A REGULAR MEETING

Of The

TRAVERSE CITY LIGHT AND POWER BOARD

Will Be Held On

TUESDAY, January 11, 2011

At

5:15 p.m.

In The

COMMISSION CHAMBERS
(2nd floor, Governmental Center)
400 Boardman Avenue

Traverse City Light and Power will provide necessary reasonable auxiliary aids and services, such as signers for the hearing impaired and audio tapes of printed materials being considered at the meeting, to individuals with disabilities at the meeting/hearing upon notice to Traverse City Light and Power. Individuals with disabilities requiring auxiliary aids or services should contact the Light and Power Department by writing or calling the following.

Stephanie Tvardek,
Administrative Assistant
1131 Hastings Street
Traverse City, MI 49686
(231) 932-4543

Traverse City Light and Power
1131 Hastings Street
Traverse City, MI 49686
(231) 922-4940

Posting Date: 1-7-11
10:00am

AGENDA

Pledge of Allegiance

1. Roll Call

2. Consent Calendar

The purpose of the consent calendar is to expedite business by grouping non-controversial items together to be dealt with by one Board motion without discussion. Any member of the Board, staff or the public may ask that any item on the consent calendar be removed therefrom and placed elsewhere on the agenda for full discussion. Such requests will be automatically respected. If an item is not removed from the consent calendar, the action noted in parentheses on the agenda is approved by a single Board action adopting the consent calendar.

a. Consideration of approving minutes of the Regular Meeting of December 28, 2010.

3. Old Business

a. Consideration of trial and settlement strategy in Brown Bark I, L.P. v Traverse City Light and Power (possible closed session). (Doren)

b. Update re: pension legacy costs. (Rice/Commissioner Gillman)

4. New Business

a. Presentation of the 2009-2010 Financial Audit. (Arends)

b. Economic Development Corporation update. (Tino Breithaupt)

5. Reports and Communications

a. From Legal Counsel.

b. From Staff.

1. Verbal update re: the 2011 Regional Energy Expo. (Wheaton)
2. Verbal update re: Kalkaska Combustion Turbine. (Rollenhagen)
3. Verbal update re: Joint Study Session with the City Commission scheduled for Tuesday, January 18, 2011. (Rice)

c. From Board.

6. Public Comment

/st

TRAVERSE CITY
LIGHT AND POWER BOARD

Minutes of Regular Meeting
Held at 5:15 p.m., Commission Chambers, Governmental Center
Tuesday, December 28, 2010

Board Members -

Present: Mike Coco, Linda Johnson, John Snodgrass, Ralph Soffredine, John Taylor, John Welch

Absent: Jim Carruthers

Ex Officio Member -

Absent: R. Ben Bifoss

Others: Ed Rice, Tim Arends, Stephanie Tvardek, Jim Cooper, Jessica Wheaton, Nick Abraitis, Larry LaCross, Scott Menhart, Glen Dine

The meeting was called to order at 5:15 p.m. by Chairman Coco.

Chairman Coco amended the agenda to add an introduction of a new Traverse City Light & Power staff member prior to the Consent Calendar.

Ed Rice introduced new staff member Scott Menhart, Network Administrator.

Item 2 on the Agenda being Consent Calendar

Moved by Johnson, seconded by Soffredine, that the following actions, as recommended on the Consent Calendar portion of the Agenda, be approved:

a. Minutes of the Regular Meeting of December 14, 2010 be approved.

CARRIED unanimously. (Carruthers absent)

Item 3 on the Agenda being Old Business

3(a).

Consideration of approving Professional Services Agreement with Greenlight Marketing.

The following individuals addressed the Board:

-Tom Karas, 8801 Section Line Road, Michigan Energy Alternatives Program, Non-Ratepayer

Moved by Welch, seconded by Taylor, that the Light and Power Board authorize the Executive Director to execute an Agreement for Professional Services with Greenlight Marketing at the hourly rates as indicated in the Agreement.

CARRIED unanimously.

Item 4 on the Agenda being New Business

4(a).

Consideration of Asset Inventory and Management Software License Agreements.

Moved by Soffredine, seconded by Welch, that the Board authorizes the Chairman and Secretary to execute a three year agreement with ESRI in the amount of $75,000, for an enterprise license, subject to approval as to substance by the Executive Director, and approval as to form by General Counsel.

CARRIED unanimously.

4(b).

Consideration of a Collection Agency Agreement.

Moved by Welch, seconded by Soffredine, that the Board authorize the Chairman and Secretary to execute an agreement with Cadillac Area Receivables Management for collection agency services, subject to approval as to substance by the Executive Director and as to form by the City's Attorney.

CARRIED unanimously.

Item 5 on the Agenda being Reports and Communications

A. From Legal Counsel.

B. From Staff.

1. Jessica Wheaton spoke re: East Side Transmission Project webpage.
2. Ed Rice and Nick Abraitis spoke re: Peak Load Management.

C. From Board.

1. John Welch asked for clarification re: the Fiber Fund Financials.

Item 6 on the Agenda being Public Comment

No one from the public commented.

There being no objection, Chairman Coco declared the meeting adjourned at 6:48 p.m.

Edward E. Rice, Secretary
LIGHT AND POWER BOARD

/st

SONDEE RACINE & DOREN PLC
ATTORNEYS

RONALD W. SONDEE
JOHN P. RACINE JR
W PETER DOREN
ALAN J COUTURE
JOHN A. MACNEAL
MAURICE A. BORDEN
MICHAEL B NEWMAN

RAY J MACNEIL
OF COUNSEL

310 WEST FRONT STREET
SUITE 300
TRAVERSE CITY MICHIGAN 49684
TEL (231) 947-0400
FAX (231) 947-0748
www.sondeeracine.com

GAYLORD OFFICE

440 W MAIN STREET. SUITE A
GAYLORD, MICHIGAN 49735
TEL (989) 732-1152
FAX (989) 732-4843

For the Board Meeting of
January 11, 2011

Michael Coco, Chairman
325 Wellington Street
Traverse City, MI 49686

John Snodgrass
210 E. Ninth Street
Traverse City, MI 49684

John F. Welch
534 Washington Street
Traverse City, MI 49686

Ben Bifoss, City Manager
400 Boardman Avenue
Traverse City, MI 49684

Ralph Soffredine, City Commissioner
220 Huron Street
Traverse City, MI 49686

Jim Carruthers, City Commissioner
218 West Eleventh Street
Traverse City, MI 49684

John Taylor
617 Washington Street
Traverse City, MI 49686

Linda Johnson, Vice Chairperson
6621 Mission Ridge
Traverse City, MI 49686

Dear Board Members:

Re: Brown Bark I v TCL&P

I would like to meet with you in closed session to discuss trial and settlement strategy in the above case. This requires a two-thirds majority roll call vote. I suggest the following motion to go into closed session:

MOVED BY __________________, SECONDED BY __________________, TO GO INTO CLOSED SESSION TO DISCUSS TRIAL AND SETTLEMENT STRATEGY IN BROWN BARK I, L.P. v TRAVERSE CITY LIGHT AND POWER DEPARTMENT, UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT, CASE NO. CA 10-2644, AT THE CONCLUSION OF PUBLIC COMMENT.

