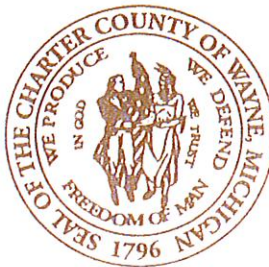


Office of Legislative
Auditor General

MARCELLA CORA CPA, CIA, CICA, CGMA
AUDITOR GENERAL



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TELEPHONE: (313) 224-8354

June 2, 2017

AUDIT COMMITTEE TRANSMITTAL LETTER

Wayne County Committee on Audit:

Enclosed is our copy of the Office of Legislative Auditor General's Financial Assessment – Attestation Review report for the Wayne County Employees' Retirement System – Defined Benefit Plan audited financial statements for the fiscal years ended September 30, 2016 and 2015. Our report is dated May 3, 2017; DAP No. 2017-57-901(A).

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.

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

REPORT DISTRIBUTION

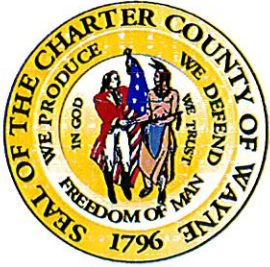
Wayne County Employees' Retirement System

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 Commissioners



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 Benefit Plan
Year Ended September 30, 2016 and 2015
Financial Statements**

DAP NO. 2017-57-901(A)

May 3, 2017

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

Report Entity Name & Type	Wayne County Employees' Retirement System Defined Benefit Plan; audited financial statements and other supplementary information for the fiscal years ended September 30, 2016 and 2015.
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	<p>The Wayne County Employees' Retirement System Defined Benefit Plan (the "Plan") is a contributory agent multiple-employer defined benefit 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. 2014-736 (December 18, 2014) of the County of Wayne (the "County") and has two participating employers, the County and Wayne County Airport Authority ("WCAA"). WCERS was established to provide retirement, survivor, and disability benefits to the employees of the participating employers.</p> <p>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>On November 19, 2015, the Wayne County Commission adopted Enrolled Ordinance No. 2015-610, establishing the monthly stipend benefit to pre-Medicare retirees that previously received health insurance. The County contributes to WCERS the funds required for the monthly stipend benefit payments in advance each month as required by the ordinance. The contributions are currently the amount of the actual benefit payment, thus, there is no balance in a reserve account for the prefunding of the future benefit payments.</p>
Organizational or Governance Structure	The WCERS organizational structure includes the retirement board of commissioners (the "Retirement Commission") who establish the general policy, review actions taken by the staff, fiduciary responsibility for the plans, and hear appeals of action taken by staff in regard to administration of the system. The Retirement Commission consists of eight (8) trustees; the Chairperson of the Wayne County Commission, the County Executive or designee, four (4) members of the retirement system who are residents of the County elected by the members of the system, and two (2) 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 all Wayne County employees.
Entity's Funding Sources	The Plan's benefits are funded by contributions from Wayne County, the Wayne County Airport Authority, and active members, as well as by the investment income earned on the Plan's assets.

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

	In March 2016, the Wayne County Commission adopted Enrolled Ordinance No. 2016-112 which merged the Wayne County Circuit Court Commissions Bailiffs' ("Bailiffs") retirement fund into the Defined Benefit Plans of WCERS. The Bailiffs' net position was transferred to the Defined Benefit Plan of WCERS in March of 2016. All Bailiffs participants became participants in the WCERS plan at that time.
Summary of Intergovernmental Agreements with the County	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.
Type of Report	Annual audited financial statements with independent auditors' report. The auditors' report is from Rehmann Robson, Certified Public Accountants.
Report Period(s)	Fiscal Years Ending September 30, 2016 and 2015.
Report Purpose	The purpose of hiring an external auditing firm is to render an opinion on the financial statements of the WCERS for the fiscal years ended September 30, 2016 and 2015. The audited financial statements of the WCERS were prepared at the request of the retirement board.
Type of Audit Report Opinion	Unqualified/Unmodified (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, 2016 and 2015.
OAG ASSESSMENT	<p>Our review of the WCERS audited financial statements and other supplementary information for the FY's ended September 30, 2016 and 2015 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 2016 and 2015.</p>

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

OAG ASSESSMENT (Cont.)

Wayne County Employees' Retirement System
Significant Fluctuations between FY 2016 and FY 2015
(In Millions)

Account	FY 2016	FY 2015	Inc/(Dec.)	Inc./ (Dec.) %
Assets				
Investments	\$ 871.8	\$ 778.7	\$ 93.1	12.0%
Other assets	12.1	50.9	(38.8)	(76.3%)
TOTAL ASSETS	\$ 883.9	\$ 829.6	\$ 54.3	6.5%
Liabilities				
Liabilities	\$ 2.8	\$ 5.8	\$ (3.0)	(51.1%)
NET POSITION RESTRICTED FOR PENSIONS	\$ 881.0	\$ 823.8	\$ 57.2	6.9%

- The Plan's total assets as of September 30, 2016 were \$883.9 million and were mostly comprised of cash and investments. Total assets increased by \$54.3 million, or 6.5%, from the prior year. The increase is primarily attributable to the higher investment value. The last two years have had favorable overall rate of return on investments of 10.37% and 1.09% for the years ended September 30, 2016 and 2015.
- Other assets declined to \$12.1 in FY 2016 from \$50.9 in FY 2015. The decline is primarily due to the Inflation Equity Fund (IEF) lawsuit settlement receivable of \$32.2 million recorded in FY 2015.
- Liabilities decreased to \$2.8 million in FY 2016 from 5.8 million in FY 2015. Liabilities mainly consist of amounts due to the Plan's broker for securities purchased as of September 30, 2016. The Plan owed its broker \$1.6 million and \$4.5 million for the years ended September 30, 2016 and September 30, 2015, respectively.
- The overall change in net position restricted for benefits increased to \$881.0 million in FY 2016 from \$823.8 in FY 2015. A \$51.5 million increase from 2015 (before the transfer of \$5.7 million from the Bailiffs' Plan). The increase is primarily attributable to the Plan's strong investment performance for the 2016 fiscal year.
- The County's net pension liability, which is currently accounted for differently than the OPEB obligation, is not allocated to the Plan since the Plan's net position is used in and integral to the calculation of the net pension liability. For this reason, the prior period adjustment (\$4.8 million), previously reported in fiscal 2015 to allocate the net pension liability to the Plan was reversed (in the 2015 column) and no longer shown in the Plan financial statements. Additional details regarding the restatement may be found in the notes of the Plan's financial statements at Note 7 on pg. 27 and Note 3 on pg. 37. The restatement is also referenced in the County's 2016 Comprehensive Annual Financial Report; see Note 16 on pg. 105.

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


OAG ASSESSMENT (Cont.)

