Michigan Judges' Retirement System

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

Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2014

M J R S

Prepared by:
Financial Services
for
Office of Retirement Services
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Lansing, Michigan 48909-7671
517-322-5103
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INTRODUCTORY SECTION

INTRODUCTORY SECTION

Certificate of Achievement

Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Michigan Judges' Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

Public Pension Standards Award

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
_2014_

Presented to

Michigan Office of Retirement Services

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

INTRODUCTORY SECTION

Letter of Transmittal

Michigan Judges' Retirement System
P.O. Box 30171
Lansing, Michigan 48909-7671
Telephone 517-322-5103
Outside Lansing 1-800-381-5111

STATE OF MICHIGAN

RICK SNYDER, Governor

DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET

January 16, 2015

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 financial report of the Michigan Judges' Retirement System (System) for fiscal year 2014.

INTRODUCTION TO REPORT

The System was established by legislation under Public Act 234 of 1992 which consolidated the Judges' and former Probate Judges' retirement systems. The System is administered by the Office of Retirement Services (ORS). The number of active and retired members and beneficiaries of the System is presented in Note 1 of the financial statements in the Financial Section of this report. The purpose of the System is to provide benefits for all judges. The services performed by the ORS staff provide 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 leadership team 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.

Letter of Transmittal (continued)

Internal Control Structure

The leadership team of the System is responsible for maintaining adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control structure 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. Discussion and analysis of net position and related additions and deductions are presented in the Management Discussion and Analysis which can be found immediately following the Independent Auditor's Report.

Independent Auditors and Actuary

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.

Statute requires that an annual actuarial valuation be conducted. The purpose of the valuation is to evaluate the mortality, service, compensation and other financial experience of the System and to recommend employer-funding rates for the subsequent year. The annual actuarial valuation was completed by Gabriel Roeder Smith & Company for the fiscal year ended September 30, 2013. Actuarial certification and supporting statistics are included in the Actuarial Section of this report.

Management's Discussion and Analysis (MD&A)

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of MD&A. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

Public Act 234 of 1992 authorized the merger of the Probate Judges' Retirement Fund into the Judges' Retirement Fund by requiring the consolidation of all assets, rights, and obligations under the former Judges' and Probate Judges' Retirement Funds. The Judges' Retirement Board, with the director of the Office of Retirement Services, administers the consolidated fund. Financing comes from member contributions, court filing fees as provided under law, investment earnings, and legislative appropriations.

Public Act 523 of 1996, effective March 31, 1997, closed the plan to new entrants. Judges or state officials newly appointed or elected on or after March 31, 1997, become members of the State's defined contribution plan.

ECONOMIC CONDITIONS AND OUTLOOK

Despite challenging economic times, the System continues to show steady performance over the long term.

Investments

The State Treasurer is the investment fiduciary and custodian of all investments of the System pursuant to State law. The primary investment objective is to maximize the rate of return on the total investment portfolio, consistent with a high degree of prudence and sufficient diversity to eliminate inordinate risks and to meet the actuarial assumption for the investment return rate. The investment activity for the year produced a total rate of return on the portfolio of 14.9% for the Pension Plan and 14.4% for the Other Postemployment Benefits (OPEB) Plan. For the last five years, the System has experienced an annualized rate of return of 10.7% for the Pension Plan. A summary of asset allocation and rates of return can be found in the Investment Section of this report.

Letter of Transmittal (continued)

Accounting System

Transactions of the System are reported on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred. Participants' benefits are recorded when payable by law. We believe the accounting and administrative internal controls established by the System provide reasonable assurance the System is carrying out its responsibilities in safeguarding its assets, in maintaining the reliability of the financial records for preparing financial statements, and in maintaining accountability for its assets.

Funding

Funds are derived from the excess of additions to plan net position over deductions from plan net position. Funds are accumulated by the System to meet future benefit obligations to retirees and beneficiaries. The percentage computed by dividing the actuarial value of assets by the actuarial accrued liability is referred to as the "funded ratio." This ratio provides an indication of the funding status of the System and generally, the greater this percentage, the stronger the System.

Pension - As of September 30, 2013, the actuarial value of the assets and actuarial accrued liability of the System were $240.1 million and $252.4 million, respectively, resulting in a funded ratio of 95.1%. An historical perspective of funding levels for the Pension Plan is presented on the Schedule of Funding Progress in the Statistical Section in the Financial Section of this report.

Postemployment Benefits - An actuarial valuation is completed annually to determine the actuarial accrued liability if the postemployment benefits were to be pre-funded. As of September 30, 2013 the actuarial accrued liability for postemployment benefits based on pay as you go is $7.7 million. If these benefits were pre-funded the actuarial accrued liability as of September 30, 2013 would be approximately $5.1 million. GASB Statement No. 43 (implemented in fiscal year 2007) does not require retroactive application of the reporting changes. Therefore, only eight valuation years are presented on the Schedule of Funding Progress in the Required Supplementary Information (RSI) in the Financial Section of this report.

MAJOR GOALS ACCOMPLISHED

The Michigan Department of Technology, Management & Budget, Office of Retirement Services (ORS) is an innovative retirement organization driven to empower our customers for a successful today and a secure tomorrow. During fiscal year 2014, we refreshed our strategic plan, using input from staff members of the organization across multiple processes. The diverse opinions offered a unique opportunity to capture goals and successes from all aspects of the business, so we can offer our members the highest level of customer service.

Additional accomplishments are highlighted below:

Two major projects to improve processes
ORS began two long-term projects that will improve how we handle our financial and insurance processes. Business Process Reengineering will improve the processes for producing financial statements and this report. The Insurance Process Redesign will update ORS's insurance software and processes to allow us to adapt to the demands of a changing insurance market. One of the first changes eliminated approximately 6,500 forms being scanned, imaged, and processed by ORS, saving an estimated 1,083 hours of work.

Updates to websites and miAccount continue to improve online user experience
All websites and miAccount were upgraded with a new look and feel, which concludes the first phase of the miAccount redesign. The updates were based on recommendations from the Department of Technology, Management & Budget's User Experience Team and include enhancements like improved readability, more intentional use of color, and a unified ORS brand across all systems. To provide better customer service to our reporting units and human resource departments, the employer websites have been redesigned and made responsive, meaning the content changes based on the device it is viewed on.

Letter of Transmittal (continued)

Staff training in process mapping
As a process-based organization, ORS needs staff to be skilled at creating, editing, and using process mapping tools for analysis and improvement. To that end, a new program is in place to train and certify staff in using process mapping tools. The course introduces trainees to systems (process) thinking, and teaches how to construct and analyze process flow charts, as well as how to implement process change.

Get Fit initiative and indoor walking track
This year ORS saw the start of the Get Fit team, which encourages health and wellness for staff. Using an inset carpet design, ORS created a dedicated indoor walking track inside one of the office's wings. Data shows staff members are more productive and use less sick time. In addition, 25 percent of all staff lost weight in a weight loss challenge.

Communication initiative focused on retirement applications
ORS started a new communication approach to keep retirement applicants better informed during the application process. The goal of the project is to instill customer confidence in the process so applicants don't feel they need to call to check on their application. Comparing April through July 2014 with the same time period in 2013, ORS reduced calls from pending applicants by 31 percent with an overall decrease in contacts from this population of 17 percent.

Honors

Public Pension Standards Award: The Public Pension Coordinating Council awarded the retirement system with the 2014 Public Pension Standards Award for Funding and Administration.

Government Finance Officers Association award: The Government Finance Officers Association of the United States and Canada awarded the retirement system with the Certificate of Achievement for Excellence in Financial Reporting for its fiscal year 2013 Comprehensive Annual Financial Report. This marks the 23rd consecutive year ORS has received this prestigious award.

Acknowledgments

The preparation of this report was accomplished with the dedication and cooperation of many 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, therefore, like to express our appreciation for the assistance given by staff, advisors, and the many people who contributed to its preparation. We believe their combined efforts have produced a report that will enable employers and plan members to better evaluate and understand the Michigan Judges' Retirement System. Their cooperation contributes significantly to the success of the System.

Sincerely,

David B. Behen, Director
Department of Technology, Management & Budget

Phillip J. Stoddard, Director
Office of Retirement Services

INTRODUCTORY SECTION

Administrative Organization

Retirement Board Members *

Robert L. Brackenbury
Representing State Treasurer
Statutory Member

John Axe
Trustee (General Public)
Term Expires March 31, 2015

Judge Mark Boonstra, Chair
Trustee (General Public)
Term Expires March 31, 2015

Judge Diane D'Agostini, Vice Chair
Representing Active Judges
Term Expires March 31, 2017

Molly Jason
Representing Attorney General
Statutory Member

*Statute provides that board members may continue to serve after their term expires until they are either replaced or reappointed.

Advisors and Consultants

Actuary
Gabriel Roeder Smith & Co.
Mita D. Drazilov
Southfield, Michigan

Legal Advisor
Bill Schuette
Attorney General
State of Michigan

Independent Auditors
Doug A. Ringler, C.P.A., C.I.A.
Auditor General
State of Michigan

Investment Manager and Custodian
R. Kevin Clinton
State Treasurer
State of Michigan

Investment Performance Measurement
State Street Corporation
State Street Investment Analytics
Boston, MA

Administrative Organization (continued)

Organization Chart

Department of Technology, Management & Budget
David B. Behen, Director

Department of Treasury *
R. Kevin Clinton, State Treasurer

Bureau of Investments
Jon M. Braeutigam,
Chief Investment Officer

Financial Services
Michael Gilliland, Director

Fiscal Management Division
Ronald W. Foss, Director

Office of
Retirement Services
Phillip J. Stoddard, Director

Laurie Hill, Assistant Director

***The investments of the System are managed by the Michigan Department of Treasury. Information on the investments and the fiduciary, Michigan Department of Treasury, 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.**

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FINANCIAL SECTION

Independent Auditor's Report
Management's Discussion and Analysis
Basic Financial Statements
Notes to Basic Financial Statements
Required Supplementary Information
Note to Required Supplementary Information
Supporting Schedules

OAG
Office of the Auditor General

Doug A. Ringler, CPA, CIA
Auditor General

201 N. Washington Square, Sixth Floor • Lansing, Michigan 48913 • Phone: (517) 334-8050 • http://audgen.michigan.gov

Independent Auditor's Report on the Financial Statements
and Other Reporting Required by *Government Auditing Standards*

The Honorable Mark T. Boonstra, Chair
Michigan Judges' Retirement System Board
and
Mr. David B. Behen, Director
Department of Technology, Management, and Budget
and
Mr. Phillip J. Stoddard, Director
Office of Retirement Services

Dear Mr. Boonstra, Mr. Behen, and Mr. Stoddard:

Report on the Financial Statements

We have audited the accompanying financial statements of the Michigan Judges' Retirement System as of and for the fiscal year ended September 30, 2014 and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the fiduciary net position of the Michigan Judges' Retirement System as of September 30, 2014 and the changes in its fiduciary net position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 6 to the financial statements, the Michigan Judges' Retirement System adopted Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, for the fiscal year ended September 30, 2014. Our opinion is not modified with respect to this matter.

Office of the Auditor General

Doug A. Ringler, CPA, CIA
Auditor General

The Honorable Mark T. Boonstra, Chair
Mr. David B. Behen, Director
Mr. Phillip J. Stoddard, Director
Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 19 and the schedule of funding progress - other postemployment benefit plan, schedule of changes in net pension liability, schedule of net pension liability, schedules of contributions, schedule of investment returns, and related note on pages 43 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The supporting schedules and the introductory, investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Sincerely,

Doug Ringler

Doug Ringler
Auditor General
January 16, 2015

FINANCIAL SECTION

Management's Discussion and Analysis

Our discussion and analysis of the Michigan Judges' Retirement System's (System) financial performance provides an overview of the System's financial activities for the fiscal year ended September 30, 2014. Please read it in conjunction with the transmittal letter in the Introductory Section on page 6 and the basic financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

- System assets exceeded liabilities at the close of fiscal year 2014 by $272.1 million (reported as *net position*). Net position is restricted for pension and other postemployment benefits (OPEB) to meet future benefit payments.
- Additions for the year were $42.0 million, which are comprised primarily of member contributions of $1.5 million and investment gains of $37.3 million.
- Deductions increased over the prior year from $22.9 million to $23.4 million or 2.1%. This increase can be mostly attributed to an increase in retirement and health care benefits paid.

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

This Comprehensive Annual Financial Report (CAFR) consists of two financial statements; *The Statement of Pension Plan and Other Postemployment Benefit Plan Fiduciary Net Position* (page 20) and *The Statement of Changes in Pension Plan and Other Postemployment Benefit Plan Fiduciary Net Position* (page 21). 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 Fiduciary Net Position presents all of the System's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position measure whether the System's financial position is improving or deteriorating. *The Statement of Changes in Pension Plan and Other Postemployment Benefit Plan Fiduciary Net Position* presents how the System's net position changed during the most recent fiscal year. These two financial statements should be reviewed along with the Schedule of Net Pension Liability (page 45), Schedule of Funding Progress – Other Postemployment Benefit Plan (page 43), and Schedules of Contributions (page 45) to determine whether the System is becoming financially stronger or weaker.

Management's Discussion and Analysis (continued)

FINANCIAL ANALYSIS

System total assets as of September 30, 2014, were $292.5 million and were mostly comprised of cash, investments, and contributions due from employers. Total assets increased $19.0 million or 7.0% between fiscal years 2013 and 2014 due primarily to net investment gains.

Total liabilities as of September 30, 2014, were $20.4 million and were comprised of warrants outstanding, accounts payable, and obligations under securities lending. Total liabilities increased $0.5 million or 2.3% between fiscal years 2013 and 2014 due primarily to increased obligations under securities lending.

System assets exceeded its liabilities at the close of fiscal year 2014 by $272.1 million. Total net position restricted for pension and OPEB increased $18.6 million or 7.3% between fiscal years 2013 and 2014 due primarily to an increase in net investment income.

Net Position
(in thousands)

	2014	2013	Increase (Decrease)
Assets			
Equity in common cash	$ 5,041	$ 2,752	83.2 %
Receivables	166	128	29.7
Investments	267,639	254,964	5.0
Securities lending collateral	19,673	15,637	25.8
Total Assets	292,519	273,482	7.0
Liabilities			
Warrants outstanding	-	-	-
Accounts payable and other accrued liabilities	40	39	2.6
Obligations under securities lending	20,359	19,897	2.3
Total Liabilities	20,399	19,936	2.3
Total Net Position	$ 272,119	$ 253,545	7.3 %

Management's Discussion and Analysis (continued)

ADDITIONS TO PLAN NET POSITION

The reserves needed to finance pension and other postemployment benefits are accumulated through the collection of member contributions, earnings on investments, and court fees. Contributions, net investment income, and court fees for fiscal year 2014 totaled $42.0 million.

Total additions for fiscal year 2014 increased $6.4 million or 18.0% from those of fiscal year 2013 due primarily to an increase in investment income. Investment income increased primarily due to an increase of the fair value of investments. Court fees totaled $3.2 million in fiscal year 2014 as compared to $2.8 million in fiscal year 2013. The increase in court fees was needed to cover the Actual Required Contribution (ARC) for the pension plan. The Investment Section of this report reviews the results of investment activity for 2014.

DEDUCTIONS FROM PLAN NET POSITION

The primary deductions of the System include the payment of pension benefits to members and beneficiaries, payment for health, dental and vision benefits, and the cost of administering the System. Total deductions for fiscal year 2014 were $23.4 million, an increase of 2.1% from fiscal year 2013 deductions.

Payments for health care benefits for members and beneficiaries increased during the year by $6 thousand or 1.1% from $524 thousand to $530 thousand. The payment of pension benefits increased by $0.6 million or 2.6% between fiscal years 2013 and 2014. In fiscal year 2014, the increase in pension benefit expense resulted from the increase of the number of retirees from 553 in 2013 to 554 in 2014. In fiscal year 2014, the increase in pension benefit expense resulted from new retirees earning higher pensions. Administrative and other expenses decreased by $86 thousand or (19.8)% from $434 thousand to $348 thousand between fiscal years 2013 and 2014.

Management's Discussion and Analysis (continued)

Changes in Plan Net Position
(in thousands)

	2014	2013	Increase (Decrease)	
Additions				
Member contributions	$ 1,472	$ 1,642	(10.4)	%
Other governmental contributions	69	$ 55	25.5	
Net investment income (loss)	37,264	31,093	19.8	
Court fees, transfers, and miscellaneous	3,184	2,805	13.5	
Total Additions	41,988	35,594	18.0	
Deductions				
Pension benefits	22,536	21,970	2.6	
Health care benefits	530	524	1.1	
Administrative and other expenses	348	434	(19.8)	
Total Deductions	23,414	22,928	2.1	
Net Increase (decrease)	18,574	12,666	46.6	
Net Position - Beginning of Year	253,545	240,879	5.3	
Net Position - End of Year	$ 272,119	$ 253,545	7.3	%

RETIREMENT SYSTEM AS A WHOLE

The System's combined Net Position experienced an increase in 2014 by $18.6 million. The System's rate of return on investment increased an overall 2.8% from a 12.1% return in fiscal year 2013 to a 14.9% return for the Pension Plan and increased an overall 3.3% from a 11.1% return in fiscal year 2013 to a 14.4% return for the OPEB Plan during fiscal year 2014. Management believes that the System remains financially sound and positioned to meet its ongoing benefit obligations due, in part, to a prudent investment program, cost controls, and strategic planning.

