

Office of Legislative  
**Auditor General**

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April 3, 2014

**FINAL REPORT TRANSMITTAL LETTER**

Honorable Wayne County Commissioners:

Enclosed is our final copy of the Office of Legislative Auditor General's Financial Assessment Attestation Review report for the Wayne County Employees' Retirement System – Defined Contribution Plan audited financial statements for the fiscal years ended September 30, 2013 and 2012. Our report is dated March 17, 2014; DAP No. 2014-57-804(B). The report was accepted by the Audit Committee at its meeting held on March 26, 2014, and formally received by the Wayne County Commission on April 3, 2014.

We are pleased to inform you that officials from the Wayne County Employees' Retirement System provided their full cooperation. If you have any questions, concerns, or desire to discuss the report in greater detail, we would be happy to do so at your convenience. This report is intended for your information and should not be used for any other purpose. Copies of all Office of Legislative Auditor General's final reports can be found on our website at: <http://www.waynecounty.com/commission/lagreports.htm>.

  
Willie Mayo, CPA, CIA, CGAP, CGMA, CICA  
Auditor General

**REPORT DISTRIBUTION**

**Wayne County Employees' Retirement System**  
Robert Grden, Director  
Charles Bonza III, Board Chairman, WCERS  
Kelly Tapper, Division Director – Information Services

**Department of Management & Budget**  
Mark J. Abbo, Chief Financial Officer  
Terry L. Hasse – Director, Grants Compliance and Contract Management

**Wayne County Executive**



**Wayne County Office of Legislative Auditor General (OAG)**  
**Financial Assessment – Limited Review Report**

<b>Report Entity Name &amp; Type</b>	Wayne County Employees' Retirement System Defined Contribution Plan; audited financial statements and other supplementary information for the fiscal years ended September 30, 2013 and 2012..
<b>DAF No.</b>	2014-69-011
<b>Referring Department/Agency</b>	Wayne County Employees' Retirement System (WCERS)
<b>Entity Purpose and Type</b>	<p>The Wayne County Employees' Retirement System Defined Contribution Plan (the "Plan") is a contributory single-employer contribution public employee retirement plan governed by the Wayne County Employees' Retirement System ("WCERS") and created under Enrolled Ordinance No. 86-486 (November 20, 1986), as amended (the "Pension Ordinance"), of the County of Wayne (the "County"). The WCERS was established by the County to provide retirement, survivor, and disability benefits to the County's employees, which includes the employees of the primary government (i.e., the general county), as well as those of the discretely presented component units, including, but not limited to the Wayne County Airport Authority. WCERS is considered part of the County's financial reporting entity and is included in the County's Comprehensive Annual Financial Report as a collection of fiduciary pension trust funds.</p> <p>Effective October 1, 2001, WCERS established the Wayne County Hybrid Retirement Option #5 which contains both defined contribution and defined benefit components. Participants in Plan Option 4 could elect to transfer into Plan Option 5, if authorized, during specific time periods as noted within collective bargaining agreements. Effective October 1, 2008, WCERS established another hybrid defined contribution Plan Option #6 which also contains both defined contribution and defined benefit components. The Plan statements include the net assets and changes in net assets related to Plan Option #4, as well as the contribution component of Plan Options #5 and #6.</p>
<b>Organizational or Governance Structure</b>	The administration, management and responsibility for the proper operation of the Plan, and for interpreting and making effective provisions of the Plan, and fiduciary responsibility for the plans, is vested in the trustees of the Wayne County Retirement Commission. The WCERS organizational structure includes the Retirement Board of Commissioners who establish the general policy, review action taken by the staff and hear appeals of action taken by staff in regard to administration of the system. The Commission consists of eight trustees; the Chairperson of the Wayne County Commission, the County Executive or designee, four members of the retirement system who are residents of the County elected by the members of the system, and two retired members who are residents of the County and elected by the retired members and beneficiaries. The day-to-day operations are the responsibility of the retirement staff led by the Executive Director who is selected by the board. The retirement staff are employees of the County.
<b>Entity's Funding Sources</b>	The Plan's benefits are funded by contributions from Wayne County and the Wayne County Airport Authority, and active members, as well as by investment income earned on the Plan's assets.
<b>Summary of Intergovernmental Agreements with the County</b>	There are no intergovernmental agreements.

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<b>Type of Report</b>	Annual audited financial statements with independent auditors' report. The auditors' report is from Rehmann Robson, Certified Public Accountants.
<b>Report Period</b>	Fiscal Years Ended September 30, 2013 and 2012.
<b>Report Purpose</b>	To render an opinion on the statements of plan net position of the WCERS Defined Contribution Plan and the related state of changes in plan net assets for the fiscal years ended September 30, 2013 and 2012. The audited financial statements of the WCERS were prepared at the request of the Retirement Board.
<b>Type of Audit Report Opinion</b>	Unqualified (clean) Opinion.
<b>Report's Impact on the County's Comprehensive Annual Financial Report</b>	The financial statements of the WCERS were incorporated in the County's Comprehensive Annual Financial Report (CAFR) for the fiscal years ended September 30, 2013 and 2012 as a collection of fiduciary pension trust funds.
<b>OAG ASSESSMENT</b>	<p>Our review of WCERS audited financial statements and other supplementary information for the FY's ended September 30, 2013 and 2012, was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination or audit, the objective of which is the expression of an opinion on the audited financial statements. Accordingly, we do not express such an opinion.</p> <p>Based on the work performed, nothing came to our attention that caused us to believe the audited financial statements of the WCERS and other supplementary information are not presented in conformity with generally accepted accounting principles.</p> <p>We concluded that, generally, the audited financial statements and other supplementary information appear complete and thorough. However, our review of the report's content noted the following:</p> <p>The following summary table identifies the significant fluctuations between FY's 2013 and 2012.</p>

