Actuarial Valuation Report

for

Lenawee County Board of Commissioners Retirement Income Plan

as of

January 1, 2012

Contract Number: PF 473

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Actuarial Certification

I have reviewed the calculations performed for this report. They are based on the participant data provided by Lenawee County Board of Commissioners, the plan provisions summarized herein, and asset information provided by MassMutual. While I have not independently audited the participant data I have checked it for reasonableness and believe it is consistent and comparable with data used in prior valuations.

Each prescribed assumption was applied in accordance with applicable law and regulations. Each other actuarial assumption is reasonable, in my opinion, taking into account the experience of the plan and reasonable expectations. All calculations were performed using generally accepted actuarial principles and procedures. To the best of my knowledge, the results presented in this report are complete and accurate and are consistent with all applicable laws.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Richard A. Erickson, ASA, MAAA, MSPA, QKA, RFC®
Enrolled Actuary No. 11-05483

July 24, 2012
Date

Executive Summary

This Actuarial Valuation Report is submitted in conjunction with the January 1, 2012 plan anniversary and reflects the funded position of the plan as of that point in time. This Executive Summary and the pages that follow provide details regarding the determination of your contribution requirement.

Analysis and Commentary

The Employer's cost for the 2012 Plan Year is $1,590,155, or about 22.1% of covered salaries (employees under normal retirement age). This recognizes the change in the employee contribution rate for the Nurses M.N.A. Union, Government Employees' Labor Council, Lenawee County Employees (Non-union), Steelworkers Union, and Drain Commission groups from 8.5% to 10.0%, and for the Sheriff Command from 8.0% to 9.0%. The cost for the 2011 Plan Year was $1,692,879 or about 20.6% of covered salaries

The Plan's Actuarial Value of Assets covers approximately 71% of the Plan's Present Value of Future Benefits and approximately 82% of the Plan's Present Value of Accrued Benefits (the ASC 960, formerly FAS35, liability.) Using the Plan's Market Value of Assets rather than Actuarial Value of Assets these percentages increase to approximately 74% and 84%, respectively.

If you have any questions or would like any additional information, please do not hesitate to call.

Respectfully submitted,

Richard A. Erickson, ASA, MAAA, MSPA, QKA, RFC®
Consulting Actuary
1-(800)-349-8844, Ext. 43601

July 24, 2012
Date

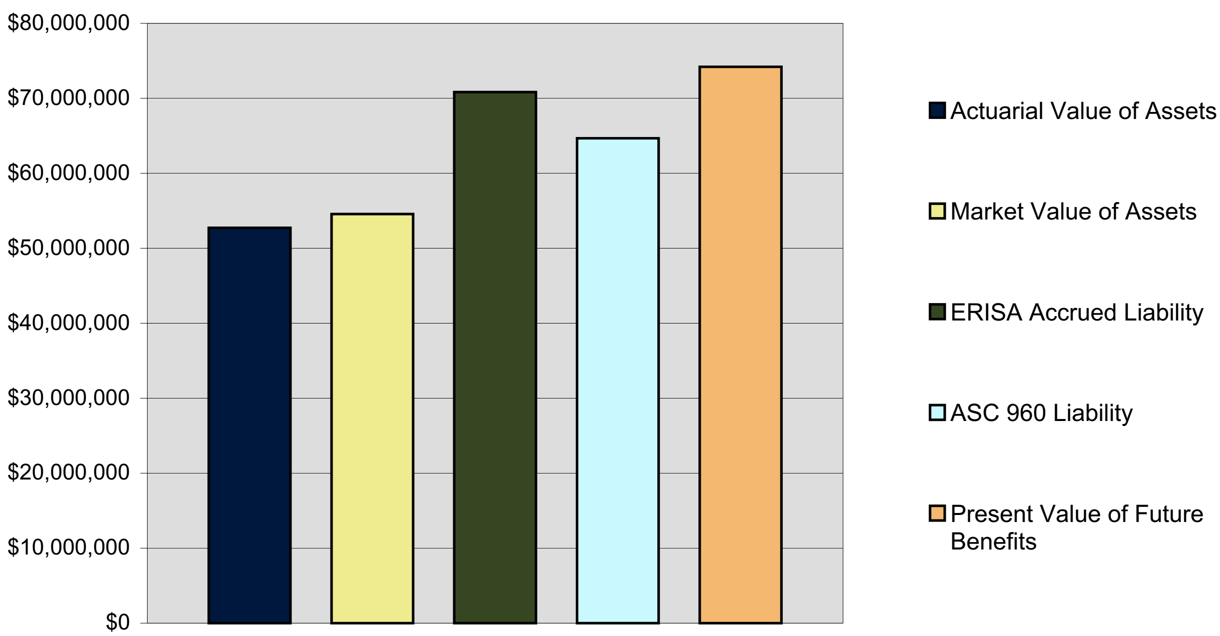
Jane Walsh
Actuarial Analyst
1-(800)-349-8844, Ext. 43683