CONTACTING SYSTEM FINANCIAL MANAGEMENT

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

Statement of Pension Plan and Other Postemployment Benefit Plan Fiduciary Net Position

As of September 30, 2014 (in thousands)

	Pension Plan	OPEB Plan	Total
Assets:			
Equity in common cash	$ 5,040	$ 1	$ 5,041
Receivables:			
Amounts due from members	23		23
Amounts due from other	8	16	24
Amounts due from employers	57	4	62
Amounts due from federal agencies		20	20
Interest and dividends	37		37
Total receivables	126	40	166
Investments:			
Short term investment pools	14,943	33	14,976
Fixed income pools	42,085	132	42,217
Domestic equity pools	74,709	235	74,943
Real estate and infrastructure pools	27,394	86	27,480
Alternative investment pool	40,837	128	40,965
International equity pools	38,074	120	38,195
Absolute return pools	28,773	90	28,863
Total investments	266,815	824	267,639
Securities lending collateral	19,613	60	19,673
Total assets	291,594	925	292,519
Liabilities:			
Warrants outstanding			
Accounts payable and other accrued liabilities	1	39	40
Obligations under securities lending	20,297	62	20,359
Total liabilities	20,298	101	20,399
Net Position Restricted for Pension Benefits and OPEB	$ 271,296	$ 823	$ 272,119

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

Statement of Changes in Pension Plan and Other Postemployment Benefit Plan Fiduciary Net Position

For Fiscal Year Ended September 30, 2014 (in thousands)

	Pension Plan	OPEB Plan	Total
Additions:			
Contributions:			
Member contributions	$ 1,025	$ 447	$ 1,472
Other governmental contributions		69	$ 69
Total contributions	1,025	516	1,541
Investment income (loss):			
Net increase (decrease)			
in fair value of investments	32,290	101	32,391
Interest, dividends, and other	5,497	17	5,514
Net investment income (loss)	37,787	118	37,905
Investment expenses:			
Real estate operating expenses	(12)		(12)
Other investment expenses	(785)	(2)	(787)
Securities lending activities:			
Securities lending income	463	1	464
Securities lending expenses	(304)	(1)	(305)
Net investment income (loss)	37,148	116	37,264
Court Fees	3,164		3,164
Miscellaneous income	18	1	20
Total additions	41,355	633	41,988
Deductions:			
Benefits paid to plan members			
and beneficiaries:			
Retirement benefits	22,536		22,536
Health benefits		410	410
Dental/vision benefits		120	120
Administrative and other expenses	288	59	348
Total deductions	22,825	589	23,414
Net Increase (decrease) in Net Position	18,530	44	18,574
Net Position Retricted			
for Pension Benefits and OPEB:			
Beginning of Year	252,766	779	253,545
End of Year	$ 271,296	$ 823	$ 272,119

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

Notes to Basic Financial Statements
September 30, 2014

NOTE 1 - PLAN DESCRIPTION

ORGANIZATION

The Michigan Judges' Retirement System (System) is a cost sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State), created under Public Act 234 of 1992, which consolidated the former Judges' and Probate Judges' Retirement Systems into one retirement system. Section 204 of this Act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of five members – the State Treasurer, the Attorney General, one judge who is a member of the retirement system appointed by the Governor with the advice and consent of the Senate, and two members appointed by the Governor with the advice and consent of the Senate. The System's pension plan was established to provide retirement, survivor and disability benefits to judges in the judicial branch of state government. In addition, the System's OPEB plan provides all retirees with the option of receiving health, dental, and vision coverage under the Michigan Judges' Retirement Act. There are 85 participating employers. The System also includes the Governor of the State of Michigan, Lieutenant Governor, Secretary of State, Attorney General, Legislative Auditor General, and the Constitutional Court Administrator if elected prior to March 31, 1997. (Those officials elected on or after March 31, 1997, are part of the Defined Contribution Retirement Plan). The System is a qualified pension trust fund under section 401(a) of the Internal Revenue Code.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report.

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget (DTMB). The Department Director appoints the Office Director with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

Notes to Basic Financial Statements (continued)

MEMBERSHIP

At September 30, 2014, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:	**2014**
Regular benefits	365
Survivor benefits	183
Disability benefits	6
Total	554
Inactive plan members entitled to but not yet receiving benefits:	7
Total	7
Active plan members:	
Vested	154
Non-vested	0
Total	154
Total all members	715

Plan 1 or 2 members (Supreme Court Justice, Court of Appeals, or elected officials) may enroll in the State Health Plan when they retire and their premium rate is subsidized. All other member may enroll in the State Health Plan if they wish to, but they must pay the entire premium cost. At September 30, 2014, there were a total of 522 retirees who are eligible to participate in the health/dental/vision plans. The number of participants is as follows:

Health, Dental, and Vision Plan	**2014**
Eligible participants	522
Participants receiving benefits:	
Health	72
Dental	124
Vision	108
Defined Contribution participants receiving benefits:	
Health	2
Dental	7
Vision	7

BENEFIT PROVISIONS – PENSION

Introduction

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 234 of 1992, Michigan Judges' Retirement Act, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan. Retirement benefits are determined by final compensation and years of service. Members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits.

Notes to Basic Financial Statements (continued)

A member who leaves judicial service may request a refund of his or her member contribution account. A refund cancels a former member's rights to future benefits. Returning members who previously received a refund of their contributions may reinstate their service credit through repayment of the refund upon satisfaction of certain requirements. For salary, contribution and calculation of retirement benefit, the membership of the System is categorized into seven plans. The categories are based on the position to which the member was elected or appointed. Public Act 523 of 1996, which was effective March 31, 1997, closed the plan to new entrants. Judges or State officials newly appointed or elected on or after March 31, 1997, become members of the defined contribution plan.

Regular Retirement

The retirement benefit or allowance is calculated in accordance with the formula of the plan, which applies to the member. The formula is based on a member's years of credited service (employment) and final compensation. The normal retirement benefit is payable monthly over the lifetime of a member.

A member may retire and receive a monthly benefit after attaining:

1. age 60 with 8 or more years of credited service; or
2. age 55 with 18 or more years of credited service (the last 6 years continuous); or
3. 25 or more years of service, the last 6 years continuous; no age requirement; or
4. age 60 with service of two full terms in the office of Governor, Lieutenant Governor, Secretary of State, or Attorney General, or one full term in the office of Legislative Auditor General.

Early Retirement

A member may retire early with a permanently reduced pension:

1. after completing at least 12 but less than 18 years of service, of which the last 6 years are continuous; and
2. after attaining age 55.

The early pension is computed in the same manner as a regular pension but is permanently reduced 0.5% for each full and partial month between the pension effective date and the date the member will attain age 60.

Deferred Retirement

A member with 8 or more years of credited service who terminates judicial service before meeting the age requirements to receive a retirement allowance and who does not withdraw his or her contributions, is entitled to receive a monthly allowance upon reaching age 60 or age 55 with 18 years of service, the last 6 of which were continuous.

Disability Benefit

A member with 8 or more years of credited service, who is totally disabled from physically or mentally performing his or her duties, is eligible for a disability pension. The disability benefit is computed in the same manner as an age and service allowance based upon service and final salary at the time of disability.

Pension Payment Options

A pension is payable monthly for the lifetime of a System retiree and equals 3% of final salary times years of service for up to 12 years of service; or 50% of salary with 12 years, increased 2.5% for each additional year up to a maximum of 60% of salary. A former retiree of the Probate Judges' Retirement System receives 3% of salary times years of service, to a maximum of the greater of 40% of salary or $15,000 but not to exceed 66 2/3% of final salary when added to a county pension; or 3.5% of salary times years of service with a maximum of two thirds of final salary, if elected.

Straight Life - This option provides the highest monthly retirement allowance. Surviving spouse receives a 50% survivor's benefit.

Notes to Basic Financial Statements (continued)

Option A **-** Under this option, after the retiree's death, the beneficiary will receive 100% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary.

Option B **-** Under this option, after the retiree's death, the beneficiary will receive 50% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is smaller than the factor used in Option A above.

Survivor Benefit

A survivor benefit may be paid if 1) a member who has 8 or more years of credited service dies while in office, 2) a vested former member dies before retirement, or 3) a retiree dies following retirement.

Contributions

Member Contributions **-** Members currently participate on a contributory basis. For contribution purposes, the membership of the System is categorized in seven plans, which are based on the position to which the member was elected or appointed.

Under certain circumstances, members may contribute to the System for the purchase of creditable service, such as military service or other public service. If a member terminates covered employment before a retirement benefit is payable, the member's contribution and interest on deposit may be refunded. If the member dies before being vested, the member's contribution and interest are refunded to the designated beneficiaries.

Publicly Financed Contributions **-** There are two public sources which fund retirement benefits: Court fees and State appropriations. The State contributes annually the greater of 3.5% of the aggregate annual compensation of State paid base salaries, or the difference between the total actuarial requirement of current service and unfunded accrued liabilities minus the revenues from court filing fees and member contributions. If the court fees deposited in the reserve for employer contributions equal the amount needed in addition to other publicly financed contributions to sustain the required level of publicly financed contributions, Section 304(4) of Judges' Retirement Act requires court fees be deposited in the court fee fund. A chart showing the publicly financed contribution rates is included in the Schedules of Additions by Source in the Statistical Section.

Public Act 95 of 2002 authorizes the State Treasurer, if funds remain in the court fee fund after transfers, to transmit a portion of the money in the court fee fund and any earnings on those amounts to the reserve for health benefits. The purpose of this transfer is to pay expected health care costs for the subsequent fiscal year that are not covered as a result of employee contributions. For fiscal year 2014, this amount was $0.

BENEFIT PROVISIONS – OTHER POSTEMPLOYMENT

Benefit provisions of the postemployment benefit plan are established by State statute, which may be amended. Public Act 234 of 1992, as amended, establishes eligibility and benefit provisions for the OPEB plan. Members are eligible to receive health, prescription drug, dental and vision coverage on the first day they start receiving pension benefits. There is no provision for ad hoc or automatic increases. The Judges' Retirement Act requires joint authorization by DTMB and the Civil Service Commission to make changes to retiree medical benefit plans.

Under the Michigan Judges' Retirement Act, Plan 1 or 2, members may enroll in the State Health Plan when they retire. Twenty percent of the health insurance premium is deducted from the monthly pension check until age 65, at which time Medicare provides primary health insurance coverage. All other members may enroll in the State Health Plan during an open enrollment period. The total premium is deducted from the monthly pension check. The active employee payroll contribution rate to fund health benefits for the Plan 1 or 2 members was 2.0% for fiscal year 2014. There are no required employer contributions to fund health benefits.

Notes to Basic Financial Statements (continued)

All retirees may enroll in the state dental and/or vision plan during an open enrollment period. The total premium is deducted from the monthly pension check.

Retirees of Plan 1 and 2 are provided with life insurance coverage equal to 25% of the active life insurance coverage and $1,000 for each dependent. Premiums are fully paid by the State for Plan 1 and 2 members. All others must pay the full premium.

The number of participants and other relevant financial information are as follows:

Health, Dental, and Vision Plan	2014
Eligible participants	522
Participants receiving benefits:	
Health	72
Dental	124
Vision	108
Defined Contribution participants receiving benefits:	
Health	2
Dental	7
Vision	7
Expenses for the year (in thousands)	$ 589
Employer payroll contribution rate	0%

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The System's financial statements are prepared using the accrual basis of accounting. Court filing fees are recognized as revenue in the period received since amount of court fee revenue is unknown. Contributions from the State are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

GASB Statement No. 67 which was adopted during the year ended September 30, 2014, addresses accounting and financial reporting requirements for pension plans. The requirements for GASB Statement No. 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information. Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of GASB Statement No. 67 did not significantly impact the accounting for accounts receivable and investment balances. The total pension liability, determined in accordance with GASB Statement No. 67, is presented in Note 4 and in the Required Supplementary Information on page 43.

Notes to Basic Financial Statements (continued)

Reserves

Public Act 234 of 1992, as amended, created several reserves. The reserves are described below and details are provided in the supporting schedules.

Reserve for Employee Contributions **-** This reserve represents active member contributions, payments for the purchase of service credit, repayment of previously refunded contributions and interest less amounts transferred to the Reserve for Retirement Benefit Payments for regular and disability retirement, amounts refunded to terminated members, and transferring inactive reserves. At September 30, 2014, the balance in this reserve was $51.4 million.

Reserve for Employer Contributions **-** This reserve represents court fees, late fees, interest payments, employer contributions, and State appropriations. Amounts are transferred annually from this reserve to the Reserve for Retired Benefit Payments to fund that reserve. At September 30, 2014, the balance in this reserve was $(30.9) million.

Reserve for Retired Benefit Payments **-** This reserve represents the reserves for payment of future retirement benefits to current retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve from the Reserve for Employee Contributions and the Reserve for Employer Contributions. Monthly benefits, which are paid to the retiree, reduce the reserve. At the end of each fiscal year, an amount is transferred from the Reserve for Employer Contributions to bring the reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was $179.3 million.

Reserve for Undistributed Investment Income **-** This reserve is credited with all investment earnings, changes in fair value, gifts to the System, and forfeited contributions. All administrative expenses are paid from this reserve and interest is transferred annually to the other reserves. At September 30, 2014, the balance in this reserve was $71.4 million.

Reserve for Health (OPEB) Related Benefits **-** This reserve is credited with member contributions for retirees' health, dental, and vision benefits. The required contribution is based on pay-as-you-go funding and represents a level of funding that, if paid on an ongoing bases, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years. The actual annual contributions have been less than the annual required contribution (ARC). In addition, in fiscal year 2014, this reserve includes revenue from the federal government for retiree drug subsidy payment (RDS) pursuant to the provisions of Medicare Part D and for the Employee Group Waiver Plan (EGWP). Premiums for health, dental and vision benefits are paid from this reserve. At September 30, 2014, the balance in this reserve was $0.8 million.

Reporting Entity

The System is a pension and other employee benefit trust fund of the State. As such, the System is considered part of the State and is included in the State's Comprehensive Annual Financial Report as a pension and other employee benefit trust fund. The System and its Board are not financially accountable for any other organizations. Accordingly, the System is the only entity included in this financial report.

Benefit Protection

Public Act 100 of 2002 was passed by the Michigan Legislature to protect pension benefits of public employees from alienation (being transferred). Alienation is attachment, garnishment, levy, execution, bankruptcy or other legal process except for divorce orders or eligible domestic relation orders. The statutes governing the System contained an "anti-alienation" clause to provide for this protection; however, many smaller public pension systems did not have the benefit of this protection. Therefore, Public Act 100 of 2002 was passed to establish legal protection of pension assets that encompasses all public employees.

Notes to Basic Financial Statements (continued)

Fair Value of Investments

Plan investments are reported at fair value. Securities traded on a national or international 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. The fair value of private investments is based on the net asset value reported in the financial statements of the respective investment entity. The net asset value is determined in accordance with governing documents of the investment entity, and is subject to an independent annual audit. Securities purchased with cash collateral under securities lending activities are recorded at estimated fair value. Other investments not having an established market are recorded at estimated fair value.

Investment Income

Dividend and interest income are recognized on the accrual basis. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date (the date upon which the transaction is initiated), except for purchase and sale of mortgages, real estate, and alternative investments, which are recorded as of the settlement date (the date upon which the transaction is ultimately completed). The effect of recording such transactions as of the settlement date does not materially affect the financial statements.

Costs of Administering the System

Each year a restricted general fund appropriation is requested to fund the on-going business operations of the System. These administrative costs are ultimately funded by the System through the regular transfer of funds from the System to the State's general fund based on either a direct cost or allocation basis depending on the nature of the expense. Costs of administering the System are financed by undistributed investment income of the System.

Property and Equipment

Office space is leased from the State on a year to year basis. Office equipment is capitalized if the value exceeds $5,000. These assets are recorded at cost and are reported net of depreciation in the Statement of Pension Plan and Other Postemployment Benefit Plan Fiduciary Net Position. Such assets are depreciated on a straight-line basis over 10 years. The System does not have equipment that falls within these parameters.

Related Party Transactions

Leases and Services - The System leases operating space and purchases certain administrative, data processing, legal and investment services from the State. The space and services are not otherwise available by competitive bid. The following summarizes costs incurred by the System for such services.

	2014
Building Rentals	$ 1,309
Technological Support	17,187
Attorney General	9,468
Investment Services	77,204
Personnel Services	206,046

Cash - On September 30, 2014, the System had $5.0 million 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 less than $0.0 thousand for the year ended September 30, 2014.

Notes to Basic 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 are recorded and reported outside of the pension plan in order to keep the qualified status of the plan. This includes coordination of benefit issues whereby a retiree participates in more than one qualified plan. In fiscal year 2014, the System provided excess benefits to one retiree.

NOTE 3 - CONTRIBUTIONS AND FUNDED STATUS

Contributions

Members' contributions range from 3.5% to 7% of their salary depending on the plan (described in statute). Contributions are tax deferred under Section 414(h)(2) of the Internal Revenue Code, except for probate judges whose contributions are tax deferred only if the local unit of government has adopted a resolution to do so. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

The State contributes annually the greater of 3.5% of the aggregate annual compensation of State paid base salaries, or the difference between the total actuarial requirement of current service and unfunded actuarial liabilities minus the revenues from court filing fees and member contributions. Although contributions are expressed as a percentage of payroll, because the system is a closed plan, the actuarial valuation calculates a level dollar amount for funding purposes. For fiscal year 2014, an employer contribution in the amount of $3.2 million was paid from the court fee fund. If the court fees deposited in the reserve for employer contributions equal the amount needed in addition to other publicly financed contributions to sustain the required level of publicly financed contributions, Section 304(4) requires court fees to be deposited in the court fee fund in the State Treasury. The State Treasurer transmits the money in the court fee fund, not exceeding $2.2 million in any fiscal year, to the court equity fund for operational expenses of trial courts.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2014 valuation will be amortized over a 22 year period for the 2014 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2014.

Pension Contribution Rates

Benefit Structure	Member	Employer*
Supreme Court	5.0 %	0.0 %
Court of Appeals	5.0	0.0
Circuit Court	3.5 - 7.0	0.0
District Court	3.5 - 7.0	0.0
Probate Court	3.5 - 7.0	0.0

* Employer Contributins are paid through court fees.

Actual employer contributions (court fees) for other postemployment benefits (OPEB) were 0.00% of annual covered payroll for the year ended September 30, 2013. The fiscal year 2014 annual covered payroll is not yet available. Required employer contributions based on previous year actuarial valuations for OPEB included:

1. $301.7 thousand for fiscal year 2014, for the normal cost of OPEB representing 5.0% (before reconciliation) of annual covered payroll for fiscal year 2013.

2. $357.8 thousand for fiscal year 2014, for the amortization of unfunded actuarial accrued liability representing 5.8% (before reconciliation) of annual covered payroll for fiscal year 2013.

Notes to Basic Financial Statements (continued)

The system is required to reconcile with actuarial requirements annually. Any funding excess or deficiency for pension benefits is smoothed over 5 years. One fifth (20%) of the funding excess or deficiency is included in each of the subsequent years' contribution, and is not recognized as a payable or receivable in the accounting records.

