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April 6, 2015

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, 2014 and 2013. Our report is dated March 17, 2015; DAP No. 2015-57-901(B). The report was accepted by the Audit Committee at its meeting held on March 25, 2015, and formally received by the Wayne County Commission on April 2, 2015.

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/743.htm>.

Marcella Cora, CPA, CIA, CGMA, CICA
Auditor General

REPORT DISTRIBUTION

Wayne County Employees' Retirement System

Robert Grden, Director
Charles Bonza III, Board Chairman, WCERS
Todd Pickett, Department Administrator

Department of Management & Budget

Tony Saunders, Interim Chief Financial Officer
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Wayne County Executive





WAYNE COUNTY OFFICE OF LEGISLATIVE AUDITOR GENERAL

**County of Wayne, Michigan
Office of Legislative Auditor General**

Financial Assessment – Attestation Review Report

**Wayne County Employees' Retirement System
Defined Contribution Plan
Year Ended September 30, 2014 and 2013
Financial Statements**

DAP NO. 2015-57-901(B)

March 17, 2015

Wayne County Office of Legislative Auditor General (OAG)

Financial Assessment – Limited Review Report

Report Entity Name & Type	Wayne County Employees' Retirement System Defined Contribution Plan; audited financial statements and other supplementary information for the fiscal years ended September 30, 2014 and 2013, see attachment.
DAF No.	No DAF number has been assigned because the financial statements have not been formally referred to the Commission. However, in accordance with Wayne County Ordinance #98-59, management provided the OAG with the financial statements and we have included them in our report.
Referring Department/Agency	Wayne County Employees' Retirement System (WCERS)
Entity Purpose and Type	The Wayne County Employees' Retirement System Defined Contribution Plan (the "Plan") is a 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 (WCAA). 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. Effective October 1, 2001, the county established the Wayne County Hybrid Retirement Plan #5 (Plan 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 or benefit plans. Effective October 1, 2008, the county established another hybrid defined contribution Plan Option #6 which also contains both defined contribution and defined benefit components. The Plan statements include the net position and changes in net position related to Plan Option #4, as well as the contribution component of Plan Options #'s 5 and 6.
Organizational or Governance Structure	The administration, management and responsibility for the proper operation of the Plan, and for interpreting and making effective the provisions of the Plan 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.
Entity's Funding Sources	The Plan's benefits are funded by contributions from the employer (Wayne County, WCAA, Detroit Wayne Mental Health Authority [DWMHA]) and employees, as well as by investment income earned on the Plan's assets.
Summary of Intergovernmental Agreements with the County	WCERS has a contract with the DWMHA along with the enabling resolution.

Wayne County Office of Legislative Auditor General (OAG)

Financial Assessment – Limited Review Report

Type of Report	Annual audited financial statements with independent auditors' report. The auditors' report is from Rehmann Robson, Certified Public Accountants.
Report Period	Fiscal Years Ended September 30, 2014 and 2013.
Report Purpose	To render an opinion on the statements of plan net position of the WCERS Defined Contribution Plan and the related statements of changes in plan net position for the fiscal years ended September 30, 2014 and 2013. The audited financial statements of the WCERS were prepared at the request of the Retirement Commission.
Type of Audit Report Opinion	Unqualified (clean) Opinion.
Report's Impact on the County's Comprehensive Annual Financial Report	The financial statements of the WCERS were incorporated in the County's Comprehensive Annual Financial Report (CAFR) for the fiscal years ended September 30, 2014 and 2013 as a collection of fiduciary pension trust funds.
OAG ASSESSMENT	Our review of WCERS audited financial statements and other supplementary information for the FY's ended September 30, 2014 and 2013, 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. 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. 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: The following summary table identifies the significant fluctuations between FY's 2014 and 2013.