July 24, 2012
Date

Measures of Plan Liability and Assets

	ERISA Accrued Liabilities	ASC 960 Liabilities	Present Value of Future Benefits
Active	$ 33,549,402	$ 27,393,742	$ 36,927,041
Terminated Vested	2,946,912	2,946,912	2,946,912
Retired	32,992,870	32,992,870	32,992,870
Disabled Receiving Benefits	1,341,159	1,341,159	1,341,159
Total	$ 70,830,343	$ 64,674,683	$ 74,207,982

Actuarial Value of Assets:	$	52,721,291
Market Value of Assets:	$	54,555,018



Liability Measurement

Before comparing and contrasting different measures of Plan liability, it is first necessary to briefly discuss how liability is measured. In order to measure any pension plan liability, assumptions must be made pertaining to what may happen in the future. Two important assumptions are the interest rate and the mortality assumptions.

The interest assumption determines the time-value of money. In other words, it determines how much is needed today to grow to a given amount at some time in the future. A pension plan's liability consists of promises to pay benefits at some time in the future, so a measure of that liability is how much money is needed today to provide for those promised benefits in the future.

The mortality assumption predicts how long a participant will live. Since retirement benefits are generally paid for the participant's life, the mortality assumption predicts how long retirement benefits will be paid.

For some purposes, the value of annuities that have been purchased for non-highly compensated employees must be included in the liability measurement.

Asset Measurement

Actuarial Value of Assets is the asset value used in the determination of the plan's contribution requirements, maximum tax-deductible limits and the plan's funded status. It is either equal to the Market Value of Assets or an average of market values. Please see the Funding Methods section of this Report for a description of the method used to determine the Actuarial Value of Assets.

Either value includes contributions that have been made after the valuation date for the prior Plan Year.

Present Value of Future Benefits

This is the liability associated with the promise to pay the benefits that participants will be entitled to assuming they work until retirement. Of the four measures of liability discussed here, this is typically the largest because it is based on projected benefits. In other words, it includes not only benefits that have been accrued to date, but also benefits that are expected to be earned in the future. The interest and mortality assumptions are chosen by the plan actuary. The interest assumption is a reasonable long-term expectation of future asset returns given how plan assets are invested, and the mortality assumption is based on a standard, current mortality table.

ERISA Accrued Liability

This measure of liability is closely related to the Value of Future Benefits. Briefly, it is the portion of the Value of Future Benefits that the Actuarial Cost Method attributes to past service. In other words, it is the portion of the Value of Future Benefits that is deemed to be accrued. The actuarial assumptions used here are the same as those used in the Present Value of Future Benefits. Of the four liability measurements discussed here, this is probably the most difficult to understand. It is common to compare it to saving money to buy a home in cash. How much cash you'll need is analogous to the Present Value of Future Benefits. How far along you are in your schedule to accumulate the necessary cash is analogous to the ERISA Accrued Liability.

ASC 960 (FASB Accounting Standards Codification Topic 960)

(Formerly Financial Accounting Standards No. 35) Like the Funding Target discussed above, this liability measure is based on accrued benefits. It does not take into account future salary and service increases. The interest assumption is generally the expected long-term return on the plan’s assets.

