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

April 12, 2022

**FINAL REPORT TRANSMITTAL LETTER**

Honorable Wayne County Commissioners:

Enclosed is our copy of the Office of Legislative Auditor General's Financial Assessment – Limited Review report for the Wayne County Employees' Retirement System – Defined Benefit Plan audited financial statements for the fiscal years ended September 30, 2021 and 2020. Our report is dated February 18, 2022; DAP No. 2022-57-900. The report was accepted by the Committee on Audit at its meeting held on March 23, 2022, and formally received by the Wayne County Commission on April 12, 2022.

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, CICA, CGMA
Auditor General

**REPORT DISTRIBUTION**

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

**Wayne County Department of Management and Budget**
Hughey Newsome, 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 – Limited Review Report

# Wayne County Employees' Retirement System Defined Benefit Plan Fiscal Years Ended September 30, 2021 and 2020 Financial Statements

DAP NO. 2022-57-900

February 18, 2022

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

February 18, 2022 DAP No. 2022-57-900

Honorable Raymond E. Basham, Chairman
Committee on Audit
Wayne County Commission
County of Wayne, Michigan
500 Griswold Ave., Suite 727
Detroit, MI 48226

**Subject:** Office of Legislative Auditor General's Financial Assessment – Limited Review Report for the Wayne County Employees' Retirement System Defined Benefit Plan Financial Statements – September 30, 2021 and 2020

Dear Chairman Basham:

The Office of Legislative Auditor General (OAG) received (see attachment) the Wayne County Employees' Retirement System (WCERS) Defined Benefit Plan financial statements as of and for the fiscal years ended September 30, 2021 and 2020. Because we have performed more extensive financial reviews of the WCERS Defined Benefit Plan financial statements in the past few years, in accordance with professional attestation standards, and determined they were complete, thorough, and in accordance with generally accepted accounting principles, we elected to conduct a limited review of the financial reports for the fiscal years ended September 30, 2021 and 2020.

Our limited review is substantially less in scope than an examination or audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) or Generally Accepted Auditing Standards (GAAS), the objective of which is the expression of an opinion on the audited financial statements. Accordingly, we do not express such an opinion.

Our limited review of the WCERS Defined Benefit Plan financial statements and independent auditor's report for the fiscal years ended September 30, 2021 and 2020, included, but was not necessarily limited to, a thorough and complete review of the documents; limited inquiries of WCERS and county officials; and, analytical review procedures. Below we have summarized some key items from the financial statements and other reports for consideration by the committee and commission members.

## BACKGROUND

- The Wayne County Employees' Retirement System Defined Benefit Plan (the "Plan") is a contributory agent multiple-employer defined benefit 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 three participating employers: the Charter County of Wayne, Michigan (the "County"), the Third Judicial Circuit of Michigan (whose data is included in the County's data), 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.

- 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) members: four (4) employee representatives elected by active County employees, two (2) retiree representatives elected by retired County employees, 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.

- The Plan's basic benefits are funded by contributions from the County, WCAA, and active members, as specified by the plan option selected as well as by the investment income earned on the Plan's assets.

- On December 18, 2014, the 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 WCAA to administer the retirement plans of WCAA.

- On November 19, 2015, the 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 per the ordinance. The contributions are currently the amount of the actual benefit payment.

## EXTERNAL AUDITOR'S REPORTS AND LETTERS

The WCERS Defined Benefit Plan received an "unmodified opinion" on the audited financial statements for fiscal years ended September 30, 2021 and 2020 from George Johnson & Company, Certified Public Accountants. An unmodified opinion is issued when the external auditor concludes that the financial statements, taken as a whole, present fairly, in all material respects, the financial position of the entity in accordance with accounting principles generally accepted in the United States of America (GAAP).

