the Plan on the first day of employment and may voluntarily contribute a portion of their compensation up to the established Internal Revenue Service limits.

The Plan provides for the State of Michigan to make a mandatory contribution of 4.0 percent and matching contributions up to a maximum of 3.0 percent of each participant's compensation for employees not covered by the State's defined benefit plans. Participants are 100 percent vested in their salary deferrals at all times and vest in the employer contributions based on years of service.

There is also a State of Michigan 457 Plan, which is a pension (and other employee benefit) trust fund of the State of Michigan. State employees are eligible to participate in either or both of these plans.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: http://audgen.michigan.gov

Michigan Office of the Auditor General
201 N. Washington Square
Lansing, Michigan 48913

Thomas H. McTavish, C.P.A.
Auditor General

Scott M. Strong, C.P.A., C.I.A.
Deputy Auditor General

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

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

December 30, 2009

Ms. Lisa Webb Sharpe, Director
Department of Management and Budget
Lewis Cass Building - Second Floor
Lansing, Michigan
and
Mr. Phillip Stoddard, Director
Office of Retirement Services
Department of Management and Budget
General Office Building - Third Floor
Lansing, Michigan

Dear Ms. Webb Sharpe and Mr. Stoddard:

This is our report on the financial audit of the State of Michigan 401K Plan for the period October 1, 2008 through September 30, 2009.

This report contains our report summary, our independent auditor's report on the financial statements, the Plan management's discussion and analysis, the Plan's financial statements, and a glossary of acronyms and terms.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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INDEPENDENT AUDITOR'S REPORT

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

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

Independent Auditor's Report on the Financial Statements

Ms. Lisa Webb Sharpe, Director
Department of Management and Budget
Lewis Cass Building - Second Floor
Lansing, Michigan
and
Mr. Phillip Stoddard, Director
Office of Retirement Services
Department of Management and Budget
General Office Building - Third Floor
Lansing, Michigan

Dear Ms. Webb Sharpe and Mr. Stoddard:

We have audited the accompanying financial statements of the State of Michigan 401K Plan as of and for the fiscal year ended September 30, 2009, as identified in the table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements for the fiscal year ended September 30, 2008 were audited by other auditors whose report dated December 3, 2008 expressed an unqualified opinion on those statements.

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

As described in Note 1, the financial statements present only the State of Michigan 401K Plan and do not purport to, and do not, present fairly the financial position of the State of Michigan or its pension (and other employee benefit) trust funds as of September 30, 2009 and September 30, 2008 and the changes in financial position thereof for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the 2009 financial statements referred to in the first paragraph present fairly, in all material respects, the plan net assets of the State of Michigan 401K Plan as of September 30, 2009 and the changes in plan net assets for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis on pages 11 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

AUDITOR GENERAL

December 22, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State of Michigan 401K Plan's (the Plan) annual financial report presents our discussion and analysis of the Plan's financial performance and provides an overview of the Plan's financial activities for the fiscal year ended September 30, 2009. Please read it in conjunction with the basic financial statements, which follow this discussion.

Using this Annual Financial Report

This annual financial report consists of two parts: (1) management's discussion and analysis (this section) and (2) the basic financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Condensed Financial Information

The table below compares key financial information in a condensed format between the current year and the two prior years:

	Fiscal Year Ended September 30		
	2009	2008	2007
Net Trust Assets	$ 2,750,169,790	$ 2,631,308,442	$3,035,192,610
Net investment gain (loss)	$ 34,916,337	$ (492,538,657)	$ 387,900,273
Contributions - Employer	89,882,688	81,595,032	76,246,761
Contributions - Employee	150,803,088	161,446,899	156,705,719
Benefits paid	(149,100,194)	(146,978,937)	(127,681,388)
Other income and expenses	(7,640,571)	(7,408,505)	(9,164,255)
Net Increase (Decrease) in Trust Net Assets	$ 118,861,348	$ (403,884,168)	$ 484,007,110

Overall Fund Structure and Objectives

The Plan was established by the Civil Service Commission in 1985 as a 401k plan and amended in March 1997 to implement a defined contribution component as a means for all employees to build funds for retirement. All employees of the State become eligible to participate in the Plan on the first day of employment and may voluntarily contribute a portion of their compensation up to the established Internal Revenue Service (IRS) limits.