Wayne County Office of Legislative Auditor General (OAG)

Financial Assessment – Limited Review Report

OAG ASSESSMENT (Con't)

Wayne County Employees' Retirement System Defined Contribution Plan Statement of Plan Net Position Significant Fluctuations between FY 2014 and FY 2013 (In millions)

	FY 2014	FY 2013	Inc/(Dec.)	Inc./ (Dec.) %
Assets				
Investments	\$ 391.7	\$ 371.1	\$ 20.6	5.6%
Other assets	0.4	0.4	0	0%
Total Assets	\$ 392.1	\$ 371.5	\$ 20.6	5.5%
Liabilities				
Liabilities	0	0	0	0%
Net Position Restricted for Pensions	\$ 392.1	\$ 371.5	\$ 20.6	5.5%

- Total assets were \$392.1 million and were mostly comprised of investments in registered investment companies and/or mutual funds. The total assets increased by \$20.6 million, or 5.5%, 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 2014 and FY 2013 (In millions)

Account	FY 2014	FY 2013	Inc/(Dec.)	Inc./ (Dec.) %
Additions				
Contributions	\$ 20.8	\$ 21.1	\$ (0.3)	(1.4%)
Investment Income:				
Net appreciation in fair value of investments	22.1	41.8	(19.7)	(47.1%)
Other Investment Income	5.4	5.8	(0.4)	(6.9%)
Total Additions	48.3	68.7	(20.4)	(29.7%)
Deductions				
Participant Distributions and Withdrawals	27.2	31.4	(4.2)	(13.4%)
Administrative Expenses	.5	.5	0	0%
Total Deductions	\$ 27.7	\$ 31.9	\$ (4.2)	(13.2%)
Change in Net Position	\$ 20.6	\$ 36.8	\$ (16.2)	(44%)
Net Position Restricted for Pensions:				
Beginning of Year	\$ 371.5	\$ 334.7	\$ 36.8	11%
End of Year	\$ 392.1	\$ 371.5	\$ 20.6	5.5%

Wayne County Office of Legislative Auditor General (OAG)

Financial Assessment – Limited Review Report

OAG ASSESSMENT (Con't)	• The net position restricted for pensions is funded by contributions from the employer and the Plan's employees, 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, 2014 totaled \$26.2 million, compared to \$26.9 million for the year ended September 30, 2013. • All employees of the DWMHA after September 30, 2014 are enrolled in the new DWMHA 414(h) defined contribution retirement plan, a sub-plan of Plan Option #4. WCERS was selected as the plan administrator of the new plan through DWMHA's procurement process. The DWMHA assumed all liability for the employer's share of pension benefits for mental health agency retirees, as well as for DWMHA employees and future DWMHA retirees who were enrolled in Wayne County sponsored pension plans as of October 1, 2013 and who qualify for benefits under such a plan at the time of their retirement. • Net appreciation in the fair value of investments was \$22.1 million for the year ended September 30, 2014, compared to net appreciation of \$41.8 million for year ended September 30, 2013. 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 2014 is attributable to the improving financial markets and resultant investment performance. • The deductions of the Plan include the payment of participant distributions, withdrawals, and administrative expenses. Total deductions for fiscal year ended September 30, 2014 were \$27.7 million, which was a decrease of \$4.2 million compared to fiscal year ended September 30, 2013. 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. • The financial markets have been volatile over the last several years. The current year saw continued improvement in financial markets and resultant investment performance.
VIEWS OF RESPONSIBLE OFFICIALS	The final draft report was provided to officials in the Wayne County Employees' Retirement System. Management did not have any comments.
OAG OVERALL RECOMMENDATION	It is our recommendation that the Wayne County Employees' Retirement System audited financial statements for the fiscal years ended September 30, 2014 and 2013 be forwarded to the Wayne County Commission to receive and file.

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

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.



Marcella Cora, CPA, CIA, CGMA, CICA
Auditor General

Appendix

Wayne County Employees' Retirement System Defined Contribution Plan Year Ended September 30, 2014 and 2013 Financial Statements

Wayne County Employees' Retirement System

Defined Contribution Plan

Years Ended
September 30,
2014 and 2013

Financial
Statements

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WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

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INDEPENDENT AUDITORS' REPORT

February 26, 2015

To the Wayne County Board of Commissioners
and the Wayne County Retirement Commission
Detroit, Michigan

Report on the Financial Statements

We have audited the accompanying statements of plan net assets of the *Wayne County Employees' Retirement System Defined Contribution Plan* (the "Plan"), a pension trust fund of the Charter County of Wayne, Michigan, as of September 30, 2014 and 2013 and the related statements of changes in plan net assets for the years then ended and the related notes to the financial statements.