Wayne County Employees' Retirement System
Statement of Changes in Fiduciary Net Position
Significant Fluctuations between FY 2016 and FY 2015
(In Millions)

	FY 2016	FY 2015	Inc/(Dec)	Inc/ (Dec)%
Additions				
Contributions	\$114.1	\$123.1	\$ (9.0)	(7.3%)
IEF Judgment Investment Earnings	0.7	18.5	(17.8)	(96.2%)
Investment Income				
Net appreciation (depreciation) in fair value of investments	62.6	(12.8)	75.4	589.1%
Other Investment Income	16.3	19.4	(3.1)	(16.0%)
Total Additions	\$193.7	\$148.2	\$ 45.5	30.7%
Deductions				
Benefits Payments & Distributions	139.9	136.0	3.9	2.9%
Administrative Expense	2.3	3.0	(0.7)	(23.3%)
Total Deductions	142.2	139.0	3.2	2.3%
Change in Net Position	\$ 51.5	\$ 9.2	\$ 42.3	459.8%
Transfer in from Bailiffs' plan	\$ 5.7			
Net Position Restricted for Pensions				
Beginning of the year	\$823.8	\$814.6		
End of the year	\$881.0	\$823.8	\$57.2	6.9%

- Contributions declined in 2016. However, employer contributions actually increased to \$103.3 million in FY 2016 from \$79.5 in FY 2015. The 2015 contribution amount is inflated due to the \$32.2 million IEF judgment. Conversely, employee contributions decreased slightly to \$10.7 million in 2016 from \$11.4 million in 2015.
- The change in the fair value of investments was favorable for the current year. The fair value of investments had a net appreciation of \$62.6 million for the year ended September 30, 2016 and a net depreciation of \$12.8 million for the year ended September 30, 2015. The net appreciation is attributable to the improving financial markets and the resultant investment performance for the current year.
- The deductions of the Plan include the payment of pension benefits to members and beneficiaries and the costs of administering the Plan. Total deductions of \$142.2 million for the year ended September 30, 2016 were higher than the prior year's deductions of \$139.0 million. Benefit payments and distributions increased by \$3.9 million as a

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

OAG ASSESSMENT (Cont.)	result of the new stipend benefit paid to pre-Medicare eligible retirees during the year and an increase in the amount of pension benefits paid to retirees. On the other hand, administrative expenses declined to \$2.3 million in FY 2016 from \$3.0 million in FY 2015.
REPORTING CHANGES	<p>The Plan implemented GASB Statement No. 72, <i>Fair Value Measurement and Application</i>, for the year ended September 30, 2016. While there was no effect on the amounts reported in the financial statements, there were changes to the disclosures found in Note 3 to the financial statements, which consisted of calculating and applying fair value to certain investments and providing disclosures related to all fair value measurements.</p> <p>The following pronouncements have been released and may be applicable to the Plan in the near future. GASB 74 and GASB 77 will become effective for FY ending September 30, 2017, and GASB 75 will become effective for FY ending September 30, 2018.</p> <ul style="list-style-type: none"> • GASB 74 requires the calculation of a net other postemployment benefit (OPEB) liability based on an actuarial valuation of retiree healthcare and similar benefits administered by an OPEB trust. • GASB 75 requires employers that provide other postemployment benefits to recognize a net OPEB liability on their statements of net position. • GASB 77 requires governments to disclose certain information about tax abatement agreements made to foster economic development or otherwise benefit the government or its citizens.
VIEWS OF RESPONSIBLE OFFICIALS	The final draft report was provided to the 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 year ended September 30, 2016 and 2015 is forwarded to the Wayne County Commission for receipt and filing.
<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></p> <p>Marcella Cora, CPA, CIA, CGMA, CICA Auditor General</p>	

Appendix

Wayne County Employees' Retirement System Defined Benefit Plan Year Ended September 30, 2016 and 2015 Financial Statements

Wayne County Employees' Retirement System

Defined Benefit Plan

Year Ended
September 30,
2016 and 2015

Financial
Statements

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WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

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INDEPENDENT AUDITORS' REPORT

February 24, 2017

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 fiduciary net position of the **Wayne County Employees' Retirement System Defined Benefit Plan** (the "Plan"), a pension trust fund of the Charter County of Wayne, Michigan, as of September 30, 2016 and 2015, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements, which collectively comprise the Plan's financial statements as listed in the table of contents.

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 fiduciary net position of the Plan, as of September 30, 2016 and 2015, and the respective changes in its fiduciary 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 Benefit 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, 2016 and 2015, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of 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.

Rehmann Lohman LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Management's Discussion and Analysis

This section of the annual report of the Wayne County Employees' Retirement System Defined Benefit Plan (the "Plan") presents management's discussion and analysis of the Plan's financial performance during the plan years that ended on September 30, 2016, 2015 and 2014. Please read it in conjunction with the Plan's financial statements, which follow this section.

Financial Highlights

- The Plan's total net position increased during fiscal 2016 by \$51.5 million (6.3%) before the \$5.7 million transfer of the Bailiffs' Plan; the prior year increase was \$9.2 million (over 1%). Assets are held in trust and restricted to meet future benefit payments.
- The Plan's benefits are funded by contributions from Wayne County, Wayne County Airport Authority (WCAA) and active members, as well as by the investment income earned on the Plan's assets. As of September 30, 2014 and 2015, the funded ratios for the Plan were 47% and 55%, respectively, for pension benefits, based on the most recent actuarial valuations (i.e., a valuation has not yet been completed for the year ended September 30, 2016, as explained in the accompanying required supplementary information).
- Total additions to net position, excluding appreciation or depreciation in the fair value of investments, were lower by \$29.9 million from \$161.0 million for the year ended September 30, 2015 to \$131.2 million for the year ended September 30, 2016. The prior year was higher primarily due to the judgment of the Inflation Equity Fund lawsuit that awarded the Plan the return of the \$32.2 million offset used by the County in 2011 and 2012, plus lost earnings totaling \$18.5 million. The County's actuarially determined contribution rate increased from 48.95% for 2015 to 50.68% for 2016, which increased employer contributions and the County contributed an additional \$16.5 million above the required contribution. The Detroit Wayne Mental Health Authority (DWMHA) contributed an additional \$5.6 million in employer contributions to the Plan to fund its unfunded liability for the year ended September 30, 2016, \$2.5 million less than the prior year. The WCAA also made an additional \$4.0 million in employer contributions to the Plan to apply to its unfunded liability, \$2.1 million less than the prior year. WCAA also contributed an additional \$4.4 million to the Plan to apply to the combined pre-2002 retiree unfunded liability. Employee contributions decreased as a fewer annuities were purchased in the Plan during the current year.
- The change in the fair value of investments was favorable for the current year. The fair value of investments had a net appreciation of \$62.6 million for the year ended September 30, 2016 and net depreciation of \$12.8 and net appreciation of \$58.4 million for the years ended September 30, 2015 and 2014, respectively. The net appreciation is attributable to the improving financial markets and the resultant investment performance for the year.
- Total deductions from fiduciary net position grew by \$3.2 million, from \$139.0 million for fiscal 2015 to \$142.2 million for 2016. The change was due to a new stipend benefit paid to pre-Medicare eligible retirees (see notes for additional information) and an increase in the amount of pension benefits paid to retirees for the current year.

Overview of the Financial Statements

This annual report contains the Plan's financial statements, which consist of the statements of fiduciary net position and statements of changes in fiduciary 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 fiduciary net position include all of the Plan's assets and liabilities. All of the current year increases and decreases in the Plan's net position are accounted for in the statements of changes in fiduciary net position, regardless of when cash is received or paid.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Management's Discussion and Analysis

These financial statements report the Plan's net position and how they have changed. Net position represents the difference between the Plan's assets and liabilities, and it represents one way to measure the Plan's financial health, or position. Over time, increases or decreases in the Plan's net position are an indicator of whether its financial health is improving or deteriorating.

The notes to the financial statements, as listed in the table of contents, 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 fiduciary net position as of September 30, 2016, 2015, and 2014:

	Net Position		
	2016	2015	2014
Assets			
Investments	\$ 871,802,702	\$ 778,717,596	\$ 808,307,911
Other assets	12,059,177	50,882,518	9,095,738
Total assets	<u>883,861,879</u>	<u>829,600,114</u>	<u>817,403,649</u>
Liabilities	<u>2,822,920</u>	<u>5,775,570</u>	<u>2,784,051</u>
Net position restricted for pensions	<u>\$ 881,038,959</u>	<u>\$ 823,824,544</u>	<u>\$ 814,619,598</u>

The Plan's total assets as of September 30, 2016 were \$883.9 million and were mostly comprised of cash and investments. Total assets increased by \$54.3 million, or 6.5%, from the prior year. Total assets for the fiscal years ending September 30, 2015 and 2014 were \$829.6 million and \$817.4 million. The increase is primarily attributable to the higher investment value. The last three years have had favorable overall rate of return on investments of 10.37%, 1.09% and 9.01% for the years ended September 30, 2016, 2015 and 2014, respectively.