The Plan provides for the State of Michigan to make a mandatory contribution of 4.0 percent of each participant's compensation for employees not covered by the State's defined benefit plans. Participants are 100 percent vested in their salary deferrals at all times and vest in the employer contributions based on years of service. The Plan is more fully described in Note 2.

Asset Allocation

All participants have the ability to direct the investments of their accounts under the Plan, in accordance with the investment choices as are made available and those policies or procedures as are determined by the trustee and the administration from time to time. The State has no control over investment decisions made by the participants. The Plan may be invested and reinvested in various instruments as deemed appropriate by the trustee and Plan management. Several investment tiers have been developed and made available to participants. A summary of the types of investments is listed in Note 4.

Investment Results

While financial markets continued to experience significant challenges during fiscal year 2008-09, the economy showed early signs of recovery. Although equity markets bottomed out mid-March, they saw a strong recovery throughout the summer with the S&P 500 Index posting a third quarter return of more than 15.0 percent, one of the best quarters ever. Risk-based fixed income assets also posted gains for the period. While indicative of a stabilizing environment for most of the quarter, economic data grew mixed toward the end of September. Investors generally grew cautious in the last week of September, as disappointing economic data, depressed buying activity, and banner gains for the quarter left some uneasy about the prospects for a continued bullish environment. However, despite this late-period weakness, the final quarter of the fiscal year was extremely robust. The S&P 500 Index, the Dow Jones Industrial Average, and the NASDAQ composite were all up more than 15.0 percent. In fiscal year 2007-08, as a result of depressed equity markets, the S&P 500 lost 23.0 percent, while the international equity index, MSCI EAFE, was down 30.9 percent for the same period.

Financials were the top-performing guaranteed investment contract (GIC) sector for the quarter by a large margin, while international markets - and emerging markets in particular - were also strong in the last quarter of the fiscal year. While rates dropped across the U.S. Treasury yield curve, 7-, 10-, and 30-year bonds performed best in a flattening environment. Risk-based fixed income assets posted a very strong quarter as positive excess returns continued unabated. By comparison, the bond market in fiscal year 2007-08 was up a modest 3.5 percent for the year measured by the Lehman Aggregate Index, and the Federal Reserve announced six interest rate cuts during the year.

By the time the fiscal year closed, the total fund posted a net investment gain of $34.9 million or 1.3 percent of beginning net assets as compared to fiscal year 2007-08, which posted a net investment loss of $492.5 million or 16.1 percent.

Contacting Management

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

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FINANCIAL STATEMENTS

STATE OF MICHIGAN 401K PLAN
Statement of Plan Net Assets

	September 30, 2009			September 30, 2008
	Defined Contribution	401k	Total	Total
Assets				
Participant-directed investments, at fair value:				
Money market funds	$ 129,258,467	$ 110,223,402	$ 239,481,869	$ 228,126,200
Equity in common cash	121,116	898,042	1,019,158	2,094,586
Mutual funds (Note 4)	368,456,870	857,803,910	1,226,260,780	1,187,525,286
Common trust funds	338,493,661	736,718,160	1,075,211,821	992,309,173
Participant loans	87,979,486	119,969,778	207,949,264	220,976,332
Other receivable	82,861	164,037	246,898	276,865
Plan Net Assets	$ 924,392,461	$ 1,825,777,329	$ 2,750,169,790	$ 2,631,308,442