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.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 Plan'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 Plan'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 above present fairly, in all material respects, the plan net position of the Plan, as of September 30, 2014 and 2013, and the respective changes in its plan net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Reporting Entity

As discussed in Note 1, the financial statements present only the Wayne County Employees' Retirement System Defined Contribution Plan pension trust fund and do not purport to, and do not, present fairly the financial position of the Charter County of Wayne as of September 30, 2014 and 2013, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the pension information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 Plan's basic financial statements. The schedule of changes in net position by component is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of changes in net position by component has 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 it.

Rehmann Lohman LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Management's Discussion and Analysis

This section of the annual report of the Wayne County Employees' Retirement System Defined Contribution Plan (the "Plan") presents management's discussion and analysis of the Plan's financial performance during the plan years that ended on September 30, 2014, 2013 and 2012. Please read it in conjunction with the Plan's financial statements, which follow this section.

Financial Highlights

- The Plan's total net position increased by \$20.6 million, or 5.5%, over the course of the plan year. Assets are restricted to provide future benefit payments to plan participants.
- Plan benefits are funded by contributions from Wayne County and plan participants, as specified by the plan option selected, as well as by the investment income earned on the Plan's assets.
- Total additions to net position, excluding net appreciation, have been consistent for the last three years with additions of \$26.2 million for the year ended September 30, 2014 and additions of \$26.9 million and \$27.3 million for the years ended September 30, 2013 and 2012, respectively.
- The fair value of investments continued to be favorable for the third straight year. Net appreciation in fair value of investments was \$22.1 million for the year ended September 30, 2014, and net appreciation was \$41.8 million and \$38.1 million for the years ended September 30, 2013 and 2012, respectively. 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 the current year is attributable to the improving financial markets and resultant investment performance.
- Total deductions from net position decreased by \$4.2 million, from \$31.9 million for the year ended September 30, 2013 to \$27.7 million for the year ended September 30, 2014, which is attributable to less participant distributions and withdrawals during the current year.

Overview of the Financial Statements

This annual report contains the Plan's financial statements, which consist of the statements of plan net position and statements of changes in plan net position. These financial statements report information about the Plan as a whole using accounting methods similar to those used by private-sector pension plans. The statements of plan net position include all of the Plan's assets and liabilities. All of the current year's increases and decreases in the Plan's net position are accounted for in the statements of changes in plan net position, regardless of when cash is received or paid.

These financial statements report the Plan's net position and how it has changed. Net position represents the difference between the Plan's assets and liabilities.

The notes to the financial statements explain some of the information in the financial statements and provide more detailed data.

Financial Analysis of the Plan as a Whole

Below are the condensed statements of plan net position as of September 30, 2014, 2013 and 2012:

	Net Position (in millions)		
	2014	2013	2012
Assets			
Investments	\$ 391.7	\$ 371.1	\$ 334.3
Other assets	0.4	0.4	0.4
Net position restricted for pensions	<u>\$ 392.1</u>	<u>\$ 371.5</u>	<u>\$ 334.7</u>

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Management's Discussion and Analysis

The Plan's total assets as of September 30, 2014 were \$392.1 million and were mostly comprised of investments in registered investment companies or mutual funds. Total assets increased by \$20.6 million, or 5.5%, from the prior year. The net appreciation in the fair value of investments for the current year is attributable to continuing improvement in the financial markets and resultant investment performance. Total assets for September 30, 2013 and 2012 were \$371.5 million and \$334.7 million, respectively.

Below are the condensed statements of changes in plan net position for the years ended September 30, 2014, 2013 and 2012:

	Change in Net Position (in millions)		
	2014	2013	2012
Additions			
Contributions	\$ 20.8	\$ 21.1	\$ 21.7
Investment income:			
Net appreciation			
in fair value of investments	22.1	41.8	38.1
Other investment income	5.4	5.8	5.6
Total additions	<u>48.3</u>	<u>68.7</u>	<u>65.4</u>
Deductions			
Participant distributions and withdrawals	27.2	31.4	36.0
Administrative expenses	0.5	0.5	0.4
Total deductions	<u>27.7</u>	<u>31.9</u>	<u>36.4</u>
Change in net position	20.6	36.8	29.0
Net position restricted for pensions			
Beginning of year	<u>371.5</u>	<u>334.7</u>	<u>305.7</u>
End of year	<u>\$ 392.1</u>	<u>\$ 371.5</u>	<u>\$ 334.7</u>

Additions to Plan Net Position

The net position restricted for pension benefits are funded by contributions from Wayne County and the Plan's participants, as well as through investment earnings. Contributions and other investment income have been consistent for the last three years. Contributions and other investment income for the year ended September 30, 2014 totaled \$26.2 million, compared to \$26.9 million and \$27.3 million for the years ended September 30, 2013 and 2012, respectively.

