Michigan Legislative Retirement System

Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2011

M L R S

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

Prepared by:
Michigan Legislative Retirement System
Anderson House Office Building, Suite S0927
P.O. Box 30014
Lansing, Michigan 48909
(517) 373-0575

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Michigan Legislative Retirement System

Comprehensive Annual Financial Report
for the Fiscal Year Ended September 30, 2011

INTRODUCTORY SECTION

INTRODUCTORY SECTION

Letter of Transmittal

CHRISTINE HAMMOND
DIRECTOR

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STATE OF MICHIGAN
LEGISLATIVE RETIREMENT SYSTEM
P.O. BOX 30014
LANSING, MICHIGAN
48909-7514

March 27, 2012

The Honorable Rick Snyder
Governor, State of Michigan

Members of the Legislature
State of Michigan

Retirement Board Members
and
Members, Retirees, and Beneficiaries

Ladies and Gentlemen:

We are pleased to present the comprehensive annual report of the Michigan Legislative Retirement System (MLRS or System) for fiscal year 2011.

INTRODUCTION TO REPORT

The System was established by legislation under Public Act 261 of 1957. Information regarding the background and description of the System is presented in Note 1 in the financial section of this report. The purpose of the System is to provide benefits for eligible current and former state legislators. The services provided by the staff are performed to facilitate the payment of benefits to members.

Responsibility

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

Management's Discussion and Analysis (MD&A)

Generally Accepted Accounting Principles (GAAP) requires that management provide an overview and analysis of the System's financial statements, which is called the MD&A. This letter of transmittal should be read in conjunction with the MD&A. The MD&A is found in the beginning of the financial section of this report.

Letter of Transmittal (Continued)

FINANCIAL INFORMATION

Internal Control

The management of the System is responsible for maintaining a system of adequate internal accounting control designed to: (1) provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization; (2) record transactions necessary to maintain accountability for assets; and (3) permit preparation of financial statements in accordance with generally accepted accounting principles in the United States of America. The internal control process is designed to provide reasonable assurance regarding the safekeeping of assets and reliability of all financial records. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management. This internal control structure includes maintaining written policies and procedures.

INVESTMENT

The System Board of Trustees is the investment fiduciary for the System, and pursuant to state law, the state treasurer is the custodian of all investments of the System. The System's overall investment objective is to obtain a competitive total rate of return on investments commensurate with Act No. 314 of the Michigan Public Acts of 1965, as amended (MCL §38.1132 et seq., which is the Michigan statute governing the investments of public pension funds), the plan's risk-taking ability, and the responsibilities of the System to provide retirement benefits for its members, retirees, and their beneficiaries. In absolute terms, this return objective should approximate the System's actuarial assumed rate of return, which is currently 7%. The investment activity for the year produced a total rate of return on the portfolio of (1.7%). A summary of asset allocation and investment portfolio information can be found in the investment section of this report.

FUNDING

Funds are derived from the excess of revenue over expenses. Funds are accumulated by the System in order to meet future benefit obligations to retirees and beneficiaries. The percentage computed by dividing the actuarial value of assets over the actuarial accrued liability is referred to as the "funded ratio." This ratio provides an indication of the funded status of the System and, generally, the greater this percentage, the stronger the System. A higher level of funding gives participants a greater degree of assurance that their pension benefits are secure. Effective in fiscal year 2011, the system uses actuarial valuations from the previous fiscal year.

Pension Plan

As of September 30, 2010, the actuarial value of the assets and actuarial accrued liability of the fund were $159.0 million and $172.7 million respectively, resulting in a funded ratio of 92%. As of September 30, 2009, the amounts were $165.8 million and $171.4 million respectively. A historical perspective of funding levels for the System is presented in the Required Supplementary Information in the financial section of this report.

Other Postemployment Benefits Plan (OPEB)

In fiscal year 2007, the System implemented Governmental Accounting Standards Board (GASB) Statement 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. As of September 30, 2010, the actuarial value of the assets and actuarial accrued liability of the fund were $15.9 million and $155.3 million respectively, resulting in a funded ratio of 10%. As of September 30, 2009, the amounts were $14.6 million and $136.9 million respectively. OPEB valuations were required beginning fiscal year 2007 and do not require retroactive application. Therefore, four (4) valuation years of historical funding levels for the System are presented in the Required Supplementary Information in the financial section of this report.

Letter of Transmittal (Continued)

PROFESSIONAL SERVICES

Audit Services

The Office of the Auditor General (OAG), independent auditors, conducted an annual audit of the System. The independent auditor's report on the System's financial statements is included in the Financial Section of this report. The financial statements of the System are audited by the Auditor General as part of his constitutional responsibility.

Actuarial Services

Statute requires an annual actuarial valuation be conducted for the pension benefits. The purpose of the valuation is to evaluate the mortality, service, compensation, and other financial experience of the System and to recommend funding rates. This annual actuarial valuation was completed for the fiscal years ended September 30, 2010 and 2009. Actuarial certification and supporting statistics are included in the actuarial section of this report.

Financial Services

The Board of Trustees for the System retains eleven (11) investment managers and a financial consultant to assist the board in its statutory responsibility to invest the System's funds. These advisors are identified in the introductory section of this report. By statute, the State Treasurer acts as the custodian for the System. Investment information is included in the investment section of this report.

ACKNOWLEDGEMENTS

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

We would like to express our appreciation for the assistance given by staff, the advisors, and other persons who contributed to the preparation of this report. We believe their combined efforts have produced a report that will enable the System Board of Trustees, plan members, and other interested parties to evaluate and understand the Michigan Legislative Retirement System.

Sincerely,

Christine Hammond, Director
Michigan Legislative Retirement System

Administrative Organization

Retirement Board Members

The Honorable R. Robert Geake
Retiree Member
Chairperson of the Board

The Honorable Alma Smith
Michigan House of Representatives
Vice-Chairperson of the Board

The Honorable Burton Leland
Retiree Member

The Honorable George Cushingberry, Jr.
Michigan House of Representatives

The Honorable Triette Reeves
Deferred Vested Member

Vacancy
Michigan State Senate

The Honorable Donald Gilmer
Defined Contribution Plan Member

The Honorable John Jamian
Deferred Vested Member

Vacancy
Michigan State Senate

The Honorable George McManus
Retiree Member

The Honorable Gary Randall
Retiree Member

NOTE: As of January 1, 2011, board members serve 1-year terms until December 31, 2011, or as designated in Board by-laws, pursuant to MCLA 38.1026(4). The Honorable Michelle McManus and the Honorable Hansen Clarke, both served as Senate members until January 1, 2011, and then as members pursuant to MCLA 38.1026(4). Mr. Clarke resigned from the Board in February 2011, and Ms. McManus resigned from the Board in August 2011, thus creating the two (2) vacancies.

Administrative Organization

Anderson House Office Building
Suite S0927
P.O. Box 30014
Lansing, Michigan 48909
(517) 373-0575
(877) 577-5628 toll-free

Organization Chart

Legislative Retirement System Board of Trustees

Christine Hammond
Director

Advisors

Money managers, Financial consultants
Custodial services, Legal and Actuarial advisors

Lorie Blundy
Chief Accountant

Sylvia Hatcher
Sr. Admin. Assistant

*The investments of the System are managed by the System's Board of Trustees with the assistance of private investment professionals. Information on the investments can be found in the Investment Section, Introduction. In addition, see the Investment Section Schedule of Investment Fees and Schedule of Investment Commissions, for information regarding the investment fees and commissions paid as well as investment professionals utilized by the System.

Administrative Organization (continued)

Investment Advisors*

The American Fund Group
Capital Research and Management
EuroPacific Growth Fund
333 South Hope Street
Los Angeles, CA 90071

Barrow Hanley Mewhinney & Strauss, Inc.
JPMorgan Chase Tower
2200 Ross Ave., 31st Floor
Dallas, TX 75201

World Asset Management
Comerica Bank
255 East Brown Street, Suite 250
Birmingham, MI 48009

Cramer Rosenthal McGlynn, LLC
520 Madison Avenue, 20th Floor
New York, NY 10022

Franklin Templeton Investments
One Franklin Parkway
San Mateo, CA 94403-1906

CBRE Clarion
Real Estate Securities
210 King of Prussia Road
Radnor, PA 19087

Lazard Asset Management
30 Rockefeller Plaza, FL 19
New York, NY 10112-0015

Ironwood Capital Management
One Market Plaza
Steuart Tower, Suite 2500
San Francisco, CA 94105

PIMCO
840 Newport Center Drive
Newport Beach, CA 92660

Rice Hall James
600 West Broadway, Suite 1000
San Diego, CA 92101-3383

Wellington Management Co., LLP
280 Congress Street
Boston, MA 02210

*The investments of the System are managed by the Investment Advisors, in accordance with Board directive. Information on the investments and the fiduciary, the System's Board of Trustees, can be found in the Investment Section.

Advisors and Consultants

Actuary
Gabriel Roeder Smith & Company
Mark Buis
Southfield, MI 48076

Financial Consultant
Fund Evaluation Group
Davis Wetzel
Cincinnati, OH 45202

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

Custodian
Andy Dillon
State Treasurer
State of Michigan

Legal Advisor
Bill Schuette
Attorney General
State of Michigan

Michigan Legislative Retirement System

Comprehensive Annual Financial Report
for the Fiscal Year Ended September 30, 2011

FINANCIAL SECTION

FINANCIAL SECTION

Independent Auditor's Report

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

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

Independent Auditor's Report on
the Financial Statements

The Honorable R. Robert Geake, Chair
Board of Trustees
and
Ms. Christine I. Hammond, Director
Michigan Legislative Retirement System
Anderson House Office Building
Lansing, Michigan

Dear Mr. Geake and Ms. Hammond:

We have audited the accompanying basic financial statements of the Michigan Legislative Retirement System as of and for the fiscal years ended September 30, 2011 and September 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Michigan Legislative Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the plan net assets of the Michigan Legislative Retirement System as of September 30, 2011 and September 30, 2010 and the changes in plan net assets for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (continued)

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

The management's discussion and analysis on pages 12 through 14 and the required supplementary information and corresponding note on pages 31 through 33 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory, investment, actuarial and statistical sections and the supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supporting schedules on pages 35 through 37 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Sincerely,

Thomas H. McTavish

Thomas H. McTavish, C.P.A.
Auditor General
March 27, 2012

Management's Discussion and Analysis

The management's discussion and analysis (MD&A) of the System provides an overview of the financial activities and performance for the fiscal years ended September 30, 2011, 2010 and 2009. This should be read in conjunction with the financial statements and required supplemental information (RSI), which provides information for September 30, 2011 and 2010.

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

This Comprehensive Annual Financial Report (CAFR) consists of two financial statements; The Statements of Pension Plan and Other Postemployment Benefit Plan Net Assets (page 16) and The Statements of Changes in Pension Plan and Other Postemployment Benefit Plan Net Assets (page 17). These financial statements report information about the System, as a whole, and about its financial condition that should help answer the question: Is the System, as a whole, better off or worse off as a result of this year's activities? These statements include all assets and liabilities using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, all revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Pension Plan and Other Postemployment Benefit Plan Net Assets presents all of the System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the System's financial position is improving or deteriorating. The Statement of Changes in Pension Plan and Other Postemployment Benefit Plan Net Assets presents how the System's net assets changed during the most recent fiscal year. These two financial statements should be reviewed along with the Schedules of Funding Progress (page 31) and Schedules of Employer and Other Contributions (page 32) to determine whether the System is becoming financially stronger or weaker and to understand changes over time in the funded status of the System.

FINANCIAL ANALYSIS

The Statement of Changes in Pension Plan and Other Postemployment Benefit Plan Net Assets presents information on the System's assets and liabilities using the accrual basis of accounting. Over time, increases or decreases in net assets may serve as a useful indicator of the System's financial strength or weakness. System's plan net assets, for the fiscal year ending September 30, 2011, **decreased** by $14.2 million or 8.9%, due to a decrease in the market value of the System's investments. The System's net assets for September 30, 2010, **increased** by $4.2 million or 2.7%, which was primarily due to an increase in the market value of the System's investments.

Net Assets
As of September 30
($ in Thousands)

	2011	Increase (Decrease)	2010	Increase (Decrease)	2009
Assets:					
Cash	$ 3,069	(5.6)%	$ 3,252	(9.7)%	$ 3,602
Receivables	1,061	92.8	550	(51.4)	1,131
Investments	143,146	(9.1)	157,416	3.4	152,306
Total Assets:	147,277	(8.6)	161,218	2.7	157,039
Liabilities:					
Warrants Outstanding	25	(1.7)	25	9.2	23
Accounts Payable	905	44.7	626	(7.3)	675
Total Liabilities:	930	42.9	651	(6.8)	698
Total Net Assets	$ 146,347	(8.9)%	$ 160,567	2.7 %	$ 156,341

Management's Discussion and Analysis (continued)

ADDITIONS TO PLAN NET ASSETS

The reserves needed to finance benefits provided by the System are accumulated through the collection of court fees, member and other contributions, State appropriations and through earnings on investments. Contributions and investment income/loss for fiscal year 2011 totaled $4.1 million. Total Additions to Plan Net Assets **decreased** 81.0% from the prior year due primarily to the fact that the System investments decreased. Contributions and investment income/loss for fiscal year 2010 totaled $21.7 million. Total Additions to Plan Net Assets in 2010 **increased** 91.7% from the prior year primarily to the fact that the System investments increased.

DECUCTIONS FROM PLAN NET ASSETS

The primary expenses of the System include the payment of pension and life insurance benefits to members and beneficiaries, the payments for health, dental, and vision benefits, the refund or transfer of contributions to former members, and the cost of administering the System. Total expenses for fiscal year 2011 were $18.3 million an **increase** of 5.1% over 2010 expenses. Total expenses for fiscal year 2010 were $17.4 million, an **increase** of 3.3% over 2009 expenses. The increases are primarily due to the increase in retirement and healthcare benefit expenses.