## FINANCIAL RESULTS

**Wayne County Employees' Retirement System**
**Defined Benefit Plan**
**Statements of Fiduciary Net Position**
**Significant Fluctuations between FY 2021 and FY 2020**
**(Actual Dollar Amounts)**

| Description | 9/30/2021 | 9/30/2020 | Increase (Decrease) | Primary Reasons |
|---|---|---|---|---|
| Total Assets | $1,154,723,291 | $964,611,279 | $190,112,012 | Increase attributable to net appreciation of investments |
| Total Liabilities | $6,325,369 | $1,345,600 | $4,979,769 | Increase attributable to timing differences resulting from securities purchased prior to 9/30 but settled after 10/1 |
| **Net Position Restricted for Pensions** | **$1,148,397,922** | **$963,265,679** | **$185,132,243** | |

- The Plan's total assets as of September 30, 2021 were $1.15 billion, the majority of which represents cash and investments. Total assets increased by $190.1 million, or 19.7 percent, from the prior year due primarily to net appreciation of investments. The last two years have had a favorable overall rate of return on investments of 26.74 percent and 3.38 percent for the years ended September 30, 2021 and 2020, respectively.

- The Plan's total liabilities as of September 30, 2021 were $6.3 million as compared to $1.3 million at September 30, 2020, an increase of $4.98 million over prior year. Total liabilities include accounts and contracts payable, amounts due to the Plan's broker, and accrued wages and benefits. The increase in liabilities over prior year is a result of security purchase transactions initiated before September 30 but settled after October 1.

**Wayne County Employees' Retirement System**
**Defined Benefit Plan**
**Statements of Changes in Fiduciary Net Position**
**Significant Fluctuations between FY 2021 and FY 2020**
**(Actual Dollar Amounts)**

| Description | FYE 2021 | FYE 2020 | Increase (Decrease) | Primary Reasons |
|---|---|---|---|---|
| Total Additions | $322,750,908 | $105,215,930 | $217,534,978 | Increase due primarily to a net appreciation in the fair value of investments resulting from improved financial markets |
| Total Deductions | $137,618,665 | $138,041,815 | ($423,150) | Slight decrease in participant and benefit payments |
| **Change in Net Position Restricted for Pensions** | **$185,132,243** | **($32,825,885)** | **$217,958,128** | |
| Net Position Restricted for Pensions – Beginning of Year | $963,265,679 | $996,091,564 | | |
| **Net Position Restricted for Pensions – End of Year** | **$1,148,397,922** | **$963,265,679** | **$185,132,243** | |

- Total additions increased by approximately $217.5 million from $105.2 million in the prior year to $322.8 million for FYE 2021. Total additions are comprised of employer and employee contributions, net appreciation in the fair value of investments, and other investment income.

- Contributions decreased by approximately $3.0 million over prior year due to a decrease in the actuarially determined required employer contributions, and a decrease in member contributions resulting from a decrease in wages. Even so, the County made contributions of $5.1 million above the required contribution amount.

- The change in fair value of investments was favorable for the current year. Net appreciation in the fair value of investments totaled $221.8 million for FYE 2021, compared to $5.7 million in FYE 2020. The net appreciation in the fair value of investments for the current year is attributable to improved financial markets.

- Other investment income increased by $4.4 million over prior year. The increase is attributable to a $5.3 million increase in interest and dividends, offset by a $1 million increase in investment expenses.

- Total deductions from net position were consistent for the last two years, from $138 million for FYE 2020 to $137.6 million for FYE 2021. Both years include a stipend benefit paid to pre-Medicare eligible retirees.

**CONTINGENCIES (Note F)**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date that the accompanying financial statements were available to be issued. This pandemic affected global economic activity and contributed to volatility in financial markets. Because the values of the Plan's investments have fluctuated, and will fluctuate, in response to changing market conditions, the amount of losses recognized in subsequent periods, if any, cannot be determined. The value of the Plan's investments has a direct impact on its funded status; therefore, potential declines in market value, as well as possible changes to the actuarial assumptions used in determining the pension liability, may require WCERS to make greater cash contributions to fund the Plan.

As of the date of issuance of the financial statements, the Plan's operations have not been significantly impacted, but WCERS' management will continue to monitor the situation.