Contribution History

The following contributions have been made since January 1, 2011

Date	Amount	For Plan Year	Plan Year's Interest Credited [3]
04/29/11 [1]	$ 632,472	2011	$ 34,240
06/24/11 [1]	521,529	2011	21,833
10/11/11 [1]	597,647	2011	10,741
01/06/12 [1]	512,985	2011	0
04/07/11 [2]	234,870	2011	13,848
07/06/11 [2]	193,220	2011	7,581
10/06/11 [2]	223,137	2011	4,255
12/29/11 [2]	192,472	2011	127
Total	$ 3,108,332		$ 92,624

[1] *Employer Contribution*

[2] *Employee Contribution*

[3] *This is interest credited to the contribution(s) at the valuation interest rate. It is not the actual earnings on the contribution(s).*

Determination of Actuarial (Gain) or Loss for the 2012 Plan Year

A. Expected Unfunded Actuarial Accrued Liability	
1. Unfunded Actuarial Accrued Liability as of January 1, 2011	$ 18,561,184
2. Normal Cost as of January 1, 2011	1,692,879
3. Interest at 8 %	1,620,325
4. 2011 contributions plus interest at 8 %	3,200,956
5. Expected Unfunded Actuarial Accrued Liability as of January 1, 2012 (1) + (2) +(3) - (4); but not less than zero	$ 18,673,432
B. Actual Unfunded Actuarial Accrued Liability	
1. Actuarial Accrued Liability as of January 1, 2012	$ 70,830,343
2. Actuarial Value of Assets as of January 1, 2012	52,721,291
3. Actual Unfunded Actuarial Accrued Liability as of January 1, 2012 (1) - (2); but not less than zero	$ 18,109,053
C. Changes in Unfunded Actuarial Accrued Liability	
1. Increase/(Decrease) due to Plan Amendment(s)	$ 0
2. Increase/(Decrease) due to Assumption Change(s)	0
3. Increase/(Decrease) due to Funding Method Change	0
4. Total Changes: (1) + (2) + (3)	$ 0
D. Actuarial (Gain) or Loss	
B(3) - C(4) - A(5)	(564,380)

Contribution Breakdown for the 2012 Plan Year

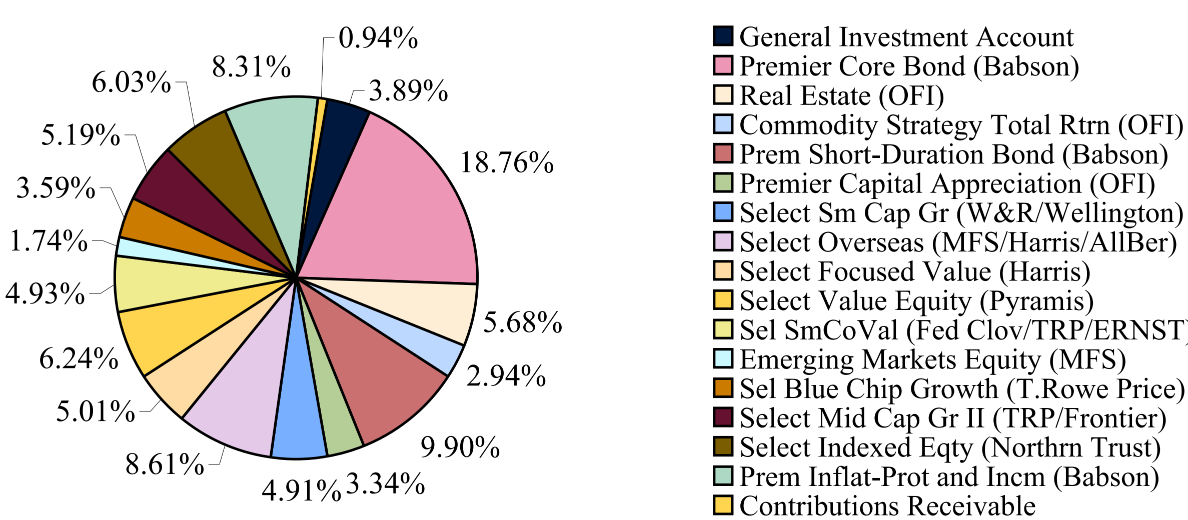
Below is a breakdown of the 2012 plan year contribution. To perform the breakdown, we first subtracted the actuarial accrued liability of the plan's inactive participants from the plan assets, and then allocated the remaining assets among the groups based on the actuarial accrued liability of the active participants. The unfunded actuarial accrued liability of each group was then amortized over a 20-year period. The resulting amortization payment was then added to the Normal Cost of each group to produce the recommended annual cost. Finally, the amount of anticipated employee contributions was subtracted from the total cost, to arrive at the annual contribution due from Lenawee County for each employee group.