TRAVERSE CITY
LIGHT & POWER

To: **Light and Power Board**
From: Ed Rice, Executive Director
Date: January 7, 2011
Subject: Presentation by City Commissioner Gillman

On January 6th the Board's Human Resource Committee met with the Mayor and Commissioner Gillman to discuss an active employee grievance regarding pension benefit enhancements for its employee bargaining unit.

The Committee expressed interest in learning more about employer legacy costs relating to public employee pensions and Commissioner Gillman agreed to make a presentation to the Board regarding this issue from the vast research he has done as a member of COFAC and City Commissioner. Below is an outline from Commissioner Gillman on the topics he will cover in his presentation:

- Defined benefit vs. defined contributions, differences explained;
- National trends;
- MERS treatment of system changes;
- Current funding status in Traverse City, MERS and Public Act 312;
- Current posture of City Commission on employee time "purchases";
- Governmental handling of pension shortfalls, in and out of Michigan;
- Studies and media sources for deeper exploration of the issue.

Michael J. Gillman, Traverse City Commissioner

FOR HISTORICAL REFERENCE ONLY

(to view the full MERS report referenced in this memo see the TCL&P website for packet information from the 11-10-09 Regular Board Meeting)

TRAVERSE CITY
LIGHT & POWER

To:	**Light and Power Board**
From:	Tim Arends, Controller
Date:	November 6, 2009
Subject:	Employee Purchase of Pension Service Credit

At its last meeting the Board tabled consideration of two employee requests to purchase generic service credit with our pension provider, Municipal Employees Retirement System (MERS), pending additional information from staff or MERS regarding actuarial assumptions and the risk of loss to the employer.

Article II, section 7 of the MERS Plan Document allows for employees to purchase generic service credit as allowed by the employer's policy and upon resolution adopted by the governing body of the municipality (City Commission). The policy must allow for uniform applicability of the provisions of the Plan, related to this section, for all members covered under the Plan.

Gabriel Roeder Smith & Company (GRS) conducts an annual actuarial valuation report for the City (which includes Light & Power) that determines the annual contribution required by the City based on benefits offered to its different employee groups. GRS also provides MERS with a program that includes the same actuarial assumptions as those used in the annual report, to determine the cost in purchasing generic service credits.

Attached is the Executive Summary of the December 31, 2008 report that describes the systems experience in the past year, along with any changes in actuarial assumptions. Also attached is information on the assumptions used by the actuary in determining the cost of benefits.

<u>MERS makes it clear to the employer and employee that they are not responsible for any losses which may result if actual experience differs from actuarial assumptions, and the City is required to sign a statement indicating that it is accountable for these differences</u>.

FOR HISTORICAL REFERENCE ONLY

TRAVERSE CITY
LIGHT & POWER

To: **Light and Power Board**
From: Ed Rice, Executive Director
Date: May 5, 2010
Subject: Municipal Employees Retirement System

As an introduction, Light & Power bargaining unit and administrative employees are currently enrolled in the Municipal Employees Retirement System (MERS) benefit programs under the umbrella of the City of Traverse City. Any changes to the benefit plans require City Commission approval as the City Commission is considered the "governing body" of the Plan.

Since the Light & Power Board had Charter authority to approve wage and benefit packages for the utility employees we asked MERS if Light & Power could separate from the City's Plan and create its own plan. After research by MERS, they concluded that Light & Power qualifies as a municipality for MERS Plan purposes.

To create a new plan MERS requires the governing body's approval of several resolutions; we have incorporated all of them into one resolution (attached) for your consideration. This action would allow the Light & Power Board to have "governing body" authority on all future Light & Power employee issues that pertain to the MERS Plan.

Staff is recommending approval of this action and considers this a governance issue as there will be no change in employee benefits. If the Board agrees with staff's recommendation to create a new MERS Defined Benefit Program, subject to City Commission approval to close the current L&P divisions within the City's Plan and transfer the market values of those divisions into the new Plan, the following motion would be appropriate:

~~**MOVED BY**~~ ____________________, ~~**SECONDED BY**~~ ______________________________,

~~**THAT THE LIGHT AND POWER BOARD APPROVE THE "RESOLUTION ADOPTING A LIGHT & POWER MERS DEFINED BENEFIT RETIREMENT PROGRAM;" SUBJECT TO CITY COMMISSION ACTION TO TRANSFER CURRENT LIGHT & POWER MARKET VALUES INTO THE NEW MERS ACCOUNT.**~~

(No motion was made at the meeting)

TRAVERSE CITY
LIGHT & POWER

To: **Light and Power Board**
From: Tim Arends, Controller
Date: January 7, 2011
Subject: Municipal Employees Retirement System Information

At the May 11, 2010 Board meeting staff recommended the Board approve the creation of a new MERS Plan that would separate Light & Power employee groups from City employee groups for this pension benefit. The reason for this recommendation is that there is an active grievance that Light & Power is unable to remedy because the City is considered the governing body as it relates to MERS benefit changes; however, the Light & Power Board is the governing body as it relates to the Light & Power bargaining unit agreement. Creating a new MERS Plan under Light & Power would allow the Board to be the governing body for any/all benefit changes to the Plan.

The Board tabled the issue and requested additional information from staff concerning implications related to approval of this action item. Specifically: a) the current funding percentage, b) how the action could impact our liabilities, c) what the cost would be to create and administer this new plan, d) if any special valuations would be required to create the new plan and at what cost, e) what the actuarial assumptions are and the ongoing costs to L&P of doing additional valuations, and f) what responsibilities would this action bring back to the Board that it doesn't already have.

a) **Current Funding Percentages:** Attachment "A" is an excerpt from the latest actuarial evaluation from MERS dated 12/31/2009. Following is a comparative analysis by year of the funding level changes:

Year	Division	Market Value of Assets	Unfunded Liabilities	% Funded
2009	(10) LP Admin	$ 3,802,995	$1,279,516	77.9%
2009	(12) LP Non Admin	$12,408,631	$5,281,905	71.8%
2010	(10) LP Admin	$ 3,644,944	$1,034,891	77.9%
2010	(12) LP Non Admin	$12,357,429	$4,857,393	71.8%

b) **Actions Impact on Liabilities:** I contacted Karima Porter, a Retirement Services member of MERS, and she re-confirmed that creation of this new municipal MERS plan will have NO impact on either the L&P Market Value, or the Unfunded Liabilities.

