

An American flag is shown on a wooden pole, waving against a clear blue sky. The flag is positioned on the left side of the frame, with the top of the pole extending towards the top left corner. The stars and stripes of the flag are clearly visible.

Michigan State Employees Retirement System
Defined Benefit Plan

Pension Solution
RBS, LLC

November 2011

CURRENT OPTIONS FOR ADDRESSING PENSION ISSUES

- Increase funding
- Decrease benefits
- Defer the liabilities of the system into the future

RBS' SOLUTION CAN HELP MICHIGAN SAVE ITS PENSION

- Michigan's Pension can bridge a portion of its current UAAL through the purchase of life insurance policies on its plan participants in amounts calculated by RBS' proprietary, dynamic algorithmic software program.
- This solution makes efficient use of State funds and creates a steady, predictable income stream that exists outside the stock market - ultimately saving Michigan money and helping to stabilize the Pension.

RETIREMENT BENEFIT SOLUTIONS, LLC

- Privately held Michigan business
- Headquartered in Traverse City, Michigan
- Experienced management team - 5 Michigan residents
- 4 years of R&D complete
- Patent application pending
- Michigan Life Insurance Agency License

HOW IT WORKS

- RBS creates a new asset class using pension-owned life insurance.
- Pension participants - actives and/or retirees - can be the insureds.
- The policies are guaranteed issue & purchased from of a select number of competing top-rated domestic insurers.
- The pension is both policy holder & irrevocable beneficiary.
- Program proceeds flow directly into the pension trust.

MICHIGAN INSURABLE INTEREST

- MCL 500.2210 - a trust maintained for “the purpose of providing for the cost of benefits” has an insurable interest in both its retired and active employees.
- Must give the insured written notice and receive the “acquiescence” of the insured before taking out coverage.
- Coverage is limited to an amount “reasonably commensurate with the employer’s projected unfunded liabilities...calculated according to accepted actuarial principles.”

HOW IT WORKS

- Using RBS' actuarially certified software, Epiphany[®], RBS determines the amount of life insurance necessary on participants to achieve a desired rate of return for the period of time that you specify.
- The resulting insurance payouts will provide funding to the pension to cover the portion of future liabilities that you choose.

EPIPHANY'S® PATENT-PENDING SYSTEM REFINES THE PROCESS & PINPOINTS SAVINGS

- Calculations can be run using different forms of life insurance, against various long-term goals, blending mortality tables & other variables, as desired.
- Allowing for the input of over 100 variables, Epiphany® pinpoints the amount of insurance necessary to fund the pension's desired returns - bridging some or all of its unfunded liability.
- The software is synchronized with your pension's actuarial projections to arrive at an analysis that is customized for your plan.

Life insurance vs. traditional investment can create savings into the multi-millions each year.