Changes in Plan Net Assets
For Fiscal Year Ended September 30
($ in Thousands)

	2011	Increase (Decrease)	2010	Increase (Decrease)	2009
ADDITIONS					
Member contributions	$ 37	(66.0)%	$ 108	(6.1)%	$ 115
DC health premiums	78	38.7	56	36.6	41
Other contributions	4,168	16.6	3,574	(0.3)	3,585
Court fees	1,000	(8.3)	1,091	(5.0)	1,148
Net Investment income/(loss)	(1,161)	(107.0)	16,589	171.7	6,106
Misc. income		(100.0)	252	(18.4)	309
Total Additions:	4,122	(81.0)	21,670	91.7	11,304
DEDUCTIONS					
Pension benefits	11,974	7.7	11,122	3.0	10,793
Health care benefits	5,705	7.8	5,293	2.7	5,155
Death benefits/life ins.	140	(58.0)	333	(27.3)	458
Refunds/qual. rollover	11	(96.2)	305	182.4	108
Administrative exp.	511	30.6	391	5.7	370
Total deductions	18,342	5.1	17,444	3.3	16,884
CHANGES IN NET ASSETS	(14,220)	(436.5)	4,226	175.7	(5,580)
Ending Net Assets	$ 146,347	(8.9)%	$ 160,567	2.7 %	$ 156,341

Management's Discussion and Analysis (continued)

Overall Financial Analysis

Investor sentiment is often expressed in market volatility and measured by the VIX, which is based on the pricing of S&P 500 Index option contracts. As the System's fiscal year ended, the VIX spiked to over 40, a level not reached since early 2009 and well above the 20-year average of near 20. Volatility seems to be the "new normal" in the markets, and it was certainly present in FY 2011. The biggest contributors to market unrest include national unemployment stagnating near 9%, lethargic global economic growth, and sovereign debt (and Euro) crises in the U.S. and Europe.

A review of market returns show that the broad U.S. stock market, as measured by the Russell 1000 Index, posted a modest gain of 0.9%. By contrast, all the other market cap indices ended with losses for the fiscal year, with mid-cap stocks (Russell Midcap Index) falling a -.9%% and the small cap segment (Russell 2000 Index) declining by -3.5% over the twelve months ending September 30, 2011. The broad fixed income market as measured by the Barclays Aggregate Bond Index (BCAG) advanced 5.3% during the fiscal year ending September 30, 2011. The MSCI EAFE Index declined -9.4% during the one-year period ending September 30, 2011. Emerging market equities could not overcome the events surrounding their economies and fell -16.1% during the same period. In spite of these headwinds, the System ended the fiscal year with only a modest decline of -1.7% on a net-of-fees basis for the one-year period ending September 30, 2011. Over the longer-term (five years), the System’s total composite is performing up to pre-established targets with regard to return and risk.

Extreme volatility and sharp pullbacks in markets, while always painful, provide the opportunity to analyze portfolio positioning during a severe stress test. The analysis of both returns and positioning when market volatility is high inevitably leads to questions on how to prioritize shorter-term defensive positioning with longer-term opportunities. As the System management reviewed what happened during the fiscal year, it was apparent that several aspects of the portfolio’s longstanding themes helped to minimize some of the losses during the period. In baseball parlance, while seemingly not hitting home runs, the System’s portfolio is a solid single and double hitter with excellent defensive skills.

Financial Questions or Requests

This financial report is designed to provide a general overview of the System's financial position. Requests for additional information or questions about this report should be addressed to: Michigan Legislative Retirement System, P.O. Box 30014, Lansing, MI 48909.

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Statement of Pension Plan and Other Postemployment Benefit Plan Net Assets

As of September 30, 2011 and 2010

	For the year ended September 30, 2011			For the year ended September 30, 2010		
	Pension Plan	OPEB Plan	Total	Pension Plan	OPEB Plan	Total
Assets:						
Equity in common cash	$ 2,750,933	$ 318,333	$ 3,069,266	$ 2,930,422	$ 321,758	$ 3,252,180
Receivables						
Due from other funds	75,107	8,727	83,834	90,806	10,548	101,354
Due from federal agencies		530,000	530,000		150,113	150,113
Interest and dividends	46,897	5,427	52,324	53,861	5,914	59,775
Sale of investments	353,741	40,934	394,675	215,340	23,644	238,984
Total receivables:	475,745	585,088	1,060,833	360,007	190,219	550,226
Investments						
Equities	53,794,775	5,993,524	59,788,299	59,766,819	6,562,348	66,329,167
Alternative investments	7,771,162	899,267	8,670,429	7,163,825	786,582	7,950,407
Mutual funds	67,208,883	7,478,801	74,687,684	75,046,463	8,089,349	83,135,812
Total investments:	128,774,820	14,371,592	143,146,412	141,977,107	15,438,279	157,415,386
Total assets:	132,001,498	15,275,013	147,276,511	145,267,536	15,950,256	161,217,792
Liabilities:						
Warrants outstanding	22,323	2,583	24,906	22,823	2,506	25,329
Accounts payable and other liabilities	810,823	93,827	904,650	563,502	61,872	625,374
Total liabilities:	833,146	96,410	929,556	586,325	64,378	650,703
Net Assets Held in Trust for Pension and Other Postemployment Benefits:	$ 131,168,352	$ 15,178,603	$ 146,346,955	$ 144,681,211	$ 15,885,878	$ 160,567,089

NOTE: Fiscal year 2010 has been reclassified. See Note 5.

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

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

For fiscal years ended September 30, 2011 and 2010

	For the year ended September 30, 2011			For the year ended September 30, 2010		
	Pension Plan	OPEB Plan	Total	Pension Plan	OPEB Plan	Total
Additions:						
Member contributions:						
Other member contributions	$ 10,343	$ 26,474	$ 36,817	$ 11,044	$ 97,264	$ 108,308
DC health premium		77,846	77,846		56,103	56,103
Employer contributions		3,287,900	3,287,900		3,424,100	3,424,100
Other governmental contributions		880,159	880,159		150,113	150,113
Court fees		999,609	999,609		1,090,565	1,090,565
Total contributions:	10,343	5,271,988	5,282,331	11,044	4,818,145	4,829,189
Investment Income (Loss)						
Net appreciation (depreciation) in fair value of investments	(4,561,786)	(500,880)	(5,062,666)	13,693,358	1,295,287	14,988,645
Interest, dividends and other	4,145,068	405,317	4,550,385	1,876,104	316,909	2,193,013
Total investment income (loss)	(416,718)	(95,563)	(512,281)	15,569,462	1,612,196	17,181,658
Less investment expenses	(584,342)	(64,161)	(648,503)	(537,869)	(55,351)	(593,220)
Net investment income (loss)	(1,001,060)	(159,724)	(1,160,784)	15,031,593	1,556,845	16,588,438
Miscellaneous income	1		1		252,403	252,403
Total additions:	(990,716)	5,112,264	4,121,548	15,042,637	6,627,393	21,670,030
Deductions:						
Benefits & refunds paid to plan members and beneficiaries:						
Retirement benefits	11,974,289		11,974,289	11,121,971		11,121,971
Health benefits		5,256,776	5,256,776		4,866,041	4,866,041
Dental benefits		448,263	448,263		426,560	426,560
Death benefits	140,000		140,000	333,172		333,172
Refund of contribution & interest	11,496		11,496	17,506		17,506
Qualified rollover			-	287,969		287,969
Administrative expenses	396,358	114,500	510,858	354,649	36,496	391,145
Total deductions:	12,522,143	5,819,539	18,341,682	12,115,267	5,329,097	17,444,364
Net Increase (Decrease):	(13,512,859)	(707,275)	(14,220,134)	2,927,370	1,298,296	4,225,666
Net Assets Held in Trust for Pension & Other Postemployment Benefits:						
Beginning of Year:	144,681,211	15,885,878	160,567,089	141,753,841	14,587,582	156,341,423
End of Year:	$ 131,168,352	$ 15,178,603	$ 146,346,955	$ 144,681,211	$ 15,885,878	$ 160,567,089

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

Notes to General Purpose Financial Statements

NOTE 1 - PLAN DESCRIPTION

ORGANIZATION

The Michigan Legislative Retirement System (MLRS or System) is a single employer, public employee, defined benefit retirement plan and post-employment healthcare plan governed by the State of Michigan (the "State"). The System was created by Public Act 261 of 1957, as amended, and provides retirement and ancillary benefits to eligible current and former state legislators. The System's pension plan was established by the State to provide retirement, survivor and disability benefits to the Michigan Legislature, elected for the first time before March 31, 1997. In addition, the System's health plan provides to eligible vested members, the option of receiving health, prescription, dental and vision coverage under the Michigan Legislative Retirement Act. The System's financial statements are included as a pension trust fund in the combined financial statements of the State of Michigan.

The System operates within the legislative branch of state government. The System's Board of Trustees appoints the director who serves as executive secretary to the System's board, with whom the general oversight of the System resides. Public Act 486 of 1996 amended the System's enabling statute to mandate that persons elected to the Michigan Legislature after March 30, 1997, participate in a state-wide defined contribution pension plan administered by the State of Michigan Department of Technology, Management and Budget. Thus the defined benefit plan is a closed plan. The defined contribution retirement plan operates as a 401(k) plan and is part of the State of Michigan 401K plan. The State of Michigan 401K plan annual financial report is issued separately.

MEMBERSHIP

At September 30, 2011 and 2010, the System's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits:	2011	2010
Regular benefits	237	223
Survivor benefits	62	65
Disability benefits	0	0
Total	299 *	288 *
Current members:		
Vested	2	14
Non-vested	0	0
Total	2	14
Inactive members entitled to benefits and not yet receiving them	22	28
Total All Members	323	330

*Includes 11 domestic relations orders (DRO) alternate payees for 2011 and 2010.

Notes to General Purpose Financial Statements (Continued)

MEMBERSHIP (continued)

The System provides health and life insurance benefits. The number of plan participants is as follows:

Health/Dental/Vision Plan	**2011**	**2010**
Eligible participants………………………………	396 **	373 **
Participants receiving benefits……………………	375 **	348 **

Life Insurance Plan	**2011**	**2010**
Participants receiving benefits……………………	264	293

**Includes 72 defined contribution (DC) participants at September 30, 2011 and 57 DC participants at September 30, 2010, who are receiving health care insurance through System in accordance with state statute. At September 30, 2011 and 2010, the number of DC participants who were eligible for health care insurance but declined to receive the benefits were 19 and 15 respectively.

BENEFIT PROVISIONS

Introduction

Public Act 261 of 1957, the Michigan Legislative Retirement System Act, as amended, establishes eligibility and benefit provisions for this defined benefit pension plan.

Michigan's constitutional term-limit amendment limits members of the House of Representatives to six (6) years in office and members of the Michigan Senate to eight (8) years in office. Effective March 31, 1997, Public Act 486 of 1996 closed the System to new legislators. The act provides certain re-elected former legislators the option to rejoin the system. All legislators who first take office after 1997 are automatically enrolled in the State of Michigan Defined Contribution Plan.

Benefit provisions of the post-employment healthcare plan are established by State statute, which may be amended. Public Act 261 of 1957, as amended, establishes eligibility and benefit provisions for the health plan. Eligible members may receive health, prescription, hearing, dental and vision coverage.

Regular Retirement

A member may retire and receive retirement benefits based on age and service after: (1) attaining age 50, if age and years of credited service combined are equal to or greater than 70; or (2) attaining age 55 with 5 or more years of credited service if elected, qualified, and seated not less than (a) 3 full or partial terms in the House of Representatives, (b) 2 full or partial terms in the Senate, or (c) 1 term in the House of Representatives and 1 term in the Senate.

A member's retirement benefit is computed using a benefit formula prescribed by the enabling statute and described below. The benefit is paid on a monthly basis.

For those legislators who first became members on or before January 1, 1995, the retirement benefit is calculated by multiplying 20% of the highest salary earned for the first 5 years of service, plus 4% of highest salary for each of the next 11 years of service, plus 1% of the highest salary for each additional year.

For those legislators who first became members after January 1, 1995, the retirement benefit is calculated by multiplying 3% of the highest salary for each year of service.

Notes to General Purpose Financial Statements (Continued)

Post Retirement Benefit Adjustment

For those legislators who first became members on or before January 1, 1995, the annual retirement benefit payable to a retiree and/or his/her survivor is increased by 4% compounded annually. The adjustment is effective each January.

For those legislators who first became members after January 1, 1995, the annual retirement benefit payable to a retiree and/or his/her survivor is increased by 4%, but it is not compounded annually. The adjustment is effective each January.

Other Post Employment Benefits

Under Section 50a and 50b of the Legislative Retirement System Act, all retirees and their dependents and survivors receive health, dental, vision, and hearing insurance coverage. The System also provides health, dental, vision, and hearing insurance coverage for deferred vested members who were members on or before January 1, 1995, and for their survivors and dependents. In addition, in accordance with state law, the System provides health insurance coverage to eligible former legislators (and their dependents) who meet certain vesting requirements established by statute and who belong to the State's Defined Contribution Plan. Member enrollment to the System's health plan is voluntary. The System pays for health, dental, vision, and hearing benefits on a modified pay-as-you-go basis; however, the State has begun to advance fund for future System health insurance costs.

Life Insurance Benefits

The System provides $150,000 in life insurance coverage to active members. Deferred vested members are covered by varying amounts of life insurance, ranging from $5,000 to $150,000, depending on the member's date of deferral and, in some instances, the payment of an annual premium. Retirees are covered by varying amounts of life insurance, ranging from $2,500 to $75,000, depending on their retirement dates and, in some instances, the payment of an annual premium. The System prefunds life insurance benefits using the entry age actuarial cost method. The life insurance plan and the pension plan use the same actuarial assumptions, which are stated in the actuarial section.