Other assets include \$0.5 million and \$3.2 million that were due from the Plan's broker for securities sold as of September 30, 2016 and 2015, respectively, and liabilities include \$1.6 million and \$4.5 million that were due to the Plan's broker for securities purchased as of September 30, 2016 and 2015, respectively. The amounts due to and from the broker are a result of security purchase and sale transactions initiated before September 30 of each year, but not completed until after October 1 of each year. Other assets as of September 30, 2016 also include \$10.7 million of equity in Wayne County pooled cash. The Plan's equity in Wayne County pooled cash as of September 30, 2015 and 2014 was \$14.2 million and \$6.9 million, respectively.

Total net position restricted for benefits at September 30, 2016 increased by \$51.5 million from 2015 (before the transfer of \$5.7 million from the Bailiffs' Plan). The increase is primarily attributable to the improving financial markets and the resultant investment performance for the year. In 2015, total net position increased by \$9.2 million from 2014, primarily due to the judgment of the IEF lawsuit that awarded the Plan the return of the \$32.2 million offset used by the County in 2011 and 2012, plus lost earnings totaling \$18.5 million.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Management's Discussion and Analysis

Below are the condensed statements of changes in fiduciary net position for the years ended September 30, 2016, 2015, and 2014:

	Change in Net Position		
	2016	2015	2014
Additions			
Contributions	\$ 114,072,065	\$ 123,089,224	\$ 88,702,339
IEF judgment investment earnings	741,650	18,497,745	-
Investment income:			
Net appreciation (depreciation)			
in fair value of investments	62,571,168	(12,754,830)	58,380,124
Other investment income	16,336,974	19,421,723	21,819,412
Total additions	<u>193,721,857</u>	<u>148,253,862</u>	<u>168,901,875</u>
Deductions			
Benefit payments and distributions	139,863,597	136,008,966	133,394,978
Administrative expenses	2,314,488	3,039,950	3,011,304
Total deductions	<u>142,178,085</u>	<u>139,048,916</u>	<u>136,406,282</u>
Change in net position	51,543,772	9,204,946	32,495,593
Transfer in from Bailiffs' plan	5,670,643	-	-
Net position restricted for pensions			
Beginning of year	<u>823,824,544</u>	<u>814,619,598</u>	<u>782,124,005</u>
End of year	<u>\$ 881,038,959</u>	<u>\$ 823,824,544</u>	<u>\$ 814,619,598</u>

Additions to Fiduciary Net Position

The reserves needed to finance pension benefits are accumulated through the collection of employee and employer contributions and through earnings on investments. Contributions and net investment income, excluding appreciation (depreciation), for the year ended September 30, 2016 totaled \$131.2 million. Contributions and net investment income, excluding appreciation (depreciation), totaled \$161.0 and \$110.5 million for the years ended September 30, 2015 and 2014, respectively.

Total contributions for 2016 decreased by \$9.0 million compared to the prior year. The decrease was related to the prior year including the IEF lawsuit judgment of \$32.2 million. Employer contributions were made at the actual rate of 72.22, 53.95 and 52.91 percent of covered payroll during the years ended September 30, 2016, 2015 and 2014. Employer contributions were \$101.3 million, \$79.5 million and \$80.2 million for the years ended September 30, 2016, 2015 and 2014, respectively. Employee contributions totaled \$10.7 million, \$11.4 million and \$8.5 million for the years ended September 30, 2016, 2015 and 2014, respectively. The County also made contributions totaling \$2.1 million to fund a new stipend benefit paid to pre-Medicare retirees during the current year.

Other investment income (including securities lending income) totaled \$0.7 million for the current year. Other investment income totaled \$0.7 million and \$3.0 million for the years ending September 30, 2015 and 2014. Other investment income items were consistent the past two years.

Investment expenses were \$3.0 million, \$3.1 million and \$3.7 million for the year ending September 30, 2016, 2015 and 2014, respectively. The investment expenses were consistent the past two years.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Management's Discussion and Analysis

Net Appreciation (Depreciation)

The change in the fair value of investments was favorable for the current year. The fair value of investments had a net appreciation of \$62.6 million for the year ended September 30, 2016 and net depreciation of \$12.8 and net appreciation of \$58.4 million for the years ended September 30, 2015 and 2014, respectively. The net appreciation is attributable to the improving financial markets and the resultant investment performance for the year.

Deductions from Fiduciary Net Position

The deductions of the Plan include the payment of pension benefits to members and beneficiaries and the costs of administering the Plan. Total deductions of \$142.2 million for the year ended September 30, 2016 were higher than the prior year's deductions of \$139.0 million, due to a new stipend benefit paid to pre-Medicare eligible retirees during the year and an increase in the amount of pension benefits paid to retirees. Administrative expenses were consistent the past two years. Total deductions were approximately \$136.4 million for the year ended September 30, 2014.

Economic Factors

The financial markets have been volatile over the last several years. The current year saw improving financial markets and investment returns. Management believes that the Plan is in a financial position to meet its pension benefit obligations. Management does have concerns about the funding level of the Plan. It is anticipated that the financial position can improve with a prudent investment strategy and return to more stable market conditions.

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.

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BASIC FINANCIAL STATEMENTS

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Statements of Fiduciary Net Position

September 30, 2016 and 2015

	2016	2015
Assets		
Investments, at fair value (Note 3):		
Equity investments	\$ 461,187,869	\$ 417,072,307
Fixed income investments	117,249,406	115,329,369
Money market funds	27,219,766	17,154,946
Other investments	266,145,661	229,160,974
Total investments	871,802,702	778,717,596
Equity in Wayne County pooled cash (Note 3)	10,678,880	14,156,777
IEF judgment receivable	-	32,512,101
Accounts receivable	2,378	23,295
Due from broker for securities sold	548,939	3,192,194
Accrued interest and dividends	812,349	980,743
Prepaid expense	16,631	16,052
Depreciable capital assets, net (Note 4)	-	1,356
Total assets	883,861,879	829,600,114
Liabilities		
Accounts and contracts payable	615,087	548,421
Due to other Wayne County component units and funds	2,826	-
Due to broker for securities purchased	1,599,539	4,539,328
Accrued wages and benefits	128,859	203,821
Obligation for unfunded other postemployment benefits	476,609	484,000
Total liabilities	2,822,920	5,775,570
Net position restricted for pensions	\$ 881,038,959	\$ 823,824,544

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

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Statements of Changes in Fiduciary Net Position

For the Years Ended September 30, 2016 and 2015

	2016	2015
Additions		
Contributions:		
Employer	\$ 103,337,465	\$ 79,505,999
Employer - IEF judgment	-	32,212,545
Members	10,734,600	11,370,680
Total contributions	114,072,065	123,089,224
IEF judgment investment earnings	741,650	18,497,745
Investment income:		
Net appreciation (depreciation) in fair value of investments	62,571,168	(12,754,830)
Interest	11,456,350	15,493,667
Dividends	7,224,350	6,370,062
Securities lending income	255,710	256,675
Other investment income	425,870	447,731
Total investment income	81,933,448	9,813,305
Investment expenses	(3,025,306)	(3,146,412)
Net investment income	78,908,142	6,666,893
Total additions	193,721,857	148,253,862
Deductions		
Participant benefit payments and distributions	139,863,597	136,008,966
Administrative expenses	2,314,488	3,039,950
Total deductions	142,178,085	139,048,916
Change in net position	51,543,772	9,204,946
Transfer in from Bailiffs' pension plan	5,670,643	-
Net position restricted for pensions		
Beginning of year	823,824,544	814,619,598
End of year	\$ 881,038,959	\$ 823,824,544

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

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

1. PLAN DESCRIPTION

General. The Wayne County Employees' Retirement System Defined Benefit Plan (the "Plan") is a contributory agent multiple-employer defined benefit 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. 2014-736 (December 18, 2014), of the County of Wayne (the "County") and has two participating employers, the County and Wayne County Airport Authority (WCAA). WCERS was established to provide retirement, survivor and disability benefits to the employees of the participating employers.