	01 Sheriff- Command	02 Sheriff- Deputy	03 Nurses- MNA Union	04 G.E.L.C. Union	05 County Non-Union	06 Steelworkers Union	61 Drain Commission	Total of All Groups
Active Employees	11	56	3	32	95	6	5	208
Average Age	44.75	45.01	54.83	48.74	53.22	53.75	50.89	49.86
Annual Salary (excluding employees over NRA)	$677,906	$2,542,512	$59,867	$955,614	$2,546,715	$185,741	$226,833	$7,195,188
Actuarial Accrued Liability (Active Employees)	$2,712,948	$8,127,735	$314,901	$3,850,097	$17,366,509	$433,235	$743,977	$33,549,402
Allocated Actuarial Value Plan Assets (Active Employees)	1,248,573	3,740,605	144,926	1,771,920	7,992,541	199,387	342,399	15,440,351
Unfunded Actuarial Accrued Liability (Active Employees)	$1,464,375	$4,387,130	$169,975	$2,078,177	$9,373,968	$233,848	$401,578	$18,109,051
Entry Age Normal Cost	$44,520	$198,889	$4,696	$62,260	$170,746	$18,086	$19,601	$518,798
Amortization Payment (20 yrs)	138,102	413,740	16,030	195,988	884,036	22,054	37,872	1,707,822
Total Annual Cost	$182,622	$612,629	$20,726	$258,248	$1,054,782	$40,140	$57,473	$2,226,620
Estimated Employee Contrib.	61,012	177,976	5,987	95,561	254,672	18,574	22,683	636,465
(% salary)	(9.00%)	(7.00%)	(10.00%)	(10.00%)	(10.00%)	(10.00%)	(10.00%)	(8.85%)
Employer Annual Cost	**$121,610**	**$434,653**	**$14,739**	**$162,687**	**$800,110**	**$21,566**	**$34,790**	**$1,590,155**
(% salary)	(17.94%)	(17.10%)	(24.62%)	(17.02%)	(31.42%)	(11.61%)	(15.34%)	(22.10%)

Plan Assets as of January 1, 2012

			Market Value
General Investment Account		$	2,120,024
Separate Investment Account E	— Premier Core Bond (Babson)		10,235,001
Separate Investment Account CB	— Real Estate (OFI)		3,099,929
Separate Investment Account CE	— Commodity Strategy Total Rtrn (OFI)		1,601,554
Separate Investment Account F	— Prem Short-Duration Bond (Babson)		5,403,301
Separate Investment Account NC	— Premier Capital Appreciation (OFI)		1,822,700
Separate Investment Account SC	— Select Sm Cap Gr (W&R/Wellington)		2,676,296
Separate Investment Account SH	— Select Overseas (MFS/Harris/AllBer)		4,695,831
Separate Investment Account SV	— Select Focused Value (Harris)		2,731,812
Separate Investment Account SW	— Select Value Equity (Pyramis)		3,406,482
Separate Investment Account SY	— Sel SmCoVal (Fed Clov/TRP/ERNST)		2,690,088
Separate Investment Account UA	— Emerging Markets Equity (MFS)		946,755
Separate Investment Account W1	— Sel Blue Chip Growth (T.Rowe Price)		1,957,706
Separate Investment Account W9	— Select Mid Cap Gr II (TRP/Frontier)		2,832,328
Separate Investment Account X	— Select Indexed Eqty (Northrn Trust)		3,287,952
Separate Investment Account Y6	— Prem Inflat-Prot and Incm (Babson)		4,534,274
	Subtotal	$	54,042,033
	Contribution(s) Receivable		512,985
	Total	$	54,555,018