Disability Benefit

A member or deferred vested member who becomes disabled as determined by at least (2) licensed physicians appointed by the board of trustees is eligible for a disability benefit computed in the same manner described under Regular Retirement.

Survivor Benefit

Upon the death of a vested member or deferred vested member who meets the service, but not the age requirements, for regular retirement (see Regular Retirement), or upon the death of a retiree, a surviving spouse shall be entitled to a benefit equal to 66 2/3% of the benefit the member would have received or was receiving at the time of death. Special provisions apply to surviving minor children and surviving spouses with minor children.

Refunds

A member who leaves legislative service may request a refund of his/her contributions from the Members' Saving Fund. A member who receives a refund of contributions forfeits all rights to any future System benefits. Members who return to legislative service and who previously received a refund of their contributions may reinstate their service through repayment of the refund plus interest in accordance with the statute.

Notes to General Purpose Financial Statements (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The System's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as provided by generally accepted accounting principles for governments. Contributions are recognized as revenue in the period in which service is provided, and expenses are recorded when incurred regardless of when payment is made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Contributions and Reserves

The Legislative Retirement System Act provides for several "reserves" or "funds." These funds and the contributions and other monies allocated to them are described below.

Members' Savings Fund (MSF) — A member who first becomes a member on or before January 1, 1995, with less than 20 years of experience, contributed approximately 7% of salary to MSF. A member who first becomes a member after January 1, 1995, contributed approximately 5% of salary to MSF. Beginning January 1, 1999, there were no member contributions allocated to MSF except for approximately 4% of salary for the period beginning on January 1, 1999 and ending on December 31, 2000, for members who first becomes a member after December 1, 1994 and on or before January 1, 1995, in accordance with legislation. Eligible members may make other contributions to the MSF to purchase special service credit or to repay previously refunded contributions. MSF represents active member contributions (and interest credited from the Income Fund) less amounts transferred to reserves for retirement and amounts refunded to terminated members. At September 30, 2011, and 2010, the balance in this account was $0.7 million and $1.3 million, respectively.

Members' Retirement Fund (MRF) — The MRF represents the reserves for payment of retirement benefits. At retirement a member's accumulated contributions (with interest) are transferred to the MRF (from the MSF). Interest is credited to the MRF (from the Income Fund), and monthly allowances are debited. At each fiscal year end an actuarial valuation determines the 100% funding requirements for the MRF. Any amounts required to 100% fund the MRF are transferred in the next fiscal year. At September 30, 2011, and 2010, the balance in this account was $63.1 million and $73.4 million, respectively.

Survivors' Retirement Fund (SRF) — On and before January 1, 1999, all members with less than 20 years of service contributed 1/2% of salary to the SRF. After January 1, 1999, there are no member contributions allocated to the SRF. Interest is credited annually to the SRF (from the Income Fund), and member savings are transferred to the SRF from the MSF upon the death of a vested member, and additional state contributions may be made in order to make the SRF 100% funded. Survivors' monthly retirement allowances are paid from this fund upon the death of vested members, deferred vested members, and retirants. At September 30, 2011, and 2010, the balance in this account was $50.3 million and $52.6 million, respectively.

Insurance Revolving Fund (IRF) — On and before January 1, 1999, all members contributed 1/2% of salary to the Insurance Revolving Fund. After January 1, 1999, there are no member contributions allocated to the IRF. State contributions, if any, member premiums, and interest from the Income Fund are credited to this fund. Life insurance benefits are paid from the IRF to beneficiaries of members, retirants, and deferred vested members. At September 30, 2011, and 2010, the balance in this account was $17.1 million and $17.4 million, respectively.

Health Insurance Fund (HIF) — On and before January 1, 1999, all members contributed 1% of salary to this fund. After January 1, 1999, member contributions are made as follows: (1) members who first became members on or before January 1, 1995, contribute 9% to the HIF; (2) members who first became members after January 1, 1995, contribute 7% to the HIF. This fund is also credited with employer contributions, court fees, other governmental contributions and interest income. Funds from this reserve are used to pay health care expenses and are accumulated to fully fund the future health insurance liabilities for the System. At September 30, 2011, and 2010, the balance in this account was $15.2 million and $15.9 million, respectively.

Notes to General Purpose Financial Statements (Continued)

Contributions and Reserves (continued)

Use of Health Insurance Reserve Funds

In July, 2011, the Michigan Legislature passed, and Governor Rick Snyder signed, a new law that provides for the use of the health insurance reserve funds to pay for the current costs associated with the retiree health insurance plan. Before the passage of the new law, Public Act 99 of 2011, the system statute prohibited the use of certain prefunding dollars maintained in the health insurance reserve, and their investment income, until the retiree health insurance (OPEB) liabilities in the system became 100% funded. Public Act 99 of 2011 removed the 100%-funding requirement, and thus allows for the immediate use of the funds for health insurance costs of the system. The system used $.5 million from the reserve to pay health insurance costs for fiscal year ending September 30, 2011.

Income Fund (IF) — The IF is credited with all investment earnings and other miscellaneous income. Interest transfers are made annually to the other reserves, based on beginning balance. This fund also accounts for investment and administrative expenses and interest on refunds and transfers.

Fair Value of Investments

Plan investments are presented at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. Other investments that do not have an established market are recorded at estimated fair value. Short-term investments are carried at cost, which approximates fair value.

Reporting Entity

The System is a pension trust fund of the State of Michigan. As such, the System is considered part of the State and is included in the State’s comprehensive annual financial report as a pension trust fund. The System and the System's Board of Trustees are not financially accountable for any other entities. Accordingly, the System is the only entity included in this financial report.

Investment Income

Dividend income is recognized on the ex-dividend date, and interest income is recognized on the accrual basis as earned. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date.

Related Party Transactions

The cash account includes $3.1 million and $3.3 million, on September 30, 2011, and 2010, respectively, which represents funds deposited in a common cash investment pool maintained for various State operating funds. The participating funds in the common cash pool earn interest at various rates depending upon prevailing short-term interest rates. Earnings from these activities amounted to $4,460 and $6,844 for the years ended September 30, 2011 and 2010, respectively.

Fixed Assets

Fixed assets, which are immaterial in amount, are not recognized on the accounting records. Administrative disbursements are treated as expenses, and equipment expenses are not capitalized.

Notes to General Purpose Financial Statements (Continued)

Excess Benefits

Internal Revenue Service (IRS) Code Section 415 requires that, for individuals who receive retirement benefits in excess of established limits, these benefits should be recorded and reported outside of the pension fund in order to keep the qualified status of the plan. This includes coordination of benefits issued where a retiree participates in more than one qualified plan. The System provided excess benefits to five (5) retirees, for a total amount of $65,906 as of September 30, 2011 and to four (4) retirees for a total amount of $47,082 as of September 30, 2010.

NOTE 3 - CONTRIBUTIONS AND FUNDED STATUS

Member Contributions

On or before January 1, 1999, the following contributions were made by members of the System:

Members who first became members on or before January 1, 1995, contributed 9% of their salaries to the System. The contributions were placed in the following reserves created by the enabling statute: 7% to the Members' Savings Fund for the first 20 years of service; 0.5% to the Insurance Revolving Fund; 0.5% to the Survivors' Retirement Fund for the first 20 years of service; and 1% to the Health Insurance Fund.

Members who first became members on or after January 1, 1995, contributed 7% of their salaries to the System. The contributions were placed in the following reserves created by the enabling statute: 5% to the Members' Savings Fund; 0.5% to the Insurance Revolving Fund; 0.5% to the Survivors' Retirement Fund; and 1% to the Health Insurance Fund.

After January 1, 1999, the following contributions are made by the members of the System:

Members who first became members after December 1, 1994, contribute 9% of their salaries to the System. The contributions are placed in accordance with enabling statute to Health Insurance Fund.

Members who first became members after December 1, 1994 and on or before January 1, 1995, contributed 13% of their salaries to the System. The contributions were placed in the following reserves in accordance with the enabling statute: 9% to the Health Insurance Fund and 4% to the Members' Savings Fund until December 31, 2000. After December 31, 2000, these members contribute 9% of their salaries to the System. The contributions are placed in accordance with enabling statute to Health Insurance Fund.

Members who first became members after January 1, 1995, contribute 7% of their salaries to the System. The contributions are placed in the following reserve in accordance with the enabling statute: 7% to the Health Insurance Fund.

Member contributions are tax-deferred through the provisions of section 414(h)(2) of the Internal Revenue Code.

State Contributions

State contributions are made on the basis of actuarial requirements as determined by the System actuary and approved by the Board of Trustees. Through the annual state budgetary process, the Legislature annually appropriates, and the Governor approves, the State contributions along with certain court fee revenues, which are paid to the System pursuant to state statute. A chart showing State contributions is presented in the Required Supplementary Information in the financial section of this report.

Notes to General Purpose Financial Statements (Continued)

State Contributions (continued)

Pension Plan: State contributions are determined based on a statutorily required annual actuarial valuation. Actual employer contributions for retirement benefits were $0 and $0 for fiscal years 2011 and 2010, respectively. Annual required employer contributions based on the previous year actuarial valuations for pension included (percentage of annual covered payroll is not computed because the System is closed):

1. $0.0 million and $0.0 million for fiscal years 2011 and 2010, respectively, for normal cost.

2. $1.9 million and $0.8 million for fiscal years 2011 and 2010, respectively, for amortization of unfunded actuarial accrued liabilities.

Other Post-employment Health Plan (OPEB): Legislation does not appropriate state contributions for prefunding OPEB costs. Actual employer contributions for other postemployment benefits were $4.3 million and $4.5 million for fiscal years 2011 and 2010, respectively. Annual required employer contributions based on the previous year actuarial valuations for pension included:

1. $6.7 million and $6.4 million for fiscal years 2011 and 2010, respectively, for normal cost of OPEB representing 58.0% and 54.4% (before reconciliation) of annual covered payroll for fiscal years 2010 and 2009 respectively.

2. $5.1 million and $4.5 million for fiscal years 2011 and 2010, respectively, for amortization of unfunded actuarial accrued liability representing 43.9% and 38.1% (before reconciliation) of annual covered payroll for fiscal years 2010 and 2009 respectively.

Funded Status

For fiscal year 2010, the actuarial accrued liability (AAL) for pension benefits was $172.7 million, and the actuarial value of assets was $159.0 million, resulting in a unfunded actuarial accrued liability of $13.7 million and a funded ratio of 92%. The covered payroll (annual payroll of active members covered by the plan) was $1.2 million.

For fiscal year 2010, the actuarial accrued liability (AAL) for OPEB was $155.3 million, and the actuarial value of assets was $15.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of $139.4 million and a funded ratio of 10%. The covered payroll (annual payroll of active members covered by the plan) was $11.6 million, and the ratio of the UAAL to the covered payroll was 1,202%.

Actuarial Valuations and Assumptions

Actuarial valuations for both the pension and OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about future employment, mortality, and trends. The actuarial methods and assumptions used are designed to reduce the effects of short-term volatility. The schedules of funding progress, presented as required supplementary information following the notes to financial statements, present multi-year trend information about whether the actuarial value of plan assets, for both pension and OPEB plans, is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Notes to General Purpose Financial Statements (Continued)

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the historical pattern of sharing of costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Beginning fiscal years 2011, the prior fiscal year actuarial report is used in the annual report for the System.

Summary of Actuarial Assumptions

Pension Plan

Valuation Date	09/30/2010	
Actuarial Cost Method	Entry Age Normal	
Amortization Method	Level Dollar	
Amortization Period	10 years Open	
Asset Valuation Method	5-Year Smoothed Market	
Actuarial Assumptions:		
Investment Rate of Return	7%	
Projected Salary Increases	4%	
Cost-of-Living Adjustments	4%	Annual compounded (non-compounded for legislators who first became members after 1/1/95)

Other Postemployment Benefits Plan

Valuation Date	09/30/2010
Actuarial Cost Method	Project Unit Credit
Amortization Method	Level Percent Open
Amortization Period	30 Year Open
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	4.5% Per Year
Projected Salary Increases	4%
Valuation Healthcare Cost Trend Rate	8.75% in 2011, grading to 4% in 2020

Notes to General Purpose Financial Statements (Continued)

NOTE 4 - INVESTMENTS

Investment Authority

All investments made are subject to approval by the Board of Trustees, which has investment authority under the act. Investments made are subject to statutory regulations imposed under the Michigan Public Employee Retirement System Investment Act, Public Act 314 of 1965, as amended. The Public Employee Retirement System Investment Act authorizes, with certain restrictions, the investment of pension fund assets in stocks, corporate and governmental bonds and notes, mortgages, real estate, and certain short-term and alternative investments. The System also contracts with independent investment advisors.

Derivatives

State investment statutes limits total derivative exposure to 15% of a fund's total asset value, and restricts uses to replication of returns and hedging of assets. The System Investment Policy Statement (IPS) has a target asset allocation of 5% for hedge funds, which may include derivatives. Systems investment in hedge funds has an exposure to derivatives of approximately 15-20%. The hedge funds use these instruments as part of their overall investment strategies and also utilize derivatives for hedging and portfolio protection purposes. As of September 30, 2011 and 2010, total investments in hedge funds were 5.9% and 4.9%, respectively. The market value of the hedge funds at September 30, 2011 and 2010 were $8,670,429 and $7,950,407, respectively.

Securities Lending

The System did not participate in any securities lending activities.

Risk

In accordance with GASB statement 40, investments require certain disclosure regarding policies and the risks associated with them. The credit risk, custodial credit risk, foreign currency risk and interest rate risk are discussed in the following paragraphs.

Credit risk

Credit risk is the risk that an issuer will not fulfill its obligations. The System has a policy to maintain an overall weighted average of "Aa" or better by Moody's Investors Service and "AA" or better by Standards & Poor's for active management of fixed income securities. Mutual fund fixed income investments are not subject to this constraint; they are governed by the terms of their prospectuses. GASB 40 states that governments should disclose the credit quality ratings of external investment pools, money market funds, bond mutual funds and other pooled investments of fixed income securities in which they invest.

