Office of Legislative
Auditor General

MARCELLA CORA CPA, CIA, CICA, CGMA
AUDITOR GENERAL

500 GRISWOLD STREET
STE. 842 GUARDIAN BLDG
DETROIT, MICHIGAN 48226

TELEPHONE: (313) 224-8354

July 26, 2019

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commissioners:

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 Contribution Plan audited financial statements for the fiscal years ended September 30, 2018 and 2017. Our report is dated March 22, 2019; DAP No. 2019-57-901(B). The report was accepted by the Committee on Audit at its meeting held on July 17, 2019, and formally received by the Wayne County Commission on July 25, 2019.

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

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

REPORT DISTRIBUTION

Wayne County Employees' Retirement System
Robert Grden, Director
Henry Wilson, Board Chairman, WCERS
Todd Pickett, Department Administrator

Department of Management & Budget
Mathieu Dube, Interim Chief Financial Officer
Shauntika Bullard, Director, Grants and Contract Management

Wayne County Executive

WAYNE COUNTY OFFICE OF LEGISLATIVE AUDITOR GENERAL

County of Wayne, Michigan
Office of Legislative Auditor General

Financial Assessment – Attestation Review Report

Wayne County Employees' Retirement System
Defined Contribution Plan
Year Ended September 30, 2018 and 2017
Financial Statements

DAP NO. 2019-57-901(B)

March 22, 2019

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

Report Entity Name & Type	Wayne County Employees' Retirement System Defined Contribution Plan; audited financial statements and other supplementary information for the fiscal years ended September 30, 2018 and 2017.
DAF No.	No DAF number has been assigned because the financial statements have not been formally referred to the Commission. However, in accordance with Wayne County Ordinance #98-59, management provided the OAG with the financial statements and we have included them in our report.
Referring Department/Agency	Wayne County Employees' Retirement System (WCERS)
Entity Purpose and Type	The Wayne County Employees' Retirement System Defined Contribution Plan (the "Plan") is a contributory agent multiple-employer defined contribution public employee retirement plan that is established, administered, and governed in accordance with the authority of: (a) Public Act 156 of 1851, section 12a, as amended, (b) Michigan Compiled Laws ("MCL") section 46.12a, (c) the Wayne County Charter (the "Charter"), and (d) the Wayne County Employees' Retirement System Ordinance, as amended (the "Retirement Ordinance"). The Plan has two (2) participating employers: the Charter County of Wayne, Michigan (the "County") and the Wayne County Airport Authority ("WCAA"). WCERS was established to provide retirement, survivor, and disability benefits to the employees of the County and the WCAA. WCERS is considered part of the County financial reporting entity and is included in the County's comprehensive annual financial report as a collection of fiduciary pension trust funds. Effective October 1, 2001, the County established the Wayne County Hybrid Retirement Plan #5 ("Plan Option 5"), which contains both defined contribution and defined benefit components. Participants in the plan option previously in existence ("Plan Option 4") could elect to transfer their account balances to Plan Option 5, if authorized, during specific time periods noted within collective bargaining agreements or benefit plans. Effective October 1, 2008, the County established another hybrid defined contribution plan option ("Plan Option 6"), which contains both defined contribution and defined benefit components. Participants in Plan Option 5 could elect to transfer their account balances to Plan Option 6, if authorized, during specific time periods noted within collective bargaining agreements or benefit plans.
Organizational or Governance Structure	The administration, management, and responsibility for the proper operation of the Plan, and for interpreting and making effective the provisions of the Plan, is vested in the trustees of the Wayne County Retirement Commission (the "Retirement Commission"). The Retirement Commission consists of eight (8) elected members: four (4) elected employee representatives, two (2) elected retiree representatives, and two (2) ex-officio members, including the Wayne County Executive (or his or her designee) and the Chairperson of the Wayne County Commission (the "Commission"). All elected terms are for four (4) years. The day-to-day operations are the responsibility of the retirement staff led by the Executive Director who is selected by the Retirement Commission. The retirement staff consists of Wayne County employees.
Entity's Funding Sources	The Plan's benefits are funded by contributions from the County, WCAA, and participants, as specified by the plan option selected and collective bargaining agreements or benefit plans, and by the investment income earned on the Plan's assets.