Funded Status - OPEB

For fiscal year 2013, the actuarial accrued liability (AAL) for OPEB benefits was $7.7 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $7.7 million and a funded ratio of 0.0%. The covered payroll (annual payroll of active employees covered by the plan) was $6.2 million, and the ratio of the UAAL to the covered payroll was 123.4%.

NOTE 4 – NET PENSION LIABILITY

Measurement of the Net Pension Liability

The net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

Net Pension Liability

Total Pension Liability	$ 257,533,843
Plan Fiduciary Net Position	271,295,883
Net Pension Liability	$ (13,762,040)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	105.34%
Net Pension Liability as a Percentage of Covered Payroll	(73.19) %
Total Covered Payroll	$ 18,802,548

Notes to Basic Financial Statements (continued)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building- block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

Asset Allocation

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	4.8 %
Private Equity	18.0	8.5
International Equity	16.0	6.1
Fixed Income	10.5	1.5
Real Estate & Infrastructure	10.0	5.3
Absolute Return	15.5	6.3
Short Term Investment	2.0	(0.2)
TOTAL	**100.0** %	

* Rate of return does not include 2.5% inflation.

Rate of Return

For the fiscal year ended September 30, 2014, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 9.14%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Notes to Basic Financial Statements (continued)

Discount Rate

A discount rate of 8.00% was used to measure the total pension liability. This discount rate was based on the long term expected rate of return on pension plan investments of 8.0%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 67, the following presents the plan's net pension liability, calculated using a single discount rate of 8.00%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% Decrease 7.0%	**Current Discount Rate Assumption 8.0%**	**1% Increase 9.0%**
Net Pension Liability/(Asset)	$ 5,165,990	$ (13,762,040)	$ (29,883,670)

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least every two years. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year end.

The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled-forward using generally accepted actuarial procedures.

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. Examples include assumptions about future employment, mortality and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets for the OPEB plan is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The Schedules of Contributions in RSI present trend information about the amounts contributed to the plans by employers in comparison to the ARC, an amount that is actuarially determined.

Notes to Basic Financial Statements (continued)

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

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

Summary of Actuarial Assumptions

Valuation Date		9/30/2013
Actuarial Cost Method		Entry Age, Normal
Amortization Method - OPEB		Level Percent of Payroll, Closed
Remaining Amortization Period - OPEB		23 Years*
Asset Valuation Method - OPEB		Market
Actuarial Assumptions:		
	Wage Inflation Rate	3.5%
	Investment Rate of Return - Pension	8.0% net of investment and administrative expenses
	Investment Rate of Return - OPEB	4.0%
	Projected Salary Increases	3.5% - 4% including wage inflation rate at 3.5%
	Cost-of-Living Pension Adjustments	Assumed 4% Compounded for those eligible
	Healthcare Cost Trend Rate	9.0% Year 1 graded to 3.5% Year 10
Mortality - Pension	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2020 using projection scale BB. For retirees and active members, 100% of the table rates were used.	
Mortality - OPEB:	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA (95% of male rates and 107% of female rates).	
Other Assumptions OPEB only:		
	Opt Out Assumption	0% of eligible participants are assumed to opt out of the retiree health plan
	Survivor coverage	100% of male retirees and 100% of female retirees are assumed to have coverage continuing after the retiree's death
	Coverage Election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents
Notes:	Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the pension annual valuations beginning with the September 30, 2014 valuation.	

***Based on the provisions of GASB Statement Nos. 43 and 45 when the actuarial accrued liability for a OPEB Plan is underfunded or overfunded, the difference should be amortized over a period not to exceed thirty years for the fiscal periods beginning on or after June 15, 2006.**

Notes to Basic Financial Statements (continued)

NOTE 5 - INVESTMENTS

Investment Authority

Under Public Act 380 of 1965, as amended, the authority for the purchase and the sale of investments resides with the State Treasurer. Investments are made subject to the Public Employee Retirement Investment Act, Public Act 314 of 1965, as amended. The Public Employee Retirement Investment Act authorizes, with certain restrictions, the investment of pension fund assets in stocks, corporate and government bonds and notes, mortgages, real estate, and certain short-term and alternative investments. Investments must be made for the exclusive purposes of providing benefits to active members, retired members and beneficiaries, and for defraying the expenses of investing the assets.

Derivatives

The State Treasurer employs the use of derivatives in the investment of the pension and other employee benefit trust funds (the trust funds).

Derivatives are used in managing the trust fund portfolios, but uses do not include speculation or leverage of investments. Less than 12% of the total trust funds' portfolio has been invested from time to time in future contracts, swap agreements, structured notes, option and forward contracts. State investment statutes limit total derivative exposure to 15% of a fund's total asset value, and restrict uses to replication of returns and hedging of assets. Swap agreements represent the largest category of derivative investments subject to this limitation. Option and Future contracts traded daily on an exchange and settling in cash daily or having a limited and fully defined risk profile at an identified, fixed cost are not subject to the derivative exposure limitation.

The derivative fair values are reported on the Statement of Pension Plan and Other Postemployment Benefit Plan Fiduciary Net Position as of September 30, 2014, in their respective investment pools market value. Derivative net increases and decreases are reported on the Statement of Changes in Pension Plan and Other Postemployment Benefit Plan Fiduciary Net Position for fiscal year ended September 30, 2014, under "Investment income gain / (loss)", in "Net increase (decrease) in fair value of investments". Bond interest, swap payments, and dividends are reported under "Investment Income", in "Interest, dividends, and other".

Notes to Basic Financial Statements (continued)

Derivative Investment Table as of September 30, 2014 (In Thousands):

Investment and Investment Type	Percentage of Fair Value	Notional Value	Investments At Fair Value	Net Increase (Decrease) in Fair Value	Investment Income	Fair Value Subject to Credit Risk
Structured Notes Absolute Return Investments	0.0%	-	-	$198.6	-	-
US Treasury Bond Future Contracts Fixed Income Investments	0.0%	$8.5	-	(1.6)	-	-
Option Contracts Equity Investments	0.0%	(19.3)	$(0.1)	479.4	-	-
Swap Agreements International Equity Investments	1.9%	6,050.5	5,165.4	378.4	$(5.0)	$207.3
Swap Agreements Equity Investments	0.1%	3,813.7	277.2	530.4	(16.0)	149.4

To diversify the trust funds' portfolio, the State Treasurer has entered into international swap agreements with investment grade counterparties, which are tied to stock market indices in forty-five foreign countries. Generally, one quarter or less of the notional amount tied to foreign stock market indices is usually hedged against foreign currency fluctuations. The swap agreements provide that the System will pay quarterly over the term of the swap agreements, interest indexed to the three month London Inter-Bank Offer Rate (LIBOR), adjusted for an interest rate spread, on the notional amount stated in the agreements. International equity swap agreement maturity dates range from October 2014 to December 2015. The U.S. Domestic LIBOR based floating rate notes and other investments are held to correspond with the notional amount of the international swap agreements. The value of the international synthetic equity structures is a combination of the value of the swap agreements and the value of the notes and other investments. The book value represents the cost of the notes and other investments. The current value represents the current value of the notes and other investments and the change in the value of the underlying indices from the inception of the swap agreements. The current value is used as a representation of the fair value based on the intention to hold all swap agreements until maturity. At the maturity of the swap agreements, the trust funds will either receive the increase in the value of the equity indices from the level at the inception of the agreements, or pay the decrease in the value of the indices. The combined swap structure generally realizes gains and losses on a rolling basis.

Domestic Equity Pool swap agreements provide that the System will pay interest quarterly or annually over the term of the swap agreements, interest indexed to the LIBOR, adjusted for an interest rate spread, on the notional amount stated in the agreements. Domestic equity swap agreement maturity dates range from October 2014 to July 2015. Domestic equity swaps value is a combination of the value of the swap agreements and the value of short-term investments. Book value represents the cost of short-term and equity investments. Current value represents the fair value of the short-term investments and the change in the value of the underlying indices from the inception of the swap agreements. Domestic equity swaps' increase/(decrease) primarily reflects the net changes in the domestic indices and short-term investments.

Notes to Basic Financial Statements (continued)

Counterparty credit risk is the maximum loss amount that would be incurred if the counterparties to the derivative instrument failed to perform according to the terms of the contract, without respect to any collateral or other security, or netting arrangement.

To get enhanced passive exposure to the Dow Jones UBS Commodity Total Return Index, the State Treasurer purchased structured notes from investment grade counterparties for the Absolute Return Pool. These notes are fully collateralized and pay cash rates on the underlying collateral, as well as, providing the enhanced index return. Similar to a swap agreement with prices changing with the underlying index fluctuations, the notes differ due to their daily put option which allows the structure to end and settle before the note's maturity. As of 9/30/2014, all of the notes have been sold.

The State Treasurer traded U. S. Treasury bond future contracts to manage duration and yield curve exposure.

To provide downside protection and enhance current income, the State Treasurer traded covered equity options on single securities for the Absolute Return and Equity Investment pools. Put options are used to protect against large negative moves in single stocks, as well as, to express interest in a security that is trading well below its intrinsic value. Call options have been used to achieve current income on single equity securities that are trading near their intrinsic value. At year end, 9/30/2014, the Absolute Return Investment pool options had expired.

Securities Lending

State statutes allow the System to participate in securities lending transactions, and the System has, by way of an Agreement, authorized Credit Suisse, the agent bank, to lend the System's securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal year, the agent bank lent, at the direction of the State Treasurer, the System's securities and received cash (United States) as collateral. The types of securities lent were equity, and fixed income, which includes government and corporate bonds and notes. Borrowers were required to deliver collateral for each loan equal to (i) in case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

The agent bank agreed to indemnify the System by purchasing replacement securities, or returning cash collateral in the event borrower failed to return the loaned security of pay distributions thereon, due to the borrower's insolvency.

Under Master Securities Lending Agreements between the System and each borrower, the System and the borrowers have the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in assets held in a collateral account dedicated to the System. As of September 30, 2014, such assets had an average weighted maturity to next reset of 3.1 years and an average weighted maturity of 11.9 years. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On September 30, 2014, the System had no credit risk exposure to borrowers. The cash received for securities on loan for the System as of September 30, 2014 was $20,358,946. The fair value of assets held in the dedicated collateral account at the custodian for the System as of September 30, 2014 was $19,672,912. The carrying amount, which is the fair value, of securities on loan for the System as of September 30, 2014 was $20,003,729.

Notes to Basic Financial Statements (continued)

Risk

In accordance with GASB Statement No. 40, investments require certain disclosures regarding policies and practices and the risks associated with them. Credit risk, (including custodial credit risk and concentration of credit risk), interest rate risk, and foreign currency risk are discussed in the following paragraphs. Amounts represent the pro rata share of the underlying investments as required by GASB Statement No. 40. These investments are held in internal investment pools and reported as such in the financial statements.

Credit Risk- Credit risk is the risk that an issuer will not fulfill its obligations.

- Short-Term Fixed Income Investments- Prime commercial paper investments must be rated A-1 or P-1 at the time of purchase as rated by two national rating services as specified in Public Act 314. Borrowers must have at least $400.0 million in commercial paper outstanding, and the State Treasurer may not invest in more than 10% of the borrower's outstanding debt. The investments are further limited to $200.0 million in any borrower, unless the borrower has an A-1+ rating in which case the investment is not to exceed $300.0 million.

- Long-Term Fixed Income Investments- Investment grade and noninvestment grade securities may be acquired in compliance with the parameters set forth in Public Act 314 of 1965, as amended, and the State Treasurer's Investment Policy Statement for the System. Public Act 314 defines investment grade as investments in the top four major grades, rated by two national rating services, as specified in Public Act 314. At September 30, 2014, the System was in compliance with the Public Act 314 and the Investment Policy Statement in all material aspects.

Notes to Basic Financial Statements (continued)

Rated Debt Investments
(in thousands)
As of September 30, 2014

Investment Type	Fair Value	S&P	Fair Value	Moody's
Short Term	$ 16,521	A-1	$ 16,521	P-1
Government Securities				
US Agencies - Sponsored	-	AAA	1,594	Aaa
	1,594	AA	-	Aa
Corporate Bonds & Notes				
	318	AAA	583	Aaa
	3,141	AA	2,566	Aa
	10,044	A	8,374	A
	10,466	BBB	12,086	Baa
	2,504	BB	2,754	Ba
	3,100	B	3,326	B
	546	CCC	560	Caa
	14	CC	217	Ca
	-	C	-	C
	153	D	-	D
	1,823	NR	1,643	NR
International [1]				
	705	AA	1,028	Aa
	1,780	A	1,229	A
	789	BBB	1,239	Baa
	419	NR	197	NR
Securities Lending Collateral				
Short Term	729	A-1	729	P-1
	1,957	AAA	2,770	Aaa
	1,785	AA	1,222	Aa
	250	A	-	A
	-	BBB	75	Baa
	75	BB	14,147	Ba
	729	CCC	654	Caa
	-	CC	75	Ca
	14,147	NR	-	NR
Total	$ 73,589		$ 73,589	

NR - not rated

[1] International Investment types consist of domestic floating rate note used as part of a Swap strategy.

Notes to Basic Financial Statements (continued)

Custodial Credit Risk -Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the State 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, not registered in the name of the government, and are held by either:

- The counterparty or
- The counterparty's trust department or agent but not in the government name.

The State Treasurer does not have a policy for custodial credit risk. However, the State's custodial bank's credit rating is A+ as of September 30, 2014. As of September 30, 2014, no securities were exposed to custodial credit risk.

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.

Other than obligations issued, assumed or guaranteed by the United States, its agencies or United States government sponsored enterprises, the System is prohibited by Public Act 314 of 1965, as amended, from investing in more than 5% of the outstanding obligations of any one issuer or investing more than 5% of a System's assets in the obligations of any one issuer. When calculating the amount of outstanding obligations, the System includes publicly issued and privately held debt.

At September 30, 2014, the System was in compliance with these limitations on credit risk.

Interest Rate Risk - Fixed Income 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 State Treasurer's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2014, the fair value of the System's prime commercial paper was $16.5 million with the weighted average maturity of 25 days.

The State Treasurer does not have a policy regarding interest rate risk for long-term debt investments. However, the trust funds are invested with a long-term strategy. The goal is to balance higher returns while accepting minimum risk for the return. Analyzing the yield curve on individual securities as compared to U.S. Treasuries determines, in part, what is an acceptable risk for the return. Therefore, market conditions such as lower interest rates result in shorter duration and higher interest rates result in longer duration.

Notes to Basic Financial Statements (continued)

Debt Securities
(in thousands)
As of September 30, 2014

	Fair Value	Effective Duration in Years
Government		
U. S. Treasury	$ 6,480	4.0
U. S. Agencies - Backed	3,402	4.8
U. S. Agencies - Sponsored	1,593	5.1
Corporate	32,110	4.9
International*		
Corporate	3,693	0.2
Total	$ 47,278	

Debt securities are exclusive of securities lending collateral.

*International contains Corporate Debt Securities as a part of their derivative strategies. The interest rates reset on a quarterly basis for these securities.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

The System invests in various securities denominated in foreign currencies. Authorized global securities include equities, fixed income, mutual funds, real estate, and limited partnerships. These investments are limited to 30% of the total assets of the System with additional limits of not more than 5% of the outstanding global securities of any one issuer and no more than 5% of the System's assets in the global securities of any one issuer. In addition to these limits, the State Treasurer cannot acquire securities with companies that have active business operations in the state sponsors of terror as identified by the United States Secretary of State. At September 30, 2014, the total amount of foreign investment subject to foreign currency risk was $44.3 million, which amounted to 16.3% of total investments (exclusive of securities lending collateral) of the System.

Notes to Basic Financial Statements (continued)

Foreign Currency Risk
(in thousands)
As of September 30, 2014

Region	Country	Currency	Alt. Invest., Real Estate, and Infrastructure Fair Value in U.S. $	Equity Fair Value in U.S. $	Fixed Income Fair Value in U.S. $	International Derivatives* Fair Value in U.S. $
AMERICA						
	Argentina	Peso		$ 1		
	Brazil	Real			$ 84	
	Canada	Dollar		6		$ 6
	Mexico	Peso		41	688	
CARIBBEAN						
	Bermuda	Dollar		63		
	Cayman Islands	Dollar		55		
EUROPE						
	European Union	Euro	$ 4,027	386		(1)
	Switzerland	Franc		171		3
	Sweden	Krona		48		
	Denmark	Krone		15		
	Norway	Krone		138		1
	U.K.	Sterling	41	278		(35)
PACIFIC						
	Australia	Dollar		13		(9)
	Hong Kong	Dollar		11		5
	Japan	Yen		1		(1)
	New Zealand	Dollar				(2)
	Philippines	Peso			425	
	Singapore	Dollar		44		2
	South Korea	Won		37		(7)
MIDDLE EAST						
	Israel	Shekel		3		
VARIOUS			$ 6,589	31,233		(42)
	Total		$ 10,657	$ 32,541	$ 1,197	$ (80)

*International derivatives' market value exposure to foreign currency risk is the net amount of unrealized gains and unrealized losses. Maturity dates on these investments range from October 2014 through December 2015, with an average maturity of .5 years.

Notes to Basic Financial Statements (continued)

NOTE 6 – ACCOUNTING CHANGES

GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. This Statement was implemented in fiscal year 2014.

Implemented GASB Statement No. 67; *Financial Reporting for Pension Plans – an amendment of GASB Statement No.25*. The primary purpose of the valuation for financial reporting is to provide a consistent, standardized methodology that allows comparability of data and increased transparency of the pension liability across plans. To do so, GASB requires a different approach for determining the reported Net Pension Liability (NPL), as compared to the previously disclosed unfunded actuarial accrued liability (UAAL). The UAAL mirrored the unfunded actuarial obligation calculated by an external actuary for funding purposes and represented the excess of the actuarial accrued liability (AAL) over the actuarial value of assets (AVA). Under GASB Statement 67, the UAAL has been replaced by the NPL, which represents the excess of the total pension liability (TPL) over fiduciary net position. There are considerable differences between the two methods. Conceptually, the UAAL is the actuary's measure of the additional amount of assets needed to pay all benefits earned to date by current plan members, while the new NPL is a calculation of the actuarial present value of projected benefit payments to be provided through the pension plan to current active and inactive plan members that is attributed to those members' past periods of service in excess of the plan's fiduciary net position. The difference between the UAAL and NPL is reflected in the different methodologies used to calculate the TPL and AAL.