Net Appreciation

The fair value of investments continued to be favorable for the third straight year. Net appreciation in the fair value of investments was \$22.1 million for the year ended September 30, 2014, compared to net appreciation of \$41.8 million and \$38.1 million for the years ended September 30, 2013 and 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 the current year is attributable to the improving financial markets and resultant investment performance.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Management's Discussion and Analysis

Deductions from Plan Net Position

The deductions of the Plan include the payment of participant distributions, withdrawals, and administrative expenses. Total deductions for the year ended September 30, 2014 were \$27.7 million, a decrease of \$4.2 million when compared to the prior year. Total deductions for the years ended September 30, 2013 and 2012 were \$31.9 million and \$36.4 million, respectively. This decrease is primarily 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.

Economic Factors

The financial markets have been volatile over the last several years. The current year saw continued improvement in financial markets and resultant investment performance.

Financial Contact

This financial report is designed to present its users with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the funds it holds. If you have any questions about this report or need additional financial information, contact the Wayne County Employees' Retirement System, 28 West Adams, Suite 1900, Detroit, Michigan 48226.

BASIC FINANCIAL STATEMENTS

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM **DEFINED CONTRIBUTION PLAN**

Statements of Plan Net Position **September 30, 2014 and 2013**

	2014	2013
Assets		
Investments, at fair value (Note 3):		
Participant-directed investments:		
Debt mutual funds	\$ 110,011,904	\$ 109,284,426
Equity mutual funds	256,185,995	235,031,604
Participant loans receivable	25,498,223	26,778,449
Total investments	<u>391,696,122</u>	<u>371,094,479</u>
Equity in Wayne County pooled cash (Note 3)	420,115	415,084
Due from other Wayne County funds and component units	<u>13,414</u>	<u>18,546</u>
Net position restricted for pensions	<u><u>\$ 392,129,651</u></u>	<u><u>\$ 371,528,109</u></u>

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

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM **DEFINED CONTRIBUTION PLAN**

Statements of Changes in Plan Net Position **For the Years Ended September 30, 2014 and 2013**

	2014	2013
Additions		
Contributions:		
Employer, net of forfeitures	\$ 15,218,147	\$ 15,641,502
Employees	5,617,491	5,423,715
Total contributions	<u>20,835,638</u>	<u>21,065,217</u>
Investment income:		
Net appreciation in fair value of investments	22,079,178	41,812,076
Interest and dividends	4,886,189	5,373,208
Other investment income	505,166	472,655
Total investment income	<u>27,470,533</u>	<u>47,657,939</u>
Total additions	<u>48,306,171</u>	<u>68,723,156</u>
Deductions		
Participant distributions and withdrawals	27,189,287	31,436,719
Administrative expenses	515,342	480,453
Total deductions	<u>27,704,629</u>	<u>31,917,172</u>
Change in net position	20,601,542	36,805,984
Net position restricted for pensions		
Beginning of year	<u>371,528,109</u>	<u>334,722,125</u>
End of year	<u>\$ 392,129,651</u>	<u>\$ 371,528,109</u>

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

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Notes to Financial Statements

1. PLAN DESCRIPTION

General. The Wayne County Employees' Retirement System Defined Contribution Plan (the "Plan") is a single-employer defined 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, of the County of Wayne (the "County"). WCERS was established by the County to provide retirement, survivor, and disability benefits to the County's employees, including those of the primary government (i.e., the general county) as well as of the discretely presented component units, including but not limited to the Wayne County Airport Authority (WCAA). WCERS is considered part of the County financial reporting entity and is included in the County's comprehensive annual financial report as a collection of fiduciary pension trust funds.

The administration, management and responsibility for the proper operation of the Plan, and for interpreting and making effective the provisions of the Plan, is vested in the trustees of the Wayne County Retirement Commission. The Plan is exempt from the requirements of Title 1 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and, as such, is not subject to the reporting and disclosure requirements of ERISA.

Effective October 1, 2001, WCERS established the Wayne County Hybrid Retirement Plan #5 ("Plan Option 5"), which contains both defined contribution and defined benefit components. Participants in the plan option previously in existence ("Plan Option 4") could elect to transfer their account balances to Plan Option 5, if authorized, during specific time periods noted within collective bargaining agreements or benefit plans.