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

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.
Type of Report	Annual audited financial statements with independent auditors' report. The auditors' report is from George Johnson & Company, Certified Public Accountants.
Report Period	Fiscal Years Ended September 30, 2018 and 2017.
Report Purpose	To render an opinion on the statements of fiduciary net position of the WCERS Defined Contribution Plan and the related statements of changes in fiduciary net position for the fiscal years ended September 30, 2018 and 2017. The audited financial statements of the WCERS were prepared at the request of the Retirement Commission.
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, 2018 and 2017 as a collection of fiduciary pension trust funds.
OAG ASSESSMENT	Our review of WCERS audited financial statements and other supplementary information for the FY's ended September 30, 2018 and 2017, was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). A review is substantially less in scope than an examination or audit, the objective of which is the expression of an opinion on the audited financial statements. Accordingly, we do not express such an opinion. Based on the work performed, nothing came to our attention that caused us to believe the audited financial statements of the WCERS and other supplementary information are not presented in conformity with generally accepted accounting principles. We concluded that, generally, the audited financial statements and other supplementary information appear complete and thorough. However, our review of the report's content noted the following: The following summary tables identify the significant fluctuations between FY's 2018 and 2017.

OAG ASSESSMENT (Cont.)

Wayne County Employees' Retirement System
Defined Contribution Plan
Statement of Fiduciary Net Position
Significant Fluctuations between FY 2018 and FY 2017
(In millions)

	FY 2018	FY 2017	Inc./(Dec.)	Inc./ (Dec.) %
Assets				
Investments	$ 431.2	$ 401.1	$ 30.1	7.5%
Other assets	18.2	19.2	(1. 0)	(5.2%)
TOTAL ASSETS	**$ 449.4**	**$ 420.3**	**$ 29.1**	**6.9 %**
Liabilities				
Liabilities	$0	$0	$ 0	0.0 %
Net Position Restricted for Pensions	**$ 449.3**	**$ 420.3**	**$ 29.0**	**6.9 %**

- The Plan's total assets as of September 30, 2018 were $449.4 million and were mostly comprised of investments in mutual funds. Total assets increased by $29.1 million, or 6.9 percent from the prior year. The net appreciation in the fair value of investments for the current year is attributable to the improving financial markets and resulting investment performance for the year.

Wayne County Employees' Retirement System
Defined Contribution Plan
Statement of Changes in Fiduciary Net Position
Significant Fluctuations between FY 2018 and FY 2017
(In millions)

Account	FY 2018	FY 2017	Inc./(Dec.)	Inc./ (Dec.) %
Additions				
Contributions	$ 17.6	$ 18.2	$ (0.6)	(3.3%)
Investment Income:				
Net appreciation (depreciation) in fair value of investments	32.8	38.1	(5.3)	(13.9%)
Other Investment Income	5.9	5.8	0.1	1.7%
Total Additions	**$56.3**	**$62.1**	**$(5.8)**	**(9.3%)**
Deductions				
Participant Distributions and Withdrawals	26.7	26.2	0.5	1.9%
Administrative Expenses	.5	.5	0	(0.0%)
Total Deductions	**$ 27.2**	**$ 26.7**	**$ 0.5**	**1.9%**
Change in Net Position	**$ 29.1**	**$ 35.4**	**$ (6.3)**	**(17.8%)**
Net Position Restricted for Pensions:				
Beginning of Year	**$ 420.3**	**$ 384.8**		
End of Year	**$ 449.3**	**$ 420.3**	**$ 29.0**	**6.9%**

OAG ASSESSMENT (Cont.)	• Total deductions from net position increased by approximately $0.5 million, from $26.7 million for the year ended September 30, 2017 to $27.2 million for the year ended September 30, 2018. This increase is primarily due to fewer participant distributions and withdrawals during the prior year due to retirements and terminations. • The financial markets have been volatile, but improving, over the last several years. The current year saw improving financial markets and resulting investment performance for the year.
VIEWS OF RESPONSIBLE OFFICIALS	The final draft report was provided to officials in the Wayne County Employees' Retirement System. Management did not have any comments.
OAG OVERALL RECOMMENDATION	It is our recommendation that the OAG's Financial Assessment – Attestation Review Report of the Wayne County Employees' Retirement System Defined Contribution Plan financial statements for the fiscal years ended September 30, 2018 and 2017 are forwarded to the Wayne County Commission to receive and file.