NOTE 7 – NEW ACCOUNTING PRONOUNCEMENTS

GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The objective of this Statement is to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This Statement is effective for participating employers for fiscal years beginning after June 15, 2014.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Under the Administrative Procedures Act, members may appeal a decision by the Board. Once the administrative procedure has been exhausted, the decision may be appealed in Michigan's court system. Various cases that have exhausted the administrative procedures have been appealed in the court system. These cases are in the normal course of business and the System does not anticipate any material loss as a result of the contingent liabilities.

Required Supplementary Information

Schedule of Funding Progress – Other Postemployment Benefit Plan

Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the OPEB Plan's funding status. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded or overfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

Other Postemployment Benefits ($ in millions)

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 (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2006		$ 6.4	$ 6.4	0 %	$ 6.1	105.3 %
2007		6.6	6.6	0	6.1	107.5
2008		6.7	6.7	0	5.9	113.0
2009		6.6	6.6	0	6.1	108.2
2010		7.4	7.4	0	5.9	124.5
2011		7.9	7.9	0	5.4	145.3
2012		8.5	8.5	0	6.2	137.5
2013		7.7	7.7	0	6.2	123.4

Required Supplementary Information (continued)

Schedule of Changes in
Net Pension Liability
For Fiscal Year Ended September 30, 2014

		2014
Total Pension Liability		
Service Cost	$	2,746,531
Interest		19,569,102
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		3,245,892
Benefit payments, including refunds of member contributions		(22,536,376)
Net Change in Total Pension Liability		3,025,149
Total Pension Liability - Beginning		254,508,694
Total Pension Liability - Ending		257,533,843
Plan Fiduciary Net Position		
Contributions - Employer	$	3,163,800
Contributions - Member		1,025,074
Net investment income		37,165,561
Benefit Payments, including refunds of member contributions		(22,536,376)
Admistriative and other expense		(288,390)
Net Change in Plan Fiduciary Net Position		18,529,669
Plan Fiduciary Net Position - Beginning		252,766,214
Plan Fiduciary Net Position - Ending		271,295,883
Net Pension Liability (assets) - Ending	$	(13,762,040)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		105.34%
Covered Employee Payroll	$	18,802,548
Net Pension Liability as a Percentage of Covered Employee Payroll		(73.19) %

Required Supplementary Information (continued)

Schedule of Net Pension Liability

Fiscal Year Ended Sept. 30	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension as a % of Covered Payroll
2014	$ 257,533,843	$ 271,295,883	$ (13,762,040)	105.34%	$ 18,802,548	(73.19) %

Schedules of Contributions

Pension Benefits

Fiscal Year Ended Sept. 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2005 [1]	(441,948)	$ 34,765	$ (476,713)	$ 34,935,846	0.1 %
2006	607,883	653,587	(45,704)	33,066,573	2.0
2007	186,180	231,235	(45,055)	29,716,615	0.8
2008		44,406	(44,406)	29,475,726	0.2
2009		43,108	(43,108)	27,027,185	0.2
2010		43,181	(43,181)	25,504,058	0.2
2011		43,185	(43,185)	23,565,252	0.2
2012	1,068,484	1,111,026	(42,542)	22,922,327	4.8
2013	2,751,359	2,793,257	(41,898)	18,939,497	14.7
2014	3,122,545	3,163,800	(41,255)	18,802,548	16.8

[1] Revised actuarial assumptions.

Required Supplementary Information (continued)

Other Postemployment Benefits

Fiscal Year Ended Sept. 30	Annual Required Contribution (ARC)	Actual Employer Contribution	Other Governmental Contribution	Percentage Contributed
2007	$ 473,742	$ 115,000		24.3 %
2008	481,673	115,000		23.9
2009	514,850	335,000		65.1
2010	490,129	712,000		145.3
2011	605,112	310,000	$ 1,617	51.5
2012	596,965	100,000		16.8
2013	699,075		54,834	7.8
2014	659,488		68,819	10.4

Schedule of Investment Returns

Last Fiscal Year

FY Ending Sept 30,	Annual Return[1]
2014	9.14%

[1] *Annual money-weighted rate of return, net of investment and administrative expenses*

Note to Required Supplementary Information

NOTE A - DESCRIPTION

Ten year historical trend information designed to provide information about the System's progress made 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 reader to assess the progress made by the System in accumulating sufficient assets to pay pension and other postemployment benefits as they become due. Because this is the eithth year the System is reporting other postemployment benefits in accordance with GASB Statement No. 43, only eight years of historical trend information is provided.

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 and other postemployment benefit obligations as a factor.

The Schedule of Funding Progress and Schedules of Contributions are reported as historical trend information. The Schedules of Funding Progress are presented to measure the progress being made to accumulate sufficient assets to pay benefits when due.

The Schedule of Changes in Net Pension Liability, Schedule of Net Pension Liability, Schedule of Contributions, and Schedule of Investment returns are schedules that are required in implementing GASB Statement 67. The two schedules of the Net Pension Liability represents in actuarial terms, the accrued liability less the market value of assets. The Schedule of Contributions is a comparison of the employer's contributions to the actuarially determined contributions. The Schedule of Investment Returns represents a money-weighted rate of return that expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

The information presented in the Schedule of Contributions was used in the actuarial valuation for purposes of determining actuarially determined contribution rate. Additional information as of the latest actuarial valuation for the Pension Plan follows.

Valuation:

Actuarially determined contribution amounts as of September 30 each year, which is one year and one day prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contributions for Fiscal Year 2014:

Actuarial Cost Method	Entry Age, Normal (Term Cost for death and disability)
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.5%
Salary Increases	3.5% Wage Inflation
Investment Rate of Return	8% net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility conditions.
Mortality	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA (95% of male rates and 107% of female rates).

Supporting Schedules

Summary Schedule of
Pension Plan Administrative and Other Expenses
For Fiscal Year Ended September 30, 2014

		2014
Personnel Services:		
Staff Salaries	$	168,989
Retirement and Social Security		6,693
Other Fringe Benefits		2,312
Total		177,994
Professional Services:		
Accounting		2,162
Actuarial		29,784
Attorney General		9,468
Audit		41,655
Consulting		-
Total		83,069
Building Equipment:		
Building Rentals		1,309
Equipment Purchase, Maintenance, and Rentals		52
Total		1,361
Miscellaneous:		
Travel and Board Meetings		53
Office Supplies		59
Postage, Telephone and Other		7,960
Printing		708
Technological Support		17,187
Total		25,967
Total Administrative and Other Expenses	$	288,391

Summary Schedule of
OPEB Plan Administrative and Other Expenses
For Fiscal Year Ended September 30, 2014

		2014
Health Fees	$	26,844
Dental Fees		3,660
Vision Fees		529
Staff Salaries		28,052
Total Administrative and Other Expenses	$	59,085

Supporting Schedules (continued)

Schedule of Investment Expenses
For Fiscal Year Ended September 30, 2014

		2014
Real Estate Operating Expenses	$	12,312
Securities Lending Expenses		305,266
Other Investment Expenses[1]		
ORS-Investment Expenses[2]		77,204
Custody Fees		4,927
Management Fees		691,198
Research Fees		14,242
Total Investment Expenses	$	1,105,149

[1]Refer to Investment Section for fees paid to investment professionals.
[2]Does not exclude Treasury Civil Service fees recorded as a pass-through in the Schedule of Investment Fees - State Treasurer.
As of September 30 2014, fees totaled $1,004.

Schedule of Payments for Professional Services
For Fiscal Year Ended September 30, 2014

		2014
Accounting	$	2,162
Actuary		29,784
Attorney General		9,468
Independent Auditors		41,655
Total Payment for Professional Services	$	83,069

Supporting Schedules (continued)

Detail of Changes in Plan Fiduciary Net Position (Pension and Other Postemployment Benefits)

For the Fiscal Year Ended September 30, 2014, (in thousands)

	Employee Contributions	Employer Contributions	Retired Benefit Payments	Undistributed Investment Income	OPEB	Total
Additions:						
Member contributions	$ 1,025				$ 447	$ 1,472
Other governmental contributions					69	69
Investment income (loss):						
Net increase (decrease) of fair value of investments				$ 32,290	101	32,391
Interest, dividends, and other				5,497	17	5,514
Investment expenses:						
Real estate operating expenses				(12)		(12)
Other investment expenses				(785)	(2)	(787)
Securities lending activities:						
Securities lending income				463	1	464
Securities lending expenses				(304)	(1)	(305)
Net investment income (loss)				37,148	116	37,264
Court fees		$ 3,123	$ 41			3,164
Miscellaneous income			18	-	1	20
Total additions	1,025	3,123	59	37,148	633	41,988
Deductions:						
Benefits paid to plan members and beneficiaries:						
Retirement benefits			22,536			22,536
Health benefits					410	410
Dental/vision benefits					120	120
Refund of contributions						-
Administrative and other expenses				288	59	348
Total deductions			22,536	288	589	23,414
Net Increase (Decrease) Before Other Changes	1,025	3,123	(22,477)	36,859	44	18,574
Other Changes in Net Position:						
Interest allocation	3,747		20,863	(24,611)		
Transfers upon retirement	(3,069)		3,069			
Transfers of employer shares		(5,451)	5,451			
Total other changes in net position	678	(5,451)	29,383	(24,611)		
Net Increase (Decrease) in Net Position	1,703	(2,328)	6,906	12,248	44	18,574
Net Position Restricted for Pension Benefits and OPEB:						
Beginning of Year	49,745 *	(28,545)	172,422	59,144 *	779	253,545
End of Year	$ 51,448	$ (30,873)	$ 179,328	$ 71,392	$ 823	$ 272,119

*Reinstatement due to FY11 interest, in the amount of $3,787 thousand , not reported in correct column.

INVESTMENT SECTION

Prepared by Michigan Department of Treasury, Bureau of Investments

Jon M. Braeutigam, Chief Investment Officer

INVESTMENT SECTION

Report on Investment Activity

INTRODUCTION

The State Treasurer reports investment activity quarterly to the Investment Advisory Committee (Committee), which reviews the investments, goals, and objectives of the retirement funds and may submit recommendations regarding them to the State Treasurer. The Investment Advisory Committee may also, by a majority vote, direct the State Treasurer to dispose of any holdings that, in the Committee's judgment, are not suitable for the funds involved, and may, by unanimous vote, direct the State Treasurer to make specific investments.

The Investment Advisory Committee was created by Act 380 of the Public Acts of 1965. The three public members of the five-member committee are appointed by the Governor with the advice and consent of the Senate for three-year terms. The Director of the Department of Licensing and Regulatory Affairs and the Director of the Department of Technology, Management and Budget are ex-officio members. As of September 30, 2014, members of the Committee were as follows: Naif A. Khouri (public member), James B. Nicholson (public member), L. Erik Lundberg, CFA (public member), Mike Zimmer (ex-officio member), and David Behen (ex-officio member). The public members serve without pay, but may be paid actual and necessary travel and other expenses.

INVESTMENT POLICY & GOALS

Investment policy states that the fiduciary will operate within standard investment practices of the prudent person and in accordance with Public Employee Retirement System Investment Act 314 of 1965. The fiduciary is authorized to invest in government obligations, corporate obligations, various short-term obligations, corporate (domestic and international) stocks, private equity interests, mutual funds, real estate interests, and other investments subject to specific parameters. Above all, trust fund assets are to be invested for the exclusive benefit of the members of the System, in a fiduciary capacity.

The System's Proxy Voting Policy sets forth directives on various issues including: Boards of Directors, corporate governance, social issues, corporate restructurings and defenses. All proxies are reviewed and voted in accordance with the System's policy.

The primary function of the System is to provide retirement, survivor and disability benefits along with health and other postemployment benefits to its members. The State Treasurer is the sole investment fiduciary and custodian of the System's investments pursuant to State law. The goals of the System are:

1. Maintain sufficient liquidity to pay benefits.
2. Meet or exceed the actuarial assumption over the long term.
3. Perform in the top half of the public plan universe over the long term.
4. Diversify assets to preserve capital and avoid large losses.
5. Exceed individual asset class benchmarks over the long term.

Report on Investment Activity (Continued)

The strategy for achieving these goals is carried out by investing the assets of the System according to a five year asset allocation model. The System currently invests in seven different asset classes, which provides for a well-diversified portfolio.

Asset Allocation
(Excludes Collateral on Loaned Securities)

Investment Category	As of 9/30/14 Actual %	Five Year Target %
Domestic Equity Pools	27.5 %	29.0 %
International Equity Pools	14.0	15.0
Alternative Investment Pools	15.0	14.0
Real Estate and Infrastructure Pools	10.1	10.0
Fixed Income Pools	15.5	19.0
Absolute Return Pools	10.6	9.0
Short Term Investment Pools	7.3	4.0
TOTAL	**100.0** %	**100.0** %

INVESTMENT AUTHORITY

Pursuant to State Law (Section 91 of Act No. 380 of the Public Acts of 1965, as amended, and Section 12c of Act No. 314 of 1965, as amended), the State Treasurer, State of Michigan, is the investment fiduciary for the following four State sponsored retirement systems: Michigan Public School Employees' Retirement System, Michigan State Employees' Retirement System, Michigan State Police Retirement System, and Michigan Judges' Retirement System.

Act No. 314 of the Public Acts of 1965, as amended, authorizes the investment of assets of public employee retirement systems or plans created and established by the State or any political subdivision.

INVESTMENT RESULTS

Total Portfolio Results

For the fiscal year ended September 30, 2014, the total System's rate of return was 14.9% for the Pension Plan and 14.4% for the OPEB Plan as compiled by State Street Investment Analytics. Annualized rates of return for the Pension Plan for the three, five, and ten year periods ending September 30, 2014 were: 13.6%, 10.7%, and 7.4% respectively.

In a repeat of the prior year, in fiscal year 2014 the U.S. stock market made another new all-time high, the U.S. economy continued to add jobs, interest rates remained historically low, and inflation was under control.

At its December 2013 meeting, the Federal Reserve Board decided to begin to reduce, or taper, the size of the Quantitative Easing (QE) policy from $85 billion per month to $75 billion. By September 2014, the Fed's monthly asset purchase was down to $15 billion per month, and it is widely expected to end the program by October 2014.

Report on Investment Activity (Continued)

In various statements, the Fed has tied stimulus programs such as QE to the rate of inflation and the health of the U.S. jobs market. Over the past 12 months, the rate of inflation has averaged just less than 1.6%. In May 2014, after more than 6 years, the jobs market finally recovered the number of jobs lost during the recession. By September of 2014, the unemployment rate fell below 6% for the first time since 2008, hitting 5.9%.

The past year did not pass without its share of notable events each having the potential strong enough to seriously destabilize global economies. First, a regional conflict between Russia and Ukraine was ignited in February 2014 as Russia began its quest to control and eventually annex Crimea. In response, a number of countries, including the United States, issued economic sanctions against Russia. As a consequence to the sanctions, Russian gas exports to Europe and Ukraine may become disrupted. Thirty percent of Europe's gas is imported from Russia, half of which flows through Ukrainian pipelines.

A second threat is due to the growing power of a terrorist organization called Islamic State of Iraq and the Levant, also known as ISIS. ISIS claims religious authority over all Muslims worldwide, and it wants to bring Muslim-inhabited regions of the world under its political control, beginning with the region of the Levant which approximately covers Syria, Jordan, Israel/Palestine, Lebanon, Cyprus, and part of southern Turkey.

A third threat is the spread of a deadly virus called Ebola from West Africa. The virus was first identified in the 1970's, but until recently it was contained to mostly remote locations in Africa. However, the number of infections due to the 2014 outbreak has surpassed all cases prior to this year in total. The virus has recently spread to Europe and the United States. With a fatality rate of approximately 70%, should the virus continue to spread to additional, more populous countries, Ebola has the potential to become a devastating global pandemic.

Domestic Equity Pools

The objective for investments made in domestic equities is to meet or exceed the total return of the S&P 1500 Super Composite for one, three, and five-year periods and a market cycle.

For active management strategies, the objective is to earn returns that exceed the most relevant S&P Index (or the most relevant Russell Index), adjusting for market capitalization and style, for one, three, and five-year periods and a market cycle. Rank above median in a universe of managers possessing a similar market cap and style characteristics.

For index, or passive return strategies, the objective is to return within 20 basis points of the S&P 500 Index, 50 basis points for the S&P 400 mid-cap, and 60 basis points for the S&P 600 small-cap over one, three, and five-year periods and a market cycle.

The pools are invested primarily in equities or equity-related securities of U.S. companies through internal and externally managed strategies. The goal is to build a portfolio of strategies that will provide excess returns relative to the S&P 1500 while providing minimal tracking error to the index. At times a portion of the pools may be invested in exchange traded funds (ETFs) and fixed-income short-term securities with maturities of less than one year.

The pools invest in equities and equity related securities that are listed on U.S. national securities exchanges, including American Depository Receipts (ADRs). It may also invest in stocks that are traded over-the-counter. The pools diversify their investments by allocating their equity strategies with consideration of the capitalization weightings of the S&P 1500 Index.

Report on Investment Activity (Continued)

The following summarizes the weightings of the pools as of September 30, 2014:

Active	53.4 %
Passive	46.6
Total	**100.0 %**

Large Cap	67.5 %
Multi Cap	20.2
Mid Cap	10.5
Small Cap	1.8
Total	**100.0 %**

The System’s Domestic Equity pools total rate of return was 20.2% for the Pension Plan and 20.0% for the OPEB Plan for fiscal year 2014. This compared with 18.6% for the S&P 1500 Index.

At the close of fiscal year 2014, the Domestic Equity pools represented 27.5% of total investments. The following summarizes the System's 0.4% ownership share of the Domestic Equity pools at September 30, 2014:

Domestic Equity Pools
(in thousands)

Short Term Pooled Investments	$	554
Equities		74,145
Market Value of Equity Contracts		147
Long Term Obligations		19
Settlement Principal Payable		(183)
Settlement Proceeds Receivable		190
Accrued Dividends		71
Total	**$**	**74,943**

International Equity Pools

The objective for investments made in International Equity pools is to meet or exceed the total return of the MSCI ACWI Ex-US Net for one, three, and five-year periods and a market cycle.