Debt Securities
As of September 30, 2011 and 2010

	2011				2010			
		Rating				Rating		
Investment Type	Fair Value	S & P	Fair Value	Moody's	Fair Value	S & P	Fair Value	Moody's
Mutual Funds**	$ 27,327,811	A	$ 27,327,811	A	$ 28,486,964	AA	$ 28,486,964	Aa
	$ 27,327,811		$ 27,327,811		$ 28,486,964		$ 28,486,964	

**** Average Rating**

Notes to General Purpose Financial Statements (Continued)

Custodial credit risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System's deposits may not be recovered. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: a.) Uncollateralized, b.) Collateralized with securities held by the pledging financial institution, or c.) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

The common cash pool is managed by the State Treasurer and is authorized to invest surplus funds in depository accounts at financial institutions, bonds, notes, and other U.S. government debt, prime commercial paper, certificates of deposits, and special State investment programs. At September 30, 2011, the common cash pool held the majority of its funds in depository accounts 44.6% and prime commercial paper 53.6%. The State Treasurer's policy for common cash depository accounts requires financial institutions to secure State funds with collateral, to be organized under federal or State law, and to maintain an office in Michigan. The policy also restricts deposits to a maximum of 50% of the financial institution's net worth. As of September 30, 2011, 99.7% of the State's common cash depository accounts were either covered by federal depository insurance or collateralized with securities held in the State's name by the State's agent. The State Treasurer's policy requires prime commercial paper to be rated "A-1" by S&P or "P-1" by Moody's or higher at purchase and places requirements and restrictions on the borrower. Additional details on the common cash pool policies and risk disclosures are described in the State of Michigan Comprehensive Annual Financial Report.

Concentration of Credit Risk

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

System is prohibited by Public Act 314 of 1965, as amended, from investing in more than 5% of the outstanding stock or obligations of any one issuer or investing more than 5% of its assets in the stock or obligations of any one issuer.

At September 30, 2011 and 2010, there were no investments in any one issuer that accounted for more than 5% of System's assets nor were there any investments totaling more than 5% of the stock or obligations of any one issuer.

Foreign currency risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of deposits. Public Act 35 of 1997 requires State deposits be held in a financial institution which maintains a principal office or branch office located in the State of Michigan. The System had no common cash deposits subject to foreign currency risk at September 30, 2011.

Custodial credit risk associated with investments

In accordance with GASB statement 40, investments also require certain disclosures regarding policies and procedures with respect to the risks associated with them. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the System will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either: a.) the counterparty, or b.) the counterparty's trust department or agent but are not in the government's name. The State Treasurer does not have an investment policy for managing custodial credit risk. At September 30, 2011, the System's investments were not exposed to custodial credit risk.

Notes to General Purpose Financial Statements (Continued)

Interest rate risk associated with investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The System has a 25% target allocation of fixed income securities, which are affected by interest rates because they are a debt investment. At September 30, 2011 and September 30, 2010, the fair value was $27,327,811 and 28,486,964, respectively, with the investment activity for the year producing a total rate of return of 0.8% and 10.9%, and a rate of return since inception of 5.3% and 8.9%. The projected duration is 6.3 and 4.7 years, respectively. The System does not have a policy for controlling interest rate risk.

Foreign currency risk associated with investments

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments. The System invests in various foreign investments (including, but not limited to, equities, fixed income, and mutual funds), which are subject to various limitations in accordance with the System's Investment Policy Statement (or "IPS") (which incorporates the provisions of the Public Employee Retirement System Investment Act, or Public Act 314 of 1965, as amended). IPS foreign investment restrictions include a 20% limitation of the total assets of the system and, additionally, a 5% limitation in the outstanding foreign securities of a single issuer (allowances are made for the daily market pricing fluctuations of an investment). New investments in countries that have been identified by the United States Department of State as engaging in or sponsoring terrorism are prohibited, and existing investments in any such newly-identified country shall be quickly divested in accordance with the law. At September 30, 2011 and September 30, 2010, the System held the following investments subject to foreign currency risk:

Foreign Currency Risk

As of September 30, 2011

(Value in US dollars)

Country	Currency	Alt. Invest	Mutual Funds	Equities	International Equities	**TOTAL**
AMERICA						
Canada	Dollar			136,510		**136,510**
EUROPE						
European Union	Euro			204,704	431,351	**636,055**
U.K.	Sterling				1,157,093	**1,157,093**
MIDDLE EAST						
Israel	Shekel				271,706	**271,706**
VARIOUS		8,670,429	39,523,521	628,185		**48,822,135**
	Total	$ 8,670,429	$ 39,523,521	$ 969,399	$ 1,860,150	**$ 51,023,499**

Notes to General Purpose Financial Statements (Continued)

Foreign Currency Risk

As of September 30, 2010

(Value in US dollars)

Country	Currency	Alt. Invest	Mutual Funds	Equities	International Equities	TOTAL
AMERICA						
Brazil	Real				231,838	**231,838**
Canada	Dollar			627,666		**627,666**
EUROPE						
European Union	Euro			673,793	650,192	**1,323,985**
Switzerland	Franc			121,424		**121,424**
Netherlands Antilles	Guilder(Florin)			382,598		**382,598**
U.K.	Sterling				556,371	**556,371**
PACIFIC						
Australia	Dollar				196,906	**196,906**
Singapore	Dollar			213,006		**213,006**
MIDDLE EAST						
Israel	Shekel				154,558	**154,558**
VARIOUS		7,950,407	41,314,165			**49,264,572**
	Total	$7,950,407	$41,314,165	$ 2,018,487	$ 1,789,865	**$ 53,072,924**

NOTE 5 - ACCOUNTING CHANGES AND RESTATEMENT

GASB Statement 53

During fiscal year 2010, the System implemented GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments. Note 4 includes disclosure regarding derivative instruments held as investments by the System; no other types of derivative instruments were used by the System during the fiscal years.

As a result of the implementation, the System made additional note disclosures regarding the investment derivative instrument; however, since the derivative instruments were held and accounted for as investments, there were no accounting changes or restatements required.

Notes to General Purpose Financial Statements (Continued)

FY10 Reclassification

The System's fiscal year 2010 Statement of Pension Plan and Other Postemployment Benefit (OPEB) Plan Net Assets are reclassified in the fiscal year 2011 Comprehensive Annual Financial Report. Financial statements are now classified correctly. Receivable classified as "Employer" are correctly classified as "Due from other funds" and "Due from federal agencies." Also, mutual funds were overstated and alternative investments were understated by $7.8 million. Information presented in the Statement of Pension Plan and Other Postemployment Benefit (OPEB) Plan Net Assets differs from the presentation in the Combining Statement of Fiduciary Net Assets Pension (and Other Employee Benefit) Trust Funds in the SOMCAFR for fiscal year 2010. A waiver to differ from the SOMCAFR fiscal year 2010 presentation was granted by the DTMB Office of Financial Management.

NOTE 6 - SUBSEQUENT EVENT

New law affecting health plan eligibility

In October, 2011, the Michigan Legislature passed, and Governor Rick Snyder signed, a new law which significantly affects the system's provision of retiree health insurance to legislators who were first took office after March 30, 1997.

Before the passage of the new law, Public Act 200 of 2011, the System's statute provided that legislators who first took office after March 30, 1997, were eligible to receive retiree health insurance from the System if they met two (2) requirements: (a) they vested in the benefit by serving at least six (6) years in the Michigan Legislature and (b) they were at least age 55.* They were also required to share ten percent (10%) of the cost of the premium associated with their health insurance.

Under Public Act 200 of 2011, legislators who are not vested by January 1, 2013, will not be eligible to receive any retiree health insurance through the system. The effect of the Public Act 200 of 2011 is: (a) to permanently close the system's retiree health insurance plan to any legislators who took office after January 1, 2007, and (b) in the long-term, to greatly reduce the System's long-term liabilities for retiree health care (and, thus, costs that would be paid by the State to fund liabilities), compared to the liabilities (and costs) that would have continued to accrue if the law was not changed.

*Under the statute before the enactment of Public Act 200 of 2011, special provisions apply to those persons who were elected through special election.

Required Supplementary Information

Schedules of Funding Progress

Each time a higher level of benefit is adopted, unfunded obligations are created. The law governing the System requires that these additional obligations be financed systematically over a period of future years.

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one (1) indication of the System funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the System's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system.

Pension Benefits

(in thousands)

Valuation Date Sept 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio AAL (a/b)	Covered Payroll[1] (c)	UAAL as a % of Covered Payroll[2] ((b-a)/c)
2001	$168,399	$138,621	$(29,778)	121%	$4,284	N/A
2002	167,158	143,858	(23,300)	116	4,331	N/A
2003	164,950	147,431	(17,519)	112	2,016	N/A
2004	161,905	151,938	(9,967)	107	2,016	N/A
2005	157,456	154,650	(2,806)	102	2,016	N/A
2006	159,347	158,407	(940)	101	2,016	N/A
2007	167,750	163,313	(4,437)	103	1,332	N/A
2008	169,986	169,396	(590)	100	1,332	N/A
2009	165,810	171,441	5,631	97	1,151	N/A
2010	158,952	172,694	13,741	92	1,173	N/A

(1) October based payrolls
(2) Percentage of covered payroll is not applicable (N/A) as the System is closed.

Other Post-Employment Benefits[2]

(in thousands)

Valuation Date Sept 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio AAL (a/b)	Covered Payroll[1] (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2005	$11,929	$111,393	$99,464	11%	$11,875	838%
2008	14,319	132,628	118,309	11	11,859	998
2009	14,588	136,870	122,282	11	11,718	1,044
2010	15,886	155,259	139,373	10	11,598	1,202

(1) October based payrolls
(2) Includes members in both the defined benefit plan and the defined contribution plan

Required Supplementary Information (continued)

Schedules of Employer and Other Contributions

Pension Benefits

Fiscal Year Ended Sept. 30	Valuation Date Sept. 30	Annual Required Contribution (ARC)	Actual Contributions	Percent Contributed
2002	2001	$ 0	$ 0	N/A
2003	2002	0	0	N/A
2004	2003	0	0	N/A
2005	2004	0	0	N/A
2006	2005	0	0	N/A
2007	2006	394,957	394,957	100%
2008	2007	0	0	N/A
2009	2008	269,944	269,944	100
2010	2009	774,898	0	0
2011	2010	1,890,998	0	0

Other Post-Employment Benefits[1]

Fiscal Year Ended Sept. 30	Valuation Date Sept. 30	Annual Required Contribution (ARC)	Actual Contributions	Other Governmental Contributions	Percent Contributed
2008	2005	$ 7,965,791	$ 4,643,427	$ 153,982	60%
2009	2005	7,978,764	4,302,354	160,758	56
2010	2009	10,842,010	4,514,665	150,113	43
2011	2010	11,817,097	4,287,509	880,159	44

(1) Includes members in both the defined benefit plan and the defined contribution plan

Note to Required Supplementary Information

NOTE A - DESCRIPTION

Ten-year historical trend information designed to provide information about the System's progress in accumulating sufficient assets to pay benefits when due is presented in the preceding schedules. Other ten-year historical trend information related to the System is presented in the Statistical and Actuarial sections of the report. This information is presented to enable the interested parties to assess the progress made by the System in accumulating sufficient assets to pay pension benefits and other postemployment benefits as they become due.

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

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

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Supporting Schedules

Comparative Summary Schedule of Administrative Expenses For Years Ended September 30, 2011 and 2010

	2011	2010
Personnel Services	$ 334,901	$ 316,789
Actuarial Services	38,125	32,825
Audit	14,000	15,000
Attorney & other Professional Services	108,010	11,552
Postage, Telephone and other	15,822	14,979
Total Administrative Expenses	$ 510,858	$ 391,145

Schedule of Investment Expenses* For Years Ended September 30, 2011 and 2010

	2011	2010
Management Fees	$ 559,802	$ 509,767
State Treasurer and custody fees	20,209	18,282
Other investment expenses	68,492	65,171
Total Investment Expenses	$ 648,503	$ 593,220

*Mutual fund management fees are netted againt returns earned.