Effective October 1, 2008, WCERS established another hybrid defined contribution plan option ("Plan Option 6"), which contains both defined contribution and defined benefit components. Participants in Plan Option 5 could elect to transfer their account balances to Plan Option 6, if authorized, during specific time periods noted within collective bargaining agreements or benefit plans.

New employees could elect to participate in Plan Option 4 through September 30, 2001. Effective October 1, 2001, only Plan Option 5 is available to new County employees, except for new executive and legislative benefit plan members, who may continue to elect participation in Plan Option 4. Effective September 2012, only Plan Option 4 is available to new WCAA employees. Because there is no legal requirement to further segregate the defined contribution assets relating to Plan Options 4, 5 or 6 in paying benefits, the accompanying financial statements include the net position and changes in net position relating to Plan Option 4, as well as the defined contribution component of Plan Options 5 and 6. The defined benefit portion of Plan Options 5 and 6 are included in the financial statements of the WCERS Defined Benefit Plan.

In December 2012, the Michigan Mental Health Code, Public Act 258 of 1974 was amended by Public Acts 375 and 376 of 2012, to require an authority to be established in order to qualify for state support, if certain criteria were met. On June 6, 2013, the Wayne County Commission enacted Enabling Resolution 2013-392 to create the Detroit-Wayne County Community Mental Health Authority (DWMHA). This action dissolved the mental health agency, which was staffed entirely by County employees, to create the new authority on October 1, 2013. The eligible DWMHA employees enrolled in a County retirement plan before October 1, 2013, were entitled by collective bargaining agreements, benefit plans and the enabling resolution to continue in their County retirement plans until September 30, 2014, at which time the employee's pension benefits under their County plans would be frozen.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Notes to Financial Statements

Employees hired by the DWMHA on or after October 1, 2013, and all employees after September 30, 2014, are enrolled in the new DWMHA 414(h) defined contribution retirement plan, a sub-plan of Plan Option 4 with a required 2 percent employee contribution and 8 percent employer contribution. WCERS was selected as the plan administrator of the new plan through DWMHA's procurement process. Under Resolution 2013-392, the DWMHA assumed all liability for the employer's share of pension benefits for mental health agency retirees, as well as for DWMHA employees and future DWMHA retirees who were enrolled in Wayne County-sponsored pension plans as of October 1, 2013 and who qualify for benefits under such a plan at the time of their retirement.

Contributions. The Plan's benefits are funded by contributions from the County and participants, as specified by the plan option selected and collective bargaining agreements or benefit plans (coverage group), and by the investment income earned on the Plan's assets. County and participant contributions under the various plan options are determined as follows:

Plan Option 4. Employees contribute from one percent up to four percent of eligible pay, depending on the employee's coverage group. The County makes contributions at a rate ranging from four percent to 15 percent of eligible pay, depending upon the employee's coverage group and years of service.

Plan Option 5. Employees contribute from two percent to three percent of eligible pay, depending on the employee's coverage group. The County makes contributions at a rate equal to the amount contributed by each employee. Under certain employee coverage groups, employees contribute on a voluntary basis with no employer contribution, subject to applicable Internal Revenue Service rules and regulations.

Plan Option 6. Employees contribute on a voluntary basis with no employer contribution, subject to applicable Internal Revenue Service rules and regulations.

Eligibility. All full-time, permanent County employees are eligible to join the Plan. Those employees hired prior to July 1, 1984 were eligible to transfer from the WCERS Defined Benefit Plan to the Plan through September 30, 2002. Effective October 1, 2001, the County closed Plan Option 4 to new hires, except executive and legislative benefit plan members. Effective September 2012, only Plan Option 4 is available to new WCAA employees. Plan Option 5 is available to all persons hired after September 30, 2001. Plan Option 6 is available only upon transfer from Plan Option 5, if authorized, during specific time periods noted within collective bargaining agreements or benefit plans.

At September 30, 2014 and 2013, there were 4,110 and 4,291 active plan participants, respectively.