For active management strategies, the objective is to earn returns that exceed the most relevant S&P Index (or the most relevant Russell Index), adjusting for market capitalization, style and geography for one, three, and five-year periods and a market cycle. Rank above median in a universe of managers possessing a similar market capitalization, style and geography characteristics.

Report on Investment Activity (Continued)

For index, or passive return strategies, the objective is to return within 250 basis points of the S&P/Citigroup BMI-EPAC Index with 25% of the currency hedged for one, three, and five-year periods and a market cycle. Return within 400 basis points of the MSCI Emerging Markets Index, for one, three, and five-year periods and a market cycle.

Active exposure is invested primarily in equities or equity-related securities of non-U.S. companies through externally managed strategies.

Passive exposure to international equity returns is achieved primarily by investing in a combination of fixed income LIBOR notes, short-term fixed income investments, and equity swap agreements on foreign stock indices in developed markets. Interest on the dedicated notes and short-term fixed income investments is exchanged for international stock returns, and the total notional amount of the swap agreements is invested in the approximate proportions of the S&P Broad Market Index (BMI) Europe and Pacific Composite (EPAC) country weightings in related indices. Use of swap agreements for a core position began in 1993, an American Depository Receipts (ADR) and index-related security portfolio was added in June of 1999 to increase portfolio management flexibility, and a multiple country fund portfolio with smaller capitalization stocks was added in September of 2002 to improve exposure to the smallest companies in the BMI index. Use of futures as an investment to hedge cash flows and balances began in December of 2008, and this use is expected to continue in the future. The combined Swap agreements, notes and short-term investments together continue to perform like a stock index fund that realizes all gains and losses on a rolling three year basis.

The pools diversify their investments by allocating their equity strategies with consideration of the economic development status weightings of the S&P/Citigroup BMI -World ex-US Index.

The following summarizes the weightings of the pools as of September 30, 2014:

Active	46.9 %
Passive	53.1
Total	**100.0 %**

Developed	80.0 %
Emerging	20.0
Total	**100.0 %**

The System's International Equity pools total rate of return was 5.9% for fiscal year 2014. This compared with 5.1% for the MSCI ACWI Ex US Net.

Report on Investment Activity (Continued)

At the close of fiscal year 2014, the International Equity pools represented 14.0% of total investments. The following summarizes the System's 0.5% ownership share of the International Equity Pools at September 30, 2014:

International Equity Pools
(in thousands)

Short Term Pooled Investments	$	1,425
Equities		32,982
Fixed Income Securities		3,693
Market Value of Equity Contracts		87
Accrued Dividends and Interest		8
Total	**$**	**38,195**

Alternative Investment Pools

The Alternative Investment pools objective is to meet or exceed the benchmark for all private equity investments over long time periods. The benchmark is a blend of the S&P 500 Index plus 300 basis points and the 10 Year Yield plus 300 basis points using ending weights of equity and fixed income holdings within the portfolio.

Alternative Investments are investments in the private equity market, primarily through limited partnerships. The following summarizes the weightings of the pools as of September 30, 2014:

Buyout Funds	57.4	%
Special Situation Funds	22.2	
Venture Capital Funds	11.3	
Fund of Funds	4.6	
Liquidation Portfolio	2.8	
Mezzanine Funds	1.7	
Total	**100.0**	**%**

The Alternative Investment pools had a return of 25.3% for the fiscal year ended September 30, 2014, versus the benchmark of 27.8%.

At the close of fiscal year 2014, the Alternative Investment pools represented 15.0% of total investments. The following summarizes the System's 0.6% ownership share of the Alternative Investment pools at September 30, 2014:

Report on Investment Activity (Continued)

Alternative Investment Pools
(in thousands)

Short Term Pooled Investments	$	660
Equities		40,305
Total	**$**	**40,965**

Real Estate and Infrastructure Pools

The objective of the Real Estate and Infrastructure pools is to provide diversification and favorable risk adjusted returns primarily through income and appreciation of investments. Investments are typically held through investment entities, such as limited partnerships or limited liability companies, established for the specific purpose of owning, leasing, managing, financing, or developing real estate and infrastructure related investments.

The Real Estate and Infrastructure pools diversify its holdings by:

- Geography - The pools are invested globally and are diversified geographically so that it is not concentrated in a limited number of markets or geographic areas.
- Size and Value - The pools diversify its holdings by size so that it is not concentrated in a limited number of large investments.
- Investment Type – The pools are diversified by investment type as summarized below.

Multi-family apartments	29.3 %
Hotel	16.7
Commercial office buildings	15.5
Infrastructure	9.4
Industrial warehouse buildings	7.5
Retail shopping centers	6.8
For Rent Homes	6.7
For Sale Homes	4.4
Land	2.6
Short Term Investments	1.1
Total	**100.0 %**

The Real Estate and Infrastructure pools generated a return of 19.8% for fiscal year 2014. The two benchmark returns from the National Council of Real Estate Investment Fiduciaries: the National Property Blended Index (less 130 basis points) was 9.8% and the Open-End Diversified Core Equity Index was 11.4%.

At the close of fiscal year 2014, the Real Estate and Infrastructure pools represented 10.1% of total investments. The following summarizes the System's 0.5% ownership share of the Real Estate and Infrastructure pools at September 30, 2014:

Report on Investment Activity (Continued)

Real Estate and Infrastructure Pools
(in thousands)

Short Term Pooled Investments	$	311
Real Estate Equities		24,657
Infrastructure Equities		2,512
Total	**$**	**27,480**

Fixed Income Pools

The objective for investments made in the fixed income pools is to meet or exceed the Barclays Aggregate Bond Index over one, three, and five-year periods and market cycles. Rank above median in a nationally recognized universe of managers possessing a similar style.

For fixed income sub-strategies, the objective return is to meet or exceed the most relevant Barclays benchmark index.

The pools are invested primarily in fixed income securities of U.S. companies through internal and externally managed strategies. The goal is to build a portfolio of strategies that will provide excess returns relative to the blended benchmark while providing minimal tracking error to the index. At times a portion of the pools may be invested in exchange traded funds (ETFs) and fixed-income short-term securities with maturities of less than one year.

The pools invest in fixed income and related securities in a diversified portfolio of investment grade corporate issues, treasuries, agencies, government sponsored enterprises and government guaranteed mortgages. The pools diversify its investments by allocating its strategies with consideration of credit risk.

The System's Fixed Income pools total rate of return was 4.4% for fiscal year 2014. This compared with 4.0% for the Barclays Aggregate Bond Index.

At the close of fiscal year 2014, the Fixed Income pools represented 15.5% of total investments. The following summarizes the System's 0.5% ownership share of the Fixed Income pools at September 30, 2014:

Fixed Income Pools
(in thousands)

Short Term Pooled Investments	$	663
Fixed Income Securities		41,258
Settlement Proceeds Receivable		34
Accrued interest		262
Total	**$**	**42,217**

Report on Investment Activity (Continued)

Absolute Return Pools

The Absolute Return pools consist of Absolute Return Strategies pool and the Real Return and Opportunistic Investment pools.

The primary investment objective of the Absolute Return Strategies Pool is to generate a rate of return that meets or exceeds T-bills by 400 basis points net of fees over the one, three, and five-year periods and a market cycle. Also, exceed the appropriate HFN Fund of Funds median net of fees over one, three, and five-year periods and a market cycle.

The Absolute Return Strategies pool rate of return for the fiscal year was 9.2% versus the benchmark's 6.5%.

The primary investment objective of the Real Return and Opportunistic Pools is to generate a rate of return that meets or exceeds the increase in the CPI by at least five percent (5%) annually net of fees over one, three, and five-year periods and a market cycle. If a peer universe is available, rank above median in a nationally recognized universe of managers possessing a similar style.

For sub-strategies targeting a commodities index, the objective is to generate a rate of return that meets or exceeds the Dow Jones-AIG Total Return Commodities Index over one, three, and five year periods and a market cycle. Rank above median in a nationally recognized universe of managers possessing a similar style.

The Real Return and Opportunistic Investments pools rate of return for the fiscal year was 24.5% versus the benchmark's 7.4%.

At the close of fiscal year 2014, the Absolute Return pools represented 10.6% of total investments. The following summarizes the System's 0.4% ownership share of the Absolute Return pools at September 30, 2014:

Absolute Return Pools
(in thousands)

Short Term Pooled investments	$	245
Equities		27,938
Long Term Obligations		662
Accrued Interest and Dividends		18
Total	**$**	**28,863**

Report on Investment Activity (Continued)

Short Term Investment Pools

The objective of the Short Term Investment pools is to closely match the return performance of its benchmark, the 30 day Treasury bill. The Short Term Investment pools return for the fiscal year was 0.2% for the Pension Plan and 0.1% for the OPEB Plan versus the benchmark's 0.0%.

Potential areas of investment are:

- Obligations of the United States or its agencies.
- Banker's acceptances, commercial accounts, certificates of deposit or depository receipts.
- Repurchase agreements for the purchase of securities issued by the US government or its agencies.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two national rating services as determined by the State Treasurer.
- Short duration investment grade corporate issues.

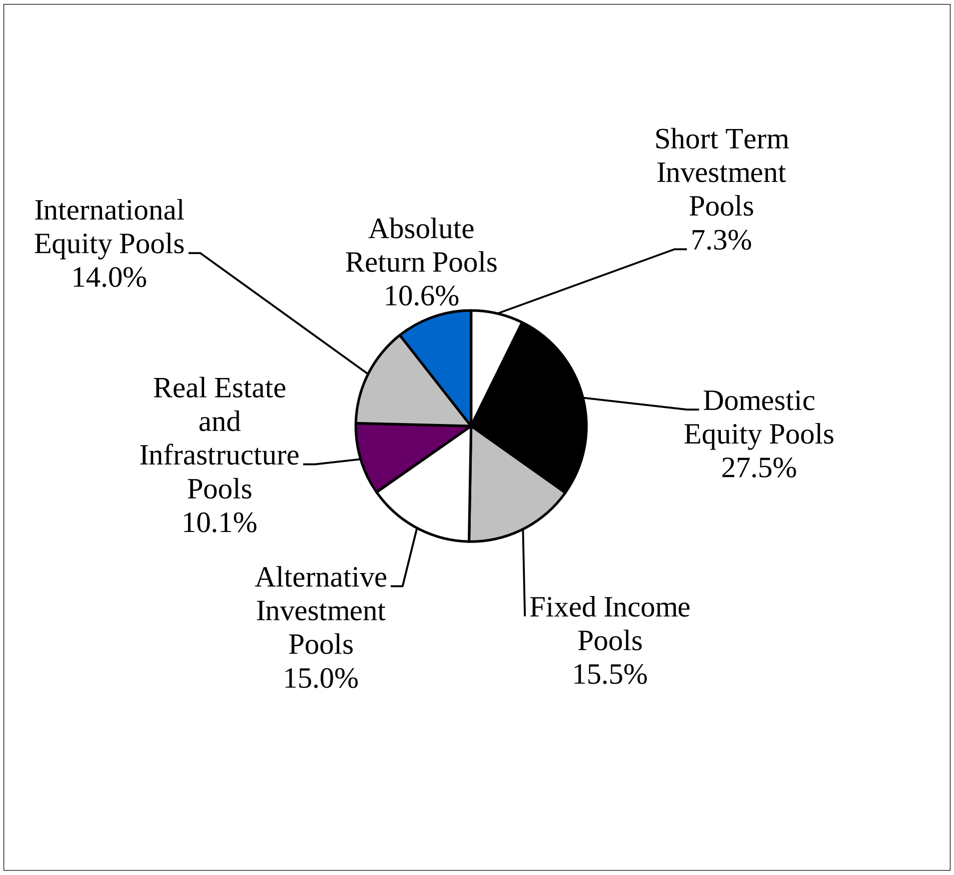
At the close of fiscal year 2014, the Short Term Investment pools represented 7.3% of total investments. The following summarizes the System's 0.5% ownership share of the Short Term Investment pools at September 30, 2014:

Short Term Investment Pools
(in thousands)

Short Term Pooled Investments	$	15,587
Fixed Income Securities		4,426
Accrued Interest		3
Total	**$**	**20,016**

INVESTMENT SECTION

Asset Allocation – Security Type Only



Pension Plan Investment Results for the Period Ending September 30, 2014

Investment Category	Current Year	Annualized Rate of Return[1] 3 Years	5 Years	10 Years
Total Portfolio	14.9 %	13.6 %	10.7 %	7.4 %
Domestic Equity Pools	20.2	23.7	15.6	8.4
S&P 1500 Index	18.6	23.0	15.8	8.3
International Equity Pools	5.9	13.0	6.8	6.2
International Blended Benchmark [2]	5.1	12.3	5.8	5.8
Alternative Investment Pools	25.3	14.4	18.4	14.4
Alternative Blended Benchmark [3]	27.8	19.7	20.9	12.3
Real Estate and Infrastructure Pools	19.8	12.0	6.6	6.3
NCREIF Property Blended Index [4]	9.8	9.7	9.6	7.2
Fixed Income Pools	4.4	3.4	4.9	5.4
Barclays Aggregate Bond	4.0	2.4	4.1	4.6
Absolute Return Pools				
Total Absolute Return	9.2	8.1	7.0	
HFRI Fund of Fund Cons 1 month lag	6.5	4.2	3.7	
Total Real Return and Opportunistic	24.5	12.2		
Real Return and Opportunistic Benchmark [5]	7.4	7.3		
Short Term Investment Pools	0.2	0.3	0.4	1.4
30 Day Treasury Bill	0.0	0.0	0.1	1.4

1 Calculations used a time-weighted rate of return based on the market rate of return in accordance with industry standards. Excludes income and investment gains and losses from securities lending.

2 As of 7/1/14 index is MSCI ACWI Ex-US Net. History 10/1/10 to 6/30/14 is MSCI ACWI Ex US Gross. History 1/1/10 to 9/30/10 is S&P Developed BMI-EPAC Net 75/25. History prior to 1/1/10 is S&P Developed BMI-EPAC Net 50/50.

3 As of 1/1/07, index is blend of S&P 500 plus 300 bps and 10 year yield plus 300 bps based on ending weights. History prior to 1/1/07 is S&P500 plus 300 bps.

4 As of 10/1/05, index is NCREIF less 130 bp. History prior to 10/1/05 reflects NCREIF less 75 bp.

5 Benchmark is 50% (CPI + 5%) and 50% (actuarial rate 8%).

OPEB Investment Results for the Period Ending September 30, 2014

Investment Category	Annualized Rate of Return[1] Current Year	3 Years
Total Portfolio	14.4 %	13.2 %
Domestic Equity Pools	20.0	23.6
S&P 1500 Index	18.6	23.0
International Equity Pools	5.9	13.0
International Blended Benchmark [2]	5.1	12.3
Alternative Investment Pools	25.3	14.4
Alternative Blended Benchmark [3]	27.8	19.7
Real Estate and Infrastructure Pools	19.8	12.1
NCREIF Property Blended Index [4]	9.8	9.7
Fixed Income Pools	4.4	3.4
Barclays Aggregate Bond	4.0	2.4
Absolute Return Pools		
Total Absolute Return	9.2	8.1
HFRI Fund of Fund Cons 1 month lag	6.5	4.2
Total Real Return and Opportunistic	24.5	12.2
Real Return and Opportunistic Benchmark [5]	7.4	7.3
Short Term Investment Pools	0.1	0.2
30 Day Treasury Bill	0.0	0.0

1 Calculations used a time-weighted rate of return based on the market rate of return in accordance with industry standards. Excludes income and investment gains and losses from securities lending.

2 As of 7/1/14 index is MSCI ACWI Ex-US Net. History 10/1/10 to 6/30/14 is MSCI ACWI Ex US Gross. History 1/1/10 to 9/30/10 is S&P Developed BMI-EPAC Net 75/25. History prior to 1/1/10 is S&P Developed BMI-EPAC Net 50/50.

3 As of 1/1/07, index is blend of S&P 500 plus 300 bps and 10 year yield plus 300 bps based on ending weights. History prior to 1/1/07 is S&P500 plus 300 bps.

4 As of 10/1/05, index is NCREIF less 130 bp. History prior to 10/1/05 reflects NCREIF less 75 bp.

5 Benchmark is 50% (CPI + 5%) and 50% (actuarial rate 8%).

Largest Assets Held[1]

Largest Stock Holdings (By Market Value)
September 30, 2014

Rank	Shares	Stocks	Market Value
1	25,176	Apple Inc.	$ 2,536,470
2	25,257	Wal-Mart Stores Inc.	1,931,389
3	9,836	Goldman Sachs Group Inc.	1,805,647
4	34,455	Wells Fargo & Co	1,787,180
5	40,497	US Bancorp	1,694,001
6	14,250	Johnson & Johnson	1,518,960
7	72,970	Bank of America Corp	1,244,135
8	23,356	Microsoft Corp	1,082,795
9	5,332	Intl Business Machines Corp	1,012,220
10	9,501	Gilead Sciences Inc.	1,011,389

Largest Bond Holdings (By Market Value)[2]
September 30, 2014

Rank	Par Amount	Description	Market Value
1	$ 1,253,000	US Treasury N/B 1.625% Due 07-31-2019	$ 1,245,169
2	963,846	US Treasury N/B 2.750% Due 11-15-2023	987,942
3	642,564	US Treasury N/B 2.750% Due 02-15-2024	657,675
4	642,564	US Treasury N/B 1.625% Due 06-30-2019	639,151
5	402,235	Barclays Bank PLC .9416% FRN Due 01-22-2019	401,897
6	364,173	General Electric Cap Corp .4036% FRN Due 02-15-2017	364,087
7	321,282	Target Corp 5.375% Due 05-01-2017	355,047
8	289,154	Wachovia Corp .5041% FRN Due 06-15-2017	289,335
9	247,958	Cal Dive I-Title XI Inc. 4.93% Due 02-01-2027	273,140
10	243,532	Alcoa Inc. 5.72% Due 02-23-2019	264,125

1 A complete list of holdings is available from the Michigan Department of Treasury.

2 Largest Bond Holdings are exclusive of securities lending collateral.

The System's investments are commingled in various pooled accounts. Amounts, par value and number of shares represents the System's pro-rata share based on its ownership of the investment pools.