c) **Cost to Create and Administer New Plan:** Creating a new MERS Plan will incur no new costs to L&P and will involve no additional administrative duties beyond what is currently being done. City Human Resources will continue to report monthly payroll figures to MERS and the Treasurer's Office will continue to make L&P's monthly contributions electronically.

d) **Cost of New Actuary Evaluations & Reports:** MERS has assured me that approval of creating a new Plan would not require a special actuarial evaluation since both divisions for L&P are currently valued separate from other city labor groups. MERS will take the latest actuary valuations for Division 10 and Division 12 and move them into the new Plan. At every calendar year-end there will be an evaluation prepared for the new Plan. The only change that we would notice is that Traverse City would receive two separate Evaluation Reports each year with L&P and the City separated.

e) **Additional Valuations Actuarial Cost & Actuarial Assumptions:** As stated previously there will no additional valuations required and no additional costs to L&P if the utility creates its own MERS Plan. At issue is the City Commission's position that it will not entertain any new requests by employees to purchase (at the employee's cost) generic service credit due to the uncertainty of future costs to the employer based on actuarial assumption that use an 8% rate of return on system assets. The City Manager sent a communication to the City Commission in June 2009 that provided a wealth of information on the MERS Actuarial Report and provides information from that report on benefit levels, contributions by division, actuarial funding method, and other information. I have attached the complete handout as Attachment "B". I will provide the 77 page Valuation Report in its entirety to anyone that would like one.

f) **What Would Approval of a New MERS Plan Have on the Board?:** As mentioned in the memo from Ed Rice at your May 11 meeting, this is merely a governance issue. Currently, the Board approves/authorizes benefits for the L&P employee groups, however, any changes regarding the MERS benefit requires approval of the City Commission because the original Plan was created with the City Commission as the "governing body". Should the L&P Board wish to change, to either enhance or lessen, employee benefits, it would not be able to do so without City Commission approval. There would be no change to anything the Board is currently required to do except that your motions would not have to be subject to City Commission approval.

In summary, the recommended action that the Board approve creating a new MERS Plan specific to L&P, which would require City Commission approval, will not cost any additional money, change any values or assumptions for any City employee group, or change any duties in administering the Plan(s). This is simply a governance issue that is up to the Light & Power Board and City Commission in determining what is best for both the City and Light & Power.

City of Traverse City (2801)

Table 13

Actuarial Accrued Liabilities and Valuation Assets as of December 31, 2009

Division	Actuarial Accrued Liabilities	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
01 - AdmnStf				
Reserve for Employer Contributions and Benefit Payments				
Active Members	$ 5,981,649	$ 1,893,612	31.7%	$ 4,088,037
Vested Former Members	456,705	456,705	100.0	0
Retirees and Beneficiaries	7,771,956	7,771,956	100.0	0
Total	$ 14,210,310	$ 10,122,273	71.2%	$ 4,088,037
Reserve for Employee Contributions				
Active Members	$ 320,467	$ 320,467		
Vested Former Members	10,375	10,375		
Pending Refunds	0	0		
Total	$ 330,842	$ 330,842	100.0%	$ 0
Division Total	**$ 14,541,152**	**$ 10,453,115**	**71.9%**	**$ 4,088,037**
10 - LP Admn				
Reserve for Employer Contributions and Benefit Payments				
Active Members	$ 1,719,193	$ 439,677	25.6%	$ 1,279,516
Vested Former Members	229,962	229,962	100.0	0
Retirees and Beneficiaries	3,133,356	3,133,356	100.0	0
Total	$ 5,082,511	$ 3,802,995	74.8%	$ 1,279,516
Reserve for Employee Contributions				
Active Members	$ 0	$ 0		
Vested Former Members	0	0		
Pending Refunds	0	0		
Total	$ 0	$ 0	0.0%	$ 0
Division Total	**$ 5,082,511**	**$ 3,802,995**	**74.8%**	**$ 1,279,516**
11 - Gnl GME				
Reserve for Employer Contributions and Benefit Payments				
Active Members	$ 6,492,179	$ 3,903,919	60.1%	$ 2,588,260
Vested Former Members	831,962	831,962	100.0	0
Retirees and Beneficiaries	9,423,209	9,423,209	100.0	0
Total	$ 16,747,350	$ 14,159,090	84.5%	$ 2,588,260
Reserve for Employee Contributions				
Active Members	$ 124,749	$ 124,749		
Vested Former Members	27,627	27,627		
Pending Refunds	0	0		
Total	$ 152,376	$ 152,376	100.0%	$ 0
Division Total	**$ 16,899,726**	**$ 14,311,466**	**84.7%**	**$ 2,588,260**

City of Traverse City (2801)

Table 13 (continued)

Actuarial Accrued Liabilities and Valuation Assets as of December 31, 2009

Division	Actuarial Accrued Liabilities	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
12 - Non Adm				
Reserve for Employer Contributions and Benefit Payments				
Active Members	$ 7,656,773	$ 2,374,868	31.0%	$ 5,281,905
Vested Former Members	53,404	53,404	100.0	0
Retirees and Beneficiaries	9,701,820	9,701,820	100.0	0
Total	$ 17,411,997	$ 12,130,092	69.7%	$ 5,281,905
Reserve for Employee Contributions				
Active Members	$ 271,998	$ 271,998		
Vested Former Members	6,541	6,541		
Pending Refunds	0	0		
Total	$ 278,539	$ 278,539	100.0%	$ 0
Division Total	**$ 17,690,536**	**$ 12,408,631**	**70.1%**	**$ 5,281,905**
13 - ACT hired after 7/1/09				
Reserve for Employer Contributions and Benefit Payments				
Active Members	$ 3,291	$ 3,641	110.6%	$ (350)
Vested Former Members	0	0	0.0	0
Retirees and Beneficiaries	0	0	0.0	0
Total	$ 3,291	$ 3,641	110.6%	$ (350)
Reserve for Employee Contributions				
Active Members	$ 0	$ 0		
Vested Former Members	0	0		
Pending Refunds	0	0		
Total	$ 0	$ 0	0.0%	$ 0
Division Total	**$ 3,291**	**$ 3,641**	**110.6%**	**$ (350)**
14 - General GME hired af 7/1/09				
Reserve for Employer Contributions and Benefit Payments				
Active Members	$ (727)	$ 413	0.0%	$ (1,140)
Vested Former Members	0	0	0.0	0
Retirees and Beneficiaries	0	0	0.0	0
Total	$ (727)	$ 413	0.0%	$ (1,140)
Reserve for Employee Contributions				
Active Members	$ 0	$ 0		
Vested Former Members	0	0		
Pending Refunds	0	0		
Total	$ 0	$ 0	0.0%	$ 0
Division Total	**$ (727)**	**$ 413**	**0.0%**	**$ (1,140)**