Market Value of Assets



Asset Reconciliation

Asset Reconciliation	Actuarial Value	Market Value
Assets as of January 1, 2011	$ 50,895,735	$ 54,496,143
Contributions	3,108,332	2,595,347
Investment Income	109,658	109,658
Appreciation/(Depreciation)	2,010,183	243,502
Benefit Payments	(3,316,295)	(3,316,295)
Expenses	(84,250)	(84,250)
Other (1)	(2,072)	(2,072)
Assets as of December 31, 2011	$ 52,721,291	$ 54,042,033 (2)
Rate of Return (3)	4.18%	0.65%

(1) *General Investment Account adjustment*

(2) *Cash basis - does not include contribution(s) receivable.*

(3) *Estimated assuming mid-year cash flows.*

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Participant Summary and Demographic Statistics

	2011	2012
Classification of Funded Participants as of January 1		
Actives Under Assumed Retirement Age	196	166
Actives Over Assumed Retirement Age	60	42
Terminated Vested	70	74
Retired	251	278
Disabled and Receiving Benefits	15	14
Opt-out Employees	21	29
Total Participants	613	603
Total Monthly Benefits as of January 1		
Actives Under Assumed Retirement Age		
Accrued Benefits	$ 237,271	$ 220,951
Projected Benefits to Assumed Retirement	580,277	522,160
Actives Over Assumed Retirement Age	122,555	91,259
Terminated Vested	35,420	41,105
Retired	246,639	300,186
Disabled and Receiving Benefits	13,833	12,839
Opt-out Employees	17,033	25,367
Total Accrued	$ 672,751	$ 691,707
Total Projected	$ 1,015,757	$ 992,916
Demographic Statistics as of January 1		
Active Participants		
Average Age	49.93	49.86
Average Compensation	$ 42,308	$ 43,492
Opt-out Active Participants		
Average Age	42.19	42.33
Terminated Vested Participants		
Average Age	54.10	54.00
Retired Participants		
Average Age	71.70	71.10
Disabled Participants		
Average Age	60.70	61.00

Auditor's Information and ASC 960 Reconciliation

The following information is provided to assist your accountant with the reporting requirements of ASC 960 (formerly FAS 35). The information reported here should not be used for any other purposes. Information reporting for other purposes, such as determining sufficiency in the event of a plan termination, may be significantly different.

Reporting Date		January 1, 2012
Present Value of Accumulated Plan Benefits		
For Participants Receiving Benefits	$	34,334,029
For Terminated Vested Participants		2,946,912
For Other Vested Participants		27,324,494
Present Value of Vested Accumulated Plan Benefits	$	64,605,435
Present Value of Nonvested Accumulated Plan Benefits		69,248
Present Value of Accumulated Plan Benefits	$	64,674,683
Present Value of Accumulated Plan Benefits as of January 1, 2011	$	62,389,134
Increase Due to Benefit Accruals		1,221,876
Decrease Due to Disbursements		(3,316,295)
Increase Due to Passage of Time		4,956,229
Other (1)		(576,261)
Present Value of Accumulated Plan Benefits as of January 1, 2012 before changes		64,674,683
Effect of Interest Rate Change (2)		0
Effect of Assumption Change (3)		0
Effect of Plan Change(s) (4)		0
Present Value of Accumulated Plan Benefits as of January 1, 2012 after changes	$	64,674,683
Fair Market Value of Assets (5)	$	54,555,018

The Present Value of Accumulated Plan Benefits is measured using the Unit Credit Actuarial Cost Method. The actuarial assumptions used are shown in the Actuarial Assumptions section of this Report, and the Plan provisions are summarized in the Plan Summary section of this Report.

(1) *Effect of miscellaneous gains/losses and other demographic changes.*
(2) *None*
(3) *None*
(4) *None*
(5) *Includes accrued contributions and the adjusted market-value of any GIA assets (if applicable).*

Actuarial Assumptions

Many of the factors affecting the funding cost and liability cost of the Plan are variables which cannot be predicted with certainty. The following actuarial assumptions have either been mandated by statute and regulation or selected to reasonably anticipate future experience with respect to these variables.