This report is intended solely for the information and use of the Wayne County Employees' Retirement System and the Wayne County Commission and is not intended to be and should not be used by another other than these specified parties. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Marcella Cora

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

Appendix

Wayne County Employees' Retirement System
Defined Contribution Plan
Year Ended September 30, 2018 and 2017 Financial Statements

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

FINANCIAL STATEMENTS
(With Supplementary Information)

September 30, 2018 and 2017

GJC GEORGE JOHNSON & COMPANY
CPAs | ADVISORS

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

CONTENTS

GEORGE JOHNSON & COMPANY
CPAs | ADVISORS

1200 Buhl Building
535 Griswold Street
Detroit, Michigan 48226-3689

(313) 965.2655 • Fax (313) 965.4614

INDEPENDENT AUDITOR'S REPORT

February 7, 2019

To the Wayne County Retirement Commission
Charter County of Wayne, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the Wayne County Employees' Retirement System Defined Contribution Plan (the "Plan"), a pension trust fund of the Charter County of Wayne, Michigan, which comprise the statements of fiduciary net position as of September 30, 2018 and 2017, and the related statements of changes in fiduciary net position for the years then ended, as well as the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Plan's 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.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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, 2018 and 2017, and the 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 A, the financial statements present only the Plan and do not purport to, and do not, present fairly the financial position of the Charter County of Wayne, Michigan as of September 30, 2018 and 2017, 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.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

George Johnson & Company

CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

September 30, 2018 and 2017

This section of the annual report of the Wayne County Employees' Retirement System Defined Contribution Plan (the "Plan") presents management's discussion and analysis of the Plan's financial performance during the plan years that ended on September 30, 2018 and 2017. Please read it in conjunction with the Plan's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Plan's total net position increased by approximately $29.1 million, or 6.9 percent, over the course of the Plan year. Assets are restricted to provide future benefit payments to plan participants.

- The Plan's basic benefits are funded by contributions from Wayne County (the "County"), the Wayne County Airport Authority ("WCAA"), and Plan participants, as specified by the plan option selected, as well as by the investment income earned on the Plan's assets.

- Total additions to net position, excluding net appreciation, have been consistent for the last three years, with additions of $23.5 million for the year ended September 30, 2018 and additions of $24.0 million and $23.6 million for the years ended September 30, 2017 and 2016, respectively.

- The fair value of investments was favorable at the end of the year. Net appreciation in the fair value of investments was $32.8 million for the year ended September 30, 2018 and $38.1 million and $24.7 million for the years ended September 30, 2017 and 2016, respectively. The net appreciation in the fair value of investments is added to the Plan's net position. The net appreciation in the fair value of investments for the current year is attributable to the improving financial markets and resulting investment performance for the year.

- Total deductions from net position increased by approximately $0.5 million, from $26.7 million for the year ended September 30, 2017 to $27.2 million for the year ended September 30, 2018, which is attributable to fewer participant distributions and withdrawals during the prior year due to retirements and terminations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains the Plan's financial statements, which consist of the statements of fiduciary net position and the statements of changes in fiduciary net position (presented on pages 7 and 8). These financial statements report information about the Plan as a whole using accounting methods similar to those used by private-sector pension plans.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The statements of fiduciary net position include all of the Plan's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's 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.

These financial statements report the Plan's net position and how it has changed. Net position represents the difference between the Plan's total of assets and deferred outflows of resources and its total of liabilities and deferred inflows of resources, 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, which begin on page 9, explain some of the information in the financial statements and provide more detailed data.

FINANCIAL ANALYSIS OF THE PLAN AS A WHOLE

Table 1 reflects the condensed statements of fiduciary net position as of September 30, 2018, 2017, and 2016:

Table 1
Statements of Fiduciary Net Position
September 30, 2018, 2017, and 2016

	2018	2017	2016
Assets:			
Investments	$ 431,188,485	$ 401,092,594	$ 363,742,289
Notes receivable from participants	18,151,534	18,715,983	20,647,833
Other assets	20,833	445,745	440,003
Total Assets	**449,360,852**	**420,254,322**	**384,830,125**
Liabilities	20,833	-0-	-0-
Net Position Restricted for Pensions	**$ 449,340,019**	**$ 420,254,322**	**$ 384,830,125**

The Plan's total assets as of September 30, 2018 were $449.4 million and were mostly comprised of investments in mutual funds. Total assets increased by $29.1 million, or 6.9 percent, from the prior year.