City of Traverse City (2801)

Table 13 (continued)

Actuarial Accrued Liabilities and Valuation Assets as of December 31, 2009

Division	Actuarial Accrued Liabilities	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
Municipality Totals				
Reserve for Employer Contributions and Benefit Payments				
Active Members	$ 21,852,358	$ 8,616,130	39.4%	$ 13,236,228
Vested Former Members	1,572,033	1,572,033	100.0	0
Retirees and Beneficiaries	30,030,341	30,030,341	100.0	0
Total	$ 53,454,732	$ 40,218,504	75.2%	$ 13,236,228
Reserve for Employee Contributions				
Active Members	$ 717,214	$ 717,214		
Vested Former Members	44,543	44,543		
Pending Refunds	0	0		
Total	$ 761,757	$ 761,757	100.0%	$ 0
Municipality Total	$ 54,216,489	$ 40,980,261	75.6%	$ 13,236,228

Please see the Comments on the Investment Markets on page 3.

Memorandum

The City of Traverse City

TO: ED RICE, EXECUTIVE DIRECTOR, LIGHT & POWER

COPY: MAYOR & CITY COMMISSIONERS
TIM ARENDS, CONTROLLER, LIGHT & POWER

FROM: R. BEN BIFOSS, CITY MANAGER RBB

SUBJ: MERS

DATE: JUNE 4, 2010

The Traverse City Light & Power Board has requested additional information regarding the City Commission's recent denials of Light & Power (L&P) employees' purchase of additional service credit. I provide this as additional background on that subject.

An employee's purchase of additional years of service credit is supposed to be at 100% of the actuarial cost of the time purchased. There is supposed to be no actuarial cost to the employer. However, the actuarial cost of the years of service is determined using the most recent actuarial valuation. The most recent actuarial valuation includes a statement that the actuarial value of system assets is 139% of the actual market value of system assets. Said a different way, the actuarial valuation assumes one dollar of assets when only 72 cents is actually present. The cost estimate for the employee purchase of service credit uses the one dollar figure rather than the 72 cents thereby substantially understating the true cost to the employee.

The actuary's use of the actuarial valuation is completely normal and reasonable. The actual market value of system assets varies greatly over time due to market conditions, and the actuary uses a "smoothing" period to reduce the variability of market conditions.

Based on the above, at this point in time, when an employee purchases service credits, it imposes a significant additional cost to the employer. The City Commission has not been willing to accept that cost on either the City's or L&P's behalf.

Memorandum

The City of Traverse City

TO: MAYOR & CITY COMMISSION

FROM: R. BEN BIFOSS, CITY MANAGER

COPY: BILL TWIETMEYER, TREASURER/FINANCE DIRECTOR

DATE: JUNE 24, 2009

SUBJECT: MERS ACTUARIAL REPORT

Attached please find a summary of the most recent actuarial report from MERS in addition to the section that includes the assumptions used in the report.

Within MERS, the four divisions are as follows:

- 01 Consists of all Administrative, Confidential, & Technical employees.
- 10 Consists of all Light & Power Administrative employees.
- 11 Consists of all GME bargaining unit employees, both DPS and Clerical/Technical.
- 12 Consists of all Light & Power bargaining unit employees.

In short, for ACT employees, the percent of payroll cost increases from 16.62% to 17.9% and the GME cost increases from 13.82% to 16.27%. There are several comments regarding the value of the assets versus market conditions worthy of your attention.

This report reinforces the need to address the pension issues in the ongoing labor negotiations. The change for the ACT group has already been made but is not reflected in the attached.

The entire report is available upon request. It was not copied here as it is 77 pages. Please let either the City Treasurer or me know if you have any questions regarding this.

Copy: C.C.

City of Traverse City (2801)

Executive Summary

Required Employer Contributions

The computed minimum required employer contributions to the retirement system for the fiscal years beginning July 1, 2010 (2008 Valuation) and July 1, 2009 (2007 Valuation) are as follows:

Division	Minimum Required Monthly Employer Contributions @			
	Percentage of Payroll		$ Based on Valuation Payroll	
	2008 Valuation	2007 Valuation	2008 Valuation	2007 Valuation
01 - AdmnStf	17.90%	16.62%	$36,960	$31,986
10 - LP Admn	20.48%	17.72%	10,875	12,811
11 - Gnl GME	16.27%	13.82%	41,049	33,847
12 - Non Adm	26.12%	21.41%	40,944	35,026
Total Municipality			$129,828	$113,670

@ *The above employer contribution requirements are in addition to the member contributions, if any, shown in Table 1.*

Please see the Comments on the Investment Markets on page 3.

For additional details see Table 15.

It is important to note that the contribution rates shown above are not expected to remain at present levels indefinitely. If future experience were to match the valuation assumptions exactly, the computed employer rates for divisions that are open to new hires would trend over time toward the long-term cost of system benefits, known as the Normal Cost (see Table 15). For underfunded divisions that are closed to new hires and are not linked to an open division, the computed employer dollar contribution would increase 4%-8% annually, until full funding is reached. The required employer contribution for such a closed division typically reaches its highest level about 11-12 years after the division becomes closed. Prospective benefit changes as well as Retirement System gains and losses will also affect future contribution rates.

Contribution rates will change from one year to the next as a result of changes in benefit provisions, changes in the actuarial assumptions, and experience of the plan (investment experience and demographic experience).

The 2008 valuation reflects changes in actuarial assumptions and/or methods (please refer to page 48). The effects of the changes are shown in the note below Table 16 for each division. For benefit provision changes see Table 1.

2008 System Experience

Based on the smoothed Actuarial Value of Assets, the recognized rate of investment return for MERS overall was 4.7% (less than the 8% actuarial assumption). On average this will result in increases in computed employer contributions.

Demographic experience varied by division. This reflects what actually happened to participants (active members, retirees, and vested former members) compared to what was projected by the actuarial assumptions.

2008 Funded Position

The ratio of the Valuation Assets to the Actuarial Accrued Liability for City of Traverse City in aggregate is 77%; last year's ratio was 80%.

Comments on the Investment Markets

The dramatic price declines across the world financial markets in 2008 led to volatility unlike any experienced in decades. 2009 has continued to be only somewhat less volatile. This is a crisis of the global economy focused on the financial sector. The U.S. government and business leaders are doing all they can to address the issues. Even so, it is going to be difficult in the short term to meet the investment assumption of 8% annual return.

The actuarial value of assets (funding value), used to determine both your funded status and your required employer contribution, is based on a 10-year smoothed value of assets. Only a portion (one-tenth) of the 2008 investment market losses were recognized in this actuarial valuation report. This reduces the volatility of the valuation results, which affects your required employer contribution and actuarial funded percentage.