Schedule of Payments to Consultants For Years Ended September 30, 2011 and 2010

	2011	2010
Dykema Gossett	$ 8,010	$ 11,552
Gabriel Roeder	38,125	32,825
Total Payments to Consultants	$ 46,135	$ 44,377

Supporting Schedules (continued)

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

For Years Ended September 30, 2011 and 2010

	Reserves for year ended September 30, 2011						
	Member Savings Fund	Member Retirement Fund	Survivors Retirement Fund	Insurance Revolving Fund	Health Insurance Fund	Income Fund	Total
Additions:							
Member contributions:							
Other member contributions	$	$	$	$ 10,343	$ 26,474	$	$ 36,817
DC health premium					77,846		77,846
Employer contributions					3,287,900		3,287,900
Other governmental contributions					880,159		880,159
Court fees					999,609		999,609
Total contributions:				10,343	5,271,988		5,282,331
Investment income (loss)							
Net appreciation (depreciation) in fair value of investments					(500,880)	(4,561,786)	(5,062,666)
Interest, dividends and other					405,317	4,145,068	4,550,385
Total investment income (loss)					(95,563)	(416,718)	(512,281)
Less investment expenses					(64,161)	(584,342)	(648,503)
Net investment income (loss)					(159,724)	(1,001,060)	(1,160,784)
Miscellaneous income						1	1
Total additions:				10,343	5,112,264	(1,001,059)	4,121,548
Deductions:							
Benefits & refunds paid to plan members & beneficiaries:							
Retirement benefits		10,178,018	1,796,271				11,974,289
Health benefits					5,256,776		5,256,776
Dental benefits					448,263		448,263
Death benefits				140,000			140,000
Refund of contribution & interest			11,098	398			11,496
Qualified rollover							
Administrative expenses					114,500	396,358	510,858
Total deductions:		10,178,018	1,807,369	140,398	5,819,539	396,358	18,341,682
Net increase (decrease):		(10,178,018)	(1,807,369)	(130,055)	(707,275)	(1,397,417)	(14,220,134)
Other changes in net assets:							
Interest/loss allocations	44,406	(737,553)	(529,283)	(174,987)		1,397,417	
Transfer upon retirements	(664,771)	664,771					
Total other changes in net assets	(620,365)	(72,782)	(529,283)	(174,987)		1,397,417	
Net increase(decrease) after changes	(620,365)	(10,250,800)	(2,336,652)	(305,042)	(707,275)		(14,220,134)
Beginning of Year:	1,279,541	73,355,957	52,641,712	17,404,001	15,885,878		160,567,089
End of Year:	$ 659,176	$ 63,105,157	$ 50,305,060	$ 17,098,959	$ 15,178,603	$	$ 146,346,955

Supporting Schedules (continued)

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

For Years Ended September 30, 2011 and 2010

	Reserves for year ended September 30, 2010						
	Member Savings Fund	Member Retirement Fund	Survivors Retirement Fund	Insurance Revolving Fund	Health Insurance Fund	Income Fund	Total
Additions:							
Member contributions:							
Other member contributions	$	$	$	$ 11,044	$ 97,264	$	$ 108,308
DC health premium					56,103		56,103
Employer contributions					3,424,100		3,424,100
Other governmental contributions					150,113		150,113
Court fees					1,090,565		1,090,565
Total contributions:				11,044	4,818,145		4,829,189
Investment income (loss)							
Net appreciation (depreciation) in fair value of investments					1,295,287	13,693,358	14,988,645
Interest, dividends and other					316,909	1,876,104	2,193,013
Total investment income (loss)					1,612,196	15,569,462	17,181,658
Less investment expenses					(55,351)	(537,869)	(593,220)
Net investment income (loss)					1,556,845	15,031,593	16,588,438
Miscellaneous income					252,403		252,403
Total additions:				11,044	6,627,393	15,031,593	21,670,030
Deductions:							
Benefits & refunds paid to plan members & beneficiaries:							
Retirement benefits		9,403,769	1,718,202				11,121,971
Health benefits					4,866,041		4,866,041
Dental benefits					426,560		426,560
Death benefits				333,172			333,172
Refund of contribution & interest			17,506				17,506
Qualified rollover		287,969					287,969
Administrative expenses					36,496	354,649	391,145
Total deductions:		9,691,738	1,735,708	333,172	5,329,097	354,649	17,444,364
Net increase (decrease):		(9,691,738)	(1,735,708)	(322,128)	1,298,296	14,676,944	4,225,666
Other changes in net assets:							
Interest/Loss allocations	57,605	7,814,658	5,131,599	1,673,082		(14,676,944)	
Transfer upon retirements	(260,935)	252,245	8,690				
Total other changes in net assets	(203,330)	8,066,903	5,140,289	1,673,082		(14,676,944)	
Net increase(decrease) after changes	(203,330)	(1,624,835)	3,404,581	1,350,954	1,298,296		4,225,666
Beginning of Year:	1,482,871	74,980,792	49,237,131	16,053,047	14,587,582		156,341,423
End of Year:	$ 1,279,541	$ 73,355,957	$ 52,641,712	$ 17,404,001	$ 15,885,878	$	$ 160,567,089

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Michigan Legislative Retirement System

Comprehensive Annual Financial Report
for the Fiscal Year Ended September 30, 2011

INVESTMENT SECTION

Report on Investment Activity

INTRODUCTION

The System's Board of Trustees is the investment fiduciary for the system in accordance with the law. Investment decisions, including investment policies and procedures, are subject to statutory regulations imposed by the Michigan Public Employee Retirement System Investment Act, Public Act 314 of 1965, as amended.

As the investment fiduciary for the system, the board's responsibilities include, but are not limited to: (1) establishing an investment policy and asset allocation for the System pension fund; (2) prudently selecting investment managers and consultants for the system, and (3) conducting periodic reviews to ensure that its policies are followed and that its investment professionals perform satisfactorily in accordance with established standards and goals.

The State Treasurer for the State of Michigan acts as the custodian for the System funds pursuant to state law, and the board has also contracted with independent investment advisors to assist with investment decisions and to manage the pension fund assets.

INVESTMENT OBJECTIVES

The System's primary investment objective is to provide a real rate of return, net of inflation, administrative and investment expenses, sufficient to support the system's ability to meet its obligations to plan participants and beneficiaries without undue exposure to risk. In absolute terms, this return objective should approximate the System's actuarial assumed rate of return, which is currently 7%. The System seeks to attain investment results over a full market cycle. It does not expect that all investment objectives will be attained in each year and recognizes that over various periods of time the System investment results may produce significant "over" or "under" performance relative to broad markets. For this reason, the board of trustees takes a LONG-TERM perspective and will measure quantitative investment returns over a 5-year moving period. Managers and other parties are also expected to meet qualitative performance objectives (adherence to its investment philosophy and System policies, continuity of firm personnel and practices, etc.) as established by the board.

MARKET REVIEW

Twelve Months Ending September 30, 2011

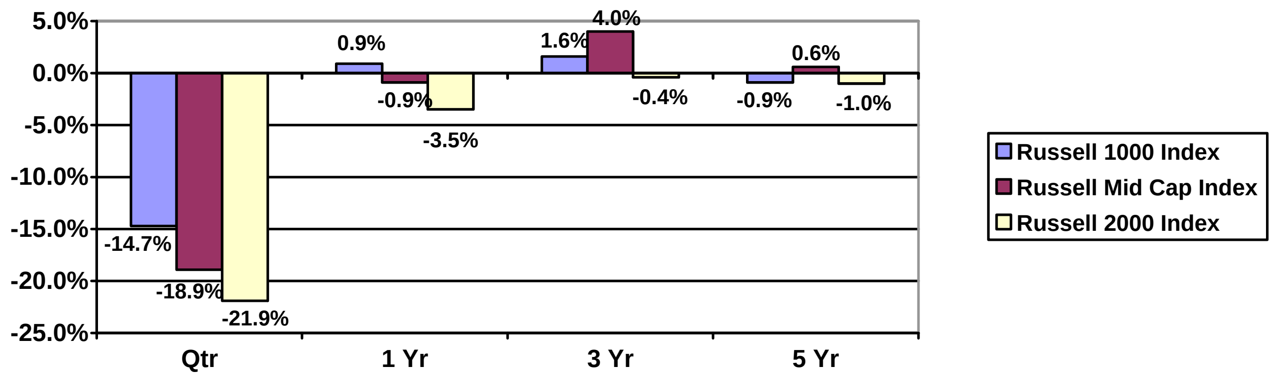
Investor sentiment is often expressed in market volatility and measured by the VIX, which is based on the pricing of S&P 500 index option contracts. As the System's fiscal year ended, the VIX spiked to over 40, a level not reached since early 2009 and was well above the 20-year average of near 20. Fears of a global economic slowdown, the ongoing European sovereign debt crisis and a Standard & Poor's downgrade of long-term U.S. debt led to investor anxiety.

With unemployment stagnating near 9%, lethargic economic growth and the political events surrounding sovereign debt crises in the U.S. and Europe, all the uncertainty caused investors to be fearful. In spite of these headwinds, the System ended the fiscal year with only a modest decline of 1.7% on a net-of-fees basis for the one-year period ending September 30, 2011.

As we look back over the fiscal year we saw the broad U.S. stock market, as measured by the Russell 1000 Index post a modest gain of 0.9%. By contrast, all the other market cap indexes ended with losses for during the fiscal year, with mid cap (Russell Midcap Index) falling a 0.9%% and the small cap segment (Russell 2000 Index) declining by 3.5% over the twelve months ending September 30, 2011.

MARKET REVIEW (continued)

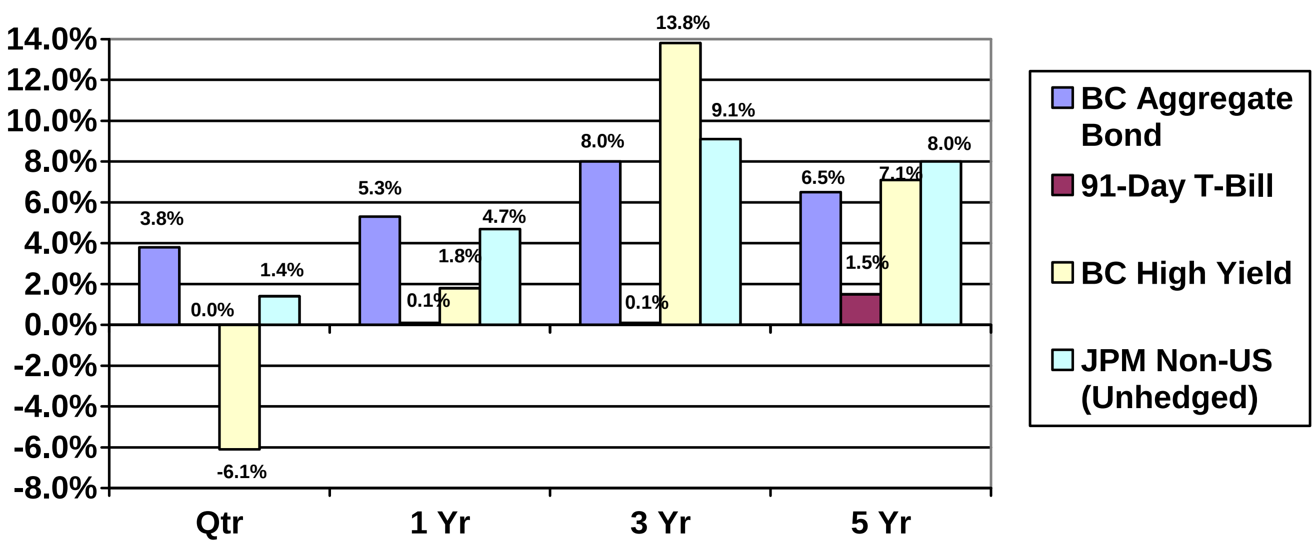
Large Cap, Mid Cap, & Small Cap



As the fiscal year was nearing a close, the Federal Open Market Committee (FOMC) announced plans to lower long-term interest rates in hopes of stimulating the stalling U.S. economy. The plan, dubbed “Operation Twist” by market participants had the FOMC using the proceeds from maturing mortgage-backed securities to purchase $400 billion of longer-term Treasury securities by the end of June 2012. In addition to longer-term Treasury purchases, the FOMC will reinvest principal payments from its holdings of agency debt and agency mortgage-backed securities into additional agency mortgage-backed securities. The committee hopes this action will lower mortgage rates with the aim of stimulating housing demand. Lastly, the FOMC reiterated its commitment to keep the federal fund rates at exceptionally low levels, at least through mid-2013.

The moves made by the FOMC coupled with overall investor uneasiness caused Treasuries to rally as the System’s fiscal year came to a close. In the end, the broad fixed income market as measured by the Barclays Aggregate Bond Index (BCAG) advanced 5.3% during the fiscal year ending September 30, 2011. Within the broad segment of the index, high yield securities generated a 1.8% total return with the international, dollar-denominated bond segment up 4.7% during the same period.

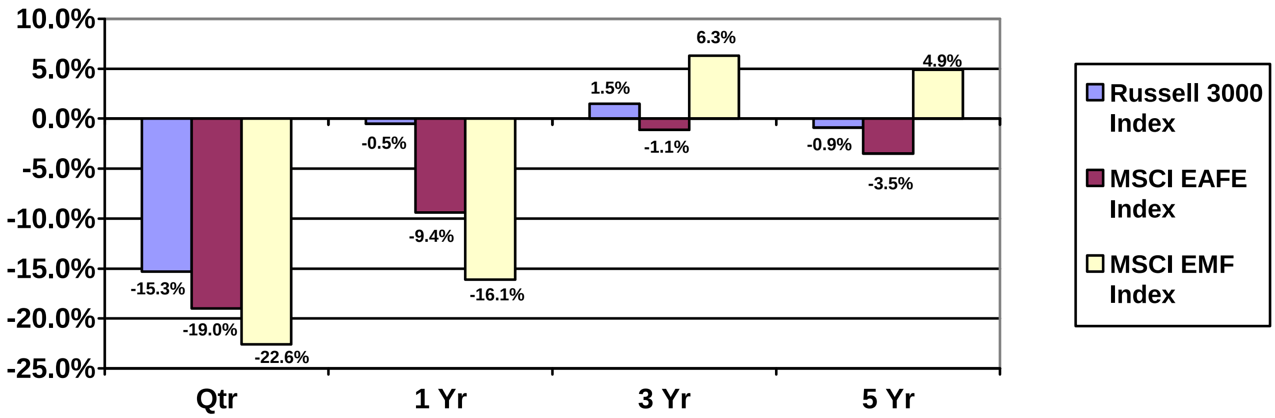
Broad Fixed Income



MARKET REVIEW (continued)

Amid continued sovereign debt woes and weak economic growth, international equities struggled to gain traction during the fiscal year. The MSCI EAFE Index declined 9.4% during the one-year period ending September 30, 2011. Emerging market equities could not overcome the events surrounding their economies and fell 16.1% during the same period.

U.S., International, & Emerging



Following last year's very strong showing the System posted a 1.7% net of fees loss for the fiscal year ending September 30, 2011. The System's return was in line with the Balanced Index to which it is compared to during the same one-year period. Extending the analysis out over the longer-term (five year period) the System's 2.3% net-of-fees total return surpasses the Balanced Index which was 0.9% during the period.

The System did not make any changes to their investment manager lineup during the fiscal year. The Board of Trustees, as part of their fiduciary responsibilities, met with several of the managers for in depth due diligence interviews during the period.

Over the longer-term (five years) the System's total composite is performing up to pre-established targets with regard to return and risk.

