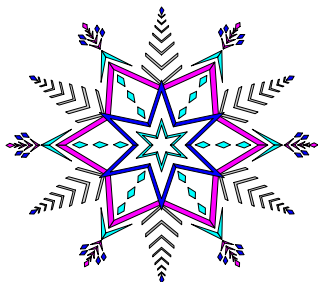


2009 Educational Luncheon

Winter/Spring 2009



CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM

Letter to Retirees

Wednesday, April 29, 2009

**Four Points Sheraton
Ann Arbor
3200 Boardwalk**

**11:30 a.m. – 2:30 p.m.
Spouses are welcome!**

**“Protecting Yourself
Against Internet Identity Theft”
with City of Ann Arbor Police Detective
Tom Kolpacki**

Call or email to make reservations!

Telephone: (734) 794-6710

Toll-Free: (877) 994-4590

Email: Ikuczynski@a2gov.org

Economic Factors, Investment Returns, and Other Important Matters

The stock market is the principal investment vehicle utilized by the City of Ann Arbor Employees' Retirement System (CAAERS). It is important to note that CAAERS' purpose is to provide long-term benefit payments to its members and it is through long-term investing that these promised benefits will be primarily funded. However, it is recognized that in the short term there will be market fluctuations that may result in negative returns for any given period. Such is the case for the fiscal year ended June 30, 2008 which shows a -5.59% return, and calendar year ended December 31, 2008 which shows a -26.31% return. Through its investment policy asset allocation, the Board has positioned the portfolio for the long-term investment objective to provide benefit payments to its members. In addition, to further maximize investment returns, management carefully monitors the performance of each of its investment managers and takes the necessary corrective action to ensure acceptable investment results.

Since CAAERS receives the majority of its new funding from its plan sponsor, the City of Ann Arbor's annual contribution is critical for the System's long-term viability. The City annually ensures that this actuarially computed amount is paid into CAAERS. The City is expected to contribute \$7,559,781 to the Plan for fiscal year 2009/2010.

Bon Voyage!

The Retirement System bid farewell to one of its dedicated and hard-working Trustees, Andrew Boonstra, who served as the Board's Fire Trustee for two terms from January 1, 2003 to December 31, 2008.



Mr. Boonstra also served as the Chairperson of the System's Administrative Policy Committee, and was instrumental in modifying and updating many policies and Ordinance changes.

Thanks, Andy, for all your years of dedicated service to the Retirement System and Retiree Health Care Benefits Plan!

Retirement System & Retire Health Care Benefits Plan Welcomes New Fire Trustee

At its January 15, 2009 regular meeting, the Retirement Board welcomed Jeremy Flack as the new Fire Trustee.

Jeremy replaces Andrew Boonstra, whose term ended on December 31, 2008.

2009 Retiree Ex-Officio Meeting Schedule

The Retiree Ex-Officio Committee will meet on the following Thursdays in the Retirement System Office:

February 26, 2009 September 24, 2009
March 26, 2009 October 29, 2009
May 28, 2009

This Committee represents and is comprised of City retirees and beneficiaries. All City retirees and beneficiaries are invited to attend the meetings, get involved, or provide any input that they wish to express to the Board of Trustees or the City of Ann Arbor.

Inside this issue:

Key Retirement Reports	2
Summary Fact Sheet	2
Article: "Age Power"	3
In Memory	3
New Retirees	4

SUMMARY FACT SHEET

Key Retirement Reports

The City of Ann Arbor Employees' Retirement System is a program to help you meet the financial concerns of retirement, disability and death. There are key Retirement Reports available to give you a brief overview of the operation of the System.

The financial statements are available from the annual audit completed by the firm of Abraham & Gaffney, P.C. The Retirement System is pleased to have received an unqualified opinion from our auditors.

Gabriel, Roeder, Smith and Co., an independent firm of actuaries and employee benefit consultants, conducted an actuarial valuation. The funded ratio for the Retirement System was 99.6% as of June 30, 2008.

The Board has an investment performance analysis performed quarterly by the investment consulting firm, Gray & Company Investment Management Consultants. The Board has dedicated a great deal of attention to investment performance and investment manager structure over the past several years. The Gray & Company Investment Management Consultants Report indicated that the System's total return for the one-year period ending June 30, 2008 was (5.59%). For the three years ending June 30, 2008 the Retirement System's return was 6.57%, and the five-year return ending June 30, 2008 was 8.81%.