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.

Heretofore, WCAA has been reported as a component unit of the Wayne County reporting entity. However, because the outstanding debt upon which the County's had pledged its full faith and credit were refunded in October 2015, WCAA is no longer reported as a component unit.

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 "Retirement Commission"). The Plan is exempt from the requirements of Title 1 of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, and, as such, is not subject to the reporting and disclosure requirements of ERISA.

The Retirement Commission consists of eight individual trustees either elected or appointed in accordance with the County Pension Ordinance. Four members (active employees) are elected by active members of the retirement system and must be from different county departments. Two members (retired members) are elected by retired members and beneficiaries. One member is the chairperson of the County Commission and one member is the County Executive or his designated appointee. All elected terms are four years.

Effective October 1, 2001, the County established the Wayne County Hybrid Retirement Plan 5 ("Plan Option 5"), which contains both defined benefit and contribution components. Participants in the plan options previously in existence (Plan Options 1, 2, 3 and 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, the County established another hybrid defined benefit plan option ("Plan Option 6"), which contains both a defined benefit component and a defined contribution component. 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.

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; Plan Options 1, 2 and 3 are closed to new hires. Effective September 2012, only Plan Option 4 is available to new WCAA employees. Because there is no legal requirement to segregate the assets relating to Plan Options 1, 2, 3, 5 or 6 in paying benefits, the accompanying financial statements include the net position and changes in net position relating to Plan Options 1, 2 and 3, as well as the defined benefit component of Plan Options 5 and 6. The defined contribution portion of Plan Options 5 and 6 are included in the financial statements of the WCERS Defined Contribution Plan.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

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 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 were frozen.

Employees hired by the DWMHA on or after October 1, 2013, and all DWMHA employees after September 30, 2014, are enrolled in the new DWMHA IRC Section 414(h) defined contribution retirement plan, a sub-plan of Plan Option 4 with a required two percent employee contribution and eight 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. 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 defined contribution plan assets of DWMHA employees were transferred out of WCERS to another provider.

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.

On November 19, 2015 the Wayne County Commission adopted Enrolled Ordinance No. 2015-610, establishing the payment of a monthly stipend benefit to pre-Medicare eligible retirees that previously received health insurance. The County contributes to WCERS the funds required for the stipend benefit payments in advance each month as required in the ordinance. The contributions are currently the amount of the actual benefit payment, thus, there is no balance in a reserve account for the prefunding of the future benefit payments.

The Wayne County Commission adopted Enrolled Ordinance No. 2016-112 in March of 2016, which merged the Wayne County Circuit Court Commissioners Bailiffs' (Bailiffs) retirement fund into the Defined Benefit Plans of WCERS. The Bailiffs' net position was transferred to the Defined Benefit Plan of WCERS in March of 2016. All Bailiffs participants became participants in the WCERS plan at that time.

Effective October 1, 2015, Wayne County changed its retirement benefits going forward for nearly all its defined benefit active members, except the Legislative plan members and WCAA employees, which continue to use the prior benefits. The accrued benefits earned before that time were frozen using the prior benefits. Benefits earned after this date are noted as "After October 1, 2015 Defined Benefit Plans" in the descriptions below.

Contributions. The Plan's basic benefits, as described in the Pension Ordinance and various collective bargaining agreements or benefit plans (i.e., coverage groups), are funded by contributions from the employers and active members, as specified by the plan option selected, and by the investment income earned on the Plan's assets.

Member contribution percentages under the various plan options are as follows:

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WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

After October 1, 2015 Defined Benefit Plans

Plan Options 1, 3, 5 and 6, contribute 6% of gross wages up to \$52,155, then 7% of gross wages over \$52,155. For Sheriffs the amount is 7% of gross wages up to \$52,155, then 8% of gross wages over \$52,155. Plan option 2 will continue to contribute 0%.

Plan Option 1

- Sheriff Command Officers and Sheriff Deputies: Five percent of eligible compensation.
- Bailiffs: Three percent of the first \$4,200 of annual compensation, then five percent of annual compensation in excess of \$4,200.
- Others: Contributions are based on credited service, depending on the coverage group in which the member participates, as follows:

Credited Service	Contribution Rates
0-8 years	6.00 or 6.58 percent of eligible compensation
9-12 years	4.00 or 4.58 percent of eligible compensation
13-16 years	3.00 or 3.58 percent of eligible compensation
17 or more years	2.00 or 2.58 percent of eligible compensation

Plan Option 2 - No member contributions.

Plan Option 3 - Three percent of eligible compensation.

Plan Option 5 - Employees make contributions ranging from one to five percent of eligible compensation or no contributions at all, depending on each employee's coverage group.

Plan Option 6 - Four percent of eligible compensation.

Pension Benefits. Retirees, employees with a frozen benefit before October 1, 2015, current Legislative plan members and WCAA employees who have eight or more years of credited service and have attained the age specified by the specific plan option chosen are entitled to an annual pension. The County pension benefit changes after October 1, 2015 changed the credited service vesting requirement to 10 years and pension begins at age 62, unless the early retirement option is selected which reduces the pension by 0.8% for each month retirement precedes age 62. The service requirements for receiving a pension under the various plan options are based on the Pension Ordinance and collective bargaining agreements or benefit plans and are as follows:

After October 1, 2015 Defined Benefit Plans

Plan Options 1, 2, 3, 5 and 6, retirement eligibility is age 62 with 10 years of credited service and early retirement is age 55 with 30 years of credited service with a reduction of 0.8% for each month retirement precedes age 62 for non-sheriffs. Sheriffs may retire at age 55 with 30 years of service without a reduction.

Plan Option 1

- Any age with 30 years of service, age 50 with 25 years of service, or age 60 with five years of service for employees other than Sheriff Command Officers and Sheriff Deputies.
- Any age with 25 years of service for Sheriff Command Officers and Sheriff Deputies.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

Plan Option 2 - Age 55 with 25 years of service, or age 60 with 20 years of service, or age 65 with eight years of service.

Plan Option 3

- Age 55 with 25 years of service, or age 60 with 20 years of service, or age 65 with five years of service for employees other than Sheriff Command Officers.
- Any age with 25 years of service for Sheriff Command Officers.

Plan Option 5 - Any age with 30 or more years of service, or age 55 with 25 years of service, or age 60 with 20 years of service, or age 65 with eight years of service.

Plan Option 6 - Any age with 30 or more years of service, or age 55 with 25 years of service, or age 60 with 20 years of service, or age 65 with eight years of service.

Amount of Pension Benefits. Benefits are paid monthly over the member or survivor's lifetime based on the following percentages of average final compensation for each year of credited service:

After October 1, 2015 Defined Benefit Plans

Plan Options 1, 3, 5 and 6, retirement amount is based on 1.25 percent for each year after October 1, 2015, maximum pension is 75 percent of average final compensation. Average final compensation is based on the average of base wages for the last 10 years of credited service. Plan Option 2 remains the same as the prior rate.