**CONCLUSION and RECOMMENDATION**

Based on our review of the external auditor's opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wayne County Employees' Retirement System Defined Benefit Plan as of September 30, 2021 and 2020 and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

It is our recommendation that the OAG's Financial Assessment – Limited Review Report of the Wayne County Employees' Retirement System Defined Benefit Plan's financial statements for fiscal years ended September 30, 2021 and 2020 be forwarded to the Wayne County Commission for receipt and filing.

Respectfully submitted,

Marcella Cora

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

Cc: Robert J. Grden, Executive Director, WCERS
Henry Wilson, Chairman, WCERS
Todd Pickett, Department Executive, WCERS
Hughey Newsome, Chief Financial Officer, M&B
Shauntika Bullard, Director, Grants and Contract Management, M&B

# Appendix

## Wayne County Employees' Retirement System
## Defined Benefit Plan
## Year Ended September 30, 2021 and 2020 Financial Statements

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED BENEFIT PLAN

**FINANCIAL STATEMENTS**
**(With Supplementary Information)**

**September 30, 2021 and 2020**

GEORGE JOHNSON & COMPANY
CPAs | ADVISORS

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED BENEFIT PLAN

**CONTENTS**

GJC
CPAs | ADVISORS

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

(313) 965.2655 • Fax (313) 965.4614

**INDEPENDENT AUDITOR'S REPORT**

January 28, 2022

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

**Opinion**

We have audited the financial statements of the Wayne County Employees' Retirement System Defined Benefit Plan (the "Plan"), a pension trust fund of the Charter County of Wayne, Michigan (the "County"), which comprise the statements of fiduciary net position as of September 30, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of the Plan as of September 30, 2021 and 2020, 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 ("U.S. GAAP").

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Other Matter — Reporting Entity**

As discussed in Note A, the Plan is included in the comprehensive annual financial report of the County. The accompanying financial statements present only the Plan and do not purport to, and do not, present fairly the financial position of the County as of September 30, 2021 and 2020, and the changes in its financial position for the years then ended, in accordance with U.S. GAAP. Our opinion is not modified with respect to that matter.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

**Responsibilities of Management for the Financial Statements**

The Plan's management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. *Reasonable assurance* is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS:

- We exercise professional judgment and maintain professional skepticism throughout the audit.

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and we design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- We obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- We evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and we evaluate the overall presentation of the financial statements.

- We conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### Required Supplementary Information

U.S. GAAP requires that the management's discussion and analysis on pages 4 through 9 and the pension information on pages 43 through 47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 U.S. GAAS, 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 audits 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, 2021 and 2020**

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, 2021 and 2020. Please read it in conjunction with the Plan's financial statements, which follow this section.

Data for the Charter County of Wayne, Michigan (the "County"), the Third Judicial Circuit of Michigan, and the Wayne County Airport Authority ("WCAA") are all combined, unless otherwise noted. All data for the Third Judicial Circuit of Michigan is included in the County's data.

## FINANCIAL HIGHLIGHTS

- The Plan's total net position increased by approximately $185.1 million, or a 19.2 percent increase; the prior year decrease was $32.8 million, or a 3.3 percent decrease. Assets are held in trust and are restricted to meet future benefit payments.

- The Plan's basic benefits are funded by contributions from the County, WCAA, and active members, as well as by the investment income earned on the Plan's assets. As of September 30, 2020 and 2019, the funded ratios for the Plan were 67 percent and 66 percent, 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, 2021, as explained in the accompanying required supplementary information).

- Total additions to net position, excluding net appreciation, increased by $1.4 million from $99.5 million for the year ended September 30, 2020 to $100.9 million for the year ended September 30, 2021. The actuarially determined required employer contribution decreased by $1.5 million, while the amount of the additional employer contributions were consistent with the prior year. The County's actuarially determined contribution rate decreased from 47.66 percent for the year ended September 30, 2020 to 45.75 percent for the year ended September 30, 2021, while wages decreased. The County contributed an additional $5.1 million above the required contribution for the year ended September 30, 2021, compared to $5.3 million above the required contribution for the year ended September 30, 2020. WCAA's actuarially determined contribution rate decreased from 26.79 percent for the year ended September 30, 2020 to 24.41 percent for the year ended September 30, 2021, while wages decreased. WCAA made an additional $0.2 million in employer contributions to the Plan to apply to its unfunded liability for the year ended September 30, 2021, consistent with the contribution for the year ended September 30, 2020.