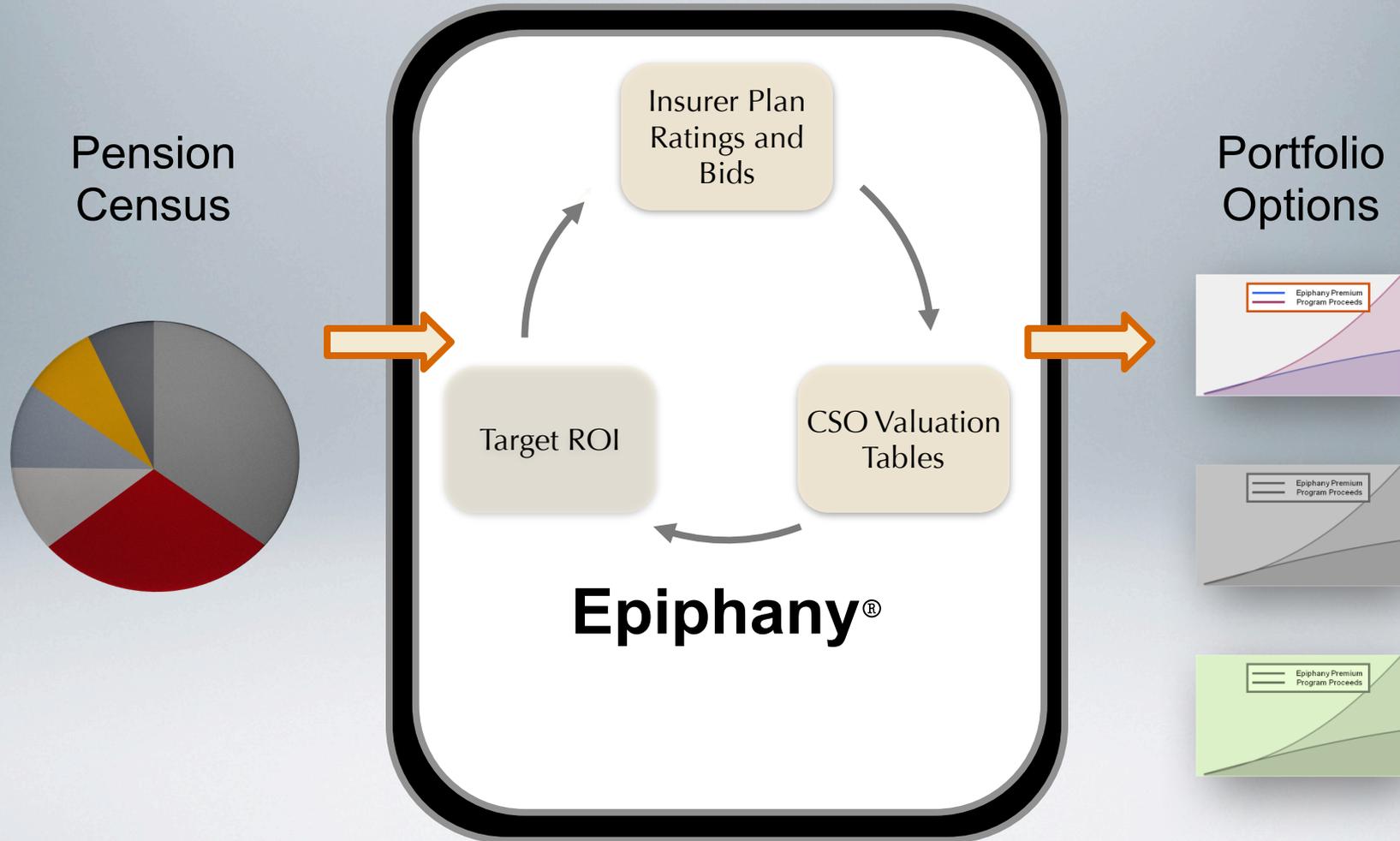
WHY IT WORKS

Life insurance transfers the risk out of the market.