Plan Option 1

Depending on the applicable collective bargaining agreement or benefit plan, either: (a) 2.65 percent for each year; (b) 2.5 percent for each year; or (c) 2.0 percent for each year up to 20 years and 2.5 percent for each year over 20 years. The maximum employer financed portion is 75 percent of average final compensation. The minimum pension is \$5 per month, multiplied by the number of years of service.

Plan Option 2

1.0 percent for each year up to 20 years, and 1.25 percent for each year over 20 years. The maximum employer financed portion is 75 percent of average final compensation.

Plan Option 3

Depending on the applicable collective bargaining agreement or benefit plan, either: (a) 2.0 percent for each year up to 20 years, 2.5 percent for each year between 20 and 25 years, and 3.0 percent for each year over 25 years; (b) 1.5 percent for each year up to 20 years, 2.0 percent for each year between 20 and 25 years, and 2.5 percent for each year over 25 years; or (c) 2.5 percent for all years of service contingent upon payment of \$500 per year for each year of credited service up to 20 years. The maximum employer financed portion is 75 percent of average final compensation.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

Plan Option 5

Depending on the applicable collective bargaining agreement or benefit plan, either (a) 2.0 percent for each year of credited service; (b) 1.25 percent for each year up to 20 years, and 1.5 percent for each year over 20 years; or (c) 1.5 percent for each year up to 20 years, and 1.75 percent for each year over 20 years. The maximum employer financed portion is 75 percent of average final compensation.

Plan Option 6

2.5 percent for each year of service. The maximum employer financed portion is 75 percent of average final compensation.

Death and Disability Benefits. The Plan also provides non-duty death and disability benefits to members after 10 years of credited service for Plan Options 1, 2, 5 and 6, along with non-duty death benefits for Plan Option 3. The 10-year service provision is waived for duty disability and death benefits.

Eligibility. Effective August 15, 1983, the County closed Plan Option 1 to new hires. Plan Option 2 was available to all persons hired after August 15, 1983 and before October 1, 2001, and was also available to Plan Options 1 and 3 members who wished to transfer to this plan before October 1, 2001. Plan Option 3 was available to all persons last hired prior to June 30, 1984. Plan Option 5 is available to all persons hired after September 30, 2001. Effective September 2012, only Plan Option 4 is available to new WCAA employees.

The number of plan participants as of September 30 is as follows:

	2016	2015
Active participants:		
Vested	1,327	1,427
Nonvested	902	891
	<u>2,229</u>	<u>2,318</u>
Terminated vested	191	139
Retired and receiving benefits	<u>5,314</u>	<u>5,440</u>
	<u><u>7,734</u></u>	<u><u>7,897</u></u>

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. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Pension Ordinance. Administrative expenses are financed through investment earnings.

Net Position Restricted for Pension Benefits. Net position restricted for pension benefits consist of the following reserves:

Reserve for Member Contributions. Members contribute at rates as stated in the Pension Ordinance or collective bargaining agreements for the applicable option. Interest is credited at least annually to the reserve for member contributions. The balance represents active members' contributions and interest, less amounts transferred to funds for retirement, amounts refunded to terminated members, and transferred inactive accounts.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

Reserve for Employer Contributions. All employer contributions are credited to the reserve for employer contributions. Interest is credited at least annually, and transfers are made to the reserve for pension payments to fund the employer's share of retirement allowances, as recommended by the Plan's actuaries and approved by the Plan's trustees.

Reserve for Pension Payments. This reserve represents the reserves for payment of future retirement benefits to persons already on the retirement rolls. At retirement, a member's accumulated contributions (with interest) are transferred to the reserve for pension payments from the reserve for employer contributions and from the reserve for member contributions. Interest is credited at least annually to the reserve for pension payments.

Reserve for Inflation Equity. This reserve represents the reserves for payment of supplemental pension benefits. Additions to the reserve are based on the investment results of the Plan. An annual distribution of a percentage of the balance in the reserve may be made to each participant in the form of a benefit check. The amount of the benefit is calculated by the Plan's actuaries and approved by the Plan's trustees each year, in accordance with the distribution provisions of the Pension Ordinance. On June 18, 2015, Ordinance No. 2015-302 was passed to abolish the reserve and the assets were transferred to Reserve for Employer Contributions.

The reserve balances as of September 30 are as follows:

	2016	2015
Reserved for (deficit):		
Member contributions	\$ 119,456,583	\$ 120,189,114
Employer contributions	(402,980,644)	(452,188,281)
Pension payments	1,164,563,020	1,155,823,711
Inflation equity	-	-
	<u>\$ 881,038,959</u>	<u>\$ 823,824,544</u>

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. Real estate values are determined on the basis of comparable yields available in the marketplace. 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.

Many of the Plan's investments in private equity and real estate investments are invested in assets which do not have exchange quotations that are readily available. Such assets are valued initially at cost, with subsequent adjustments to values that reflect meaningful third-party transactions, or to fair value as determined by the general partners or management of the investments. Factors considered in valuing these individual securities may include, but are not limited to, the purchase price, changes in the financial condition and prospects of the issuer, calculations of the total enterprise value using discounted cash flow projections, trading comparables of securities of comparable companies engaged in similar businesses, estimates of liquidation value, the existence of restrictions on transferability, prices received in recent significant placements of securities of the same issuer, and other analytical data relating to the investment. There are inherent limitations in any estimation technique. Because of the inherent uncertainty of valuations, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

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.

Capital Assets. Capital assets are recorded at historical cost or estimated historical cost. Depreciation is computed using the straight-line method over the estimated useful lives (five years) of the related assets. Expenditures for maintenance and repairs are charged to expense. Renewals or betterments which extend the life or increase the value of the properties are capitalized.

3. DEPOSITS AND INVESTMENTS

The authority for the purchase and sale of investments 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.

Accordingly, the Retirement Commission has the authority 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.

Investment Allocation Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Commission. The policy pursues an investment strategy that protects the financial health of the Plan and reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. Plan assets are invested in the broad investment categories and asset classes to achieve the allocation targets below. Recognizing that asset returns may vary, causing fluctuations in the relative dollar value levels of assets within classes, the Plan may not maintain strict adherence to the targets in the short-term, but may allow the values to fluctuate within these ranges. Over the long-term, the Plan will strive to adhere to the given targets as financially practicable and move toward target allocations in a prudent manner consistent with its fiduciary duty.

