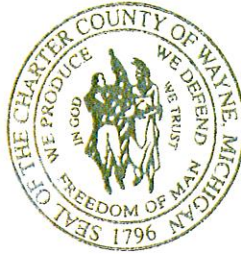


Office of Legislative  
**Auditor General**

Marcella Cora CPA, CIA, CICA, CGMA  
AUDITOR GENERAL



500 GRISWOLD STREET  
STE. 848; GUARDIAN BLDG.  
DETROIT, MICHIGAN 48226

Telephone: (313) 224-8354  
Fax: (313) 224-7974

May 6, 2016

**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, 2015 and 2014. Our report is dated March 17, 2016; DAP No. 2016-57-901(B). The report was accepted by the Audit Committee at its meeting held on April 27, 2016, and formally received by the Wayne County Commission on May 5, 2016.

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  
Tina Turner, Board Chairman, WCERS  
Todd Pickett, Department Administrator

**Department of Management & Budget**

Tony Saunders, Chief Financial Officer  
Terry L. Hasse – Director, Grants Compliance and Contract Management  
Ashley V. Johnson, Assistant Division Director of Grants and Contracts

**Wayne County Executive**



**Wayne County Office of Legislative Auditor General (OAG)**  
**Financial Assessment – Attestation 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, 2015 and 2014.
<b>DAF No.</b>	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.
<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 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 (the "Pension Ordinance") and Resolution No. 2014-376 (December 18, 2014), of the County of Wayne (the "County") and has two participating employers, the County and WCAA. 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.</p> <p>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.</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 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.
<b>Entity's Funding Sources</b>	The Plan's pension benefits are funded by contributions from the County, Wayne County Airport Authority (WCAA), the Detroit Wayne County Mental Health Authority (DWMHA), 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.



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

---

	In April of 2015, DWMHA changed plan administrator of the defined contribution plan, while the frozen defined benefit plan pensions and assets remained with WCERS. On April 10, 2015, the assets of DWMHA employees were transferred to another provider.
<b>Summary of Intergovernmental Agreements with the County</b>	On December 18, 2014 the Wayne County Commission adopted Resolution No. 2014-736, authorizing WCERS to operate an agent multiple-employer retirement system and to be able to enter into an agency agreement with the WCAA to administer the retirement plans of the WCAA. The intergovernmental agreement between WCERS and WCAA was approved by the Wayne County Airport Authority Board on July 15, 2015.
<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, 2015 and 2014.
<b>Report Purpose</b>	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, 2015 and 2014. The audited financial statements of the WCERS were prepared at the request of the Retirement Commission.
<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, 2015 and 2014 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, 2015 and 2014, 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 tables identify the significant fluctuations between FY's 2015 and 2014.</p>

**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 2015 and FY 2014  
(In millions)**

	<b>FY 2015</b>	<b>FY 2014</b>	<b>Inc/(Dec.)</b>	<b>Inc./ (Dec.) %</b>
<b>Assets</b>				
Investments	\$ 364.7	\$391.7	\$ (27.0)	(6.9%)
Other assets	0.4	0.4	0	0
<b>TOTAL ASSETS</b>	<b>\$ 365.1</b>	<b>\$392.1</b>	<b>\$ (27.0)</b>	<b>(6.9%)</b>
<b>Liabilities</b>				
Liabilities	0	0	0	0%
<b>Net Position Restricted for Pensions</b>	<b>\$ 365.1</b>	<b>\$392.1</b>	<b>\$ (27.0)</b>	<b>(6.9%)</b>

- The Plan's total assets as of September 30, 2015 were \$365.1 million and were mostly comprised of investments in registered investment companies or mutual funds. Total assets decreased by \$27.0 million, or 6.9%, from the prior year.


**Wayne County Employees' Retirement System  
Defined Contribution Plan  
Statement of Changes in Plan Net Position  
Significant Fluctuations between FY 2015 and FY 2014  
(In millions)**

<b>Account</b>	<b>FY 2015</b>	<b>FY 2014</b>	<b>Inc/(Dec.)</b>	<b>Inc./ (Dec.) %</b>
<b>Additions</b>				
Contributions	\$ 18.9	\$ 20.8	\$ (1.9)	(9.1%)
<b>Investment Income:</b>				
Net appreciation (depreciation) in fair value of investments	(7.0)	22.1	(29.1)	(132%)
Other Investment Income	6.0	5.4	0.6	11.1%
<b>Total Additions</b>	<b>17.9</b>	<b>48.3</b>	<b>(30.4)</b>	<b>(62.9%)</b>
<b>Deductions</b>				
Participant Distributions and Withdrawals	44.3	27.2	17.1	62.9%
Administrative Expenses	.6	.5	0.1	20.0%
<b>Total Deductions</b>	<b>\$ 44.9</b>	<b>\$ 27.7</b>	<b>\$ 17.2</b>	<b>62.1%</b>
<b>Change in Net Position</b>	<b>\$ (27.0)</b>	<b>\$ 20.6</b>	<b>\$ (47.6)</b>	<b>(231.1%)</b>
<b>Net Position Restricted for Pensions:</b>				
<b>Beginning of Year</b>	<b>\$ 392.1</b>	<b>\$ 371.5</b>	<b>\$ 20.6</b>	<b>5.5%</b>
<b>End of Year</b>	<b>\$ 365.1</b>	<b>\$ 392.1</b>	<b>\$ (27.0)</b>	<b>(6.9%)</b>



# Wayne County Office of Legislative Auditor General (OAG)

## Financial Assessment – Limited Review Report

<p style="text-align: center;"><b>OAG ASSESSMENT (Con't)</b></p>	<ul style="list-style-type: none"> <li>• Total deductions from net position increased by \$17.2 million, from \$27.7 million for the year ended September 30, 2014 to \$44.9 million for the year ended September 30, 2015, which is attributable to more participant distributions and withdrawals during the current year due to retirements, terminations and transfer of the Detroit Wayne Mental Health Authority (DWMHA) assets out of the Plan to a new provider.</li> <li>• The net depreciation in the fair value of investments for the current year is attributable to the declining financial markets and resultant investment performance at the end of the year. Total assets for September 30, 2014 were \$392.1 million</li> <li>• The financial markets have been volatile over the last several years. The current year saw a decline in financial markets and resultant investment performance at the end of the year.</li> </ul>
<p style="text-align: center;"><b>VIEWS OF RESPONSIBLE OFFICIALS</b></p>	<p>The final draft report was provided to officials in the Wayne County Employees' Retirement System. Management did not have any comments.</p>
<p style="text-align: center;"><b>OAG OVERALL RECOMMENDATION</b></p>	<p>It is our recommendation that the Wayne County Employees' Retirement System audited financial statements for the fiscal years ended September 30, 2015 and 2014 be forwarded to the Wayne County Commission to receive and file.</p>
<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> <div style="text-align: center;">  </div> <p>Marcella Cora, CPA, CIA, CGMA, CICA Auditor General</p>	