## FINANCIAL HIGHLIGHTS (CONTINUED)

- The change in the fair value of investments was favorable for the current year. The fair value of investments had net appreciation of $221.8 million, $5.7 million, and $12.6 million for the years ended September 30, 2021, 2020, and 2019, respectively.

- Total deductions from net position were consistent for the last two years, from $138.0 million for the year ended September 30, 2020 to $137.6 million for the year ended September 30, 2021. Both years include a stipend benefit paid to pre-Medicare eligible retirees (see the notes for additional information).

## 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 10 and 11). 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, 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 may be affected by several variables, such active member and employer contributions, investment performance, participant distributions during the current year due to retirements, terminations, and Plan administrative expenses.

The notes to the financial statements, which begin on page 12, explain some of the information in the financial statements and provide more detailed data.

## FINANCIAL ANALYSIS OF THE PLAN AS A WHOLE

**Table 1**
**Condensed Statements of Fiduciary Net Position**
**September 30, 2021, 2020, and 2019**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Assets:** | | | |
| Investments | $ 1,151,182,642 | $ 962,048,196 | $ 995,109,850 |
| Other assets | 3,540,649 | 2,563,083 | 2,764,973 |
| **Total Assets** | **1,154,723,291** | **964,611,279** | **997,874,823** |
| Liabilities | 6,325,369 | 1,345,600 | 1,783,259 |
| **Net Position Restricted for Pensions** | **$ 1,148,397,922** | **$ 963,265,679** | **$ 996,091,564** |

The Plan's total assets as of September 30, 2021 were $1.2 billion and were mostly comprised of cash and investments. Total assets increased by $190.1 million, or 19.7 percent, from the prior year. Total assets as of September 30, 2020 and 2019 were $964.6 million and $997.9 million, respectively. The last three years have had a favorable overall rate of return on investments of 26.74 percent, 3.38 percent, and 3.46 percent for the years ended September 30, 2021, 2020, and 2019, respectively.

Other assets include $0.1 million and $0.5 million that were due from the Plan's broker for securities sold as of September 30, 2021 and 2020, respectively, and liabilities include $5.2 million and $0.4 million that were due to the Plan's broker for securities purchased as of September 30, 2021 and 2020, 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, 2021 also include $0.9 million of equity in the County's pooled cash. The Plan's equity in the County's pooled cash as of September 30, 2020 and 2019 was $1.7 million and $1.2 million, respectively.

Total net position restricted for pensions as of September 30, 2021 increased by $185.1 million from September 30, 2020. The increase is primarily attributable to net appreciation of investments. For the year ended September 30, 2020, total net position decreased by $32.8 million from September 30, 2019.

## FINANCIAL ANALYSIS OF THE PLAN AS A WHOLE (CONTINUED)

**Table 2**
**Condensed Statements of Changes in Fiduciary Net Position**
**For the Years Ended September 30, 2021, 2020, and 2019**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Additions:** | | | |
| Contributions | $ 74,836,618 | $ 77,875,952 | $ 90,922,971 |
| Net appreciation in fair value of investments | 221,806,257 | 5,676,478 | 12,641,634 |
| Other investment income | 26,108,033 | 21,663,500 | 21,789,400 |
| **Total Additions** | **322,750,908** | **105,215,930** | **125,354,005** |
| **Deductions:** | | | |
| Participant benefit payments and distributions | 134,736,360 | 135,363,556 | 135,314,829 |
| Administrative expenses | 2,882,305 | 2,678,259 | 2,518,758 |
| **Total Deductions** | **137,618,665** | **138,041,815** | **137,833,587** |
| **Change in Net Position Restricted for Pensions** | **185,132,243** | **(32,825,885)** | **(12,479,582)** |
| Net Position Restricted for Pensions, Beginning of Year | 963,265,679 | 996,091,564 | 1,008,571,146 |
| **Net Position Restricted for Pensions, End of Year** | **$ 1,148,397,922** | **$ 963,265,679** | **$ 996,091,564** |