The adopted asset allocation policy as of September 30, 2016, is as follows:

Asset Class	Target Allocation	Allocation Range
Equity	50%	40% to 70%
Domestic fixed income	15%	5% to 50%
International fixed income	5%	0% to 20%
Real estate	15%	5% to 20%
Alternative investments	15%	10% to 20%
Michigan-based private equity	0%	0% to 2%
Short-term / cash	0%	0% to 5%
Total investments	100%	

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

Investment Holdings

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

	2016	2015
Equity investments		
Common stocks	\$322,007,932	\$278,990,713
Equity mutual funds	45,755,361	47,564,382
Commingled equity funds	92,799,206	89,106,874
International equities	625,370	1,410,338
	<u>461,187,869</u>	<u>417,072,307</u>
Fixed income investments		
Corporate bonds	516,915	537,719
Mortgage-backed securities	114,743	132,519
Bond mutual funds	18,754,249	22,788,498
Commingled fixed income funds	97,863,499	91,870,633
	<u>117,249,406</u>	<u>115,329,369</u>
Money market funds	<u>27,219,766</u>	<u>17,154,946</u>
Other investments		
Real estate investments (private trusts)	159,625,876	139,917,889
Hedge funds	36,872,209	32,026,305
Structured debt	10,279,527	10,731,943
Investments in private equity, net of valuation allowance of \$1 million for 2016 and 2015	59,368,049	46,484,837
	<u>266,145,661</u>	<u>229,160,974</u>
Total investments	<u>\$871,802,702</u>	<u>\$778,717,596</u>

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

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 \$10,678,880 and \$14,156,777 as of September 30, 2016 and 2015, respectively, are maintained in the County's pooled cash account maintained by the Wayne County Treasurer. In accordance with the County's investment policy and Public Act 314 of 1965, as amended, 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.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

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 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 and Public Act 314 of 1965, as amended, require 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, 2016 and 2015, none of the Plan's investments were subject to custodial credit risk as they were held in accordance to its investment policy.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan's investment policy places no restrictions greater than what is allowed under Public Act 314 of 1965, as amended, that would further limit its investment choices. Ratings are not required for U.S. treasuries or certain money market funds. The Plan's investments in debt securities were rated at September 30, 2016 as follows:

	Corporate Bonds	Mortgage- backed Securities	Bond Mutual Funds	Commingled Fixed Income Funds
Standard & Poor's:				
AAA	\$ -	\$ 114,743	\$ 13,476,528	\$ -
A	516,890	-	-	-
BBB	-	-	5,277,721	-
Moody's -				
Aa	-	-	-	97,863,499
Unrated	25	-	-	-
	<u>\$ 516,915</u>	<u>\$ 114,743</u>	<u>\$ 18,754,249</u>	<u>\$ 97,863,499</u>

The Plan's investments in debt securities were rated at September 30, 2015 as follows:

	Corporate Bonds	Mortgage- backed Securities	Bond Mutual Funds	Commingled Fixed Income Funds
Standard & Poor's:				
AAA	\$ -	\$ 132,519	\$ 19,700,472	\$ -
A1	-	-	-	91,870,633
A	537,094	-	-	-
BB	-	-	3,088,026	-
Unrated	625	-	-	-
	<u>\$ 537,719</u>	<u>\$ 132,519</u>	<u>\$ 22,788,498</u>	<u>\$ 91,870,633</u>

As of September 30, 2016 and 2015, the Plan's money market funds were rated A1+ by Standard & Poor's with weighted average maturities of 51 and 46 days, respectively.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

Interest Rate Risk

Interest rate risk is the risk that the value of fixed income and 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. However, it is the practice of the Plan to manage this risk by purchasing a mix of short and long-term investments.

Maturities of the Plan's debt securities as of September 30 were as follows:

	Investment Maturities (fair value by years)				
	Less than 1	1-5	6-10	More than 10	Totals
2016					
Corporate bonds	\$ 516,915	\$ -	\$ -	\$ -	\$ 516,915
Mortgage-backed securities	-	2	-	114,741	114,743
Bond mutual funds	-	2,539,644	16,214,605	-	18,754,249
Commingled funds	-	-	97,863,499	-	97,863,499
	<u>\$ 516,915</u>	<u>\$ 2,539,646</u>	<u>\$ 114,078,104</u>	<u>\$ 114,741</u>	<u>\$ 117,249,406</u>
2015					
Corporate bonds	\$ 625	\$ 537,094	\$ -	\$ -	\$ 537,719
Mortgage-backed securities	-	4	-	132,515	132,519
Bond mutual funds	19,771	1,565,400	21,203,327	-	22,788,498
Commingled funds	-	-	91,870,633	-	91,870,633
	<u>\$ 20,396</u>	<u>\$ 2,102,498</u>	<u>\$ 113,073,960</u>	<u>\$ 132,515</u>	<u>\$ 115,329,369</u>

Foreign Currency Risk

Foreign currency risk is the risk that significant fluctuation in exchange rates may adversely affect the fair value of an investment. The Plan's exposure to foreign currency risk is summarized as follows:

Investment/Country	Currency	Fair Value (in U.S. dollars)	
		2016	2015
International equities			
Canada	Canadian dollar	\$ 616,021	\$ 1,400,028
Switzerland	Swiss franc	9,349	10,310
Total		<u>\$ 625,370</u>	<u>\$ 1,410,338</u>

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of an entity's investments with a single issuer. Other than obligations issued, assumed, or guaranteed by the United States, its agencies, or United States government-sponsored enterprises, the Plan is prohibited by Public Act 314 of 1965, as amended, from investing in more than five percent of the outstanding obligations of any one issuer or investing more than five percent of the Plan's assets in the obligations of any one issuer. The Plan places no limit on the amount it may invest in any one issuer. As of September 30, 2016 and 2015, there were no investments that exceeded five percent or more of the Plan's total investments, other than investments in mutual funds, similar pooled investments, or investments issued, assumed, or guaranteed by the United States, its agencies, or United States government-sponsored enterprises.

Rate of Return

For the years ended September 30, 2016 and 2015, the annual money-weighted rate of return on plan investments, net of investment expenses, was 9.8 and 0.7 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value Measurements

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs - other than quoted prices included within Level 1 - that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the Plan's investment manager. These are determined at the fund level based on a review of the investment's class, structure, and what kind of securities are held in the funds. The investment manager will request the information from the fund manager if necessary.

The Plan had the following recurring fair value measurements as of September 30, 2016:

	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Equity securities and mutual funds:				
Common stocks	\$322,007,932	\$ -	\$ -	\$322,007,932
Equity mutual funds	27,320,531	18,434,830	-	45,755,361
International equities	625,370	-	-	625,370
Total equity securities/mutual funds	349,953,833	18,434,830	-	368,388,663
Debt securities and mutual funds:				
Corporate bonds	-	516,915	-	516,915
Mortgage-backed securities	-	114,743	-	114,743
Bond mutual funds	7,930,121	10,824,128	-	18,754,249
Total debt securities/mutual funds	7,930,121	11,455,786	-	19,385,907
Money market funds	27,219,766	-	-	27,219,766
Other investments - structured debt	-	-	10,279,527	10,279,527
Total investments by fair value level	\$385,103,720	\$ 29,890,616	\$ 10,279,527	425,273,863

continued...

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

	Level 1	Level 2	Level 3	Total
Investments measured at the net asset value (NAV)				
Real estate funds				\$159,625,876
Multi-strategy hedge funds				36,872,209
Private equity funds				59,368,049
Commingled funds				190,662,705
Total investments measured at NAV				<u>446,528,839</u>
Total investments measured at fair value				<u>\$871,802,702</u> concluded.

GASB Statement No. 72, *Fair Value Measurement and Application*, was implemented for the year ended September 30, 2016; accordingly, fair value information for the prior year is not readily available.

Real estate funds. This type includes ten real estate funds (including a mortgage trust) that invest primarily in U.S. commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 8 years. 100 percent of the total investment in this type is expected to be sold. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. Approximately 18% of the assets are able to be liquidated via a quarterly redemption queue. The balance of the assets will be liquidated as underlying properties are sold or the investee fund's management approves of the buyer before the sale of the investments can be completed. At September 30, 2016, the real estate funds have unfunded commitments of \$17 million.

Multi-strategy hedge funds. This type invests in two hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' composite portfolio for this type includes investments in approximately 54% global stocks and 46% global fixed income. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. Investments representing \$10,668,708 in this type cannot be redeemed because the investments include restrictions that do not allow for redemption in the first two years after acquisition. The remaining restriction period for these investments ranged from four to six months at September 30, 2016. At September 30, 2016, the multi-strategy hedge funds have unfunded commitments of \$10 million.