Interest:	8.00%
Preretirement Mortality:	RP-2000 Mortality Tables for Non-Annuitants, Fully Generational With Scale AA
Postretirement Mortality:	RP-2000 Mortality Tables for Annuitants, Fully Generational With Scale AA
Assumed Retirement:	Plan Normal Retirement Age
Termination:	Termination Table T-5 from the Actuary's Handbook with a 5-year setback for females
Incidence of Disability:	1952 Disablity Table, Period 2, Benefit 5, with six month waiting period
Disabled Mortality:	RP-2000 Male and Female Disabled Retiree Tables
Salary Scale:	4.0%
Marriage:	It is assumed that 80% of participants are married and that a male is 3 years older than his female spouse.
Expenses:	Interest rate is assumed to be net of plan expenses.
Optional Forms:	Liabilities include no load to account for the value of optional annuity forms.
Survivor's Benefit:	It is assumed that 100% of participants will be married or otherwise survived by an eligible beneficiary. It is further assumed that the male spouse is 3 years older than the female.

Actuarial Cost and Asset Valuation Methods

Actuarial Cost Method

Individual Entry Age Normal

The Normal Cost is the level dollar premium necessary to fund the benefit projected to assumed retirement date over the working lifetime of each participants. The Accrued Liability is the excess of the present value as of the valuation date of the benefit projected to assumed retirement age over the present value of future Normal Costs. Or, equivalently, the accumulated value of all past Normal Costs. The benefit projected to assumed retirement date uses projected service, compensation if applicable, and any other components that would be used in the calculation of the benefit. The difference between the Accrued Liability and the Actuarial Value of Assets is the Unfunded Actuarial Accrued Liability. Each year the difference between the expected Unfunded Actuarial Accrued Liability (based on actuarial assumptions being realized exactly) and the actual Unfunded Actuarial Accrued Liability is the Actuarial Gain or Loss.

Asset Valuation Method

For assets held in the General Investment Account, the Actuarial Value is assigned by the Insurance Company.

For the assets listed below, the Actuarial Value is equal to the prior year's Actuarial Value plus the net deposit and investment income, minus withdrawals, plus (or minus) % of the unrecognized appreciation (or depreciation) during the year. The total fund's Actuarial Value is not greater than 120% of the Market Value, or less than 80% of the Market Value.

Separate Investment Accounts E, CB, CE, NC, SC, SH, SV, SW, SY, UA, W1, W9, X and Y6

For the assets listed below, the Actuarial Value of Assets is equal to the Market Value.

Separate Investment Account F

Summary of Plan Provisions

The provisions shown here are only summaries. In the interest of space and simplicity, many of them have been abbreviated, simplified, or paraphrased. In matters of Plan interpretation or application, the actual Plan Document should be consulted.

Plan: Lenawee County Board of Commissioners Retirement Income Plan

Employer Identification Number / Plan Number: 38-6005798 / 001

Effective Date: January 1, 1976

Plan Year: Calendar Year

Employer: Lenawee County Board of Commissioners.

Employee: Any person who is employed by the Employer. An individual who performs services for the Employer pursuant to an agreement between the Employer and an employee leasing organization shall not be considered to be an Employee.

Participation: Each person employed by the County in a position normally requiring 1,000 hours or more per year is eligible to join the plan on date of hire. Except that Participation has been frozen for the following Groups:

Group 02: Sheriff Deputy (Police Officers Association of Michigan) - *Employees hired after September 1, 2005.*
Group 03: Nurses M.N.A. Union - *Employees hired after January 31, 2002.*
Group 04: Government Employees' Labor Council - *Employees hired after May 1, 2003, except that for District Court Employees, after March 1, 2004.*
Group 05: Lenawee County Employees (Non-union) - *Employees hired after January 1, 2001.*

Group 06: Steelworkers Union - *Employees hired after August 1, 2002.*
Group 61: Drain Commission - *Employees hired after January 1, 2002.*
Group 08: Medical Care Facility (Non-union) - *Employees hired after January 1, 2008.*

Service: The period of an Employee's employment with the Employer, as determined by the Employer from its personnel records.

Vesting Service: All years of Service with the Employer from Date of Employment.

Benefit Service: All years of Service with the Employer from Date of Employment.