Schedule of Investment Fees

The State Treasurer is the investment fiduciary and custodian of the System's funds pursuant to State law. Outside advisors are utilized to augment the State Treasurer's internal staff. 57.31% of the total investment portfolio is managed by fully discretionary outside advisors. The Michigan Department of Treasury's cost of operations applicable to the retirement system for the fiscal year end amounted to $ 79 thousand or six and eight tenths basis points (0.068%) of the market value of the Assets under Management by the State Treasurer.

Act 380 of the Public Acts of 1965 created an Investment Advisory Committee (Committee) comprised of the directors of the Department of Licensing and Regulatory Affairs and the Department of Technology, Management & Budget, or their duly authorized representatives, and three public members appointed by the Governor with the advice and consent of the Senate. The public members serve without pay, but may be paid actual and necessary travel and other expenses. The Committee meets quarterly to review investments, goals and objectives and may submit recommendations to the State Treasurer. The Committee may also, by a majority vote, direct the State Treasurer to dispose of any holding, which in the Committee's judgment, is not suitable for the fund involved, and may by unanimous vote direct the State Treasurer to make specific investments.

Schedule of Investment Fees

Investment Managers' Fees:

	Assets under Management (in thousands)	Fees (in thousands)	Basis Points*
State Treasurer	$ 116,395	$ 79	6.8
Outside Advisors for			
Fixed Income	11,823	25	21.1
Absolute Return	27,237	90	33.0
International Equity	31,386	56	17.8
Domestic Equity	17,394	70	40.2
Alternative	40,965	300	73.2
Real Estate and Infrastructure	27,480	151	54.9
Total	$ 272,680	$ 771	

Other Investment Services Fees:

Assets in Custody	$ 267,639	$ 19	
Securities on Loan	20,004	44	

* Alternative Investment partnership agreements that define the management fees, the asset management fees range from 75 basis points on remaining assets under management to 250 basis points of the committed capital. For Real Estate/Infrastructure, the asset management fees range from 40 to 200 basis points. For Absolute Return, the asset management fees range from 0 to 200 basis point. These fees, in most cases, are netted against income.

Schedule of Investment Commissions

	Fiscal Year Ended September 30, 2014						
	Actual Commissions Paid [1]	Actual Number of Shares Traded [1]	Average Commission Per Share	Estimated Trade Costs Per Share	Estimated Research Costs Per Share	Estimated Trade Costs	Estimated Research Costs
Investment Brokerage Firms:							
Banc Of America Securities LLC	$ 873	26,712	$ 0.03	$ 0.01	$ 0.02	$ 267	$ 534
Barclays Capital Inc.	2,106	33,073	0.06	0.01	0.05	331	1,653
BNY Convergex Execution Solutions LLC	244	12,903	0.02	0.01	0.01	129	129
BTIG LLC	6,338	670,221	0.01	0.01	-	6,702	-
Cantor Fitzgerald & Co.	1	52	0.02	0.01	0.01	1	1
Capital Institutional Services Inc.	50	1,639	0.03	0.01	0.02	16	33
Citigroup Global Markets Inc.	240	12,006	0.02	0.01	0.01	120	120
Cowen & Company LLC	1,370	48,303	0.03	0.01	0.02	484	966
Credit Suisse Securities LLC	3,403	121,433	0.03	0.01	0.02	1,214	2,429
Deutsche Bank - Alex Brown	40	1,220	0.03	0.01	0.02	12	24
Deutsche Bank Securities Inc.	37	2,245	0.02	0.01	0.01	22	22
Drexel Hamilton	852	32,835	0.03	0.01	0.02	328	657
Goldman, Sachs & Co.	256	9,051	0.03	0.01	0.02	90	181
ISI Capital LLC	52	1,747	0.03	0.01	0.02	17	35
J. P. Morgan Securities Inc.	3,540	151,386	0.02	0.01	0.01	1,515	1,515
Merrill Lynch,Pierce,Fenner & Smith Inc.	1	136	0.01	0.01	-	1	-
Mischler Financial Group Inc.	570	19,812	0.03	0.01	0.02	199	396
Morgan Stanley & Co. Inc.	3,897	137,919	0.03	0.01	0.02	1,379	2,759
OTA LLC	599	19,966	0.03	0.01	0.02	200	399
Pershing LLC	-	33	0.01	0.01	-	-	-
Piper Jaffray & Co.	1,581	158,091	0.01	0.01	-	1,581	-
RBC Capital Markets	32	798	0.04	0.01	0.03	8	24
Sanford C. Bernstein & Co. LLC	597	19,887	0.03	0.01	0.02	199	397
Stifel, Nicolaus & Co. Inc.	17	420	0.04	0.01	0.03	4	13
Total	$ 26,696	1,481,888	$ 0.02 [2]	$ 0.01	$ 0.02	$ 14,819	$ 12,287

1 Commissions are included in purchase and sale prices of investments. The commissions and shares represent the System's pro-rata share based on ownership of commission and share transactions in the investment pools.

2 The average commission per share for all brokerage firms.

Investment Summary

Fiscal Year Ended September 30, 2014

	Market Value[1]	Percent of Total Market Value	Investment & Interest Income[2]	Percent of Total Investment & Interest Income
Fixed Income Pools	$ 42,217,420	15.5%	$ 1,795,664	5.2%
Domestic Equity Pools	74,943,237	27.5%	12,912,717	37.6%
Real Estate and Infrastructure Pools	27,479,634	10.1%	5,158,336	15.0%
Alternative Investment Pools	40,964,953	15.0%	7,244,975	21.1%
International Equity Pools	38,194,602	14.0%	2,171,931	6.4%
Absolute Return Pools	28,863,396	10.6%	5,028,477	14.6%
Short Term Investment Pools	20,016,420	7.3%	18,766	0.1%
Total	$ 272,679,662	100.0%	$ 34,330,866	100.0%

1 Market value excludes $19,672,912 in securities lending collateral for fiscal year 2014.

2 Total Investment & Interest Income excludes net security lending income of $158,638 and gain of $3,574,069 for securities lending collateral.

ACTUARIAL SECTION

Actuary's Certification

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October 27, 2014

Mr. David Behen, Director
Department of Technology, Management and Budget
and
The Retirement Board
Michigan Judges' Retirement System
P.O. Box 30171
Lansing, Michigan 48909

Ladies and Gentlemen:

The basic financial objective of the Michigan Judges' Retirement System (JRS) is to establish and receive contributions which when combined with present assets and future investment returns will be sufficient to meet the financial obligations of the System to present and future benefit recipients. The progress towards meeting those financial objectives is illustrated in the Schedules of Funding Progress and the Schedules of Employer Contributions.

We performed actuarial valuations and issued actuarial valuation reports for JRS as of September 30, 2013. The purpose of the September 30, 2013 annual actuarial valuations was to determine the contribution requirements for the fiscal year ending September 30, 2014, 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 the System's normal cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as 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, 2013.

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 and the Department after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the disclosure requirements of the applicable GASB Statements. 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.

Actuary's Certification (continued)

Mr. David Behen
October 27, 2014
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Our firm provided the following supporting schedules for use in the Comprehensive Annual Financial Report:

Financial Section

- Note 1 - Table of System's Membership
- Note 3 - Summary of Actuarial Assumptions
- Schedules of Funding Progress
- Schedules of Employer Contributions (Annual Required Contribution)

Actuarial Section

- Summary of Actuarial Assumptions and Methods
- Percent of Eligible Active Members Retiring Within Next Year
- Separation from Active Employment Before Age and Service Retirement and Individual Pay Increase Assumptions
- Schedule of Active Member Pension Valuation Data
- Schedule of Changes in the Retirement Rolls
- Prioritized Solvency Tests
- Analysis of System Experience
- Schedule of Active Member OPEB Valuation Data
- Schedule of Changes in the OPEB Rolls

Statistical Section

- Schedule of Retired Members by Type of Pension Benefit
- Schedule of Retired Members by Type of Health Benefit
- Schedules of Average Benefit Payments – Pension, Medical, Dental, and Vision

Although our firm provided supporting schedules in connection with GASB Statement Nos. 43 and 45, we recommend consultation with legal counsel and the auditors to determine whether Statement No. 43 applies.

The September 30, 2013 valuations were based upon assumptions that were recommended in connection with a study of System experience covering the period from October 1, 2002 through September 30, 2007. Future actuarial measurements may differ significantly from those presented in the annual valuations due to such factors as experience differing from that anticipated by actuarial assumptions, or changes in plan provisions, actuarial assumption/methods or applicable law. Due to the limited scope of the assignment, we did not perform an analysis of the potential range of future measurements.

Gabriel Roeder Smith & Company

Actuary's Certification (continued)

Mr. David Behen
October 27, 2014
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The signing actuary is independent of the plan sponsor.

The actuarial valuations of JRS as of September 30, 2013 were performed by qualified actuaries in accordance with standards of practice prescribed by the Actuarial Standards Board and in compliance with applicable State statutes. Mita Drazilov is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. It is our opinion that the calculated employer contribution meets the financial objective of the Retirement System.

Respectfully submitted,

Mita Drazilov

Mita D. Drazilov, ASA, MAAA

MDD:mrb

Gabriel Roeder Smith & Company

Summary of Actuarial Assumptions and Methods

1. The investment return rate used in the valuations was 8% per year net of expenses, 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 8% investment return rate translates to an assumed long-term real rate of return of 4.5%. Adopted 2004.

2. The healthy life mortality table used in evaluating allowances to be paid was 95% of the RP-2000 Male Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA, and 107% of the RP-2000 Female Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. Adopted 2010.

3. Sample probabilities of retirement with an age and service allowance are shown in Schedule 1 on the next page. Adopted 2010.

4. Sample probabilities of withdrawal from service and disability, together with individual pay increase assumptions, are shown in Schedule 2 on the next page. Adopted 2010.

5. The active member population is closed to new hires. This will result in a gradual reduction in the total active member payroll over time. Adopted 1997.

6. An individual entry age actuarial cost method of valuation was used in determining age and service and deferred retirement actuarial liabilities and normal cost. Adopted 1975. Unfunded actuarial accrued liabilities, including actuarial gains and losses, are financed over a declining 40-year period beginning October 1, 1996. Adopted or re-adopted 1996.

7. The Department of Technology, Management & Budget approved the use of market value of assets as of September 30, 1997, for actuarial valuation purposes. For investment gains or losses that occur after that date, a 5-year smoothing technique will be used. Specifically, the excess (shortfall) of actual investment income (including interest, dividends, realized and unrealized gains or losses) over the imputed income at the valuation interest rate is considered the gain (loss), which is spread over five years. Adopted 1997.

8. The data about persons now covered and about present assets 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 System's Board and the Department of Technology, Management & Budget after consulting with the actuary.

10. A 5-year experience investigation, covering the period from September 30, 2002 through September 30, 2007 was completed in May 2010. The purpose of the study was to analyze the actual experience of the System versus that anticipated by actuarial assumptions then in use. Adopted 2010.

11. Gabriel, Roeder, Smith & Company was awarded the actuarial and consulting services contract beginning October 4, 2006.

Summary of Actuarial Assumptions and Methods (continued)

Rates of separation from active membership were as shown below (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members remaining in employment.

SCHEDULE 1

Percent of Eligible Active Members Retiring Within Next Year

Retirement Ages	Percent of Eligible Active Members Retiring Within Next Year
55-59	6%
60	10
61	8
62	10
63	8
64	8
65	18
66-68	8
69	12
70	25
71	30
72	35
73	40
74	50
75	100

SCHEDULE 2

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

Sample Ages	Percent of Active Members Withdrawing Within Next Year (Men and Women)	Percent of Active Members Becoming Disabled Within Next Year	Percent Increase In Pay During Next Year
20		0.00 %	4.0 %
25		0.00	4.0
30	2.25 %	0.00	4.0
35	2.25	0.02	4.0
40	2.25	0.06	4.0
45	2.25	0.12	4.0
50	2.25	0.18	4.0
55	2.25	0.24	4.0
60	2.25	0.36	4.0

Actuarial Valuation Data

Schedule of
Active Member Pension Valuation Data

Valuation Date Sept. 30	Inactive Number	Active Number	Active Reported Annual Payroll*	Active Average Annual Pay	Active % Increase (Decrease)	Active Average Age	Active Average Service
2004	11	325	$ 37,453,179	$ 115,241	(0.2) %	56.1	13.6
2005	18	302	34,935,846	115,682	0.4	57.0	14.8
2006	16	291	33,066,573	113,631	(1.8)	57.8	15.9
2007	16	260	29,716,615	114,295	0.6	58.4	16.5
2008	13	257	29,475,726	114,692	0.3	59.4	17.5
2009	9	234	27,027,185	115,501	0.7	59.9	18.3
2010	11	221	25,504,058	115,403	(0.1)	60.7	19.1
2011	11	205	23,565,252	114,952	(0.4)	61.5	20.1
2012	6	199	22,922,327	115,188	0.2	62.5	21.1
2013	9	164	18,939,467	115,485	0.3	62.9	22.0

* Prior to 2006, reported annual payroll in this schedule is 2% higher than the actual data reported to the actuary.

Schedule of
Active Member OPEB Valuation Data

Valuation Date Sept. 30	Active Number	Active Reported Annual Payroll	Active Average Annual Pay	Active % Increase (Decrease)	Active Average Age	Active Average Service
2012	41	$ 6,189,628	$ 150,967		59	16.2
2013	41	6,202,758	151,287	0.2 %	59.7	16.7

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
2004	13	$ 836,992	15	$ 562,582	549	$ 17,572,770	2.5 %	$ 32,009
2005	16	816,849	13	387,731	552	18,001,888	2.4	32,612
2006	19	827,419	38	877,683	533	17,951,624	(0.3)	33,680
2007	38	1,797,377	29	657,528	542	19,091,473	6.3	35,224
2008	25	879,299	27	927,730	540	19,043,042	(0.3)	35,265
2009*	44	1,987,777	42	1,316,828	542	19,713,991	3.5	36,373
2010	23	1,104,282	24	722,169	541	20,096,104	1.9	37,146
2011	24	1,305,312	26	815,215	539	20,586,201	2.4	38,193
2012	27	1,043,822	25	970,308	541	20,659,715	0.4	38,188
2013	45	2,594,201	32	949,775	554	22,304,141	8.0	40,260

* Restated based on more complete information.

Schedule of
Changes in the OPEB 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
2011					31	$ 218,743		
2012				$ 2,429	31	216,314	(1.1) %	$ 6,978
2013					-	-	0.0	$ -

Notes:
The schedule above include retiree health plan members with State paid benefits.
No. refers to the number of retiree health contracts.
Annual allowances added to rolls includes increases due to medical inflation and contract changes.
Annual allowances removed from rolls includes decreases due to contract changes.

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 System's present assets (cash and investments) are compared with: (1) 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 and inactive 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) are 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 by-product of level percent of payroll funding methods.

The schedules that follow illustrate the history of the liabilities of the System and are indicative of the System's policy of following the discipline of level percent of payroll financing.

Pension Benefits
($ in thousands)

	Actuarial Accrued Liability (AAL)							
	(1)	(2)	(3)					
Valuation Date Sept. 30	Active Member Contributions	Retirants and Beneficiaries	Active and Inactive Members (Employer Financed Portion)	Valuation Assets	Portion of AAL Covered by Assets (1)	(2)	(3)	(4) [1]
2004 [2]	$ 37,089	$ 138,141	$ 61,219	$ 286,873	100	100	182.4	121.3 %
2005	38,695	142,689	61,987	278,423	100	100	156.5	114.4
2006	43,094	142,384	58,230	282,822	100	100	167.2	116.0
2007	42,250	151,691	53,142	301,047	100	100	201.5	121.8
2008	48,109	149,608	49,293	303,746	100	100	215.1	123.0
2009	46,561	154,758	43,879	295,625	100	100	214.9	120.6
2010	48,853	159,481	43,361	284,439	100	100	175.5	113.0
2011 [3]	50,099	163,522	38,071	266,804	100	100	139.7	106.0
2012 [3]	53,660	162,840	33,056	245,787	100	100	88.6	98.5
2013	47,579	177,873	26,950	240,146	100	100	54.5	95.1

[1] Percents funded on a total valuation asset and total actuarial accrued liability basis.

[2] Revised actuarial assumptions.

[3] Restated based on more complete information.

Prioritized Solvency Test (continued)

Other Postemployment Benefits
($ in thousands)

	Actuarial Accrued Liability (AAL)							
	(1)	(2)	(3)					
Valuation Date Sept. 30	Active Member Contributions	Retirants and Beneficiaries	Active and Inactive Members (Employer Financed Portion)	Valuation Assets	Portion of AAL Covered by Assets (1)	(2)	(3)	(4)[1]
2007	$ -	$ 3,082	$ 3,633	$ -	0%	0%	0%	0%
2008	-	3,082	3,633	-	0	0	0	0
2009	-	2,974	3,619	-	0	0	0	0
2010	-	3,207	4,186	-	0	0	0	0
2011	-	2,799	5,068	-	0	0	0	0
2012	-	2,945	5,565	-	0	0	0	0
2013		2,801	4,855	-	0	0	0	0

[1] Percents funded on a total valuation asset and total actuarial accrued liability basis.

Analysis of System Experience

Gains/(Losses) in Accrued Liabilities During Year Ended September 30, 2013
Resulting from Differences Between Assumed Experience & Actual Experience

	Type of Activity	Gain/(Loss)
1.	**Retirements (including Disability Retirement).** If members retire at older ages or with lower final average pay than assumed, there is a gain. If younger ages or higher average pays, a loss.	$ (2,541,652)
2.	**Withdrawal From Employment** (including death-in-service). If more liabilities are released by withdrawals and deaths than assumed, there is a gain. If smaller releases, a loss.	(163,113)
3.	**Pay Increases.** If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	2,656,663
4.	**Investment Income.** If there is greater investment income than assumed, there is a gain. If less income, a loss.	(6,548,602)
5.	**Death After Retirement.** If retirants live longer than assumed, there is a loss. If not as long, a gain.	(293,274)
6.	**Rehires.** Rehires into the System will generally result in an actuarial loss.	-
7.	**Other.** Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, etc.	(1,529,762)
8.	**Composite Gain (or Loss) During Year**	$ (8,419,740)

Summary of Plan Provisions

Our actuarial valuation of the System as of September 30, 2013, is based on the present provisions of the Judges' Retirement Act (Public Act No. 234 of 1992, as amended).