The Annual Summary Report is intended to give you a brief overview of the operation of the System. This report is available on the City's website.

A copy of each of the above referenced reports is on file in the Retirement Office for your review. The Retirement office is located at 532 S. Maple Rd., Ann Arbor, Michigan.

It is our hope that you will find these reports both informative and useful in evaluating the progress and growth of your Retirement System. There is a limited number of comprehensive annual reports available for a more detailed review of the Retirement System. Please do not hesitate to contact the Retirement Office at (734) 794-6710 concerning any retirement matter.

Sources of Funds	June 30, 2008	June 30, 2007	1-Year Investment Return
Investment Income <i>(Gross of Fees) (Loss)</i>	(23,490,000)	66,812,000	(5.59)*
City Contributions	7,517,000	5,103,000	
Member Contributions	<u>2,726,000</u>	<u>2,653,000</u>	
	(13,247,000)	74,568,000	

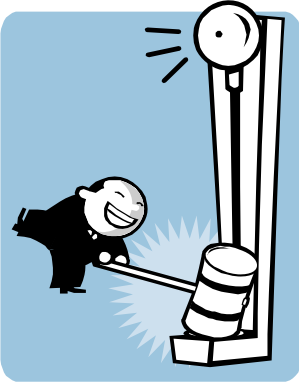
Key Figures (Actual—Last 2 Years)	City Contributions	Benefits Paid	Funded Ratio
<i>Year Ended</i>			
June 30, 2008	7,517,000	23,976,000	99.6%
June 30, 2007	<u>5,103,000</u>	<u>24,505,000</u>	100.1%
Increase (Decrease)	2,414,000	(529,000)	

Key Figures (Projected—Next 2 Years)	Projected City Contributions	Projected Benefits Payable
<i>Year Ended</i>		
June 30, 2010	7,559,781	25,442,000
June 30, 2009	<u>6,894,506</u>	<u>24,487,000</u>
Increase (Decrease)	665,275	955,000

Demographics	June 30, 2008	June 30, 2007	Increase (Decrease)
Active Membership			
General Members	564	561	3
Police Members	149	151	(2)
Fire Members	<u>92</u>	<u>89</u>	<u>3</u>
	805	801	4
Retirees/ Beneficiaries			
General Members	525	525	0
Police Members	149	148	1
Fire Members	<u>146</u>	<u>147</u>	<u>-1</u>
	820	820	0
Types of Retirement			
Age & Service	767	767	(0)
Casualty	<u>53</u>	<u>53</u>	<u>0</u>
	820	820	0

*City of Ann Arbor Employees' Retirement System Performance Report, Period Ending June 30, 2008

Age Power



Psychologist, Gerontologist, and best-selling author, Ken Dychtwald, PhD, in his book, “Age Power”, says America is becoming a “gerontocracy”. He sites four outcomes that he believes are inevitable:

1. More people will live longer than in any previous time.
2. Economic and political power will shift from the young to the aged.
3. Paradigm shift needs to occur about how to spend our extra years of life.
4. How people decide to behave as seniors will become the most important challenge we will face in our lives.

Aging is creating a whole new “mature market”. Consider the following data from the Federal Reserve Board, “Family Finances in the U.S.”, and from the U.S. Department of Labor, Bureau of Labor Statistics, 1997 Consumer Expenditure Survey.

Mature consumers:

- Control more than \$7 trillion in wealth—70 percent of the total
- Own 77 percent of all financial assets
- Comprise 66 percent of all stockholders
- Own 40 percent of all mutual funds (\$1 trillion)
- Own almost 60 percent of all annuities
- Represent 50 percent of IRA and Keogh holders
- Own their own homes—over 79 percent of all 50+, by far the highest rate of any age group
- Own 46 percent of home equity loans
- Transact more than 5 million auto loans each year
- Purchase 42 percent of all homeowner’s insurance (50 million policyholders)
- Own 38 percent of all life insurance—a \$90 billion industry
- Purchase more than 90 percent of long-term care insurance, representing \$800 million in annual premiums—a figure that’s growing at 23 percent per year
- Comprise 35 percent of the auto insurance market (50 million consumers)
- Represent 40 million credit card users, owning almost half of the credit cards in the U.S.
- Purchase 41 percent of all new cars (they’re much less likely than their younger counterparts to buy used cars) and 48 percent of all luxury cars, totaling more than \$60 billion
- Represent more than \$610 billion per year in direct healthcare spending
- Account for 51 percent of all over-the-counter drug purchases
- Consume 74 percent of all prescription drugs, a \$103 billion market
- Represent 65 percent of all hospital bed days, 42 percent of all physician’s office visits, 1.5 million residents in nursing homes, and 1.5 million residents in continuing-care retirement and assisted-living residences

In Memory...