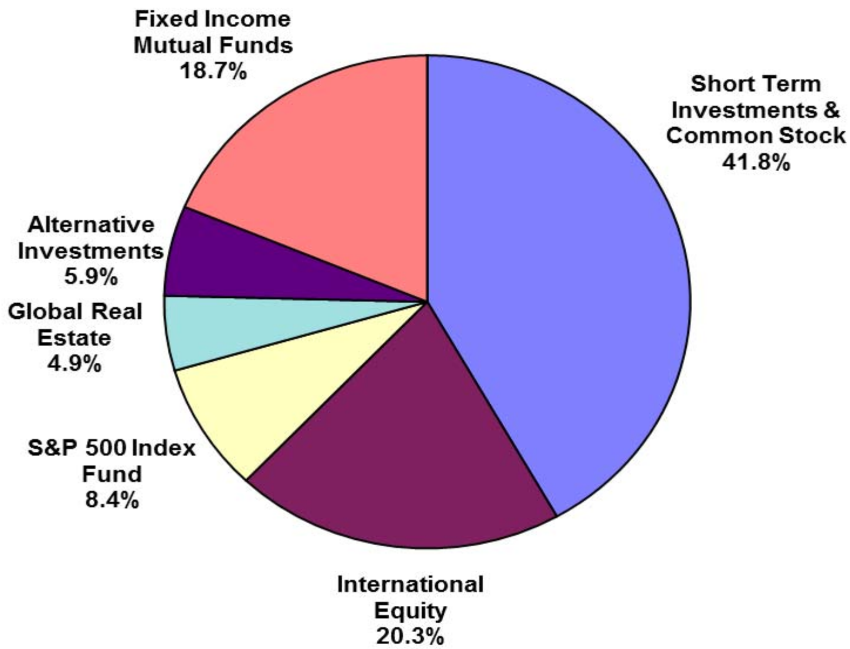
Extreme volatility and sharp pullbacks in markets, while always painful, provide the opportunity to analyze portfolio positioning during a severe stress test. The analysis of both returns and positioning when market volatility is high inevitably leads to questions on how to prioritize shorter-term defensive positioning with longer-term opportunities. As the Trustees reviewed what happened during the fiscal year, it became apparent that several aspects of the portfolio's longstanding themes helped minimize some of the losses during the period.

Looking ahead, investors are always concerned over potential pitfalls. Currently worries surround the global economic growth and how the European and U.S. sovereign debt issues will impact their portfolios. Worrying about these issues is healthy and good for the markets. Although we are uncertain as to how these issues will be resolved, we do believe that well-diversified portfolios can mitigate some of the risks to investing. For those willing to be opportunistic and invest in out-of-favor areas, the rewards can be substantial, but patience is often required.

As fiduciaries of the System, the Board of Trustees continue to focus on the longer-term but are watchful of the managers through their quarterly review process. Even with the backdrop of these turbulent investment markets and a government that does not appear to have a clearly defined path toward economic recovery, the System remains well funded and prudently invested for the long-term. In baseball parlance, while seemingly not hitting home runs, the System is a solid single and double hitter with excellent defensive skills.

Asset Allocation

As of September 30, 2011



Investment Portfolio
As of September 30, 2011

Investment Category	Market Value	Percentages of Market Value	Percentages of Income/ (Loss)	Fiscal Year Income/(Loss)[@]
Short Term Investments* & Common Stocks	$ 61,267,250	41.8%	793.7%	$ 4,065,826
S&P 500 Index Fund	12,228,479	8.4%	155.0%	793,795
Global Real Estate	7,228,285	4.9%	-286.9%	(1,469,977)
Alternative Investments	8,670,429	5.9%	140.6%	720,022
Fixed Income Mutual Funds	27,327,811	18.7%	17.7%	90,847
International Equity	29,763,259	20.3%	-920.0%	(4,712,794)
Total Investments	$ 146,485,513	100.0%	-100.0%	$ (512,281)

* Short Term Investments are equity in the States Treasurer's Common Cash Fund.

[@] Includes realized gains and losses.

Largest Assets Held

Largest Stock Holdings (By Market Value)
September 30, 2011

Rank	Shares	Stocks	Market Value
1	2,215	Apple Inc.	$ 844,314
2	8,955	Green Mountain Coffee, Inc.	832,278
3	16,985	Illinois Tool Works, Inc.	706,576
4	14,785	American Express Company	663,847
5	22,425	Oracle Corporation	644,495
6	20,320	Altera Corporation	640,690
7	21,495	eBay Inc.	633,888
8	8,605	Occidental Petroleum Corp.	615,258
9	9,400	ConocoPhillips	595,208
10	22,400	Microsoft Corporation	557,536

A complete list of stock holdings is available from the System.

Schedule of Investment Fees

Schedule of Investment Fees at September 30, 2011

	Assets under Management	Fees
Investment Managers Fees*:		
World Asset Mgt/Comerica	$12,228,479	$ 8,701
Cramer Rosenthal McGlynn	12,624,363	160,275
Barrow Hanley Mewhinney & Strauss	18,913,922	131,441
Rice Hall James	13,060,829	131,366
Wellington	17,457,242	128,019
		559,802
Other Investment Fees		
State Treasurer		20,209
Fund Evaluation Group		68,492
		88,701
	TOTAL	$ 648,503

*Europacific Growth Fund, ING Global Real Estate, Lazard Emerging Markets, Ironwood International Ltd., PIMCO Total Return Fund and Templeton Global Bond Fund management fees are netted against return earned by mutual fund money managers.

Schedule of Fees and Commissions

Investment Broker Name	Shares Traded	Total Value of Commissions	Average Commission Per Share
AMERICAN TECHNOLOGY RESEARCH INC	17,080	608	0.04
AQUA SECURITIES LP	900	18	0.02
AVIAN SECURITIES	1,400	56	0.04
AVONDALE PARTNERS LLC	59,037	2,361	0.04
B RILEY AND CO INC.	1,000	30	0.03
BAIRD ROBERT W. & COMPANY INCORPORATED	145,818	5,325	0.04
BARCLAYS CAPITAL LE	83,020	2,671	0.03
BAY CRESTPARTNERS LLC	860	34	0.04
BLOOMBERGTRADEBOOK LLC	3,100	31	0.01
BLUEFIN RESEARCH PARTNER INC.	100	4	0.04
BMO CAPITAL MARKETS	12,790	465	0.04
BNP PARIBAS SECURITIES CORPORATION	260	10	0.04
BNY CONVERGEX	272,903	10,603	0.04
BOENNING + SCATTERGOOD INC	900	36	0.04
BREAN MURRAY, CARRET& CO., LLC	34,398	1,211	0.04
BTIG, LLC	71,650	1,799	0.03
BUCKINGHAM RESEARCH GROUP INC	3,700	132	0.04
BURKE & QUICK PARTNERS LLC	15,550	571	0.04
CANACCORDGENUITY INC	300	13	0.04
CANTOR FITZGERALD + CO.	62,710	1,592	0.03
CAPITAL INSTITUTIONAL SVCS INC EQUITIES	1,700	60	0.04
CHAPDELAINE INSTITUTIONAL	1,500	60	0.04
CITIGROUPGLOBAL MARKETS INC	45,773	1,704	0.04
CJS SECURITIES INC	40,196	1,608	0.04
COLLINS STEWART LLC	2,470	81	0.03
COWEN ANDCOMPANY, LLC	25,990	952	0.04
CRAIG - HALLUM	32,347	1,010	0.03
CREDIT AGRICOLE SECURITIES (USA) INC	2,100	26	0.01
CREDIT RESEARCH + TRADING LLC	12,438	498	0.04
CREDIT SUISSE SECURITIES (USA) LLC	104,655	3,447	0.03
CROWELL, WEEDON & CO., INC.	110	4	0.04
CSI US INSTITUTIONAL DESK	13,935	512	0.04
CUTTONE +CO INC	2,460	55	0.02
DAHLMAN ROSE + COMPANY LLC	10,700	415	0.04
DAVENPORT& CO. OF VIRGINIA, INC.	2,400	96	0.04
DAVIDSON D.A. + COMPANY INC.	3,210	101	0.03
DEUTSCHE BANK SECURITIES INC	105,290	3,019	0.03
DOUGHERTYCOMPANY	5,302	212	0.04
DOWLING &PARTNERS	4,160	158	0.04
EVERCORE GROUP LLC	3,581	143	0.04
FIDELITY CAPITAL MARKETS	12,000	466	0.04
FIRST ANALYSIS SECURITIES CORP	55,747	1,727	0.03
FIRST NATL BK BOSTON	2,452	0	-
FRIEDMAN BILLINGS + RAMSEY	5,290	212	0.04
GOLDMAN SACHS + CO	94,277	3,221	0.03
GOLDMAN SACHS INTERNATIONAL	78,345	435	0.01
GORDON, HASKETT & COMPANY	1,500	60	0.04
GREEN STREET ADVISORS	1,000	40	0.04
GUGGENHEIM CAPITAL MARKETS LLC	900	14	0.02
HEFLIN + CO LLC	1,370	55	0.04
HEIGHT SECURITIES, LLC	710	28	0.04
HIBERNIA SOUTHCOAST CAPITAL INC	29,151	875	0.03
HSBC BROKERAGE (USA) INC.	1,720	69	0.04
INSTINET	68,600	1,025	0.01
INVESTMENT TECHNOLOGY GROUP INC.	112,970	1,017	0.01
ISI GROUPINC	73,635	659	0.01
ISLAND TRADER SECURITIES INC	7,608	304	0.04
J.P. MORGAN CLEARING CORP.	0	0	-
J.P. MORGAN SECURITIES INC.	105,110	3,607	0.03
JANNEY MONTGOMERY, SCOTT INC	7,470	292	0.04
JEFFERIES+ COMPANY INC	122,703	3502.02	0.03

Schedule of Fees and Commissions (continued)

Investment Broker Name	Shares Traded	Total Value of Commissions	Average Commission Per Share
JMP SECURITIES	21,200	831	0.04
JNK SECURITIES INC	4,100	137	0.03
JOHNSON RICE + CO	53,613	1,731	0.03
JONESTRADING INSTITUTIONAL SERVICES LLC	113,848	3,288	0.03
KEEFE BRUYETTE + WOODS INC	56,950	1,955	0.03
KEYBANC CAPITAL MARKETS INC	69,912	2,427	0.03
KING, CL,& ASSOCIATES, INC	32,130	1,106	0.03
KNIGHT EQUITY MARKETS L.P.	182,849	2,623	0.01
KNIGHT SECURITIES	10,100	133	0.01
LAZARD CAPITAL MARKETS LLC	50,150	1,610	0.03
LIQUIDNETINC	186,600	3,486	0.02
LONGBOW SECURITIES LLC	1,600	64	0.04
LOOP CAPITAL MKTS LLC	800	8	0.01
MACQUARIESECURITIES (USA) INC	9,110	337	0.04
MAN SECURITIES INC	1,100	44	0.04
MAXIM GROUP	51,180	1,776	0.03
MERRILL LYNCH PIERCE FENNER + SMITH INC	126,398	3,043	0.02
MERRILL LYNCH PROFESSIONAL CLEARING CORP	35,091	1,237	0.04
MERRIMAN CURHAN FORD + CO	44,269	949	0.02
MILLER TABAK + COMPANY, LLC	1,640	62	0.04
MIZUHO SECURITIES USA INC.	7,804	312	0.04
MKM PARTNERS LLC	300	12	0.04
MOGAVERO LEE & CO., INC.	7,399	207	0.03
MORGAN JOSEPH + CO INC	2,100	83	0.04
MORGAN KEEGAN & CO INC	2,483	99	0.04
MORGAN STANLEY CO INCORPORATED	155,875	3,222	0.02
NEEDHAM +COMPANY	54,891	2,146	0.04
NOBLE INTERNATIONAL INVESTMENTS INC.	14,568	583	0.04
NOMURA SECURITIES INTERNATIONAL INC	6,970	218	0.03
NORTHLANDSECURITIES INC.	33,041	1,177	0.04
OPPENHEIMER + CO. INC.	92,714	3,404	0.04
PACIFIC CREST SECURITIES	6,011	231	0.04
PERSHING LLC	1,075	43	0.04
PIPELINE TRADING SYSTEMS LLC	15,180	152	0.01
PIPER JAFFRAY	88,793	3,146	0.04
PULSE TRADING LLC	10,788	217	0.02
RAYMOND JAMES AND ASSOCIATES INC	27,440	1,064	0.04
RBC CAPITAL MARKETS	44,810	1,001	0.02
ROCHDALE SEC CORP.(CLS THRU 443)	4,700	188	0.04
ROTH CAPITAL PARTNERS LLC	502	20	0.04
SANDERS MORRIS HARRIS	5,700	204	0.04
SANDLER ONEILL + PART LP	21,900	474	0.02
SANFORD CBERNSTEIN CO LLC	85,015	1,282	0.02
SCOTT & STRINGFELLOW, INC	28,518	1,097	0.04
SIDOTI + COMPANY LLC	7,912	316	0.04
SIMMONS +COMPANY INTERNATIONAL	2,690	96	0.04
SJ LEVINSON & SONS LLC	33,500	474	0.01
STATE STREET GLOBAL MARKETS, LLC	2,570	77	0.03
STEPHENS,INC.	70,997	2,495	0.04
STERNE AGEE & LEACH INC.	18,100	622	0.03
STERNE, AGEE, AND LEACH INC	2,900	116	0.04
STIFEL NICOLAUS + CO INC	157,683	5,645	0.04
STRATEGASSECURITIES LLC	3,100	109	0.04
SUNTRUST CAPITAL MARKETS, INC.	58,037	2,124	0.04
THINKEQUITY PARTNERS LLC	650	26	0.04
UBS SECURITIES LLC	46,060	1,445	0.03
UNX INC.	17,100	171	0.01
WEDBUSH MORGAN SECURITIES INC	17,650	523	-
WEEDEN + CO.	234,900	3,332	0.01
WELLS FARGO SECURITIES, LLC	42,736	1,657	0.04
WILLIAM BLAIR & COMPANY L.L.C	8,572	325	0.04
TOTALS	4,486,725	126,317.52	

Michigan Legislative Retirement System

Comprehensive Annual Financial Report
for the Fiscal Year Ended September 30, 2011

ACTUARIAL SECTION

Actuarial Section

Actuary's Certification

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

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Southfield, MI 48076-3723

248.799.9000 phone
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December 14, 2011

The Board of Trustees
Michigan Legislative Retirement System
124 North Capitol Avenue – Suite S0927
Lansing, Michigan 48933

Ladies and Gentlemen:

The basic financial objective of the Tier 1 Defined Benefit Plan of the Michigan Legislative Retirement System (MLRS) is to establish and receive contributions which when combined with present assets and future investment return will be sufficient to meet the financial obligations of the System to present and future benefit recipients.