FINANCIAL ANALYSIS OF THE PLAN AS A WHOLE (CONTINUED)

The net appreciation in the fair value of investments for the current year is attributable to the improving financial markets and resulting investment performance for the year. Total assets as of September 30, 2017 and 2016 were $420.3 million and $384.8 million, respectively.

Table 2 reflects the condensed statements of changes in fiduciary net position for the years ended September 30, 2018, 2017, and 2016:

Table 2
Statements of Changes in Fiduciary Net Position
For the Years Ended September 30, 2018, 2017, and 2016

	2018	2017	2016
Additions:			
Contributions	$ 17,608,817	$ 18,178,346	$ 18,339,943
Net appreciation in fair value of investments	32,826,201	38,130,926	24,715,985
Other investment income	5,853,422	5,839,239	5,261,705
Total Additions	**56,288,440**	**62,148,511**	**48,317,633**
Deductions:			
Participant distributions and withdrawals	26,653,341	26,222,376	28,125,652
Administrative expenses	549,402	501,938	511,437
Total Deductions	**27,202,743**	**26,724,314**	**28,637,089**
Change in Net Position Restricted for Pensions	**29,085,697**	**35,424,197**	**19,680,544**
Net Position Restricted for Pensions, Beginning of Year	420,254,322	384,830,125	365,149,581
Net Position Restricted for Pensions, End of Year	**$ 449,340,019**	**$ 420,254,322**	**$ 384,830,125**

Additions to Fiduciary Net Position

The net position restricted for pensions is funded by contributions from the County, WCAA, and the Plan's participants, as well as through investment earnings. Contributions and other investment income have been consistent the last two years.

FINANCIAL ANALYSIS OF THE PLAN AS A WHOLE (CONTINUED)

Additions to Fiduciary Net Position (continued)

Contributions and other investment income for the year ended September 30, 2018 totaled $23.5 million, compared to $24.0 million and $23.6 million for the years ended September 30, 2017 and 2016, respectively.

Net Appreciation

The fair value of investments was favorable for the year. Net appreciation in the fair value of investments was $32.8 million for the year ended September 30, 2018, compared to net appreciation of $38.1 million and $24.7 million for the years ended September 30, 2017 and 2016, respectively. The net appreciation in the fair value of investments is added to the Plan's net position. The net appreciation in the fair value of investments for the current year is attributable to the improving financial markets and resulting investment performance for the year.

Deductions from Fiduciary Net Position

The deductions of the Plan include the payment of participant distributions, withdrawals, and administrative expenses. Total deductions for the year ended September 30, 2018 were $27.2 million, an increase of $0.5 million when compared to the prior year. Total deductions for the years ended September 30, 2017 and 2016 were $26.7 million and $28.6 million, respectively. This increase is primarily due to lower participant distributions and withdrawals during the prior year due to retirements and terminations.

ECONOMIC FACTORS

The financial markets have been volatile, but improving, over the last several years. The current year saw improving financial markets and resulting investment performance for the year.

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.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

STATEMENTS OF FIDUCIARY NET POSITION

September 30, 2018 and 2017

	2018	2017
Assets:		
Participant-directed investments, at fair value (Note C):		
Equity mutual funds	$ 318,257,503	$ 289,914,202
Bond mutual funds	22,987,106	21,921,298
Guaranteed income funds	89,943,876	89,257,094
Total Investments	**431,188,485**	**401,092,594**
Other assets:		
Notes receivable from participants	18,151,534	18,715,983
Equity in Wayne County pooled cash (Note C)	-0-	431,154
Accounts receivable	20,833	14,591
Total Other Assets	18,172,367	19,161,728
Total Assets	**449,360,852**	**420,254,322**
Liabilities:		
Accounts payable	20,833	-0-
Net Position Restricted for Pensions	**$ 449,340,019**	**$ 420,254,322**

See notes to financial statements.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the Years Ended September 30, 2018 and 2017