## Additions to Fiduciary Net Position

The reserves needed to finance pension benefits are accumulated through the collection of member and employer contributions, as well as through earnings on investments. Contributions and net investment income, excluding net appreciation, for the years ended September 30, 2021, 2020, and 2019 totaled $100.9 million, $99.5 million, and $112.7 million, respectively.

## FINANCIAL ANALYSIS OF THE PLAN AS A WHOLE (CONTINUED)

### Additions to Fiduciary Net Position (continued)

Total contributions for the year ended September 30, 2021 decreased by $3.0 million compared to the prior year. The decrease was related to a reduction in the amount of employer contributions for the year ended September 30, 2021. Employer contributions were made at the actual rate of 55.26 percent, 51.11 percent, and 58.81 percent of covered payroll during the years ended September 30, 2021, 2020, and 2019, respectively. Employer contributions were $63.4 million, $65.2 million, and $78.0 million for the years ended September 30, 2021, 2020, and 2019, respectively. Member contributions totaled $9.8 million, $11.0 million, and $11.1 million for the years ended September 30, 2021, 2020, and 2019, respectively. The County also made contributions totaling $1.6 million, $1.7 million, and $1.8 million to fund a stipend benefit paid to pre-Medicare retirees for the years ended September 30, 2021, 2020, and 2019, respectively.

Other investment income is composed of interest, dividends, securities lending, other income, and investment expenses. Interest and dividends totaled $29.7 million, $24.4 million, and $24.3 million for the years ended September 30, 2021, 2020, and 2019, respectively. Other income (including securities lending income) totaled $0.2 million for the current year. Other income totaled $0.1 million and $0.4 million for the years ended September 30, 2020 and 2019, respectively. Investment expenses were $3.7 million, $2.8 million, and $2.9 million for the years ended September 30, 2021, 2020, and 2019, respectively.

### Net Appreciation

The change in the fair value of investments was favorable for the year. The fair value of investments had net appreciation of $221.8 million, $5.7 million, and $12.6 million for the years ended September 30, 2021, 2020, and 2019, respectively. 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 Plan's deductions include the payment of pension benefits to members and beneficiaries and the costs of administering the Plan. Total deductions of $137.6 million for the year ended September 30, 2021 were consistent with the prior year's deductions of $138.0 million. Included in total deductions is a stipend benefit paid to pre-Medicare eligible retirees of $1.6 million and $1.7 million for the years ended September 30, 2021 and 2020, respectively. Administrative expenses were consistent the past two years. Total deductions were approximately $137.8 million for the year ended September 30, 2019.

## ECONOMIC FACTORS

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

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED BENEFIT PLAN

## STATEMENTS OF FIDUCIARY NET POSITION

**September 30, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| **Assets:** | | |
| Investments, at fair value or net asset value (Note C): | | |
| Equity investments | $ 728,170,091 | $ 567,035,028 |
| Fixed income investments | 120,063,873 | 127,883,484 |
| Short-term investments | 37,330,957 | 31,406,822 |
| Other investments | 265,617,721 | 235,722,862 |
| **Total Investments** | **1,151,182,642** | **962,048,196** |
| Other assets: | | |
| Equity in Wayne County pooled cash (Note C) | 946,513 | 1,714,187 |
| Accounts receivable | 14,480 | 13,332 |
| Due from broker for securities sold | 116,188 | 477,983 |
| Accrued interest and dividends | 2,444,184 | 338,626 |
| Prepaid expenses | 19,284 | 18,955 |
| Total Other Assets | 3,540,649 | 2,563,083 |
| **Total Assets** | **1,154,723,291** | **964,611,279** |
| **Liabilities:** | | |
| Accounts and contracts payable | 867,748 | 719,751 |
| Due to broker for securities purchased | 5,194,284 | 426,282 |
| Accrued wages and benefits | 263,337 | 199,567 |
| **Total Liabilities** | **6,325,369** | **1,345,600** |
| **Net Position Restricted for Pensions (Note B)** | **$ 1,148,397,922** | **$ 963,265,679** |