The purpose of the September 30, 2010 annual actuarial valuations was to determine the contribution requirements for the fiscal year ending September 30, 2011, to measure the System's funding progress, and to provide actuarial information in connection with applicable Governmental Accounting Standards Board statements. The valuations should not be relied upon for any other purpose. The valuation process develops employer contributions that are sufficient to fund any unfunded accrued liabilities over a reasonable period. The valuation was completed based upon population data, asset data and plan provisions in effect on September 30, 2010.

The valuation was based upon information provided by the System's administrative staff concerning System benefit provisions, financial transactions, and individual members, terminated members, retirees and beneficiaries. We checked the data for internal and year to year consistency, but did not otherwise audit the data. As a result, we do not assume responsibility for the accuracy or completeness of the data provided by the System's administrative staff. The actuary summarizes and tabulates population data in order to analyze long term trends. The System's external auditor audits the actuarial data annually.

Annual actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rate of investment return and payroll growth, eligibility for the various classes of benefits and longevity among retired lives. These assumptions are adopted by the Board of Trustees after considering the advice of the actuary and other professionals. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution requirements as needed. Assets are valued according to a method that fully recognizes expected investment return, and recognizes unanticipated market return over a five-year period. The assumptions and the methods comply with the disclosure requirements of GASB Statement Nos. 25 and 43.

Actuary's Certification (continued)

The Board of Trustees
December 14, 2011
Page 2

The current benefit structure is outlined in the actuarial section of the Comprehensive Annual Financial Report. We provided the information used in the supporting schedules in the actuarial section and the Schedule of Funding Progress in the financial section, as well as the Employer Contributions – Computed and Actual Historical Comparison schedule in the financial section.

The signing actuaries are independent of the plan sponsor.

The actuarial valuations of MLRS as of September 30, 2010 were performed by qualified actuaries in accordance with standards of practice prescribed by the Actuarial Standards Board and in compliance with applicable state statutes. The undersigned are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. It is our opinion that the calculated employer contribution meets the financial objective of the Retirement System.

Respectfully submitted,

Mark Buis

Mark Buis, FSA, EA, MAAA

Pieterse

Francois Pieterse, ASA, MAAA

MHB:rmn

Gabriel Roeder Smith & Company

Summary of Actuarial Assumptions and Methods

1. The investment return rate used in making the valuations was 7% per year, compounded annually. This rate of return is not the assumed real rate of return. The real rate of return is the rate of investment return in excess of the inflation rate. Considering other financial assumptions, this 7% investment return rate translates to an assumed real rate of return of 3%. Adopted 1987.

2. The mortality table used in evaluating allowances to be paid was the 1971 Group Annuity Mortality Table, set back zero (0) years for men and five (5) years for women. Adopted 1972 (1988 for life insurance benefits).

3. Sample probabilities of retirement with an age and service allowance are shown in Schedule 1. Adopted 1987.

4. Sample probabilities of withdrawal from service and disability, together with individual pay increase assumptions, are shown in Schedule 2. Adopted 1993, 1979, and 1987, respectively.

5. Total active member payroll is assumed to increase 4% per year. This represents the portion of the individual pay increase assumptions attributable to inflation.

6. An individual entry age actuarial cost method of valuation was used in determining age and service allowance actuarial liabilities and normal cost. Adopted 1987. Unfunded actuarial accrued liabilities, including actuarial gains and losses, are financed over a period of 10 years.

7. Effective for the September 30, 1993 valuation, valuation assets were equal to valuation assets (prior method) as of September 30, 1992, with subsequent differences between total investment income and projected investment income (actuarial assumption) being spread over a five (5) year period.

8. Member data and asset information was furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.

9. The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA). The assumptions used in the actuarial valuations were adopted by the board of trustees after consulting with the actuary.

10. Beginning fiscal year 2011, the System board approved using the prior year actuarial report for the System current year comprehensive annual financial report.

Summary of Actuarial Assumptions and Methods
(Continued)

SCHEDULE 1

Retirement Ages	Percent of Eligible Active Members Retiring Within Next Year
50	10 %
52	10
55	10
58	10
61	10
64	10
67	10
70	100

SCHEDULE 2

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

Years of Service[#]	Percent of Active Members Withdrawing Within Next Year		Sample Ages	Percent of Active Members Becoming Disabled Within Next Year		Percent Increase In Pay During Next Year
	House	Senate		Men	Women	
0	6 %	6 %	25	0.08 %	0.10 %	4 %
1	6	6	35	0.08	0.10	4
2	6	6	45	0.26	0.41	4
3	6	6	55	0.89	0.77	4
4	6	6	65	1.66	1.23	4
5	4	4				
6	100	4				
7		4				
8		100				

[#] Years after 1992, for persons who were members on December 31, 1992

Actuarial Valuation Data

Schedule of Member Data

Valuation Date Sept. 30	Active Members Number	Active Members Valuation Payroll	Inactive Members Number	Inactive Members Deferred Payroll	Retirants and Survivors Numbers	Retirants and Survivors Annual Allowances
2001	54	4,284,113	80	2,326,120	242	6,250,477
2002	53	4,330,963	72	2,084,241	247	6,631,188
2003	24	2,016,113	79	2,366,361	262	7,602,242
2004	24	2,016,113	71	2,133,602	268	8,044,781
2005	24	2,016,113	62	1,799,013	268	8,517,118
2006	24	2,016,113	51	1,505,232	276	9,057,257
2007	16	1,332,400	44	1,357,865	286	9,980,341
2008	16	1,332,400	39	1,151,838	284	10,422,716
2009	14	1,151,100	33	1,011,752	288	10,853,048
2010	14	1,173,100	28	866,069	288	11,195,853

Schedule of Changes in the Retirement Rolls

Year Ended Sept. 30	Added to Rolls No.	Added to Rolls Annual Allowances	Removed from Rolls No.	Removed from Rolls Annual Allowances	Rolls–End of Year No.	Rolls–End of Year Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
2001	17	595,237	9	141,024	242	6,250,477	7.8	25,828
2002	16	623,052	11	242,341	247	6,631,188	6.1	26,847
2003	29	1,374,384	14	403,330	262	7,602,242	14.6	29,016
2004	11	555,079	5	112,540	268	8,044,781	5.8	30,018
2005	13	787,749	13	315,412	268	8,517,118	5.9	31,780
2006	14	683,314	6	143,175	276	9,057,257	6.3	32,816
2007	18	1,081,331	8	158,247	286	9,980,341	10.2	34,896
2008	7	625,054	9	182,679	284	10,422,716	4.4	36,700
2009	13	783,304	9	352,972	288	10,853,048	4.1	37,684
2010	8	629,090	8	286,285	288	11,195,853	3.2	38,874

Prioritized Solvency Test

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

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

The schedule below illustrates the history of the liabilities of the System and is indicative of the System's policy of following the discipline of level percent of payroll financing.

	Actuarial Accrued Liability ($ in Thousands)				Portion of Actuarial Accrued Liability Covered by Assets		
	(1)	(2)	(3)				
Valuation Date Sept. 30	Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)
2001	4,515	86,235	47,871	168,399	100	100	162
2002	4,363	91,221	48,274	167,158	100	100	148
2003	3,477	106,164	37,790	164,950	100	100	146
2004	3,284	111,682	36,972	161,905	100	100	127
2005	2,892	117,593	34,165	157,456	100	100	108
2006	2,560	124,040	31,807	159,347	100	100	103
2007	1,833	137,179	24,301	167,750	100	100	118
2008	1,660	145,110	22,626	169,986	100	100	103
2009	1,483	149,132	20,826	165,810	100	100	73
2010	1,280	151,675	19,739	158,952	100	100	30

Summary Of Plan Provisions

Membership

Legislators who first become legislators after March 30, 1997, will *not* be members of the Tier 1 defined benefit plan. This summary of benefits applies only to persons who first became legislators on or before March 30, 1997, and who did not elect to transfer to Tier 2, the defined contribution plan.

Term Limits

For terms of office beginning on or after January 1, 1993, no person shall be elected to the House of Representatives (House) more than three (3) times and no person shall be elected to the Senate more than two (2) times. With the exception of persons who fill vacancies for partial terms and persons who serve in both the House and the Senate, the normal service limits are:

House - 6 years (three 2-year terms)
Senate - 8 years (two 4-year terms)

Regular Retirement

Eligibility - At least age 50 with age plus service equal to or exceeding 70; or at least age 55 with 5 or more years service if seated either: a) 3 times in the House or b) 2 times in the Senate or c) 1 time in the House and 1 time in the Senate.

Annual Amount - Persons who first became members on or before January 1, 1995: 20% of the highest salary earned for the first 5 years of service, plus 4% of highest salary for each of the next 11 years of service, plus 1% of highest salary for each additional year of service.

Persons who first became members after January 1, 1995: 3% of highest salary for each year of service.

Deferred Retirement (Vested Benefit)

Eligibility - 5 or more years of service if seated either: a) 3 times in the House or b) 2 times in the Senate or c) 1 time in the House and 1 time in the Senate. Benefit begins at age 55 (as early as age 50 if age plus service equals or exceeds 70). Member may delay commencement of benefits to an age not greater than age 70-1/2.

Annual Amount - Computed as regular retirement benefit based on service and highest salary at termination. For persons who first became members on or before January 1, 1995, the benefit is increased 4% annually (compounded) between termination of membership and the earlier of a) benefit commencement or b) age 55. Benefits delayed beyond age 55 are actuarially equivalent to the age 55 benefit.

Disability Retirement

Eligibility - Disability before becoming eligible to retire or during a benefit deferral period.

Annual Amount - Computed as a regular retirement benefit based on service and highest salary at time of disability.

Summary Of Plan Provisions (continued)

Death Benefit

Eligibility **-** 5 or more years of service if seated either: a) 3 times in the House or b) 2 times in the Senate or c) 1 time in the House and 1 time in the Senate. Benefit is paid immediately.

Annual Amount **-** Surviving spouse receives 66 2/3% of the retirement allowance earned as of the date of death of the member. If there are eligible dependent children in his or her care, the surviving spouse receives 75% of the retirement allowance earned as of the date of death until the children are no longer dependent, at which time 66-2/3% then becomes payable. Special conditions apply if there is no surviving spouse, or if the eligible children are not under the care of the surviving spouse.

Post-Retirement Cost-of-Living Adjustments

The annual retirement allowance payable to a retirant or survivor is increased by 4% per year, compounded annually (non-compounded for persons first becoming members after January 1, 1995), each January 1.

Life Insurance

Life insurance coverage is provided from the Insurance Revolving Fund for active members, retirants, and deferred vested members. Coverage varies from $2,500 to $150,000 depending on premium payments, board policy, and statutory provisions in place at deferral and/or retirement.

Post-Retirement Health Insurance

Hospital, medical, and dental insurance shall be provided from the Health Insurance Fund for retirants, deferred vested members who first became members on or before January 1, 1995, and their survivors, and to the spouses and eligible children of retirants and of deferred vested members who first became members on or before January 1, 1995.

In addition, the System provides health insurance coverage to eligible former legislators who belong to the State's Defined Contribution Plan (Tier 2).

Member Contributions

For members who first became a member on or before January 1, 1995: 9% of annual salary to the Health Insurance Fund.

For members who first became a member after January 1, 1995: 7% of annual salary to the Health Insurance Fund.

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Michigan Legislative Retirement System

Comprehensive Annual Financial Report
for the Fiscal Year Ended September 30, 2011

STATISTICAL SECTION

STATISTICAL SECTION

Narrative Explanation to Statistical Section

The intention of this narrative description is to explain the System's financial and operating trends of the schedules in the statistical section. It is important that this section be written clearly and accurately to help improve the understandability and usefulness of the statistical information. The statistical section contains the following schedules:

Schedule of Revenue By Source - Pension Plan and Other Postemployment Benefit Plan (OPEB)

Schedule of Expenses By Type - Pension Plan and OPEB

Schedule of Benefit Expenses By Type - Pension Plan and OPEB

Schedule of Changes in Net Assets - Pension Plan

Schedule of Changes in Net Assets - OPEB

Schedule of Benefit and Refund Deductions from Net Assets by Type – Pension Plan

Schedule of Benefit and Refund Deductions from Net Assets by Type – OPEB

These schedules are a ten (10) year comparison of the Statement of Changes in Pension Plan and Postemployment Benefits Net Assets found in the Financial Section of this report. This is to provide a longer time period for reference and show possible trends.

Actuarial Value of Pension Plan Assets compared to Actuarial Accrued Pension Plan Liability

This is to show the trend of the actuarial value of assets compared to the actuarial accrued liability for the pension plan.

Schedule of Retired Members by Type of Benefit – Pension Plan

This schedule is to show the average amount of retirement pension benefits. It is broken out by amount and type of retirement to show possible trends in types of retirement. And to show the average pension amounts by types. The data is compiled by the actuary.

Schedule of Average Benefit Payments – Pension Plan

This schedule is to show the average amount of retirement pension benefits by years of service. The data is compiled by the actuary.