Investment Options. Both the participants' and County's contributions are invested in one of several investment funds. Effective September 1, 2005, participants may choose to either self-direct their investments or to enroll in one of three investment programs managed by the Plan's custodian with specific investment strategies: aggressive, moderate and conservative. Assets in each of these programs are invested in various mutual funds in specific proportions based on each participant's choice of time horizon and personal investment style. Participants who choose to self-direct their investments have several investment options in various mutual funds. Participants may elect to invest in any of the programs or self-directed funds in one-percent increments and may change contribution percentages on a daily basis.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Notes to Financial Statements

Participant Accounts. Each participant's account is credited with the participant's and County's contributions and an allocation of Plan earnings. Allocations are based on the relationship of a participant's account balance in each investment fund to the total of all account balances in that fund. The retirement benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Vesting. The County's contribution is 100 percent invested in the same funds and in the same proportions as selected by the employees. Each employee is free to transfer any portion of his or her account balance to any of the funds in one-percent increments. Employees are immediately vested as to participant contributions and are vested as to County contributions as follows:

Plan Option 4. After three years of service, except for executive and legislative benefit plan members, who are vested after two years of service.

Plan Options 5 and 6. Fifty percent after one year of service, 75 percent after two years of service, and 100 percent after three years of service.

Forfeitures. Nonvested County contributions are forfeited upon termination of employment. Such forfeitures are used to cover certain administrative expenses of the Plan.

Participant Loans. Participants in Plan Option 4 and some participants in Plan Options 5 and 6, depending on the applicable coverage group, are eligible for a loan from the Plan. An eligible active participant who has a vested account balance of at least \$2,000 is eligible for a loan from the Plan. The maximum loan amount may not exceed the smaller of 50 percent of the employee's vested amount or \$50,000, less the highest loan balance over the previous 12-month period, and is required to be repaid in five years (except where the loan is for the purchase of a principal residence, in which case, the loan may be repaid over 15 years). Interest on a loan is at the prime rate, plus 1% as reported in the Wall Street Journal.

Administrative Expenses. In accordance with the provisions of the Plan, certain administrative expenses, unless paid by the County, are paid from Plan assets.

Payment of Benefits. Benefits may be paid to a participant or beneficiary upon retirement, total and permanent disability, death, or termination of employment in a lump-sum amount equal to the value in the participant's account in accordance with Plan provisions. A participant who leaves for reasons other than termination of employment may elect to receive his or her benefit in monthly payments over the participant's or beneficiary's lifetime through transfer of the participant's benefit entitlement to the WCERS Defined Benefit Plan or through installment payments generated by the Plan's third-party recordkeeper.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM

DEFINED CONTRIBUTION PLAN

Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting. The Plan's financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus.

Valuation of Investments and Income Recognition. Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Fixed debt quotations are provided by a national brokerage pricing service. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Retirement Commission, with the assistance of a valuation service.

Dividend income is recognized based on the ex-dividend date, and interest income is recognized on the accrual basis as earned. All realized gains and losses on investments are recognized at the point of sale and are included in investment income. Purchases and sales of investments are recorded as of the trade date, which is the date when the transaction is initiated.

3. DEPOSITS AND INVESTMENTS

The authority for the investment options offered to participants under the Plan rests with the Retirement Commission. Investments made are subject to statutory regulations imposed under the Michigan Public Pension Investment Act 314 of 1965, as amended (Act 55, P.A. 1982), and investment policy established by the Retirement Commission. The Investment Act incorporates the prudent-person rule and requires investment fiduciaries to act solely in the interest of the Plan's participants and beneficiaries. The Retirement Commission has authority to allow participants to invest the Plan's assets in common and preferred stock; obligations of the United States, its agencies, or United States government-sponsored enterprises; obligations of any state or political subdivision of a state having the power to levy taxes; bankers' acceptances; certificates of deposit; commercial paper; repurchase agreements; reverse repurchase agreements; real and personal property; mortgages; and certain other investments.

The Plan's investments are summarized as follows as of September 30:

	2014	2013
Debt mutual funds		
Guaranteed income fund	\$ 89,929,275	\$ 92,681,730
Bond mutual funds	20,082,629	16,602,696
Total debt funds	110,011,904	109,284,426
Equity mutual funds	256,185,995	235,031,604
Participants loans receivable	25,498,223	26,778,449
Total investments	<u>\$ 391,696,122</u>	<u>\$ 371,094,479</u>

The Plan's deposits and investments are subject to various types of risk as discussed below.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM

DEFINED CONTRIBUTION PLAN

Notes to Financial Statements

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Plan's deposits may not be returned to the Plan. State of Michigan statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts be made with banks doing business and having a place of business in the State of Michigan that are also members of a federal or national insurance corporation.