Normal Retirement Date:

Group 01: Sheriff Command and Group 02: Sheriff Deputy - First day of the month coincident with otherwise next following the earlier of 1) age 55 and 25 years of service, and 2) age 65 and 8 years of service.

Group 04: Government Employees' Labor Council (GELC), Group 05: Lenawee County Employees (Non-union), Group 06: Steelworkers Union, Group 03: Nurses M.N.A. Union, and Group 61: Drain Commission Employees - the earlier of 1) date age and years of service equal 85, and 2) age 62 and 8 years of service.

All other Groups - Age 65 and 8 years of service.

Early Retirement Date: Any Participant who has attained age 55 and completed 10 years of Benefit Service may elect early retirement on the first day of any calendar month following the termination of Service.

Disability Retirement Date: Any Participant who has completed 10 years of Benefit Service may elect disability retirement on the first day of any calendar month following the determination of total and permanent disability.

Average Monthly Earnings:

Group 01: Sheriff Command and Group 02: Sheriff Deputy - The average of Monthly Earnings in the period of 48 consecutive months with respect to which such sum is the greatest.

All Other Groups - The average of Monthly Earnings in the period of 60 consecutive months with respect to which such sum is the greatest.

Normal Retirement Benefit:

Group 01: Sheriff Command - 2.50% of average monthly earnings times all years of benefit service. The maximum monthly benefit is 80% of average monthly earnings.

Group 02: Sheriff Deputy - 2.50% of average monthly earnings times all years of benefit service.

Group 03: Nurses M.N.A. Union - 2.00% of average monthly earnings times all years of benefit service.

Group 04: Government Employees' Labor Council - 2.00% of average monthly earnings times all years of benefit service.

Group 05: Lenawee County Employees (Non-union) - 2.00% of average monthly earnings times all years of benefit service.

Group 06: Steelworkers Union - 2.00% of average monthly earnings times all years of benefit service.

Group 61: Drain Commission - 2.00% of average monthly earnings times all years of benefit service.

Termination Benefit: A Participant who has at least eight years of Vesting Service has a nonforfeitable right to 100% of his or her Accrued Benefit. Benefit is payable at Normal Retirement

Early Retirement Benefit: The accrued benefit reduced 1/15 for the first five years, and 1/30 for the next five years for each year the Retirement Date precedes the Normal Retirement Date.

Disability Retirement Benefit: The accrued benefit reduced by any amounts payable under any worker's compensation or salary continuance program.

Normal Form: Single: Modified Cash Refund; Married: Qualified 50% Joint and Survivor Annuity.

Optional Forms: Joint and Survivor Annuity, Life Annuity with 60 or 120 monthly payments

Death Benefits:

For all employees except Group 7: Medical Care Facility (Union)

Pre-retirement: If the Participant is not vested, no death benefits are payable. If the participant is vested, then the death benefit is 50% of the amount that would have been payable to the Participant under the 50% Joint and Survivor option.

Post-Retirement: None except as provided by the annuity form elected.

Employee Contributions: (picked up by the Employer under IRC §414(h)(2))

Group 01: Sheriff Command - 9.00% of pay.

Group 02: Sheriff Deputy - 7.00% of pay.

Group 03: Nurses M.N.A. Union - 10.00% of pay.

Group 04: Government Employees' Labor Council (GELC) - 10.00% of pay

Group 05: Lenawee County Employees (Non-union) – 10.00% of pay.

Group 06: Steelworkers Union - 10.00% of pay.

Group 61: Drain Commission - 10.00% of pay.

Spin-off of Medical Care Facility employees: Effective January 1, 2008, all non-retired employees of the Lenawee Medical Care Facility (Formerly Group 7 and Group 8 of this plan) were transferred to successor plans.

Opt-out Elections: Active participants in groups 03, 04, 05, 06, and 61 may elect to opt-out of participation in this plan for purposes of benefit accruals only. Vesting service and service for purposes of the Rule of 85 Retirement Age will continue to be credited. Each year the election period will run from November 15th to December 15th, and such election will take effect the following January 1st. At that time, the participant will commence participation in the County's Defined Contribution Plan.