Schedule of Revenue By Source
Pension Plan and Other Postemployment Benefit Plan

Fiscal Year Ended	Member Contributions	Employer Contributions	Other Governmental Contributions	Court Fees	Investment & Other Income(Loss)	Total
2002	358,296	3,115,600	N/A	1,094,971	(12,321,872)	$ (7,753,005)
2003	234,386	2,947,200	N/A	1,080,029	24,287,551	$28,549,166
2004	197,499	2,947,200	N/A	1,230,812	19,009,580	$23,385,091
2005	200,218	3,274,600	N/A	1,205,846	20,303,607	$24,984,271
2006	201,758	3,340,100	N/A	1,215,803	12,721,187	$17,478,848
2007	164,129	3,424,100	257,079	1,237,607	30,246,532	$35,329,447
2008	145,038	3,424,100	153,982	1,219,327	(31,512,684)	$ (26,570,237)
2009	156,385	3,424,100	160,758	1,148,198	6,414,695	$11,304,136
2010	164,411	3,424,100	150,113	1,090,565	16,840,841	$21,670,030
2011	114,663	3,287,900	880,159	999,609	(1,160,783)	$4,121,548

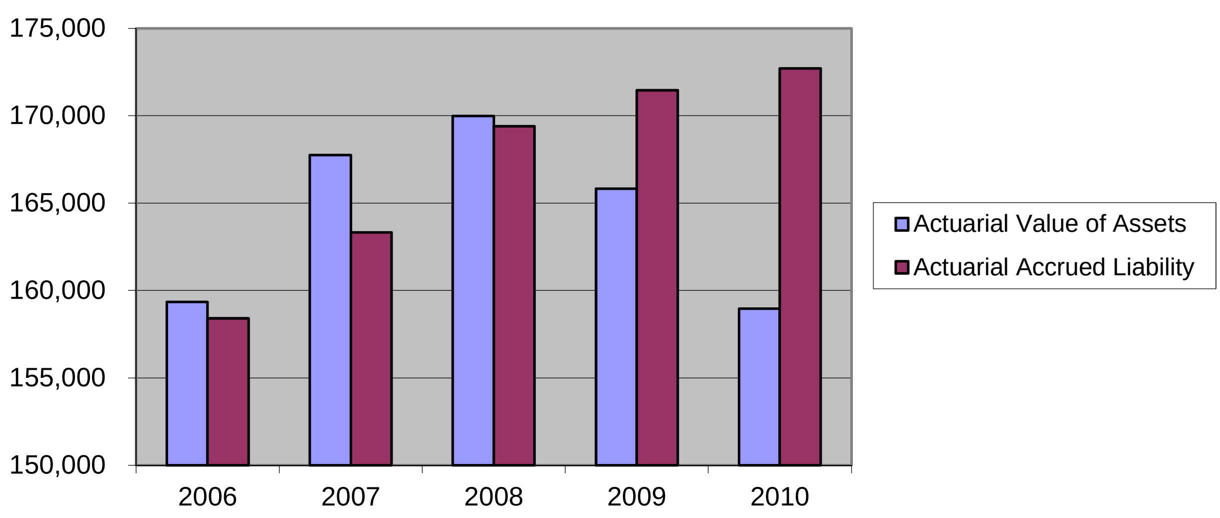
Schedule of Expenses By Type
Pension Plan and Other Postemployment Benefit Plan

Fiscal Year Ended	Benefits	Refunds and Transfers	Administrative Expenses	Total
2002	9,942,870	93	266,295	$10,209,258
2003	11,381,523	168,496	297,858	$11,847,877
2004	11,980,741	16,062	304,402	$12,301,205
2005	12,962,271	3,707	326,066	$13,292,044
2006	13,538,242	5,367	330,920	$13,874,529
2007	14,288,543	193,191	342,251	$14,823,985
2008	15,136,792	9,095	380,774	$15,526,661
2009	16,405,441	108,461	370,185	$16,884,087
2010	16,747,744	305,475	391,145	$17,444,364
2011	17,819,328	11,496	510,858	$18,341,682

Schedule of Benefit Expenses by Type
Pension Plan and Other Postemployment Benefit Plan

Fiscal Year Ended	Regular & Survivor Pension Benefits	Death Benefits	Dental Benefits	Health Benefits	Total
2002	6,540,490	286,780	281,914	2,833,686	$9,942,870
2003	7,351,848	386,000	327,804	3,315,871	$11,381,523
2004	7,875,376	140,500	312,548	3,652,317	$11,980,741
2005	8,402,490	319,580	321,609	3,918,592	$12,962,271
2006	8,942,596	150,000	329,767	4,115,879	$13,538,242
2007	9,681,902	115,800	341,899	4,148,942	$14,288,543
2008	10,264,373	154,398	360,697	4,357,324	$15,136,792
2009	10,793,318	457,500	394,566	4,760,057	$16,405,441
2010	11,121,971	333,172	426,560	4,866,041	$16,747,744
2011	11,974,289	140,000	448,263	5,256,776	$17,819,328

Actuarial Value of Pension Plan Assets compared to Actuarial Accrued Pension Plan Liability Fiscal Years Ended September 30
(In Thousands)



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

	Fiscal Year									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Additions										
Member contributions	$ 28,003	$ 32,952	$ 27,628	$ 23,192	$ 19,568	$ 18,288	$ 13,286	$ 11,581	$ 11,044	$ 10,343
Employer contributions										
Other Gov't contributions	N/A	N/A	N/A	N/A						
Court fees						394,957		269,944		
Net Investment income	(11,848,379)	23,124,145	17,995,059	18,535,862	11,500,577	27,445,951	(29,281,389)	5,564,681	15,031,593	(1,001,060)
Other income		8		48,775	21,593					1
Total additions to plan net assets	(11,820,376)	23,157,105	18,022,687	18,607,829	11,541,738	27,859,196	(29,268,103)	5,846,206	15,042,637	(990,716)
Deductions (See Schedule 3)										
Benefit payments	6,827,270	7,737,848	8,015,876	8,722,070	9,092,596	9,797,702	10,418,771	11,250,818	11,455,143	12,114,289
Refunds	93	36,189	16,062	3,707	5,367	2,546	9,095	14,638	17,506	11,496
Qualified rollovers		132,307				190,645		93,823	287,969	
Administrative expenses	266,295	297,858	304,402	326,066	330,920	314,785	347,102	335,644	354,649	396,358
Total deductions from plan net assets	7,093,658	8,204,202	8,336,340	9,051,843	9,428,883	10,305,678	10,774,968	11,694,923	12,115,267	12,522,143
Changes in net assets	$(18,914,034)	$ 14,952,903	$ 9,686,347	$ 9,555,986	$ 2,112,855	$ 17,553,518	$(40,043,071)	$ (5,848,717)	$ 2,927,370	$ (13,512,859)

Schedule of Changes in Net Assets - Other Postemployment Benefit Plan (Ten Years)

	Fiscal Year									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Additions										
Member contributions	$ 330,293	$ 201,434	$ 169,871	$ 177,026	$ 182,190	$ 145,840	$ 131,752	$ 144,804	$ 153,367	$ 104,320
Employer contributions	3,115,600	2,947,200	2,947,200	3,274,600	3,340,100	3,424,100	3,424,100	3,424,100	3,424,100	3,287,900
Other Gov't contributions	N/A	N/A	N/A	N/A	-	257,079	153,982	160,758	150,113	880,159
Court fees	1,094,971	1,080,029	1,230,812	1,205,846	1,215,803	842,651	1,219,327	878,254	1,090,565	999,609
Net Investment income	(473,493)	1,163,398	1,014,521	1,141,548	799,017	2,192,699	(2,583,379)	541,287	1,556,845	(159,724)
Other income				577,422	400,000	607,882	352,084	308,727	252,403	
Total additions to plan net assets	4,067,371	5,392,061	5,362,404	6,376,442	5,937,110	7,470,251	2,697,866	5,457,930	6,627,393	5,112,264
Deductions (See Schedule 4)										
Benefit payments	3,115,600	3,643,675	3,964,865	4,240,201	4,445,646	4,490,841	4,718,021	5,154,623	5,292,601	5,705,039
Refunds										
Qualified rollovers										
Administrative expenses						27,466	33,672	34,540	36,496	114,500
Total deductions from plan net assets	3,115,600	3,643,675	3,964,865	4,240,201	4,445,646	4,518,307	4,751,693	5,189,163	5,329,097	5,819,539
Changes in net assets	$ 951,771	$ 1,748,386	$ 1,397,539	$ 2,136,241	$ 1,491,464	$ 2,951,944	$ (2,053,827)	$ 268,767	$ 1,298,296	$ (707,275)

Schedule of Benefit and Refund Deductions from Net Assets by Type Pension Plan (Ten Years)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Type of Benefit										
Age and service benefits:										
Retirees	$ 5,258,015	$ 5,942,761	$ 6,420,855	$ 6,822,464	$ 7,430,838	$ 8,185,845	$ 8,745,818	$ 9,219,700	$ 9,403,769	$10,178,018
Survivors	1,282,475	1,409,087	1,454,521	1,580,026	1,511,758	1,496,057	1,518,555	1,573,618	1,718,202	1,796,271
Death in service benefits	286,780	386,000	140,500	319,580	150,000	115,800	154,398	457,500	333,172	140,000
Total benefits	$ 6,827,270	$ 7,737,848	$ 8,015,876	$ 8,722,070	$ 9,092,596	$ 9,797,702	$10,418,771	$11,250,818	$11,455,143	$12,114,289
Type of refund										
Death	$	$ 36,189	$ 9,233	$ 3,590	$ 5,367	$ 2,214	$ 9,095	$ 14,638	$ 17,506	$ 11,098
Separation			6,829							
Other	93			117		332		93,823	287,969	398
Total Refunds	$ 93	$ 36,189	$ 16,062	$ 3,707	$ 5,367	$ 2,546	$ 9,095	$ 108,461	$ 305,475	$ 11,496

Schedule of Benefit and Refund Deductions from Net Assets by Type Other Postemployment Benefit Plan (Ten Years)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Type of Benefit										
Heathcare benefits:										
Health benefits	$ 2,833,686	$ 3,315,871	$ 3,652,317	$ 3,918,592	$ 4,115,879	$ 4,148,942	$ 4,387,409	$ 4,760,057	$ 4,866,041	$ 5,256,776
Dental benefits	281,914	327,804	312,548	321,609	329,767	341,899	330,612	394,566	426,560	448,263
Total benefits	$ 3,115,600	$ 3,643,675	$ 3,964,865	$ 4,240,201	$ 4,445,646	$ 4,490,841	$ 4,718,021	$ 5,154,623	$ 5,292,601	$ 5,705,039

Schedule of Retired Members by Type of Benefit - Pension Plan
As of September 30, 2011

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement*				
		1	2	3	4	5
Deferred	22	13	9	0	0	0
$ 1 - $ 500	3	2	0	1	0	0
501 - 1,000	15	6	0	8	1	0
1,001 - 1,500	18	6	3	9	0	0
1,501 - 2,000	43	30	6	7	0	0
2,001 - 2,500	40	30	0	10	0	0
2,501 - 3,000	25	17	0	8	0	0
3,001 - 3,500	25	19	0	6	0	0
3,501 - 4,000	26	21	0	5	0	0
4,001 - 4,500	30	25	0	5	0	0
4,501 - 5,000	16	15	0	1	0	0
Over 5,000	58	57	0	1	0	0
Total	321	241	18	61	1	0

Notes:
*Type of Retirement
1 - Regular retirement - first became members on or before 1/1/95
2 - Regular retirement - first became members after 1/1/95
3 - Survivor payment - survivor of type 1 regular retiree
4 - Survivor payment - survivor of type 2 regular retiree
5 - Disability Retirement

Schedule of Average Benefit Payments - Pension Plan (Ten Years)

	Years of Credited Services						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
Retirement Effective Dates							
Period 10/1/01 to 9/30/02							
Average monthly benefit		$1,535	$2,807	$3,519			
Average final average salary		$47,044	$46,225	$47,723			
Number of retired members		4	3	2			
Period 10/1/02 to 9/30/03							
Average monthly benefit		$1,431	$2,642	$4,624	$5,512	$6,823	$5,938
Average final average salary		$71,044	$70,414	$76,985	$86,755	$79,650	$83,150
Number of retired members		8	5	2	6	1	2
Period 10/1/03 to 9/30/04							
Average monthly benefit		$1,436	$3,187	$5,857			
Average final average salary		$56,055	$51,911	$74,192			
Number of retired members		5	2	1			
Period 10/1/04 to 9/30/05							
Average monthly benefit		$1,880		$4,812	$4,248		
Average final average salary		$51,671		$64,192	$79,493		
Number of retired members		4		3	2		
Period 10/1/05 to 9/30/06							
Average monthly benefit		$1,947	$2,741				
Average final average salary		$54,821	$46,426				
Number of retired members		6	5				
Period 10/1/06 to 9/30/07							
Average monthly benefit		$1,556	$3,488	$3,756	$6,308	$5,791	
Average final average salary		$56,586	$57,323	$62,550	$95,150	$89,317	
Number of retired members		4	4	2	2	3	
Period 10/1/07 to 9/30/08							
Average monthly benefit		$1,560	$3,487	$5,610			
Average final average salary		$56,981	$60,188	$101,650			
Number of retired members		1	3	1			
Period 10/1/08 to 9/30/09							
Average monthly benefit		$2,001	$3,566				
Average final average salary		$60,842	$62,550				
Number of retired members		5	2				
Period 10/1/09 to 9/30/10							
Average monthly benefit		$1,950		$4,767			
Average final average salary		$52,551		$47,723			
Number of retired members		4		1			
Period 10/1/10 to 9/30/11							
Average monthly benefit		$1,857	$3,511	$5,067			
Average final average salary		$68,654	$80,425	$75,210			
Number of retired members		5	9	5			