As of December 31, 2008 the actuarial value of assets is 139% of market value. This means that meeting the actuarial assumption in the next few years will require average annual market returns that substantially exceed the 8% investment return assumption.

If the December 31, 2008 valuation results were based on market value on that date instead of 10-year smoothed funding value: i) the funded percent of your entire municipality would be 56% (instead of 77%); and ii) your total employer contribution requirement for the fiscal year starting July 1, 2010 would be $2,203,332 (instead of $1,557,936). If the investment markets do not turn around, employer contribution requirements can be expected to rise. MERS is doing everything it can to make sure that if this proves to be the case, the increases are incremental as opposed to steep.

Remember that only one-tenth of the 2008 market losses are reflected in this actuarial valuation report. As was true for past market downturns, MERS expects the markets to rebound over time. By the time the 2008 market losses would be fully recognized (over the following 9 years), future market gains are expected to partly or fully offset 2008 market losses. This smoothing method is a powerful tool for reducing the volatility of your required employer contributions. However, if the financial markets do not rebound, the result would be gradual increases in your employer contribution requirement over the next 9 years (as described above).

Possible Future Changes in Actuarial Assumptions

Actuarial assumptions are reviewed every five years, and sometimes more often. The next review of MERS actuarial assumptions will begin in July 2009, and will cover the 2004-2008 valuation years. All areas of activity will be studied, and it is very likely that there will be new actuarial assumptions reflected in the December 31, 2009 and December 31, 2010 valuations. As done in February 2009, MERS expects to provide employers with updates concerning pending new actuarial assumptions and the ongoing effects of the financial markets.

Comment on Actuarial Calculations - The projections of your future employer contributions in this report are based on the current actuarial assumptions used in the December 31, 2008 actuarial valuation. As always, your required employer contribution rate changes every year, in response to demographic changes, financial experience, benefit provision changes, etc, within your specific plan. The results of future actuarial valuations will differ from the projections, sometimes materially.

City of Traverse City (2801)

Table 1

Benefit Provisions Evaluated and/or Considered

Division	2008 Valuation	2007 Valuation
01 - AdmnStf	B-3 - 80% Max Normal Ret Age: 60 V-6 F55(25) FAC-5 E (2.0%) (01/01/1989) E-1 (2.5%) (01/01/1990) 0.00% Member Contrib.	B-3 - 80% Max Normal Ret Age: 60 V-6 F55(25) FAC-5 E (2.0%) (01/01/1989) E-1 (2.5%) (01/01/1990) 0.00% Member Contrib.
10 - LP Admn	B-3 - 80% Max Normal Ret Age: 60 V-10 F55(25) FAC-5 E (2.0%) (01/01/1989) E-1 (2.5%) (01/01/1989) E-2 (2.5%) (07/01/1989) 0.00% Member Contrib.	B-3 - 80% Max Normal Ret Age: 60 V-10 F55(25) FAC-5 E (2.0%) (01/01/1989) E-1 (2.5%) (01/01/1989) E-2 (2.5%) (07/01/1989) 0.00% Member Contrib.
11 - Gnl GME	B-3 - 80% Max Normal Ret Age: 60 V-6 F55(25) FAC-5 E (2.0%) (01/01/1989) E-1 (2.5%) (01/01/1990) E-2 (2.5%) (07/01/1993) 0.00% Member Contrib.	B-3 - 80% Max Normal Ret Age: 60 V-6 F55(25) FAC-5 E (2.0%) (01/01/1989) E-1 (2.5%) (01/01/1990) E-2 (2.5%) (07/01/1993) 0.00% Member Contrib.
12 - Non Adm	B-3 - 80% Max Normal Ret Age: 60 V-6 F50(25) FAC-5 E (2.0%) (01/01/1987) E-1 (2.5%) (01/01/1991) E-2 (2.5%) (01/01/1991) 0.00% Member Contrib.	B-3 - 80% Max Normal Ret Age: 60 V-6 F50(25) FAC-5 E (2.0%) (01/01/1987) E-1 (2.5%) (01/01/1991) E-2 (2.5%) (01/01/1991) 0.00% Member Contrib.

City of Traverse City (2801)

Table 2

Membership Summary

Division	2008 Valuation		2007 Valuation	
	Number	Annual Payroll*	Number	Annual Payroll*
01 - AdmnStf				
Active Members	36	$2,477,759	35	$2,309,479
Vested Former Members	4	49,649	4	57,629
Retirees and Beneficiaries	49	773,872	48	704,948
10 - LP Admn				
Active Members	9	$637,232	10	$867,578
Vested Former Members	3	29,155	2	24,015
Retirees and Beneficiaries	9	263,741	7	182,195
11 - Gnl GME				
Active Members	71	$3,027,569	71	$2,938,952
Vested Former Members	18	141,031	16	126,907
Retirees and Beneficiaries	48	733,604	44	658,035
12 - Non Adm				
Active Members	29	$1,881,051	29	$1,963,149
Vested Former Members	1	7,181	1	7,181
Retirees and Beneficiaries	35	822,312	34	675,199
Total Municipality				
Active Members	**145**	**$8,023,611**	**145**	**$8,079,158**
Vested Former Members	**26**	**227,016**	**23**	**215,732**
Retirees and Beneficiaries	**141**	**2,593,529**	**133**	**2,220,377**
Total Participants	**312**		**301**	

* *Annual payroll for active members; annual deferred benefits payable for vested former members; annual benefits being paid for retirees and beneficiaries.*

Copy: C.C.

ACTUARIAL FUNDING METHOD

The Retirement Board has adopted funding methodology for the Retirement System to achieve the following major objectives:

- Develop level required contribution rates as a percentage of payroll;
- Finance benefits earned by present employees on a current basis;
- Accumulate assets to enhance members' benefit security;
- Produce investment earnings on accumulated assets to help meet future benefit costs;
- Make it possible to estimate the long-term actuarial cost of proposed amendments to System provisions; and
- Assist in maintaining the Retirement System's long-term financial viability.

The basic funding objective is a level pattern of cost as a percentage of pay throughout each member's working lifetime. The funding method used in this actuarial valuation – the entry age normal cost method – is intended to i) meet this objective, and ii) result in a relatively level long-term contribution requirement as a percentage of pay. This actuarial method was first used for the December 31, 1993 actuarial valuations.

Under the entry age normal cost method, the total actuarially-determined contribution requirement is equal to the sum of the normal cost plus the payment required to fund the unfunded actuarial accrued liability over a period of years. Funding or amortizing the unfunded actuarial accrued liability includes a payment toward the liability (principal) plus a payment to reflect the time value of money (interest).