The Plan's carrying amount of deposits of \$420,115 and \$415,084 as of September 30, 2014 and 2013, respectively, are maintained in the County's pooled cash account maintained by the Wayne County Treasurer. In accordance with the County's investment policy, all deposits are uncollateralized and held in the County's name. The County evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. In addition, the County's investment policy places concentration limits on the total amount deposited with a single financial institution. Due to the dollar amounts of cash deposits in the County's pooled cash account and limits of FDIC insurance, Plan management believes it is impractical to obtain FDIC insurance for all bank deposits.

Investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the entity, and are held by either the counterparty or the counterparty's trust department or agent, but not in the entity's name.

The Plan's investment policy requires that (a) investments are held by a third-party safe-keeper in the Plan's name; (b) investments are held by a trustee in the Plan's name; or (c) investments are part of a mutual fund. The Plan's investment policy also requires that the safekeeping institution shall annually provide a copy of its most recent report on internal controls (also referred to as a "SOC 1 report").

As of September 30, 2014 and 2013, none of the Plan's investments were subject to custodial credit risk due to one of the following: (a) investments were held by a third-party safe-keeper in the Plan's name; (b) investments were held by a trustee in the Plan's name; or (c) investments were part of a mutual fund.

Interest Rate Risk

Interest rate risk is the risk that the value of fixed income or debt security investments will vary unfavorably as a result of a change in interest rates. The Plan's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The interest rate risk information, expressed as weighted average maturities, is presented in the following schedule.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As the Plan investments are participant-directed subject to certain quality criteria, the investment policy places no restrictions greater than what is allowed under applicable statutes. Ratings are not required for U.S. treasuries or certain money market funds.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Notes to Financial Statements

The Plan has investments in a guaranteed income fund that has an average portfolio credit rating of AA- and AA- by Standard & Poor's and weighted average maturity of 3.6 and 3.7 years at September 30, 2014 and 2013, respectively.

The Plan has investments in bond mutual funds that have the following portfolio characteristics as of September 30:

	Amount	Standard & Poor's Credit Rating	Weighted Average Maturity
2014	\$ 5,524,914	AA	4.18
	11,848,010	AAA	7.89
	2,709,705	BB	5.38
	<u>\$ 20,082,629</u>		
2013	\$ 2,001,533	AAA	4.03
	12,271,910	AAA	5.58
	2,329,253	BB	6.66
	<u>\$ 16,602,696</u>		

Finally, the participant loans have a weighted average maturity of 2.9 and 3.1 years at September 30, 2014 and 2013, respectively.

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SUPPLEMENTARY INFORMATION

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Schedule of Changes in Net Position by Component

For the Year Ended September 30, 2014

	Wayne County	Detroit Wayne Mental Health Authority	Wayne County Airport Authority	Totals
Additions				
Contributions:				
Employer	\$ 12,321,169	\$ 159,706	\$ 2,737,272	\$ 15,218,147
Members	4,293,828	37,461	1,286,202	5,617,491
Net investment income	22,668,995	(3,562)	4,805,100	27,470,533
Total additions	<u>39,283,992</u>	<u>193,605</u>	<u>8,828,574</u>	<u>48,306,171</u>
Deductions				
Participant distributions and withdrawals	25,493,966	-	1,695,321	27,189,287
Administrative expenses	466,216	-	49,126	515,342
Total deductions	<u>25,960,182</u>	<u>-</u>	<u>1,744,447</u>	<u>27,704,629</u>
Changes in net position	13,323,810	193,605	7,084,127	20,601,542
Net position restricted for pensions				
Beginning of year	<u>310,668,498</u>	<u>-</u>	<u>60,859,611</u>	<u>371,528,109</u>
End of year	<u>\$ 323,992,308</u>	<u>\$ 193,605</u>	<u>\$ 67,943,738</u>	<u>\$ 392,129,651</u>

Note: The above contributions for Wayne County includes the Detroit Wayne Mental Health Authority (DWMHA) employer contributions of \$426,396 and member contributions of \$86,065. The above net position restricted for pensions for Wayne County includes approximately \$10 million for DWMHA employees that remained in the plan as of September 30, 2014, per Enabling Resolution 2013-392.