*The following retirees
have passed away
since our last
newsletter:*



Margie Wade - 2/9/2008
Margaret Hendel - 3/7/2008
Fredrick Mammel - 3/7/2008
William Boatwright - 3/15/2008
Shirley Martin - 4/19/2008
Louis Gaudio - 4/25/2008
Paul Barnes - 5/7/2008
Virginia Shehan - 6/23/2008
Arthur Hughes - 6/26/2008
Caren Ketchum - 7/19/2008
Michael Fleming - 8/29/2008
Douglas Reed - 9/16/2008
Norman Hebert - 9/25/2008
Joan Duty - 10/6/2008
Michael Jackson - 11/13/2008
Robert Mueller - 11/21/2008
Hazel Smiley - 12/24/2008
Betty Sweet - 1/3/2009
Virginia Trevithick - 1/21/2009
Gary Woods - 2/1/2009



532 S. Maple Rd.
Ann Arbor, MI 48103

Phone: 734-794-6710
Fax: 734-994-9205

NEW RETIREES

Since our last newsletter, the following employees have retired or have filed their final paperwork:

BOARD OF TRUSTEES

Nancy Sylvester, Chairperson, General Trustee –
NSylvester@a2gov.org
Chris Heatley, Vice-Chairperson, Police Trustee - CHeatley@a2gov.org
Jeffrey Kahan, Secretary, General Trustee - JKahan@a2gov.org
Jeremy Flack, Fire Trustee - JFlack@a2gov.org
Tom Crawford, Chief Financial Officer - TCrawford@a2gov.org
Roger Fraser, City Administrator - RFraser@a2gov.org
Atleen Kaur, Citizen Trustee - kaur@millercafield.com
Alexa Nerdrum, Citizen Trustee - alexa5@comcast.net
David Hescheles, Citizen Trustee - David_Hescheles@nylim.com

RETIREMENT STAFF

Willie J. Powell, Executive Director — WPowell@a2gov.org
Judi Refalo, Pension Analyst—JRefalo@a2gov.org
N. Gail Jarskey, Accountant — GJarskey@a2gov.org
Lora Kluczynski, Mgmt Assistant — LKluczynski@a2gov.org

We're on the Web!
www.a2gov.org

Bruce Weeks, Finance - 3/6/2008
Charles Pear, Housing - 3/25/2008
Sharon Fritz, 15th Dist. Court - 4/12/2008
Kurt Kaiser, Parks – 7/6/2008
David Konkle, Energy - 7/9/2008
Barbara Zahn, CDBG – 7/12/2008
Judy McAllister, Cust. Svcs. – 7/18/2008
Carol Schuler, H.R. – 7/19/2008
Larry Thoms, Proj. Mgmt. – 7/19/2008
Gary Lutz, Fleet Services – 8/2/2008
James Blake, Public Safety – 8/16/2008
Darylin Green, 15th Dist. Court – 10/18/2008
Karin Peterson, Engineering – 11/2/2008
Charles Gaige, Parks – 11/15/2008
Eddie Collins, Street Maint. – 12/2/2008
David Whalen, Utilities – 12/6/2008
Nancy Broxholm, 15th Dist. Court – 12/26/2008
Ann Mattson, 15th Dist. Court – 1/1/2009
Laurie Foondle, Planning – 1/3/2009
Henry Wilson, Compost Ctr. - 1/4/2009
James Wilson, Parks – 1/23/2009
Karen Fletcher, Public Svcs. – 2/14/2009
Christine Parlett, Clerk's Ofc. – 2/21/2009
Bryan Weinert, PS/Solid Waste— 3/14/2009

City of Ann Arbor
Employees' Retirement System
532 S. Maple Rd.
Ann Arbor, MI 48103

ADDRESS CORRECTION REQUESTED

MOVING?

Please remember to report any change of address and telephone numbers to the Retirement Office!