Normal Cost

In general terms, the normal cost is the cost of benefit rights accruing on the basis of current service. Technically, the normal cost rate is the level percentage-of-pay contribution required each year, with respect to each member, to accumulate over his or her projected working lifetime the reserves needed to meet the cost of earned benefits. The normal cost represents the ultimate cost of the Retirement System, if the unfunded liability is paid up and the actual experience of the System conforms to the assumptions.

Actuarial Accrued Liability

The total actuarial present value of future benefits is computed using the valuation's actuarial assumptions. Subtracting the present value of future normal costs results in the actuarial accrued liability.

The total actuarial accrued liability essentially represents the amount that would have been accumulated as of December 31, 2008, if contributions sufficient to meet the normal costs of the Retirement System had been made each year in the past, benefit provisions had always been the same as current benefit provisions, and actual past experience had always conformed to current actuarial assumptions. If assets equaled the total accrued liability, there would be no unfunded liability and future contribution requirements would consist solely of the calculated normal cost rates.

Amortization of Unfunded Actuarial Accrued Liability

The unfunded actuarial accrued liability is projected to the beginning of the fiscal year for which employer contributions are being calculated (see page 43 for a description of the projection). The projected unfunded accrued liability is then amortized by level percent of payroll contributions over a period of years. Active member payroll is assumed to increase 4.5% a year for the purpose of determining the level percent contributions.

The standard amortization period to fund the unfunded liability is 28 years for positive unfunded liabilities in the 2008 valuation. This period will also be used for the 2009 valuation, and then will be reduced by one year in each of the next eight annual valuations, reaching 20 years in the 2017 valuation. Beginning with the 2018 valuation the 20 year period will be reestablished with each annual valuation. Section 20m of Act No. 314 of the Public Acts of 1965 as amended (MCL 38.1140m) requires that the amortization period not exceed 30 years.

The standard amortization period for negative unfunded liabilities is 10 years, with the 10 year period reestablished with each annual actuarial valuation.

For divisions that are closed to new hires, and the new hires are not covered by MERS defined benefit or hybrid provisions (in a linked division), the otherwise applicable MERS-wide standard amortization period for positive unfunded liabilities in effect in the valuation year in which the division is closed is decreased annually by 2 years until the period reaches 5 years. At that point, the amortization period will remain at 5 years.

Shorter amortization periods may be elected by a municipality (but not shorter than 5 years for negative unfunded liabilities).

Table 16 in the results section of this report indicates the current length of the amortization period for each division. Note that when the 10 year amortization is used for negative unfunded liabilities, Table 16 reports the amortization in two parts: i) a long term credit based on the long term amortization period (usually the standard amortization period described above), plus ii) an overfunding credit resulting from using a 10 year amortization.

In calculating the annual required contribution (ARC) for reporting and disclosure purposes under Statement Nos. 25 and 27 of the Governmental Accounting Standards Board, the following amortization methods are used:

- A level percentage of payroll amortization is used, based on the amortization periods described in the previous paragraph and based on the assumption that payroll increases 4.5% per year.
- For divisions that are less than 100% funded and are closed to new hires (and new hires are not covered by MERS defined benefit or hybrid provisions in a linked division), a 30-year level dollar amortization is used if it results in a higher amortization payment.

Present Value of Accrued Benefits

The present value of accrued benefits represents the actuarial value of benefits that have been earned as of the valuation date for all members of the valuation division. This benefit reflects the final average compensation and plan benefit service of each member, and plan features of the member's valuation division as of the valuation date. Included in this value is the current value of vested benefits for members who have met plan vesting requirements and the current value of non-vested benefits for members who have not yet met plan vesting requirements. Regardless of plan vesting service, all member contributions are vested. Active members are assumed to continue in employment until retirement, death, disability or termination, but benefit amounts are frozen, for valuation purposes only, on the valuation date.

Termination Liability

The termination liability represents the value of the benefits that have been earned as of the valuation date based on final average compensation and benefit service as of the valuation date. All active members are assumed to terminate employment on the valuation date. Vested and non-vested active members are assumed to retire at the first age when the member would be eligible for unreduced deferred retirement benefits, assuming no continued employment after the valuation date (non-vested benefits are assumed to commence at age 60).

Projections of Employer Contributions and Funded Percentage

The 20-year projections of employer contributions and funded percentages displayed in Chart 17.5 are based on the following assumptions:

- All demographic assumptions will be met during the projection period, including the assumption that active members' pays increase in accordance with the pay increase assumption (see page 61). If the number of active members remains constant, projected total active member payroll will increase about 4.5% annually, the wage inflation assumption. For open divisions (an open division is open to newly hired employees), this projected payroll growth results in increasing employer contributions even when the employer contribution rate is stable or slowly declining.
- The actuarial value of assets will earn the assumed 8% return each year during the projection period **(see Comments on the Investment Markets on page 3).**
- There will be no benefit changes during the projection period.
- The employer contributions through July 1, 2010 are not affected, and are based on previous annual actuarial valuations.
- For open divisions (new hires are added to the division), the number of active members is assumed to remain constant. However, if an open division is linked to a division that will have no new hires (whose new hires enter the open division), the total number of active members in the linked divisions (combined) is assumed to remain constant. For closed divisions (no new hires), the number of active members is assumed to gradually decline to zero, based on the assumptions for retirement, disability, termination, and death.

The projected contribution amounts should not be used for short term budgeting purposes because the assumptions are designed to be a long term expectation of future events. These projections illustrate the long term pattern of employer contributions under current funding policies. A projection of contribution rates for budgeting purposes would require additional short-term actuarial analysis, which is beyond the scope of this report.

Most open division projections (an open division is open to newly hired employees) will show a very gradual change, up or down, in the funded percentage toward 100% funding. For divisions that are currently less than 100% funded, the reader may be surprised at how long it takes to approach 100% funding. This happens because the standard amortization period for unfunded accrued liabilities, after declining to 20 years in the 2017 annual actuarial valuations, will be reset each year thereafter to a new 20 year period. This results in more stable employer contribution rates, but also a very gradual approach to 100% funding. Additional employer contributions would accelerate the funding progress.

A closed division (no new hires) that is not linked to an open division (see the next page for a discussion of linked divisions) and is less than 100% funded will have a projected employer contribution that increases each year for the first 11-12 years after closure. This results in a more rapid amortization of unfunded accrued liabilities and a more rapid increase in the division's funded percentage. This is necessary to ensure that the division has adequate assets to pay benefits. However, the closed division's funded percentage may start to decline several years after all the members have retired. Once the average age of the retiree-only division reaches the late 70's or older, the 5-year amortization period may result in insufficient assets to cover the pension payout. This issue is being reviewed in the 2004-2008 study of MERS experience, and the 5-year amortization will likely be revised. For these closed divisions the projected funded percentage in Chart 17.5 may decrease (or go negative) in the later years of the projection.