Regular Retirement

Eligibility - Age 60 with 8 years credited service; or age 55 with 18 years credited service, or 25 years with no age requirement.

Annual Amount - If less than 12 years of credited service, 3% of final annual compensation times years of credited service; for 12 or more years of credited service, 50% of final annual compensation plus 2.5% of such compensation for each year of credited service in excess of 12 years to a maximum of 60%. Former System members receive 3% of final annual compensation times years of credited service to a maximum of the greater of 40% of final annual compensation or $15,000, but not to exceed 66.67% of final annual compensation when added to a local retirement system benefit; or 3.5% of final annual compensation times years of credited service to a maximum of 66.67% of final annual compensation if elected.

Final Annual Compensation - Annual state salary at time of retirement plus state salary standardization, if any. For former Probate System members, final annual compensation is member's certified salary at time of retirement. For 36th District Court judges, final annual compensation is total state and district control unit salary at time of retirement. For Probate Court judges serving in a single county of less than 15,000 population, final annual compensation is total judicial salary at the time of retirement.

Early Retirement (age reduction factor used)

Eligibility - Age 55 with 12 but less than 18 years credited service.

Annual Amount - Regular retirement benefit, reduced by 0.5% for each month by which the commencement age is less than 60.

Deferred Retirement (vested benefit)

Eligibility - 8 years of credited service.

Annual Amount - Regular retirement benefit. If less than 12 years of credited service, payable at age 60; if 18 or more years of credited service payable at age 55; if more than 12 but less than 18 years of credited service reduced amount payable at age 55.

Disability Retirement

Eligibility - 8 years of credited service.

Annual Amount - Regular retirement benefit, based upon member's credited service and final salary at time of disability.

Death Before or After Retirement (Spouse or Dependent Children)

Eligibility - 8 years of credited service.

Annual Amount - 50% of the member's accrued pension.

Summary of Plan Provisions (continued)

Post Retirement Cost-of-Living Adjustments

None, except that judges who were active judges prior to September 8, 1961, (and their survivors) have their benefits adjusted as active judges' salaries change.

Member Contributions

Non-Trial Judges - 5% of salary (2% for health benefits).

Trial Judges with Full Standardization - 7% of salary.

Trial Judges without Full Standardization - 3.5% of salary.

Probate Judges under 3% Formula - 7% of salary to maximum of $980.

Probate Judges under 3.5% Formula - 7% of salary (no maximum).

District Court Judges of the Thirty-sixth District - 3.5% of salary.

Defined Contribution Legislation - (Public Act 523 of 1996)

New employees hired on or after March 31, 1997, become participants in Tier 2 (i.e. a defined contribution plan) rather than Tier 1 (i.e., the above described defined benefit plan).

Active members on March 30, 1997, had an opportunity to irrevocably elect to terminate membership in Tier 1 and become participants in Tier 2. Elections were in writing and submitted between January 2, 1998, and April 30, 1998. Such members became Tier 2 participants on June 1, 1998, and had the actuarial present value of their Tier 1 accrued benefit transferred into Tier 2 by September 30, 1998.

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STATISTICAL SECTION

STATISTICAL SECTION

This part of the System's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the System's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the System's financial performance and fiscal health has changed over time. The schedules are presented for the last ten fiscal years. Schedules included are:

- Schedule of Pension Plan Additions by Source
- Schedule of OPEB Plan Additions by Source
- Schedule of Pension Plan Deductions by Type
- Schedule of OPEB Plan Deductions by Type
- Schedule of Changes in Fiduciary Net Position – Pension Plan
- Schedule of Changes in Fiduciary Net Position – OPEB Plan
- Schedule of Pension Benefits and Refunds by Type
- Schedule of OPEB Benefits by Type

Operating Information

These schedules contain contextual information to assist the reader's understanding of how the System's financial information relates to the combination of participating members and the benefits it provides. Schedules are presented for the last ten fiscal years, except where noted. Schedules included are:

- Schedule of Funding Progress – Pension Plan
- Schedule of Retired Members by Type of Pension Benefit
- Schedule of Retired Members by Type of Other Postemployment Benefit
- Schedule of Other Postemployment Benefits
- Schedule of Average Benefit Payments - Pension
- Schedule of Average Benefit Payments - OPEB
- Schedule of Principal Participating Employers
- Ten Year History of Membership
- Schedule of Participating Employers

Schedule of Pension Plan Additions by Source
Last Ten Years

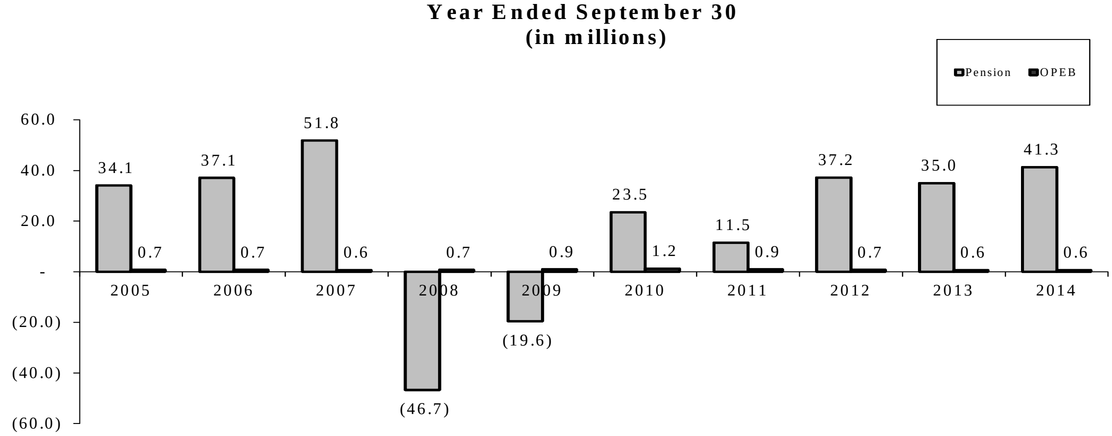
Fiscal Year Ended Sept. 30	Member Contributions	Net Investment & Other Income	Total
2005	2,077,550	32,011,495	$ 34,089,045
2006	2,017,943	35,106,967	37,124,910
2007	1,845,878	49,974,396	51,820,274
2008	1,738,459	(48,472,838)	(46,734,379)
2009	1,644,585	(21,294,298)	(19,649,713)
2010	1,539,822	21,966,046	23,505,868
2011	1,468,068	10,024,331	11,492,399
2012	1,353,949	35,823,251	37,177,201
2013	1,142,496	33,807,819	34,950,315
2014	1,025,074	40,329,360	41,354,434

Since System is fully funded, no employer contributions are required.

Schedule of OPEB Plan Additions by Source
Last Ten Years

Fiscal Year Ended Sept. 30	Member Contributions	Net Investment & Other Income	Total
2005	$ 450,657	$ 215,000	$ 665,657
2006	518,057	215,000	733,057
2007	530,336	115,535	645,871
2008	539,440	145,130	684,570
2009	528,402	336,280	864,682
2010	520,707	726,109	1,246,816
2011	551,783	348,517	900,300
2012	522,042	194,045	716,087
2013	499,254	144,529	643,783
2014	447,033	186,724	633,757

Total Additions
Year Ended September 30
(in millions)

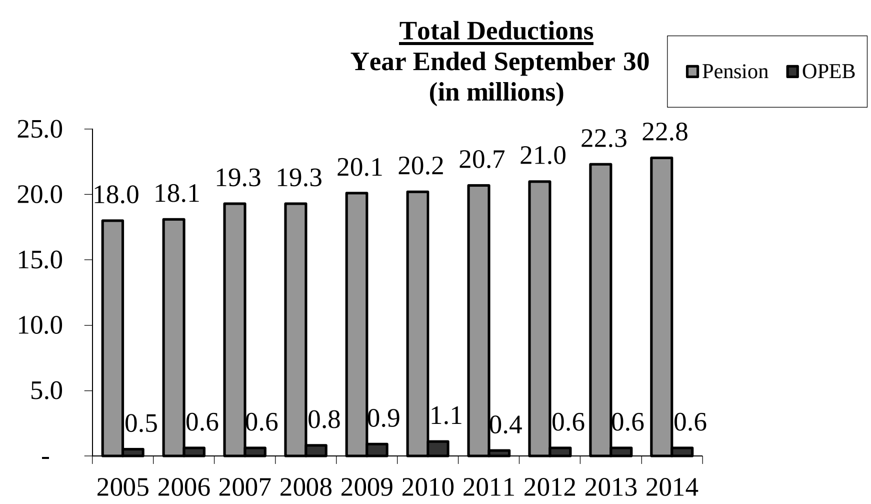


Schedule of Pension Plan Deductions by Type
Last Ten Years

Fiscal Year Ended Sept. 30	Benefit Payments	Refunds and Transfers	Administrative and Other Expenses	Total
2005	$ 17,797,840		$ 167,993	$ 17,965,833
2006	17,952,735		170,023	18,122,758
2007	18,919,433	247,941	181,848	19,349,222
2008	19,180,381		144,188	19,324,569
2009	19,897,368		158,909	20,056,277
2010	20,079,292		143,470	20,222,762
2011	20,580,971		141,155	20,722,126
2012	20,792,225		207,439	20,999,664
2013	21,969,650		359,028	22,328,678
2014	22,536,376		288,390	22,824,766

Schedule of OPEB Plan Deductions by Type
Last Ten Years

Fiscal Year Ended Sept. 30	Benefit Payments	Refunds and Transfers	Administrative and Other Expenses	Total
2005	$ 510,152			$ 510,152
2006	596,769			596,769
2007	611,246			611,246
2008	789,975		41,978	831,953
2009	820,694		$ 45,133	865,827
2010	1,078,915		35,212	1,114,127
2011	401,027		35,539	436,566
2012	544,349	$ 90	34,959	579,399
2013	523,943	10	75,180	599,133
2014	530,183	175	59,085	589,443



Schedule of Changes in Fiduciary Net Position - Pension Plan
Last Ten Years
(in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Member contributions	$ 2,078	$ 2,018	$ 1,846	$ 1,738	$ 1,645	$ 1,540	$ 1,468	$ 1,354	$ 1,143	$ 1,025
Employer contributions										
Net investment income	31,977	34,452	49,716	(48,525)	(21,344)	21,918	9,972	34,711	31,003	37,148
Court fees	34	654	231	44	43	43	43	1,111	2,793	3,164
Miscellaneous income		1	27	8	7	5	9	1	11	18
Total Additions	34,089	37,125	51,820	(46,735)	(19,650)	23,506	11,492	37,177	34,950	41,355
Pension benefits	17,798	17,953	18,919	19,180	19,897	20,079	20,581	20,792	21,970	22,536
Refunds of member contributions			248							
Administrative and other expenses	168	170	182	144	159	143	141	207	359	288
Total Deductions	17,966	18,123	19,349	19,324	20,056	20,222	20,722	20,999	22,329	22,825
Changes in net position	$ 16,123	$ 19,002	$ 32,471	$ (66,059)	$ (39,706)	$ 3,283	$ (9,230)	$ 16,178	$ 12,621	$ 18,530

Schedule of Changes in Fiduciary Net Position - OPEB Plan
Last Ten Years
(in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Member contributions	$ 451	$ 518	$ 530	$ 539	$ 528	$ 521	$ 552	$ 522	$ 499	$ 447
Other govt. contributions							$ 1		$ 55	$ 69
Net investment income				8	1	13	37	94	90	116
Court fees	215	215	115	115	335	712	310	100		
Tranfer from other systems				15						
Miscellaneous income			1	7	1	1				1
Total Additions	666	733	646	684	865	1,247	900	716	644	633
Health care benefits	510	597	611	790	821	1,079	401	544	524	530
Refund of contributions										
Administrative and other expenses				42	45	35	36	35	75	59
Total Deductions	510	597	611	832	866	1,114	437	579	599	589
Changes in net position	$ 156	$ 136	$ 35	$ (148)	$ (1)	$ 133	$ 464	$ 137	$ 45	$ 44

STATISTICAL SECTION

Schedule of Pension Benefits and Refunds by Type

Last Ten Years

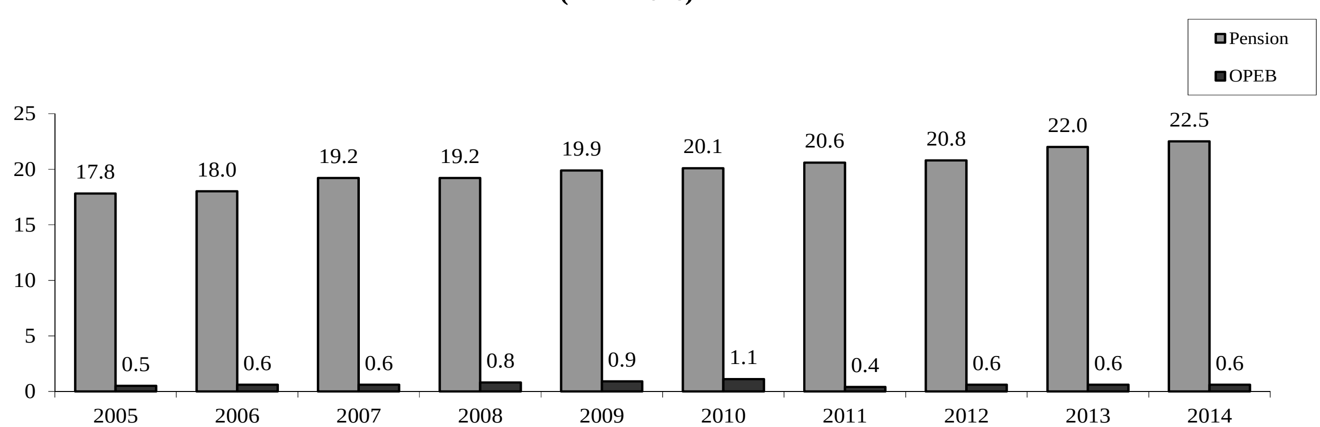
Fiscal Year Ended Sept. 30	Regular Benefits	Disability Benefits	Survivor Benefits	Refunds: Employee Contribution	Refunds: Retired Benefit	Total
2005	$ 17,269,422	$ 528,418				$ 17,797,840
2006	14,611,531	297,408	3,043,796			17,952,735
2007	14,996,160	260,585	$ 3,662,688	246,389	1552	19,167,374
2008	15,231,453	233,700	3,715,228			19,180,381
2009	15,741,513	211,077	3,944,778			19,897,368
2010	15,694,797	211,078	4,173,417			20,079,292
2011	16,134,758	211,078	4,235,135			20,580,971
2012	16,209,640	210,948	4,371,637			20,792,225
2013	17,426,985	211,078	4,331,588			21,969,650
2014	17,815,602	210,676	4,510,098			22,536,376

Schedule of OPEB Benefits by Type

Last Ten Years

Fiscal Year Ended Sept. 30	Health Benefits	Dental Benefits	Vision Benefits	Health Refunds	Administrative Expenses	Total
2005	$ 422,261	$ 78,495	$ 9,396			$ 510,152
2006	486,112	98,652	12,005			596,769
2007	500,954	98,160	12,132			611,246
2008	720,335	62,770	6,870		$ 41,978	831,953
2009	747,808	65,013	7,873		$ 45,133	865,827
2010	859,602	167,845	51,468		35,212	1,114,127
2011	265,202	136,341	(516)		35,539	436,566
2012	425,647	118,185	517	$ 90	34,959	579,399
2013	379,741	113,137	31,065	10	75,180	599,133
2014	410,344	117,771	2,068	175	59,085	589,443

Total Benefit Expenses
Year Ended September 30
(in millions)



Schedule of Funding Progress – Pension Plan
($ in millions)

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 (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2004 [1]	286.9	236.4	(50.5)	121.3	37.5	(134.6) %
2005	278.4	243.4	(35.0)	114.4	34.9	(100.3)
2006	282.8	243.7	(39.1)	116.0	33.1	(118.1)
2007	301.0	247.1	(53.9)	121.8	29.7	(181.5)
2008	303.7	247.0	(56.7)	123.0	29.5	(192.2)
2009	295.6	245.2	(50.4)	120.6	27.0	(186.6)
2010	284.4	251.7	(32.7)	113.0	25.5	(128.4)
2011	266.8	251.7	(15.1)	106.0	23.6	(64.1)
2012 [2]	245.8	249.6	3.8	98.5	22.9	16.4
2013	240.1	252.4	12.3	95.1	18.9	64.7

[1] Revised actuarial assumptions
[2] Restated based on more complete information.

Schedule of Retired Members by Type of Pension Benefit

September 30, 2013

Amount of Monthly Pension Benefit	Number of Retirees	Type of Retirement *					Selected Option**		
		1	2	3	4	5	Opt 1	Opt 2	Opt 3
$ 1 - 400	2		1	1			2		
401 - 800	29	9	17	3			24	5	
801 - 1,200	38	20	13	2	2	1	31	6	1
1,201 - 1,600	34	10	18	6			27	6	1
1,601 - 2,000	68	20	40	5	1	2	60	8	
2,001 - 2,400	41	17	20	2	1	1	28	13	
2,401 - 2,800	33	17	15			1	26	7	
2,801 - 3,200	23	16	5			2	13	10	
3,201 - 3,600	30	23	6	1			18	12	
3,601 - 4,000	54	44	6	3		1	39	14	1
Over 4,000	202	194	1	4	2	1	177	23	2
Totals	554	370	142	27	6	9	445	104	5

* Type of Retirement
1 - Normal retirement for age & service
2 - Survivor payment - normal retirement or early retirement
3 - Survivor payment - death in service
4 - Non-duty disability retirement (incl. survivors)
5 - Survivor payment - disability retirement

**Selected Option
Opt 1 - Straight life allowance
Opt 2 - 100% Survivor option
Opt 3 - 50% Survivor option

Source: Gabriel Roeder Smith & Co.

Schedule of Retired Members by Type of Other Postemployment Benefit
September 30, 2013

Amount of Monthly Pension Benefit	Number of Retirees	Type of Other Postemployment Benefits: Health	Dental	Vision
$ 1 – 400	2	1		1
401 – 800	29	3	5	5
801 – 1,200	38	5	11	6
1,201 – 1,600	34	1	3	2
1,601 – 2,000	68	10	11	8
2,001 - 2,400	41	8	13	13
2,401 - 2,800	33	4	13	8
2,801 - 3,200	23	3	3	2
3,201 - 3,600	30	3	8	6
3,601 - 4,000	54	10	19	17
Over 4,000	202	25	46	45
Totals	554	73	132	113

Source: Gabriel Roeder Smith & Co.