	Participant-Directed Investments	
	2018	**2017**
Additions:		
Contributions:		
Employer, net of certain forfeitures	$ 11,018,835	$ 12,052,800
Participants	6,589,982	6,125,546
Total Contributions	17,608,817	18,178,346
Investment income:		
Net appreciation in fair value of investments	32,826,201	38,130,926
Interest and dividends	5,298,105	5,306,057
Other investment income	555,317	533,182
Total Investment Income	38,679,623	43,970,165
Total Additions	**56,288,440**	**62,148,511**
Deductions:		
Participant distributions and withdrawals	26,653,341	26,222,376
Administrative expenses	549,402	501,938
Total Deductions	**27,202,743**	**26,724,314**
Change in Net Position Restricted for Pensions	**29,085,697**	**35,424,197**
Net Position Restricted for Pensions, Beginning of Year	420,254,322	384,830,125
Net Position Restricted for Pensions, End of Year	**$ 449,340,019**	**$ 420,254,322**

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018 and 2017

NOTE A — DESCRIPTION OF THE PLAN

General

The Wayne County Employees' Retirement System Defined Contribution Plan (the "Plan") is a contributory agent multiple-employer defined contribution public employee retirement plan that is established, administered, and governed in accordance with the authority of: (a) Public Act 156 of 1851, section 12a, added by Public Act 249 of 1943, as amended, (b) Michigan Compiled Laws ("MCL") section 46.12a, (c) the Wayne County Charter (the "Charter"), and (d) the Wayne County Employees' Retirement System Ordinance, as amended (the "Retirement Ordinance"). The Plan has two participating employers: the Charter County of Wayne, Michigan (the "County") and the Wayne County Airport Authority ("WCAA"). The Wayne County Employees' Retirement System ("WCERS") provides retirement, survivor, and disability benefits to the employees of the County and WCAA, pursuant to section 6.112 of the Charter and section 141-35 of the Retirement Ordinance.

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.

Pursuant to the Michigan Public Employee Retirement System Investment Act, Michigan Public Pension Investment Act 314 of 1965, as amended [MCL 38.1132, *et seq.*] ("Act 314"), and the Retirement Ordinance, 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"). As a governmental plan, the Plan is exempt from the requirements of Title 1 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and, as such, is not subject to the reporting and disclosure requirements of ERISA.

Pursuant to both section 6.122 of the Charter and section 141-35 of the Retirement Ordinance, the Retirement Commission consists of eight elected members: four elected employee representatives, two elected retiree representatives, and two ex-officio members, including the Wayne County Executive (or his or her designee) and the Chairperson of the Wayne County Commission. All elected terms are for four years.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018 and 2017

NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

General (continued)

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

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

Contributions

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

Plan Option 4

The majority of employees contribute four percent of eligible pay, and the employer contributes a fixed rate of ten percent for County employees or eight percent for WCAA employees. There are some WCAA and Third Circuit Court executives in legacy plan options where the employees contribute from one percent up to three percent of eligible pay and the employers contribute from four percent to 15 percent of eligible pay, depending upon the employee's coverage group and years of service.

NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

Contributions (continued)

Plan Option 5

Under most County coverage groups, employees may contribute on a voluntary basis with no employer contribution, subject to applicable Internal Revenue Service rules and regulations. The employees of the WCAA, legislative benefit plan, and Third Circuit Court executives contribute from two percent to three percent of eligible pay, depending upon the employee's coverage group, and the employer makes contributions at a rate equal to the amount contributed by each employee.

Plan Option 6

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

Eligibility

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

As of September 30, 2018 and 2017, there were 3,479 and 3,586 active Plan participants, respectively.

Investment Options

Contributions are invested in one of several investment funds. Effective September 1, 2005, participants may choose to either self-direct their investments or to enroll in one of three investment programs managed by the Plan's custodian with specific investment strategies: aggressive, moderate, and conservative. Assets in each of these programs are invested in various mutual funds in specific proportions, based on each participant's choice of time horizon and personal investment style.

NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

Investment Options (continued)

Participants who choose to self-direct their investments have several investment options in various mutual funds. Participants may elect to invest in any of the programs or self-directed funds in one-percent increments, and may change contribution percentages on a daily basis.

Participant Accounts

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

Vesting

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

Plan Option 4

Participants are vested after three years of service, except for executive and legislative benefit plan members, who are vested after two years of service.