A few open divisions will see a decline in the funded percentage. This is usually an open division with a very small number of active members (often only one) and a much larger number of retirees. Because the division is open to new hires, the standard amortization period is used. For many years this may result in a declining funded percentage, which may actually become negative temporarily, before the funded percentage begins to head up toward 100% funding. Negative assets means the division is temporarily borrowing from better funded divisions within the same municipality. Such a division should be considered a candidate for either merging with a different division, or an accelerated funding schedule.

A division with no new hires that is linked to an open division within the same employee classification (with new hires – please refer to the next section on Linked Divisions) will typically show a projected funded percentage that declines and even becomes negative. This is an expected condition, because the standard open division amortization policy applies to a division with no new hires that is linked to an open division. The linked division with no new hires is allowed to share the assets of the linked open division. The division with no new hires alone will run out of assets; however, the combined linked divisions will not run out of assets and the combined funded percentage will head towards 100%. For a linked division the projections also show a dashed line that represents the combined projection of all the linked divisions.

A small number of divisions currently have negative assets, and a negative funded percentage. These are generally divisions for which many or most of the employees have been transferred to a different division, with the bulk of the assets also being transferred to the other division. Negative assets means the division is temporarily borrowing from better funded divisions within the same municipality. Such a division should be considered a candidate for either merging with a different division, or an accelerated funding schedule.

Some divisions are so well funded that no future employer contributions will be needed; assuming that there are no major changes in the covered participants, benefit provisions are not changed, and the actuarial assumptions are met. Assets substantially exceed present liabilities. The funded percentage will continue to increase during the projection period. Such a division may be a candidate for a reallocation of assets among other divisions, if appropriate.

For divisions that are affected by employer contribution rate caps, the projections of employer contributions in Chart 17.5 do not reflect the impact of the employer cap provision. Member contribution rates are assumed to remain constant at the rates shown in Table 1. The projected employer contribution rate is allowed to move up or down, as need, to adequately fund the benefit obligations. In other words, projection of the future impact of the employer cap provision is beyond the scope of the Chart 17.5 projections. Future annual actuarial valuation reports will, of course, reflect (in the results) the application of the then-current employer cap provision.

Linked Divisions

The closed division funding policy described at the bottom of page 70 was adopted by the Retirement Board (Amortization Policy for Closed Divisions Within Open Municipalities, as revised by the Retirement Board on March 11, 2009). The purpose is to ensure that a defined benefit (DB) division that is closed to new hires does not run out of money. Funding the unfunded liabilities over the MERS standard amortization period will likely deplete a closed division's assets before the death of the last participant in the division. Assets cannot be shared between the closed DB division and a defined contribution (DC) plan covering the new hires, or a non-MERS DB plan covering the new hires, even if the employees are part of the same employee classification (bargaining unit).

However, if the new hires are covered by a new tier of benefits in the MERS DB Plan (including the DB portion of the MERS Hybrid Plan), there can be a sharing of employer assets between the DB division with no new hires (with the old benefit structure) and the DB/Hybrid division covering the new hires within the same employee classification. The employer can avoid the required more rapid amortization of the unfunded liabilities by putting new hires into a MERS DB or MERS Hybrid division, instead of a DC plan or non-MERS DB plan.

If a division with no new hires is "linked" to an open MERS DB division, this is indicated in Table 1, in the footnote to Table 16, and in the projections in Chart 17.5. Both the linked divisions will use the standard open division funding policy.

ASSET VALUATION METHOD

The actuarial value of assets is determined on the basis of a method that calculates expected investment income at the valuation rate of return and adds a portion of the difference between the expected investment income and actual investment income earned on a market value basis. The difference in investment income between expected return and market return is recognized over a 10-year period at the rate of 10% per year. This asset valuation method was first adopted for the December 31, 2005 valuation, and is applied as follows:

Actuarial Value equals:

(a) Actuarial value of assets from the previous actuarial valuation, plus
(b) Aggregate employer and member contributions since the last valuation, minus
(c) Benefit payments and refunds of member contributions since the last valuation, plus
(d) Estimated investment income at the 8% valuation interest rate, plus
(e) Portion of gain (loss) recognized in the current valuation.

For the above purpose, gain (loss) is defined as the excess during the period of the investment return on the market value of assets over the expected investment income. The portion recognized in the valuation is 10% of the current year's gain (loss) plus 10% of the gain (loss) from each of the 9 preceding years. The cumulative difference between the market value and valuation assets as of December 31, 2005 is recognized over 9 years.

During 2008, the approximate net investment return on average total assets at actuarial value (determined as the actuarial value of investment income divided by the average actuarial value of assets during the year) was 4.73%. The corresponding amounts for 2007, 2006, 2005, and 2004 were 8.12%, 8.14%, 6.51%, and 6.82%, respectively.

For the December 31, 2008 valuation, the actuarial value of assets is equal to 139.15% of market value (compared to 98.85%, 98.62%, 102.71%, and 102.45% in 2007, 2006, 2005, and 2004, respectively). This percentage is applied to each division's reported market value of assets to estimate the actuarial value of assets for the division. The chart on page 76 provides the details of the derivation of the actuarial value of assets for the retirement system in the aggregate.

The reader should note that, given that the actuarial value of assets is currently 39% higher than the market value, meeting the actuarial assumption in the next few years will require average annual market returns that substantially exceed the 8% investment return assumption.

Please see the Comments on the Investment Markets on page 3 .

Municipal Employees' Retirement System of Michigan
Derivation of Actuarial Value of Assets