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

STATE OF MICHIGAN 401K PLAN
Statement of Changes in Plan Net Assets

	Fiscal Year Ended September 30			
	2009			2008
	Defined Contribution	401k	Total	Total
Additions to Net Assets Attributed to				
Investment income (loss):				
Interest and dividends	$ 14,854,467	$ 32,604,168	$ 47,458,635	$ 173,292,011
Net appreciation (depreciation) in fair value of investments	5,156,188	(17,698,486)	(12,542,298)	(665,830,668)
Total investment income (loss)	$ 20,010,655	$ 14,905,682	$ 34,916,337	$ (492,538,657)
Contributions:				
Employees	$ 32,764,148	$ 117,124,804	$ 149,888,952	$ 161,273,930
Employer	89,882,688		89,882,688	81,595,032
Transfers from other plans	8,858	905,278	914,136	172,969
Total contributions	$ 122,655,694	$ 118,030,082	$ 240,685,776	$ 243,041,931
Miscellaneous income	$ 287,292	$ 581,746	$ 869,038	$ 1,242,416
Total additions (deductions)	$ 142,953,641	$ 133,517,510	$ 276,471,151	$ (248,254,310)
Deductions from Net Assets Attributed to				
Benefits paid to participants	$ 52,177,508	$ 96,922,686	$ 149,100,194	$ 146,978,937
Administrative and investment expenses	2,018,992	3,937,112	5,956,104	5,847,378
Transfers to other plans	2,542,236	11,269	2,553,505	2,803,543
Total deductions	$ 56,738,736	$ 100,871,067	$ 157,609,803	$ 155,629,858
Net Increase (Decrease)	$ 86,214,905	$ 32,646,443	$ 118,861,348	$ (403,884,168)
Plan Net Assets				
Beginning of fiscal year	838,177,556	1,793,130,886	2,631,308,442	3,035,192,610
End of fiscal year	$ 924,392,461	$ 1,825,777,329	$ 2,750,169,790	$ 2,631,308,442

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

Note 1 Summary of Significant Accounting Policies

The State of Michigan 401K Plan is a defined contribution retirement plan sponsored by the State of Michigan. The Plan covers employees of the State of Michigan. There is also a State of Michigan 457 Plan, which is a pension (and other employee benefit) trust fund of the State of Michigan. State employees are eligible to participate in either or both of these plans. The State of Michigan 457 Plan annual financial report is issued separately.

Basis of Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The accompanying financial statements present only the State of Michigan 401K Plan. Accordingly, they do not purport to, and do not, present fairly the financial position and the changes in financial position of the State of Michigan as a whole or its pension (and other employee benefit) trust funds in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting - The Plan uses the accrual method of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions.

Investments - Investments in money market funds, mutual funds, and common trust funds are stated at fair value as determined by quoted market prices, other than nonparticipating interest-earning investment contracts that use cost-based measures since they are not significantly affected by the impairment of the credit standing of the issuer. Participant loans are stated at face value, which approximates market value. Investments in common trust funds are funds managed by State Street Global Advisors, similar to mutual funds, but are not registered like mutual funds. Independent audits of the common trust funds as a whole are performed by other auditors. The funds do not report to the Securities and Exchange Commission (SEC) but are required to submit reports to the U.S. Department of Labor. The fair value of the Plan's position in the common cash fund is equivalent to the fair value of the common cash fund shares.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net assets during the reporting period. Actual results could differ from those amounts.

Note 2 General Description of the Plan

The following brief description of the Plan provides only general information. Participants should refer to the Plan Document for a more complete description of the Plan's provisions.

General - The Plan was established by the Civil Service Commission in 1985 as a 401k plan. The Plan was amended as of March 31, 1997 to implement a defined contribution component. The Plan was amended and restated effective January 1, 2008 to incorporate all amendments since the last restatement, update changes required by law, and add new sections for any changes in provisions made during the Plan year.

Eligibility - All employees become eligible to participate on the first day of employment in the 401k portion of the Plan. Employees hired on or after March 31, 1997 become eligible on the first day of employment for the defined contribution component of the Plan. Employees hired prior to March 31, 1997 could also become eligible for the defined contribution component if they irrevocably elected to forgo participation in a defined benefit plan sponsored by the State of Michigan and to become a participant in the Plan.

Contributions - In accordance with Section 401k of the Internal Revenue Code, effective January 1, 1987, the Plan limits the amount of an individual's annual contribution.

The Plan provides for the State of Michigan to make a mandatory contribution of 4.0 percent of each participant's compensation for employees not covered by the State's defined benefit plans. The State is also required to make matching contributions equal to elective deferrals to the Plan, up to a maximum of 3.0 percent of each participant's compensation for employees not covered by the State's defined benefit plans.

Participant Account - Each participant's account is credited with his or her contributions; the State's contributions, if applicable; and an allocation of the Plan's earnings. Allocations are based on the participant's account balance to reflect the effect of income or losses from the particular investments. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Vesting - Participants are 100 percent vested in their salary deferrals at all times. Participants are vested in employer contributions based on years of service over a four-year period. A participant is 100 percent vested after four years of service credit. A year of service is defined as 2,080 hours.