Private equity funds. This type includes nine private equity funds (five that invest primarily in equities, one in international equities, three in debt). The investments do not offer a stated redemption window. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the funds. If these investments were held, it is expected that the underlying assets of the fund would be liquidated over 1 to 8 years. However, as of September 30, 2016, it is probable that all of the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Therefore, the fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. As of September 30, 2016, a buyer (or buyers) for these investments has not yet been identified. Once a buyer has been identified, the investee fund's management is required to approve of the buyer before the sale of the investments can be completed. At September 30, 2016, the private equity funds have unfunded commitments of \$44 million.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

Commingled funds. This type includes four commingled funds that invest in publicly traded global stocks and global fixed income. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. Of the total commingled funds, \$116,761,785 of the assets can be liquidated on a daily basis and \$73,900,920 can be liquidated on a monthly basis with 30 days notice. All of the underlying securities within the commingled funds carry a recurring fair value measurement level 1 or 2. There are no unfunded commitments to commingled funds at September 30, 2016.

Securities Lending

A contract approved by the Plan's Board, permits the Plan to lend its securities to broker-dealers and banks (borrowers) for collateral that will be returned for the same securities in the future. The Plan's custodial bank manages the securities lending program and receives predominantly cash as collateral. The collateral securities cannot be pledged or sold by the Plan unless the borrower defaults. Collateral cash is initially pledged at 102 percent of the fair value of the securities lent for domestic securities and 105 percent for international securities, and may not fall below 100 percent during the term of the loan. There are no restrictions on the amount of securities that can be loaned. Securities on loan at year-end are summarized as follows:

	2016	2015
Common stocks	\$ 109,148,525	\$ 96,701,705
Corporate bonds	239,951	-
	<u>\$ 109,388,476</u>	<u>\$ 96,701,705</u>

At year-end, the Plan has no credit risk exposure to borrowers as the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan. The contract with the Plan's custodian requires it to indemnify the Plan if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Plan for income distributions by the securities' issuers while the securities are on loan.

Commitments

The Plan has commitments to invest \$71.3 million in private equities, structured debt and private real estate investments as of September 30, 2016, of which management believes \$0.3 million is unlikely to be called.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

4. CAPITAL ASSETS

Capital assets consist of equipment, furniture, and fixtures. Depreciable capital asset activity for the year ended September 30 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2016				
Furniture and equipment	\$ 431,434	\$ -	\$ -	\$ 431,434
Accumulated depreciation	430,078	1,356	-	431,434
	<u>\$ 1,356</u>	<u>\$ (1,356)</u>	<u>\$ -</u>	<u>\$ -</u>
2015				
Furniture and equipment	\$ 431,434	\$ -	\$ -	\$ 431,434
Accumulated depreciation	428,270	1,808	-	430,078
	<u>\$ 3,164</u>	<u>\$ (1,808)</u>	<u>\$ -</u>	<u>\$ 1,356</u>

Depreciation is included in administrative expenses.

5. INFLATION EQUITY FUND LAWSUIT

Based upon Ordinance 2010-514 enacted by the Wayne County Board of Commissioners ("WCBC") on September 30, 2010, the County's actual contributions for fiscal 2011 and 2012 were partially offset by using assets from the Plan's Reserve for Inflation Equity (the "Inflation Equity Fund" or "IEF"). Accordingly, for the years ended September 30, 2011 and 2012, \$26.2 million and \$6.0 million, respectively, of the total annual required contributions (ARC) were reduced through the offset and not actually paid into the Plan.

In November 2010, the WCERS filed a lawsuit against the WCBC and County challenging the legality of Ordinance 2010-514, and seeking an order requiring the WCBC to repeal the Ordinance and the County to contribute the full amount of the ARC. The County filed a counter-claim alleging among other things, that the Retirement Commission had violated its fiduciary duties by mismanaging the retirement system's assets. The Court granted the County's Motion for Summary Disposition regarding the WCERS constitutional and statutory objections to the Ordinance, and the WCERS appealed. The Court granted Summary Disposition in favor of the WCERS on the fiduciary-duty count of the County's counterclaim, and the County cross-appealed.

Both rulings were appealed and went before the Michigan Court of Appeals on March 12, 2013, resulting in a decision issued on May 9, 2013, that reversed the trial court's ruling, finding that the Ordinance violated Public Employee Retirement System Investment Act (PERSIA) in many particulars. The Court of Appeals confirmed the trial court's dismissal of the County's counterclaim. The County then filed an application for leave to appeal to the Michigan Supreme Court on June 20, 2013. Oral arguments were heard on October 8, 2014 and the Supreme Court unanimously decided on December 18, 2014, to uphold the Court of Appeals decision that the \$32.2 million offset against the County's ARC violated PERSIA, the County must satisfy its ARC obligations, and the transferred funds must be returned to the IEF. The case was remanded to the trial court for further proceedings.

After the case was remanded to the Wayne County Circuit Court (trial court), WCERS sought leave to amend their Complaint to add a new Count V alleging that the County is obligated to maintain complete funding of not only the ARC, but the unfunded actuarial accrued liabilities known as the "UAAL" which is an estimate of future liabilities of the Plan at the current time. In the Court's Opinion and Order dated May 7, 2015 the Court denied this argument and determined as a matter of law that no such obligation exists.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

Thereafter, on May 29, 2015, the Circuit Court Judge issued a Judgment on Plaintiff's Complaint on Remand from the Michigan Supreme Court ordering, among other actions, a judgment in favor of the retirement system and against the County of Wayne in the amount of the Offset plus lost investment earnings thereon, in the total amount of \$49,279,965, plus \$10,595 per day after May 18, 2015 until satisfaction of this Judgment. During the year the County paid \$18,198,189 of this judgment, with \$32,512,101 still outstanding as of September 30, 2015. The entire remaining balance, plus additional lost earnings accrued where paid after September 30, 2015. The judgment payments were recorded in the Reserve for Inflation Equity. On June 18, 2015, Ordinance No. 2015-302 was passed to abolish the Reserve for Inflation Equity and the assets were transferred to the Reserve for Employer Contributions.

6. NET PENSION LIABILITY OF THE EMPLOYERS

The components of the net pension liability of the employers at September 30, 2016, are as follows:

Total pension liability	\$ 1,480,357,273
Plan fiduciary net position	<u>881,038,959</u>
Employers' net pension liability	<u>\$ 599,318,314</u>
Plan fiduciary net position as a percentage of the total pension liability	59.52%

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of September 30, 2015 and rolled forward to September 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.5 percent
Salary increases	3.5 to 8.8 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Combined Healthy Mortality Table projected 20 years

The actuarial assumptions used in the September 30, 2015 valuation were based on the results of an actuarial experience study for the period October 1, 2005 through September 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 (see the discussion of the Plan's investment allocation policy) are summarized in the following table:

Asset Class	Long-term Expected Rate of Return
Domestic equities	7.5%
International equities	8.5%
Domestic bonds	2.5%
International bonds	3.5%
Real estate	4.5%

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the employers, calculated using the discount rate of 7.75 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
Net pension liability	\$ 731,621,241	\$ 599,318,314	\$ 484,823,641

7. OPEB OBLIGATION AND NET PENSION LIABILITY

The employees of the Plan are considered employees of the County, and so a portion of the County's obligation for unfunded other postemployment benefits (OPEB) is allocated to the Plan as an administrative expense. As of September 30, 2016 and 2015, the Plan's portion of the OPEB liability was \$476,609 and \$484,000, respectively. Additional details regarding this obligation may be found in the County's Comprehensive Annual Financial Report.