RETIREMENT BENEFIT SOLUTIONS, LLC

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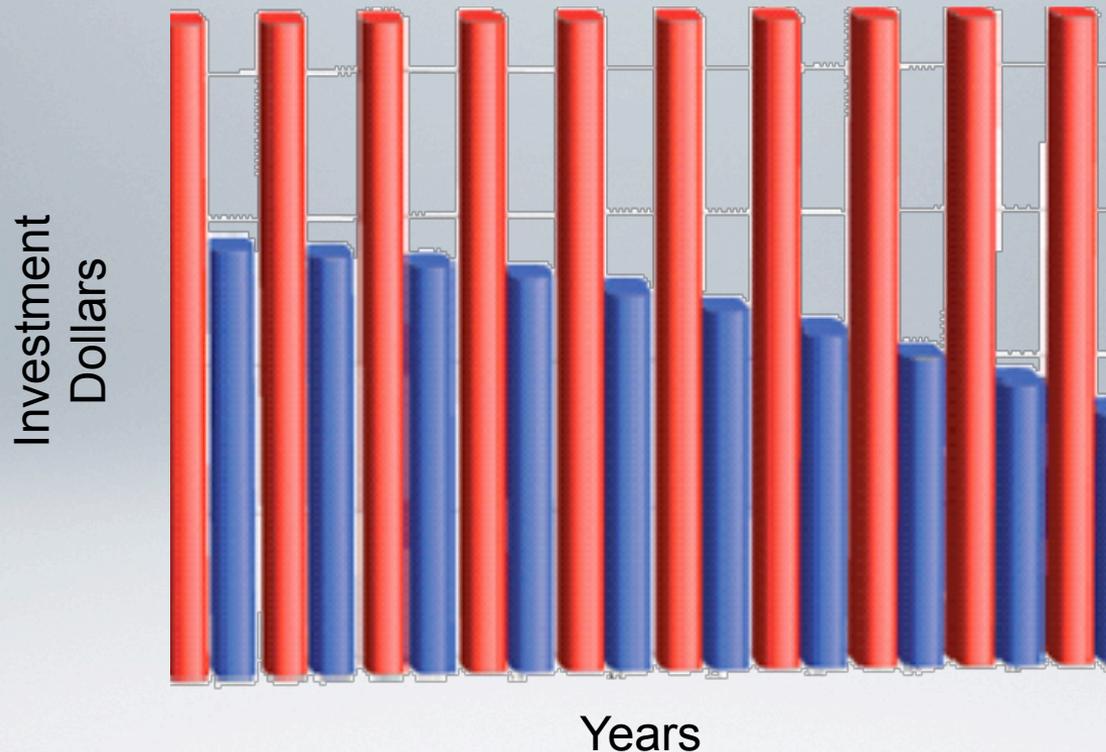
HOW EPIPHANY[®] WORKS



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EPIPHANY[®] PREMIUMS BLUE
VS.
TRADITIONAL ASSET CLASS PREMIUMS RED



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\$5 BILLION TARGET

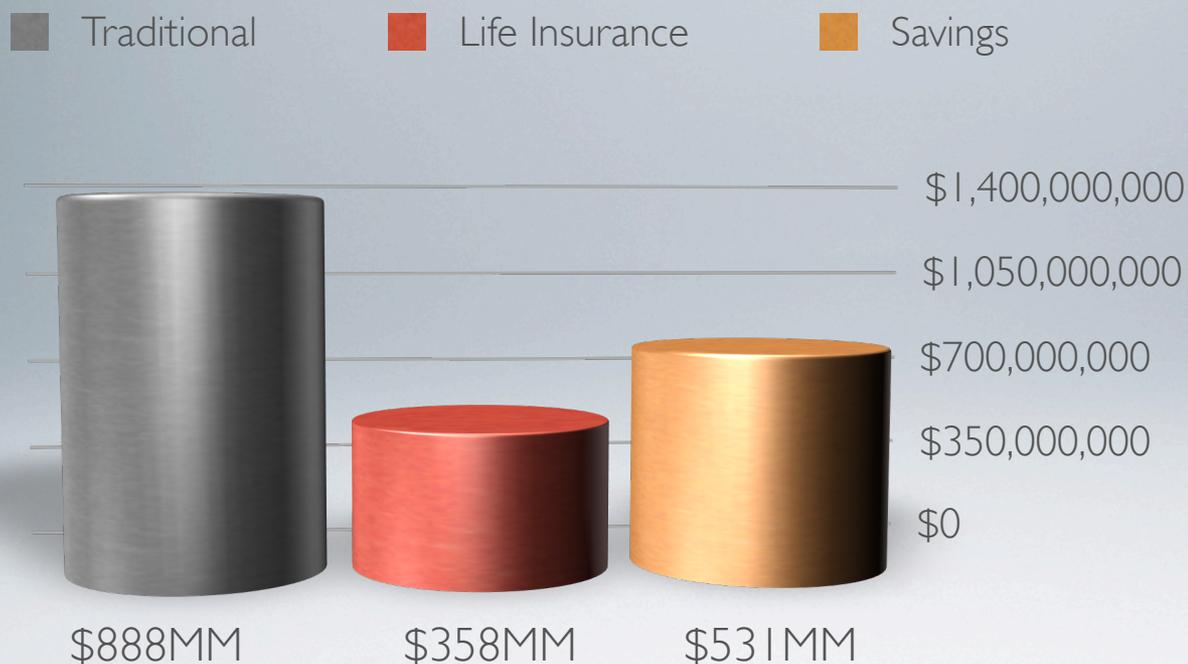
INSURANCE POLICIES CAN SAVE OVER ONE BILLION WHEN COMPARED TO TRADITIONAL INVESTMENTS