Loans to Participants - Participants may borrow from their vested account balances in accordance with the loan policy statement. Loan amounts can range from a minimum of $1,000 to a maximum of $50,000. Loans must be repaid within five years, with the exception of real estate loans, which may be extended beyond five years. The interest rate on loans reflects a rate equal to the prime interest rate on the first day of the prior month.

Loans to Participants - Defaulted - Defaulted loans are loans resulting from the failure of a participant to make the required loan repayments on an outstanding loan and are considered deemed distributed loans. If a loan is issued after January 1, 2002 and the participant is still active and the loan has been defaulted on, it is categorized as a deemed distributed loan. The fund remains intact and remains as an outstanding loan for purposes of number of loans allowed and is used in the loan availability calculation. These loans are considered a distribution to the participant for which a federal 1099 tax form is issued. Participants do have the option to repay a deemed distributed loan. Fiscal year 2008-09 deemed distributed loans totaled $1,838,123 for defined contribution participants and $660,612 for 401k participants at September 30, 2009. Deemed distributed loan activity was not reflected in the fiscal year 2007-08 financial statements. An entry to reflect the cumulative deemed distributed loan activity for the periods prior to fiscal year 2008-09 is reflected as current year activity. See Note 3, Accounting Change, for more information.

Payment of Benefits - Participants may withdraw their funds upon leaving State service. Withdrawal of participant funds may be by lump sum, monthly payments, annual payments, or rollovers to other qualified plans. Payments may occur over a period not to exceed life expectancy from the date the payments begin. In-service benefit payments are permitted for various reasons as outlined in the Plan Document.

Forfeited Accounts - Forfeited nonvested accounts totaled $8,048,585 and $3,048,068 at September 30, 2009 and September 30, 2008, respectively. Internal Revenue Code section 401(a)(2) restricts the State from recapturing any contributions made to the Plan. Accordingly, as specified in the Plan Document, these accounts are to be used to offset future State contributions and to pay administrative expenses of the Plan.

Other Postemployment Benefits (OPEB) - OPEB for defined contribution retirement plan members (identified as Tier II participants) are currently included in the actuarial valuation provided by the State Employees' Retirement System. For more information regarding these benefits, please refer to the separately issued State Employees' Retirement System Comprehensive Annual Financial Report.

Note 3 Accounting Change

For the fiscal year ended September 30, 2008, benefit payments increased and participant loans decreased to reflect defaulted loans that the Plan has recorded as deemed distributed loans in the amount of $6,633,811 for defined contribution participants and $8,793,195 for 401k participants for the periods prior to fiscal year 2008-09 to account for the cumulative effect of an accounting error. The total amount was not considered material and thus did not require a restatement of the fiscal year 2007-08 financial statements.

Note 4 Investments

All investments are participant directed. The mutual funds are registered with the SEC and the bank investment contracts (BICs) and guaranteed investment contracts (GICs) are regulated. Several investment tiers have been developed and made available to participants. A brief summary of the types of investments included in each tier is listed below:

Tier I - Stable Value Fund, Yield Enhanced Short-Term Fund, Bond Market Index Fund, S&P 500 Index Fund, S&P MidCap Index Fund, Russell 2000 Index Fund, Target Retirement Income Fund, and Target Retirement Funds ranging in retirement dates from 2010 through 2050.

Tier II - PIMCO Total Return Fund, MFS Total Return Fund, Oakmark Equity & Income Fund, Dodge & Cox Stock Fund, Rainier Large Cap Growth Equity Fund, Lord Abbett Mid Cap Value Fund, Artisan Mid Cap Fund, Columbia Acorn Fund, Ridgeworth Small Cap Value Fund, AllianceBernstein International Value Fund, American Funds EuroPacific Growth Fund, and SSgA Emerging Markets Fund.

Tier III - Individual stocks and bonds and thousands of mutual funds (load, no-load, and no-fee/no-load) from a multitude of fund families are available through the Plan's third-party administrator. The various types of investments within Tier III are self-managed assets by the participants and are not separately classified by type of investment by the Plan's third-party administrator. These self-managed stocks, bonds, and mutual funds are presented on the statement of plan net assets within the "Mutual funds" line item.