Schedule of Other Postemployement Benefits
For Year Ended September 30, 2014

		2014
Claims		
Health insurance	$	387,745
Vision insurance		1,926
Dental insurance		115,138
Total Claims		504,809
Estimated Claims Liability		
Health insurance		22,599
Vision insurance		143
Dental insurance		2,633
Total Estimated Claims Liability		25,375
Administrative Fees		
Health insurance		26,844
Vision insurance		529
Dental insurance		3,660
Staff Salaries		28,052
Total Administrative Fees		59,085
Refunds		175
Grand Total	$	589,444

Schedule of Average Benefit Payments - Pension
Last Ten Years

Payment Periods	Credited Service (Years) as of September 30							
	0 - 5	5 - 10	10 - 15	15 - 20	20 - 25	25 - 30	30 +	Total
Period 10/1/03 to 9/30/04:								
Average Monthly Benefit	$ 1,026	$ 1,247	$ 2,016	$ 2,917	$ 3,317	$ 2,940	$ 3,871	$ 2,667
Average Final Average Salary	813	49,810	48,982	55,299	61,840	59,355	59,739	53,149
Number of Active Retirants	24	33	118	188	117	46	23	549
Period 10/1/04 to 9/30/05:								
Average Monthly Benefit	$ 1,057	$ 1,263	$ 2,074	$ 2,984	$ 3,382	$ 2,986	$ 3,850	$ 2,718
Average Final Average Salary	780	51,605	48,782	53,902	62,131	58,827	59,739	52,634
Number of Active Retirants	25	34	117	193	116	44	23	552
Period 10/1/05 to 9/30/06:								
Average Monthly Benefit	$ 1,023	$ 1,411	$ 2,098	$ 3,013	$ 3,364	$ 2,953	$ 3,569	$ 2,807
Average Final Average Salary	3,250	71,249	61,140	69,683	76,983	75,353	92,016	70,441
Number of Active Retirants	6	30	112	193	117	49	26	533
Period 10/1/06 to 9/30/07:								
Average Monthly Benefit	$ 888	$ 1,467	$ 2,126	$ 3,228	$ 3,440	$ 3,064	$ 3,569	$ 2,935
Average Final Average Salary	3,900	70,222	63,067	72,137	80,455	81,286	93,887	73,280
Number of Active Retirants	5	31	109	202	124	45	26	542
Average Monthly Benefit	$ 888	$ 1,467	$ 2,164	$ 3,265	$ 3,323	$ 3,074	$ 3,704	$ 2,939
Average Final Average Salary	3,900	70,222	64,589	72,403	81,027	80,861	97,424	73,861
Number of Active Retirants	5	31	107	206	123	44	24	540
Period 10/1/08 to 9/30/09:								
Average Monthly Benefit	$ 888	$ 1,421	$ 2,303	$ 3,377	$ 3,401	$ 3,211	$ 3,793	$ 3,031
Average Final Average Salary	37,149	74,389	67,177	78,416	83,236	81,197	90,472	77,308
Number of Active Retirants	5	32	109	210	126	40	20	542
Period 10/1/09 to 9/30/10:								
Average Monthly Benefit	$ 888	$ 1,421	$ 2,389	$ 3,459	$ 3,429	$ 3,257	$ 4,004	$ 3,096
Average Final Average Salary	37,149	74,389	69,084	79,411	84,463	82,687	94,002	78,630
Number of Active Retirants	5	32	110	204	127	42	21	541
Period 10/1/10 to 9/30/11:								
Average Monthly Benefit	$ 888	$ 1,398	$ 2,423	$ 3,597	$ 3,449	$ 3,539	$ 3,879	$ 3,183
Average Final Average Salary	37,149	74,389	70,443	81,961	84,631	86,761	94,002	80,306
Number of Active Retirants	5	32	106	207	124	44	21	539
Period 10/1/11 to 9/30/12:								
Average Monthly Benefit	$ 1,094	$ 1,356	$ 2,454	$ 3,617	$ 3,420	$ 3,520	$ 3,914	$ 3,182
Average Final Average Salary	30,958	74,718	71,197	81,578	85,701	88,202	93,952	80,555
Number of Active Retirants	6	34	103	208	126	45	19	541
Period 10/1/12 to 9/30/13:								
Average Monthly Benefit	$ 1,115	$ 1,335	$ 2,519	$ 3,791	$ 3,628	$ 3,693	$ 3,972	$ 3,355
Average Final Average Salary	52,361	76,646	74,667	88,864	89,648	90,100	92,991	85,735
Number of Active Retirants	5	33	99	217	130	46	24	554

Source: Gabriel Roeder Smith & Co.

Schedule of Average Benefit Payments - Health

Last Seven Years

Payment Periods	Credited Service (Years) as of September 30							
	0 - 5	**5 - 10**	**10 - 15**	**15 - 20**	**20 - 25**	**25 - 30**	**30 +**	**Total**
Period 10/1/06 to 9/30/07								
Average Monthly Benefit	$ 17	$ 2,102	$ 2,235	$ 3,544	$ 3,791	$ 4,426	$ 5,859	$ 3,351
Average Final Average Salary	19,500	84,638	63,913	79,862	88,876	105,084	131,721	81,436
Number of Active Retirants	1	3	20	33	19	9	2	87
Period 10/1/07 to 9/30/08								
Average Monthly Benefit	$ 17	$ 2,102	$ 2,264	$ 3,456	$ 3,488	$ 4,648	$ 5,859	$ 3,287
Average Final Average Salary	19,500	84,638	66,144	78,843	88,876	105,720	131,721	81,745
Number of Active Retirants	1	3	18	32	19	8	2	83
Period 10/1/08 to 9/30/09								
Average Monthly Benefit	$ 17	$ 2,102	$ 2,264	$ 3,699	$ 3,337	$ 5,392	$ 5,859	$ 3,361
Average Final Average Salary	19,500	84,638	66,144	85,685	89,254	125,557	131,721	85,455
Number of Active Retirants	1	3	18	30	20	6	2	80
Period 10/1/09 to 9/30/10								
Average Monthly Benefit	$ 17	$ 2,102	$ 2,264	$ 3,804	$ 3,367	$ 5,392	$ 5,859	$ 3,378
Average Final Average Salary	19,500	84,638	65,338	79,121	90,360	125,557	131,721	82,664
Number of Active Retirants	1	3	20	32	21	6	2	85
Period 10/1/10 to 9/30/11								
Average Monthly Benefit	$ 17	$ 2,102	$ 2,146	$ 3,864	$ 3,418	$ 5,798	$ 5,859	$ 3,465
Average Final Average Salary	19,500	84,638	63,592	84,583	92,892	131,136	131,721	85,891
Number of Active Retirants	1	3	19	31	18	7	2	81
Period 10/1/11 to 9/30/12								
Average Monthly Benefit	$ 17	$ 2,102	$ 2,139	$ 3,796	$ 3,418	$ 5,781	$ 5,859	$ 3,482
Average Final Average Salary	19,500	84,638	66,599	83,460	92,892	131,136	131,721	86,964
Number of Active Retirants	1	3	16	30	18	7	2	77
Period 10/1/12 to 9/30/13								
Average Monthly Benefit	$ 17	$ 2,102	$ 2,332	$ 3,882	$ 3,386	$ 5,483	$ 5,859	$ 3,522
Average Final Average Salary	19,500	84,638	72,845	89,450	96,066	127,752	131,721	91,047
Number of Active Retirants	1	3	14	29	18	6	2	73

Source: Gabriel Roeder Smith & Co.

Schedule of Average Benefit Payments - Dental

Last Seven Years

Payment Periods	Credited Service (Years) as of September 30							
	0 - 5	5 - 10	10 - 15	15 - 20	20 - 25	25 - 30	30 +	Total
Period 10/1/06 to 9/30/07								
Average Monthly Benefit	$ -	$ 1,923	$ 2,408	$ 3,471	$ 3,599	$ 4,088	$ 4,017	$ 3,349
Average Final Average Salary	-	84,070	65,954	76,790	79,234	95,142	88,821	78,270
Number of Active Retirants	-	5	28	55	38	17	7	150
Period 10/1/07 to 9/30/08								
Average Monthly Benefit	-	$ 1,923	$ 2,510	$ 3,447	$ 3,513	$ 4,178	$ 3,990	$ 3,354
Average Final Average Salary	-	84,070	68,761	77,730	81,887	94,839	88,958	79,829
Number of Active Retirants	-	5	25	56	38	16	6	146
Period 10/1/08 to 9/30/09								
Average Monthly Benefit	-	$ 1,923	$ 2,616	$ 3,510	$ 3,505	$ 4,429	$ 4,054	$ 3,394
Average Final Average Salary	-	84,070	70,379	81,063	83,005	101,786	99,613	82,293
Number of Active Retirants	-	5	26	55	37	14	4	141
Period 10/1/09 to 9/30/10								
Average Monthly Benefit	-	$ 1,923	$ 2,631	$ 3,639	$ 3,503	$ 4,447	$ 4,054	$ 3,456
Average Final Average Salary	-	84,070	72,415	78,988	84,063	102,499	99,613	82,374
Number of Active Retirants	-	5	26	55	39	15	4	144
Period 10/1/10 to 9/30/11								
Average Monthly Benefit	-	$ 1,923	$ 2,658	$ 3,769	$ 3,526	$ 4,250	$ 4,054	$ 3,541
Average Final Average Salary	-	84,070	73,097	83,097	83,661	106,381	99,613	84,703
Number of Active Retirants	-	5	24	53	38	16	4	140
Period 10/1/11 to 9/30/12								
Average Monthly Benefit	-	$ 1,923	$ 2,647	$ 3,731	$ 3,447	$ 4,309	$ 4,054	$ 3,481
Average Final Average Salary	-	84,070	75,085	82,627	84,757	103,377	99,613	84,860
Number of Active Retirants	-	5	22	51	38	15	4	135
Period 10/1/12 to 9/30/13								
Average Monthly Benefit	-	$ 1,923	$ 2,740	$ 3,783	$ 3,424	$ 4,309	$ 4,054	$ 3,514
Average Final Average Salary	-	84,070	77,339	88,393	89,718	103,377	99,613	88,885
Number of Active Retirants	-	5	21	50	37	15	4	132

Source: Gabriel Roeder Smith & Co.

Schedule of Average Benefit Payments - Vision

Last Seven Years

Payment Periods	Credited Service (Years) as of September 30							
	0 - 5	**5 - 10**	**10 - 15**	**15 - 20**	**20 - 25**	**25 - 30**	**30 +**	**Total**
Period 10/1/06 to 9/30/07								
Average Monthly Benefit	$ 17	$ 2,186	$ 2,526	$ 3,795	$ 4,003	$ 4,377	$ 4,065	$ 3,651
Average Final Average Salary	19,500	96,442	67,760	80,314	86,286	102,028	99,110	83,177
Number of Active Retirants	1	3	20	42	35	14	5	120
Period 10/1/07 to 9/30/08								
Average Monthly Benefit	$ 17	$ 2,186	$ 2,588	$ 3,801	$ 3,775	$ 4,510	$ 4,038	$ 3,618
Average Final Average Salary	19,500	96,442	70,418	81,753	86,286	102,184	101,887	84,189
Number of Active Retirants	1	3	18	42	35	13	4	116
Period 10/1/08 to 9/30/09								
Average Monthly Benefit	$ 17	$ 2,186	$ 2,728	$ 3,916	$ 3,719	$ 4,624	$ 4,317	$ 3,667
Average Final Average Salary	19,500	96,442	72,545	85,688	87,123	106,348	111,045	86,469
Number of Active Retirants	1	3	19	43	35	12	3	116
Period 10/1/09 to 9/30/10								
Average Monthly Benefit	$ 17	$ 2,186	$ 2,749	$ 3,955	$ 3,753	$ 4,624	$ 5,372	$ 3,707
Average Final Average Salary	19,500	96,442	75,332	83,630	88,016	106,348	137,252	86,723
Number of Active Retirants	1	3	19	42	37	12	2	116
Period 10/1/10 to 9/30/11								
Average Monthly Benefit	17	2,186	2,706	4,052	3,785	4,700	5,372	3,773
Average Final Average Salary	19,500	96,442	74,044	88,977	87,701	110,830	137,252	89,139
Number of Active Retirants	1	3	18	43	36	13	2	116
Period 10/1/11 to 9/30/12								
Average Monthly Benefit	17	2,186	2,647	4,088	3,666	4,452	5,372	3,682
Average Final Average Salary	19,500	96,442	76,442	88,175	88,146	107,446	137,252	88,147
Number of Active Retirants	1	3	17	42	36	12	2	113
Period 10/1/12 to 9/30/13								
Average Monthly Benefit	17	2,186	2,647	4,133	3,669	4,452	5,372	3,729
Average Final Average Salary	19,500	96,442	76,442	95,575	92,812	107,446	137,252	93,164
Number of Active Retirants	1	3	17	42	36	12	2	113
					-			

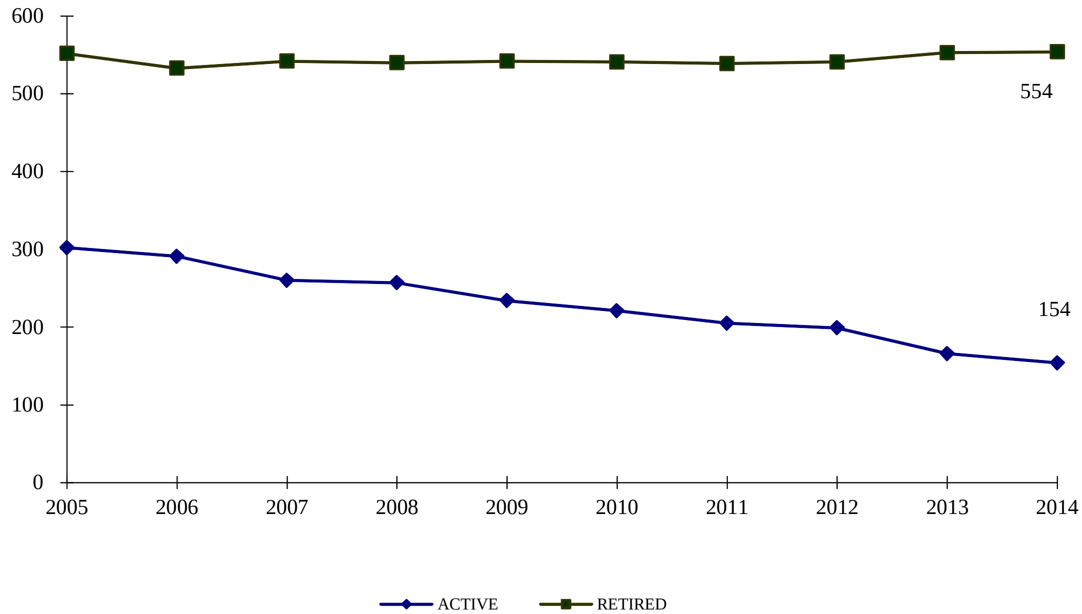
Source: Gabriel Roeder Smith & Co.

Schedule of Principal Participating Employers
For Fiscal Years Ending September 30, 2014 and 2004

	2014		2004	
Participating Employers	Employees	Percentage of Total System	Employees	Percentage of Total System
03rd Circuit	15	9.6 %	27	8.7 %
Court of Appeals	14	9.0	19	6.1
36th District	7	4.5	16	5.1
06th Circuit	7	4.5	8	2.6
07th Circuit	4	2.6	4	1.3
16th Circuit	4	2.6	5	1.6
61st District	4	2.6	5	1.6
08th District	3	1.9	5	1.6
17th Circuit	3	1.9	3	1.0
67th District	3	1.9	4	1.3
All other	92	59.0	216	69.2
Total	156	100.0 %	312	100.0 %

STATISTICAL SECTION

Ten Year History of Membership
Fiscal Year Ended September 30



Source: Gabriel Roeder Smith & Co.

Schedule of Participating Employers through 9/30/14

Supreme Court
Court Of Appeals
03rd Circuit Court
06th Circuit Court
07th Circuit Court
08th Circuit Court
09th Circuit Court
10th Circuit Court
13th Circuit Court
14th Circuit Court
16th Circuit Court
17th Circuit Court
18th Circuit Court
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27th Circuit Court
32nd Circuit Court
34th Circuit Court
35th Circuit Court
37th Circuit Court
40th Circuit Court
41st Circuit Court
57th Circuit Court
05th District Court
07th District Court
08th District Court
10th District Court
14th District Court
15th District Court
16th District Court
17th District Court
19th District Court
21st District Court
26th District Court
28th District Court
31st District Court
33rd District Court
36th District Court
39th District Court
40A District Court
41B District Court
44th District Court
48th District Court
52nd District Court
56A District Court
58th District Court
61st District Court
63rd District Court
64th District Court
65th District Court
66th District Court
67th District Court
68th District Court
70th District Court
71st District Court
77th District Court
78th District Court
81st District Court
82nd District Court
86th District Court
87th District Court
88th District Court
95th District Court
98th District Court
Bay County Probate Court
Berrien County Probate Court
Cass County Probate Court
Emmet County Probate Court
Gogebic County Probate Court
Huron County Probate Court
Iron County Probate Court
Isabella County Probate Court
Kalamazoo County Probate Court
Kent County Probate Court
Lake County Probate Court
Macomb County Probate Court
Muskegon County Probate Court
Oscoda County Probate Court
Ottawa County Probate Court
Recorders Court
Wayne County Probate Court
Wexford County Probate Court

ACKNOWLEDGMENTS

The *Michigan Judges' Retirement System Comprehensive Annual Financial Report* is prepared by Financial Services, Fiscal Management Division. Staff of the division for the fiscal year 2014 report included:

Management:

Ronald W. Foss, Director
Aver Hamilton, Accounting Manager

Accountants:

Dan Harry
Erik Simmer
Carol Wheaton
Paula Webb

Technical and Support Staff:

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Jamin Schroeder

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The report may be viewed on-line at: www.michigan.gov/ors