- \$5 Billion Target
- \$471,198 average death benefit
- Average Annual Premium Payment of \$179MM
- Traditional assumes 8.0%
- Epiphany[®] assumes reinvestment of death benefits at 8.0%
- Spend \$265MM less per year than traditional investment for same 30-year result

\$10 BILLION TARGET

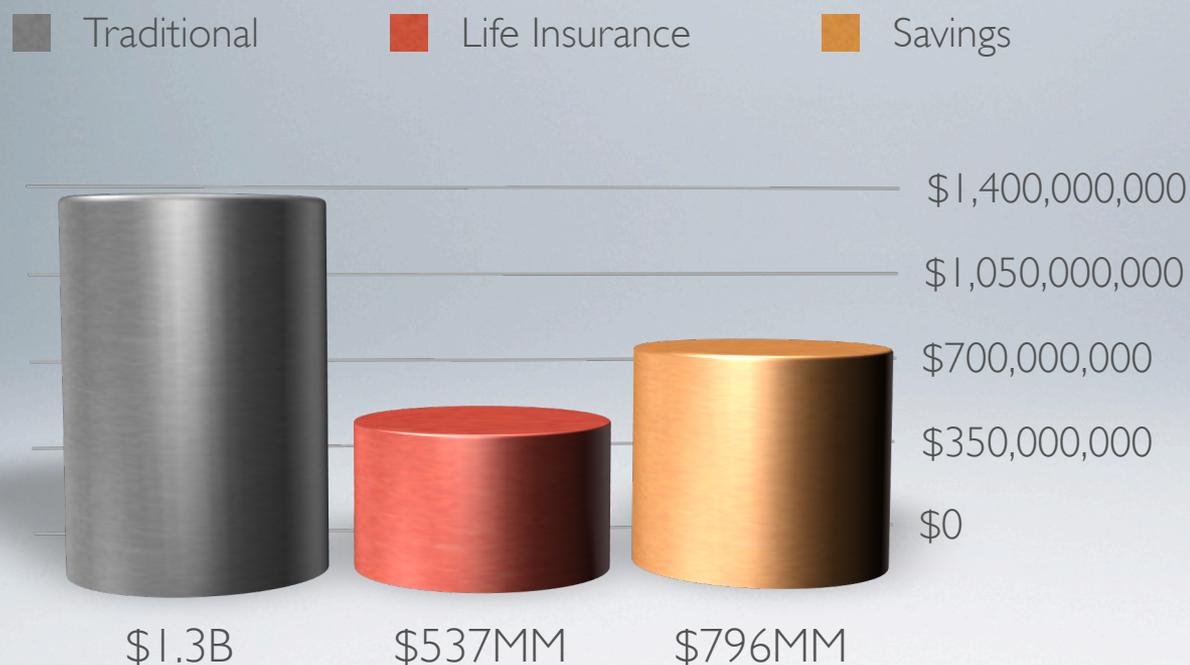
INSURANCE POLICIES CAN SAVE OVER ONE BILLION WHEN COMPARED TO TRADITIONAL INVESTMENTS



- \$10 Billion Target
- \$942,396 average death benefit
- Average Annual Premium Payment of \$358MM
- Traditional assumes 8.0%
- Epiphany[®] assumes reinvestment of death benefits at 8.0%
- Spend \$531MM less per year than traditional investment for same 30-year result