The Plan's investments are subject to several types of risk, which are examined in more detail below:

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Plan's investment policy does not restrict investment maturities. At year-end, the average maturities of investments were as follows:

Investment Type	Fair Value/ Cost-Based Value	Weighted Average Maturity (Years)
2009		
Common trust funds:		
Traditional GICs/BICs *	$ 22,740,863	1.14
Buy and hold synthetics *	$ 1,822,119	0.42
Global wrap synthetic contracts *	$ 420,242,947	2.73
SSgA Daily Bond Market Index Fund	$ 135,254,842	4.42
Money market funds	$ 239,481,869	0.14
PIMCO Total Return Fund	$ 59,332,516	4.79
2008		
Common trust funds:		
Traditional GICs/BICs *	$ 49,429,351	1.40
Buy and hold synthetics *	$ 2,962,698	0.67
Global wrap synthetic contracts *	$ 369,265,100	3.02
SSgA Daily Bond Market Index Fund	$ 112,387,841	4.76
Money market funds	$ 228,126,201	0.09
Mutual funds	$ 39,436,704	8.40

* These investments are reported at contract value as disclosed in Note 1.

Credit Risk

The Plan has an investment policy that limits its investment choices. The investment choices offered to participants are defined by tiers as described in the preceding paragraphs. As of year-end, the credit quality ratings of debt securities (other than U.S. government) were as follows:

Investment Type	Fair Value/ Cost-Based Value		Rating	Rating Organization
2009				
Common trust funds:				
Traditional GICs/BICs *	$	22,740,863	NR to AA	S&P
Buy and hold synthetics *	$	1,822,119	NR	S&P
Global wrap synthetic contracts *	$	420,242,947	AA- to A+	S&P
SSgA Daily Bond Market Index Fund	$	135,254,842	AA2	S&P
Money market funds	$	239,481,869	A1+	S&P
PIMCO Total Return Fund	$	59,332,516	AA	S&P
2008				
Common trust funds:				
Traditional GICs/BICs *	$	49,429,351	AA- to AA	S&P
Buy and hold synthetics *	$	2,962,698	AA	S&P
Global wrap synthetic contracts *	$	369,265,100	AA- to AA	S&P
SSgA Daily Bond Market Index Fund	$	112,387,841	AA2	S&P
Money market funds	$	228,126,201	A1+	S&P
Mutual funds	$	39,436,704	AA	S&P

* These investments are reported at contract value as disclosed in Note 1.

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign currency rates will adversely affect the fair value of an investment. As of year-end, the foreign currency risk of securities (other than U.S. government) was as follows:

Investment Type	Foreign Currency	Fair Value
2009		
Mutual funds:		
American Funds EuroPacific Growth Fund	Various	$ 165,479,294
AllianceBernstein International Value Fund	Various	$ 37,539,372
SSgA Emerging Markets Fund	Various	$ 145,184,605
2008		
Mutual funds:		
American Funds EuroPacific Growth Fund	Various	$ 130,021,898
AllianceBernstein International Value Fund	Various	$ 47,408,989
SSgA Emerging Markets Fund	Various	$ 121,030,917

Note 5 Tax Status

The U.S. Department of Treasury made a determination in March 1986 that the Plan constitutes a qualified trust under Section 401(a) of the Internal Revenue Code and is, therefore, exempt from federal income tax.

The Plan has been amended and restated subsequent to the above date. Management believes that the Plan continues to operate as a qualified trust.

GLOSSARY

Glossary of Acronyms and Terms

BICs	bank investment contracts.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial statements of an audited entity are presented fairly in all material respects in conformity with the disclosed basis of accounting.
GICs	guaranteed investment contracts.
internal control	A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
material misstatement	A misstatement in the financial statements that causes the statements to not present fairly the financial position or the changes in financial position or cash flows in conformity with the disclosed basis of accounting.
OPEB	other postemployment benefits.
S&P	Standard & Poor's.
SEC	Securities and Exchange Commission.
unqualified opinion	An auditor's opinion in which the auditor states that the financial statements presenting the basic financial information of the audited agency are fairly presented in conformity with the disclosed basis of accounting.

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STATE OF MICHIGAN

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