Plan Options 5 and 6

Participants are vested 50 percent after one year of service, 75 percent after two years of service, and 100 percent after three years of service.

Forfeitures

Nonvested employer contributions are forfeited upon termination of employment. Such forfeitures are used to reduce future employer contributions or cover certain administrative expenses of the Plan.

NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

Notes Receivable from Participants

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

Administrative Expenses

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

Payment of Benefits

Benefits may be paid to a participant or beneficiary upon retirement, total and permanent disability, death, or termination of employment in a lump-sum amount equal to the value in the participant's account in accordance with Plan provisions. A participant who leaves for reasons other than termination of employment may elect to receive his or her benefit in monthly payments over the participant's or beneficiary's lifetime through transfer of the participant's benefit entitlement to the WCERS Defined Benefit Plan or through installment payments generated by the Plan's third-party recordkeeper. WCAA participants are not eligible to receive an annuity through the WCERS Defined Benefit Plan.

NOTE B — 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.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Plan's investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

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

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

Fair Value Measurements

The Plan uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. The Plan utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the Plan applies assumptions that market participants would use in pricing an asset or liability, including an assumption about risk.

The measurement of fair value includes a hierarchy based on the quality of inputs used to measure fair value. Financial assets and liabilities are categorized into this three-level fair value hierarchy based on the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The various levels of the fair value hierarchy are described as follows:

- Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Plan has the ability to access

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (continued)

- Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability

- Level 3 — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

The use of observable market data, when available, is required in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Notes Receivable from Participants

Notes receivable from participants are recorded at cost plus accrued interest. If a participant ceases to make loan repayments and the Plan administrator deems the participant loan to be a distribution, the participant note receivable balance is reduced and a benefit payment is recorded. A valuation allowance for credit losses is not considered necessary as of September 30, 2018 and 2017.

Notes receivable from participants are not considered investments because they do not have a present service capacity based solely on the notes' ability to generate cash or to be sold to generate cash.

NOTE C — DEPOSITS AND INVESTMENTS

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

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value

The Plan's fair value hierarchy for those assets measured on a recurring basis as of September 30, 2018 and 2017 is summarized as follows:

	Fair Value Measurements			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2018				
Assets:				
Investments at fair value:				
Equity mutual funds	$ 318,257,503	$ -0-	$ -0-	$ 318,257,503
Bond mutual funds	22,987,106			22,987,106
Guaranteed income funds		89,943,876		89,943,876
	$ 341,244,609	**$ 89,943,876**	**$ -0-**	**$ 431,188,485**
2017				
Assets:				
Investments at fair value:				
Equity mutual funds	$ 289,914,202	$ -0-	$ -0-	$ 289,914,202
Bond mutual funds	21,921,298			21,921,298
Guaranteed income funds		89,257,094		89,257,094
	$ 311,835,500	**$ 89,257,094**	**$ -0-**	**$ 401,092,594**

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risks

The Plan's deposits and investments are subject to certain 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 (the "State") 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 that are also members of a federal or national insurance corporation.

The Plan's carrying amount of deposits of $-0- and $431,154 as of September 30, 2018 and 2017, respectively, are maintained in the County's pooled cash account maintained by the County Treasurer. In accordance with the County's investment policy, all deposits are uncollateralized and held in the County's name. The County evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an accepted 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 the limits of Federal Depository Insurance Corporation ("FDIC") insurance, the Plan's management believes it is impractical to obtain FDIC insurance for all bank deposits.

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments that are in 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.

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risks (continued)

Custodial Credit Risk (continued)

Investments (continued)

The Plan's investment policy requires that (a) investments are held by a third-party safekeeper 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, 2018 and 2017, none of the Plan's investments were subject to custodial credit risk, as they were held in accordance with the Plan's investment policy.