\$15 BILLION TARGET

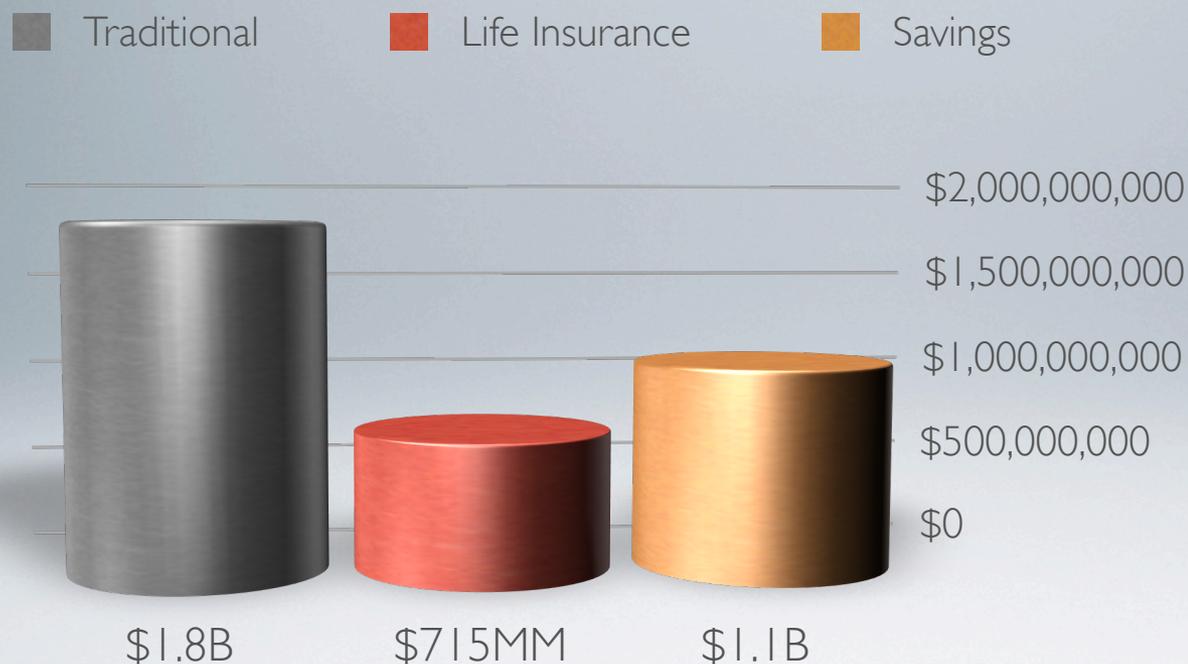
INSURANCE POLICIES CAN SAVE OVER ONE BILLION WHEN COMPARED TO TRADITIONAL INVESTMENTS



- \$15 Billion Target
- \$1,413,595 average death benefit
- Average Annual Premium Payment of \$537MM
- Traditional assumes 8.0%
- Epiphany[®] assumes reinvestment of death benefits at 8.0%
- Spend \$796MM less per year than traditional investment for same 30-year result

\$20 BILLION TARGET

INSURANCE POLICIES CAN SAVE OVER ONE BILLION WHEN COMPARED TO TRADITIONAL INVESTMENTS



- \$20 Billion Target
- \$1,884,793 average death benefit
- Average Annual Premium Payment of \$715MM
- Traditional assumes 8.0%
- Epiphany[®] assumes reinvestment of death benefits at 8.0%
- Spend \$1.1B less per year than traditional investment for same 30-year result

RBS PROCESS/SUPPORT

Analyze

Determine Pension Needs
Enter Census Data
Create Preliminary Projections
Conduct Life Insurer RFPs

Blueprint

Present RBS Solution
Choose Liability Amount To Bridge
Choose Life Insurance Providers
Acquire Necessary Approvals

Implement

Create Implementation Plan
Purchase Insurance Policies
Fulfill Legal Requirements
Archive Documentation

Support

Deliver Periodic Reports
Track Payments from Policies
Resolve Participant Issues
Provide Ongoing Support

EVERYONE WINS

- Benefit levels can be maintained
- Promises can be kept
- No new levies against the citizens of Michigan
- Dollars flowing into the pension are event-driven vs. market-driven
- Epiphany[®] can bridge as much of the gap as you choose
- Returns can be defined to meet an investment target with costs clear and defined
- This solution puts saving the pension back in the hands of the participants



A GAME CHANGING SOLUTION
THAT REDIRECTS THE COURSE YOU ARE CURRENTLY ON

RETIREMENT BENEFIT SOLUTIONS, LLC



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