Valuation Date December 31:	2006	2007	2008	2009	2010
1. Beginning of Year Assets					
a) Market Value	$ 4,906,288,690	$ 5,590,042,317	6,071,046,914		
b) Valuation Assets	5,039,071,709	5,512,924,466	6,001,040,078		
2. End of Year Market Value Assets	5,590,042,317	6,071,046,914	4,512,260,955		
3. Net Additions to Market Value					
a) Net Contributions	371,505,157	386,942,952	374,214,134		
b) Net Investment Income = (3d) - (3a) - (3c)	622,409,716	442,377,206	(1,553,001,917)		
c) Benefit Payments	(310,161,246)	(348,315,561)	(379,998,176)		
d) Total Additions to Market Value = (2) - (1a)	683,753,627	481,004,597	(1,558,785,959)		
4. Average Valuation Assets =					
(1b) + .5x[(3a) + (3c)]	5,069,743,665	5,532,238,162	5,998,148,057		
5. Expected Income at Valuation Rate = 8% x (4)	405,579,493	442,579,053	479,851,845		
6. Gain (Loss) = (3b) - (5)	216,830,223	(201,847)	(2,032,853,762)		
7. Phased-In Recognition of Investment Return					
a) Current Year: 0.1 x (6)	21,683,022	(20,185)	(203,285,376)		
b) First Prior Year	(14,753,669)	21,683,022	(20,185)	(203,285,376)	
c) Second Prior Year		(14,753,669)	21,683,022	(20,185)	(203,285,376)
d) Third Prior Year			(14,753,669)	21,683,022	(20,185)
e) Fourth Prior Year				(14,753,669)	21,683,022
f) Fifth Prior Year					(14,753,669)
g) Sixth Prior Year					
h) Seventh Prior Year					
i) Eighth Prior Year					
j) Ninth Prior Year					
k) Total Recognized Investment Gain (Loss)	6,929,353	6,909,168	(196,376,208)	(196,376,208)	(196,376,208)
8. Change in Valuation Assets					
(3a) + (3c) + (5) + (7k)	473,852,757	488,115,612	277,691,595		
9. End of Year Assets					
a) Market Value = (2)	5,590,042,317	6,071,046,914	4,512,260,955		
b) Valuation Assets = (1b) + (8)	5,512,924,466	6,001,040,078	6,278,731,673		
c) Difference Between Market & Valuation Assets	77,117,851	70,006,836	(1,766,470,718)		
10. Recognized Rate of Return = [(5) + (7k)] / (4)	8.14%	8.12%	4.73%		
11. Market Rate of Return	12.61%	7.89%	(25.59%)		
12. Valuation Asset Adjustment Factor = (9b) / (9a)	0.986204	0.988469	1.391482		

Municipal Employees' Retirement System of Michigan
Derivation of Actuarial Value of Assets (cont.)

Valuation Date December 31:	2001	2002	2003	2004	2005
1. Beginning of Year Assets					
a) Market Value	$ 3,788,886,471	$ 3,647,820,869	$ 3,285,304,333	$ 4,071,997,180	$ 4,619,201,287
b) Valuation Assets	3,791,423,339	4,034,377,419	4,134,404,645	4,459,492,020	4,732,208,229
2. End of Year Market Value Assets	3,647,820,869	3,285,304,333	4,071,997,180	4,619,201,287	4,906,288,690
3. Net Additions to Market Value					
a) Net Contributions	154,103,475	167,427,558	223,450,393	223,057,268	277,589,524
b) Net Investment Income = (3d) - (3a) - (3c)	(93,269,286)	(324,926,459)	792,139,959	577,562,751	288,223,418
c) Benefit Payments	(201,899,791)	(205,017,635)	(228,897,505)	(253,415,912)	(278,725,539)
d) Total Additions to Market Value = (2) - (1a)	(141,065,602)	(362,516,536)	786,692,847	547,204,107	287,087,403
4. Average Valuation Assets = (1b) + .5x[(3a) + (3c)]	3,767,525,181	4,015,582,381	4,131,681,089	4,444,312,698	4,731,640,222
5. Expected Income at Valuation Rate = 8% x (4)	301,402,014	321,246,590	330,534,487	355,545,016	378,531,218
6. Gain (Loss) = (3b) - (5)	(394,671,300)	(646,173,049)	461,605,472	222,017,735	(90,307,800)
7. Phased-In Recognition of Investment Return					
a) Current Year: 0.2 x (6)	(78,934,260)	(129,234,610)		44,403,547	(18,061,560)
b) First Prior Year	(79,670,266)	(78,934,260)			44,403,547
c) Second Prior Year	63,981,441	(79,670,266)			
d) Third Prior Year	40,228,410	63,981,441			
e) Fourth Prior Year	43,743,057	40,228,408			
f) 1999-2003 Years Combined	N/A	N/A	0	(96,873,710)	(96,873,710)
g) Total Recognized Investment Gain (Loss)	(10,651,618)	(183,629,287)	0	(52,470,163)	(70,531,723)
8. Change in Valuation Assets (3a) + (3c) + (5) + (7g)	242,954,080	100,027,226	325,087,375	272,716,209	306,863,480
9. End of Year Assets					
a) Market Value = (2)	3,647,820,869	3,285,304,333	4,071,997,180	4,619,201,287	4,906,288,690
b) Valuation Assets = (1b) + (8)	4,034,377,419	4,134,404,645	4,459,492,020	4,732,208,229	5,039,071,709
c) Difference Between Market & Valuation Assets	(386,556,550)	(849,100,312)	(387,494,840)	(113,006,942)	(132,783,019)
10. Recognized Rate of Return = [(5) + (7g)] / (4)	7.72%	3.43%	8.00%	6.82%	6.51%
11. Market Rate of Return	(2.48%)	(8.95%)	24.13%	14.24%	6.24%
12. Valuation Asset Adjustment Factor = (9b) / (9a)	1.105969	1.258454	1.095161	1.024465	1.027064

TRAVERSE CITY
LIGHT & POWER

To:	**Light & Power Board**
From:	Edward E. Rice, Executive Director EER
Date:	January 7, 2011
Subject:	Presentation of the 2009-2010 Financial Audit

The TCL&P Financial Audit for the fiscal year ended June 30, 2010 will be presented by our auditors Rehmann Robson under New Business. If after the Board's questions have been answered you are satisfied with the report the following motion would be appropriate:

MOVED BY ________________________, SECONDED BY _________________________,

THAT THE LIGHT & POWER BOARD ACCEPTS THE FINANCIAL AUDIT FOR THE FISCAL YEAR ENDED JUNE 30, 2010.

2011 REGIONAL ENERGY EXPO

Saturday, January 15

NMC Aero Park Laboratories
2525 Aero Park Drive
Traverse City, MI 49686

9:00 a.m - 5:00 p.m.

FREE ADMISSION

- **Largest regional energy expo with over 60 energy industry experts**
- **Technology is changing rapidly; see the latest innovations**
- **See the benefits of energy conservation using energy efficient products**
- **Educational Forums:** Renewable Energy Resources, Energy Audits, Energy Efficient Equipment, Lighting, Financing/Rebates/Tax Credits
- **Support student scholarships**

Sponsored By:

Northwestern Michigan College

WTCM Today's Country Music 103.5 FM - 93.5 FM

WTCM NewsTalk 580

michigan.gov/recovery

WINDEMULLER Partners in Your Success

Members Credit Union

Traverse City Light & Power

Installed Sales and Service "B.L.I.S.S."

For Sponsor/Exhibitor Info:
Marc McKellar | 231-932-5233
marcm@memberscu.com
http://www.thegrandvision.org/energy/

For General Info:
Ed Bailey | 231-995-2000
ebailey@nmc.edu
http://www.thegrandvision.org/energy/

THE GRAND VISION™

For more information visit the Grand Vision Energy Network:
thegrandvision.org/energy