Credit Risk

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

Interest Rate Risk

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

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risks (continued)

Credit and Interest Rate Risk Disclosures

The Plan has the following investments for which credit risk or interest rate risk disclosures are required as of September 30, 2018 and 2017:

	2018	2017
Bond Mutual Funds:		
Ratings from Standard & Poor's:		
AAA rating (weighted average maturity of 7.57 years and 7.16 years for 2018 and 2017, respectively)	$ 14,065,198	$ 13,469,536
AA rating (weighted average maturity of 3.92 years and 3.89 years for 2018 and 2017, respectively)	6,886,719	6,422,415
BB rating (weighted average maturity of 4.41 years and 4.58 years for 2018 and 2017, respectively)	2,035,189	2,029,347
	$ 22,987,106	**$ 21,921,298**
Guaranteed Income Funds:		
AA- rating from Standard & Poor's (weighted average maturity of 3.7 years)	$ 89,943,876	$ 89,257,094

Foreign Currency Risk

Foreign currency risk is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment. As of September 30, 2018 and 2017, there were no investments that exposed the Plan to foreign currency risk.

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risks (continued)

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 Act 314 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, 2018 and 2017, 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.

SUPPLEMENTARY INFORMATION

GEORGE JOHNSON
& COMPANY
CPAs | ADVISORS

1200 Buhl Building
535 Griswold Street
Detroit, Michigan 48226-3689

(313) 965.2655 • Fax (313) 965.4614

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

February 7, 2019

To the Wayne County Retirement Commission
Charter County of Wayne, Michigan

Report on the Schedule

We have audited the fiduciary net position as of September 30, 2018, and the changes in fiduciary net position for the year then ended, included in the accompanying schedule of changes in fiduciary net position by employer (the "Schedule") of the Wayne County Employees' Retirement System Defined Contribution Plan (the "Plan"), a pension trust fund of the Charter County of Wayne, Michigan, as well as the related notes to the Schedule. We have also audited the fiduciary net position of each individual employer as of September 30, 2018, and the changes in fiduciary net position of each employer for the year then ended, included in the accompanying Schedule.

Management's Responsibility for the Schedule

The Plan's management is responsible for the preparation and fair presentation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the fiduciary net position and changes in fiduciary net position included in the Schedule, 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 fiduciary net position and the changes in fiduciary net position in the Schedule 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.

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER (CONTINUED)

Auditor's Responsibility (continued)

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 fiduciary net position and the changes in fiduciary net position included in the Schedule.

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 Plan as of September 30, 2018, and the changes in its 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, 2018, 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 A to the financial statements, the financial statements present only the Plan and do not purport to, and do not, present fairly the financial position of the Charter County of Wayne, Michigan as of September 30, 2018, and the changes in its financial position for the year 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.

Restrictions on Use

This report is intended solely for the information and use of the Plan, its participating employers, and the independent auditors of the participating employers and is not intended to be, and should not be, used by anyone other than these specified parties.

George Johnson & Company

CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

For the Year Ended September 30, 2018

	Charter County of Wayne, Michigan	Wayne County Airport Authority	Totals
Additions:			
Contributions:			
Employer, net of certain forfeitures	$ 7,239,509	$ 3,779,326	$ 11,018,835
Participants	4,595,692	1,994,290	6,589,982
Total Contributions	11,835,201	5,773,616	17,608,817
Net investment income	30,312,041	8,367,582	38,679,623
Total Additions	**42,147,242**	**14,141,198**	**56,288,440**
Deductions:			
Participant distributions and withdrawals	22,006,181	4,647,160	26,653,341
Administrative expenses	476,054	73,348	549,402
Total Deductions	**22,482,235**	**4,720,508**	**27,202,743**
Change in Net Position Restricted for Pensions Before Transfers	**19,665,007**	**9,420,690**	**29,085,697**
Other Changes:			
Transfers of participant accounts	(340,617)	340,617	-0-
Change in Net Position Restricted for Pensions	**19,324,390**	**9,761,307**	**29,085,697**
Net Position Restricted for Pensions, Beginning of Year	331,684,676	88,569,646	420,254,322
Net Position Restricted for Pensions, End of Year	**$ 351,009,066**	**$ 98,330,953**	**$ 449,340,019**

See note to schedule of changes in fiduciary net position by employer.

NOTE TO SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

For the Year Ended September 30, 2018

NOTE A — BASIS OF ACCOUNTING

The accompanying schedule of changes in fiduciary net position by employer is prepared on the accrual basis of accounting using the economic resources measurement focus. Participant contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Distributions and refunds are recognized when due and payable in accordance with the terms of the Wayne County Retirement Ordinance. Administrative expenses are financed through investment earnings.