The County's net pension liability, which is currently accounted for differently than the OPEB obligation, is not allocated to the Plan since the Plan's net position is used in and integral to the calculation of the net pension liability. For this reason, the prior period adjustment previously reported in fiscal 2015 to allocate the net pension liability to the Plan was reversed (in the 2015 column) and no longer shown in the Plan financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Required Supplementary Information

Schedule of Investment Returns

Last Four Fiscal Years (ultimately building to ten years)

Fiscal Year Ended September 30,	Annual Money- Weighted Rate of Return, Net of Investment Expense
2013	14.09%
2014	8.33%
2015	0.70%
2016	9.82%

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Required Supplementary Information

Schedule of Changes in the Employers' Net Pension Liability and Related Ratios
Last Fiscal Year (ultimately building to ten years)

	2014	2015	2016
Change in total pension liability			
Service cost	\$ 16,358,829	\$ 15,000,163	\$ 10,431,838
Interest	122,810,391	122,200,908	111,275,067
Changes of benefit terms	9,798,361	-	(141,296,225)
Differences between expected and actual experience	-	(21,264,821)	(532,795)
Benefit payments, including refunds of member contributions	(133,394,978)	(136,008,966)	(139,863,597)
Net change in total pension liability	<u>15,572,603</u>	<u>(20,072,716)</u>	<u>(159,985,712)</u>
Total pension liability, beginning	<u>1,644,843,098</u>	<u>1,660,415,701</u>	<u>1,640,342,985</u>
Total pension liability, ending (a)	<u>1,660,415,701</u>	<u>1,640,342,985</u>	<u>1,480,357,273</u>
Change in plan fiduciary net position			
Contributions - employer	80,180,620	111,718,544	103,337,465
Contributions - member	8,521,719	11,370,680	10,734,600
Net investment income	80,199,536	25,164,638	79,649,792
Benefit payments, including refunds of member contributions	(133,394,978)	(136,008,966)	(139,863,597)
Administrative expense	(3,011,304)	(3,039,950)	(2,314,488)
Net change in plan fiduciary net position	<u>32,495,593</u>	<u>9,204,946</u>	<u>51,543,772</u>
Transfer in of Bailiffs' Plan assets	-	-	5,670,643
Plan fiduciary net position, beginning	<u>782,124,005</u>	<u>814,619,598</u>	<u>823,824,544</u>
Plan fiduciary net position, ending (b)	<u>814,619,598</u>	<u>823,824,544</u>	<u>881,038,959</u>
Employers' net pension liability, ending (a)-(b)	<u>\$ 845,796,103</u>	<u>\$ 816,518,441</u>	<u>\$ 599,318,314</u>
 Plan fiduciary net position as a percentage of the total pension liability	 49.06%	 50.22%	 59.52%
 Covered-employee payroll	 \$ 151,536,413	 \$ 147,363,016	 \$ 140,222,696
 Employers' net pension liability as a percentage of covered payroll	 558.15%	 554.09%	 427.40%

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Required Supplementary Information

Schedule of Employer Contributions

Last Three Fiscal Years (ultimately building to ten years)

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
9/30/2014	\$68,772,171	\$80,180,620	\$ (11,408,449)	\$ 151,536,413	52.91%
9/30/2015	65,289,481	79,505,999	(14,216,518)	147,363,016	53.95%
9/30/2016	70,708,723	101,264,065	(30,555,342)	140,222,696	72.22%

Notes to Schedule of Contributions

Valuation date Actuarially determined contribution rates are calculated as of September 30 that is 12 months prior to the beginning of the fiscal year for which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years from 9/30/14; 22 years from 9/30/15 (decreasing two years each year thereafter)
Asset valuation method	4-year smoothed market; 20% corridor
Wage inflation	3.5%
Salary increases	3.5-8.8% including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Combined Healthy Mortality Table projected 20 years

SUPPLEMENTARY INFORMATION

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 Schedule referred to above presents fairly, in all material respects, the fiduciary net position of the Wayne County Employees' Retirement System Defined Benefit Plan as of September 30, 2016, and the changes in fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the Schedule referred to above presents fairly, in all material respects, the fiduciary net position of each individual employer as of September 30, 2016, and the changes in fiduciary net position of each individual employer for the year 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 Benefit 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, 2016 and 2015, 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.

Restriction on Use

Our report is intended solely for the information and use of the Wayne County Employees' Retirement System management, Board of Trustees, the Wayne County Employees' Retirement System Defined Benefit Plan employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Lobson LLC

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Schedule of Changes in Fiduciary Net Position by Employer

For the Year Ended September 30, 2016

	Wayne County	Wayne County Airport Authority	Totals
Additions			
Contributions:			
Employer	\$ 87,916,274	\$ 15,421,191	\$ 103,337,465
Members	10,400,163	334,437	10,734,600
IEF judgment investment earnings	741,650	-	741,650
Net investment income	69,256,097	9,652,045	78,908,142
Total additions	<u>168,314,184</u>	<u>25,407,673</u>	<u>193,721,857</u>
Deductions			
Participant benefit payments/distributions	131,961,976	7,901,621	139,863,597
Administrative expenses (see Note 3 below)	2,286,728	318,694	2,605,422
Total deductions	<u>134,248,704</u>	<u>8,220,315</u>	<u>142,469,019</u>
Changes in net position	34,065,480	17,187,358	51,252,838
Transfer of contribution for pre-2002 retirees	4,400,000	(4,400,000)	-
Transfer in from Bailiffs' pension plan	5,670,643	-	5,670,643
Net position restricted for pensions			
Beginning of year (see Note 3 below)	<u>726,624,862</u>	<u>97,490,616</u>	<u>824,115,478</u>
End of year	<u>\$ 770,760,985</u>	<u>\$ 110,277,974</u>	<u>\$ 881,038,959</u>

Note 1: The above employer contributions for Wayne County includes an additional \$5.6 million in employer contributions made by the Detroit Wayne Mental Health Authority and an additional \$16.5 million in employer contributions made by Wayne County to apply to its unfunded liability for the year ended September 30, 2016.

Note 2: The above employer contributions for the Wayne County Airport Authority includes an additional \$4.0 million in employer contributions to the Plan to apply to its unfunded liability for the year ended September 30, 2016.

Note 3: The above administrative expenses includes \$290,934 of amortization of deferred pension outflows/inflows recorded in the prior year that was added back for purposes of this schedule (i.e., processed through the current year operations rather than as a prior period adjustment). This was necessary due to the reversal of the prior year allocation of net pension liability to this pension trust fund. As such, the total beginning net position on this schedule differs from that amount reported on the accompanying financial statements by this \$290,934, as reconciled below.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Schedule of Changes in Fiduciary Net Position by Employer

For the Year Ended September 30, 2016

Following is a reconciliation of the amounts reported above to the accompanying Statement of Changes in Fiduciary Net Position for the year ended September 30, 2016:

	Administrative Expenses	Beginning Net Position
Amount reported above	\$ 2,605,422	\$ 824,115,478
Prior year amortization	<u>(290,934)</u>	<u>(290,934)</u>
Amount reported in financial statements	<u>\$ 2,314,488</u>	<u>\$ 823,824,544</u>

Note 4: The above employer contributions for the Wayne County Airport Authority includes an additional \$4.4 million in employer contributions to the Plan to apply to the unfunded liability of the combined pre-2002 retirees for the year ended September 30, 2016. The WCAA has agreed to pay \$4.4 million each year for a total of five years as the theoretical portion of the combined pre-2002 retiree liability related to WCAA retirees as calculated by the Plan's actuary. The combined pre-2002 retiree liability is recorded by the County and included in the County's contribution rates.

Note 5: This schedule is prepared on the accrual basis of accounting using the economic resources measurement focus. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Wayne County Pension Ordinance. Administrative expenses are financed through investment earnings.

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