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**OAG ASSESSMENT  
(Cont.)**

**Wayne County Employees' Retirement System  
Defined Contribution Plan  
Statement of Plan Net Position  
Significant Fluctuations between FY 2013 and FY 2012  
(In millions)**

Account	FY 2013	FY 2012	Inc./ (Dec.)	Inc./ (Dec.) %
<b>Assets</b>				
Investments	\$ 371.1	\$ 334.3	\$ 36.8	11%
Other assets	0.4	0.4	0	0%
<b>Total Assets</b>	<b>\$ 371.5</b>	<b>\$ 334.7</b>	<b>\$ 36.8</b>	<b>11%</b>
<b>Liabilities</b>				
Liabilities	0	0	0	0%
<b>Net Position Held in Trust for Pension Benefits</b>	<b>\$ 371.5</b>	<b>\$ 334.7</b>	<b>\$ 36.8</b>	<b>11%</b>


- Total assets at September 30, 2013 were \$371.5 million and were comprised of investments in registered investment companies and/or mutual funds. The total assets increased by \$36.8 million, or 11%, from the prior year. This increase was due to a net appreciation in the fair value of investments, which was attributable to continuing improvement in the financial markets.

**Wayne County Employees' Retirement System  
Defined Contribution Plan  
Statement of Changes in Plan Net Position  
Significant Fluctuations between FY 2013 and FY 2012  
(In Millions)**

Account	FY 2013	FY 2012	Inc./ (Dec.)	Inc./ (Dec.) %
<b>Additions</b>				
Contributions	\$ 21.1	\$ 21.7	\$ (0.6)	(2.8%)
Investment Income, Net appreciation in fair value of investments	41.8	38.1	3.7	9.7%
Other Investment Income	5.8	5.6	0.2	3.6%
<b>Total Additions</b>	<b>68.7</b>	<b>65.4</b>	<b>3.3</b>	<b>5%</b>
<b>Deductions</b>				
Participant Distributions and Withdrawals	31.4	36.0	(4.6)	(12.8%)
Administrative Expenses	.5	.4	.1	25%
<b>Total Deductions</b>	<b>\$ 31.9</b>	<b>\$ 36.4</b>	<b>\$ (4.5)</b>	<b>(12.4%)</b>
<b>Change in Net Position</b>	<b>\$ 36.8</b>	<b>\$ 29</b>	<b>\$ 7.8</b>	<b>26.9%</b>
<b>Net Position Held in Trust for Pension Benefits:</b>				
<b>Beginning of Year</b>	<b>\$ 334.7</b>	<b>\$ 305.7</b>	<b>\$ 29</b>	<b>9.5%</b>
<b>End of Year</b>	<b>371.5</b>	<b>334.7</b>	<b>\$ 36.8</b>	<b>11%</b>

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<b>OAG ASSESSMENT (Cont.)</b>	<ul style="list-style-type: none"><li>• The net position held in trust for pension benefits is funded by contributions from Wayne County, the Wayne County Airport Authority and the Plan's participants, as well as through investment earnings. Contributions and investment earnings have been consistent for the last three years. Contributions and other investment income for the year ended September 30, 2013 totaled \$26.9 million, compared to \$27.3 million for the year ended September 30, 2012.</li><li>• Net appreciation in the fair value of investments was \$41.8 million for the year ended September 30, 2013, compared to net appreciation of \$38.1 million for year ended September 30, 2012. The net appreciation or depreciation in the fair value of investments is added to or deducted from plan net position. The net appreciation in the fair value of investments for fiscal year ended 2013 is attributable to the improving financial markets.</li><li>• The deductions of the Plan include the payment of participant distributions, withdrawals, and administrative expenses. Total deductions for fiscal year ended September 30, 2013 were \$31.9 million, which was a decrease of \$4.5 million compared to fiscal year ended September 30, 2012. This decrease is due to lower participant distributions and withdrawals during the current year. The prior year had more distributions and withdrawals related to employees transferring and purchasing service into the hybrid plans.</li><li>• The financial markets have been volatile over the last several years. The current year saw continued improvement in financial markets.</li></ul>
<b>VIEWS OF RESPONSIBLE OFFICIALS</b>	The final draft report was provided to officials in the Wayne County Employees' Retirement System. Management did not have any comments.
<b>OAG OVERALL RECOMMENDATION</b>	It is our recommendation that the Wayne County Employees' Retirement System – Defined Contribution Plan audited financial statements for the fiscal years ended September 30, 2013 and 2012 be forwarded to the Wayne County Commission to receive and file.
<p>This report is intended solely for the information and use of the Wayne County Employees' Retirement System and the Wayne County Commission and is not intended to be and should not be used by another other than these specified parties. This restriction is not intended to limit the distribution of the report, which is a matter of public record.</p> <p> Willie Mayo, CPA, CIA, CGAP, CGMA, CICA Auditor General</p>	