See notes to financial statements.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED BENEFIT PLAN

## STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

**For the Years Ended September 30, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| **Additions:** | | |
| Contributions: | | |
| Employer (Note A) | $ 65,035,776 | $ 66,914,695 |
| Members | 9,800,842 | 10,961,257 |
| Total Contributions | 74,836,618 | 77,875,952 |
| Investment income: | | |
| Net appreciation in fair value of investments | 221,806,257 | 5,676,478 |
| Interest | 22,001,051 | 17,346,841 |
| Dividends | 7,688,218 | 7,097,084 |
| Securities lending income | 110,320 | 22,928 |
| Other investment income | 42,047 | 38,763 |
| Total Investment Income | 251,647,893 | 30,182,094 |
| Less: Investment expenses | (3,733,603) | (2,842,116) |
| Net Investment Income | 247,914,290 | 27,339,978 |
| **Total Additions** | **322,750,908** | **105,215,930** |
| **Deductions:** | | |
| Participant benefit payments and distributions | 134,736,360 | 135,363,556 |
| Administrative expenses | 2,882,305 | 2,678,259 |
| **Total Deductions** | **137,618,665** | **138,041,815** |
| **Change in Net Position Restricted for Pensions** | **185,132,243** | **(32,825,885)** |
| Net Position Restricted for Pensions, Beginning of Year | 963,265,679 | 996,091,564 |
| **Net Position Restricted for Pensions, End of Year** | **$ 1,148,397,922** | **$ 963,265,679** |

See notes to financial statements.

## NOTE A — DESCRIPTION OF THE PLAN

### General

The Wayne County Employees' Retirement System Defined Benefit Plan (the "Plan") is a contributory agent multiple-employer defined benefit 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 three participating employers: the Charter County of Wayne, Michigan (the "County" or "Wayne County"), the Third Judicial Circuit of Michigan (whose data is included in the County's data), 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 6.112 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 (the "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 benefit and defined 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.

## NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

### General (continued)

Effective October 1, 2008, the County established another hybrid defined benefit plan option ("Plan Option 6"), which contains both defined benefit and defined contribution 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.

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, 3, and 6 are closed to new hires. Effective September 2012, only Plan Option 4A is available to new WCAA employees. Because there is no legal requirement to further 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 is included in the financial statements of the WCERS Defined Contribution Plan.

On December 18, 2014, the 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 WCAA to administer the retirement plans of WCAA. The intergovernmental agreement between WCERS and WCAA was approved by the WCAA's Board on July 15, 2015.

On November 19, 2015, the 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.

Effective October 1, 2015, the County changed its retirement benefits going forward for nearly all of 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 "Wayne County After October 1, 2015" in the descriptions below.

## NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

### Contributions

The Plan's basic benefits, as described in the Retirement Ordinance and as amended by the provisions of applicable collective bargaining agreements or benefit plans (i.e., coverage groups), are funded by contributions from the County, WCAA, 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:

#### Wayne County After October 1, 2015

Under Plan Options 1, 3, 5, and 6, members contribute six percent of gross wages up to $52,155, then seven percent of gross wages over $52,155. For Sheriffs and Dietitians and Nutritionists Association members, the amount is seven percent of gross wages up to $52,155, then eight percent of gross wages over $52,155. Plan Option 2 for Wayne County requires no member contributions.

#### Wayne County Prior to October 1, 2015

##### Plan Option 1

Contributions are based on credited service, depending on the coverage group in which the member participates, as follows:

| Credited Service | Contribution Rates |
|---|---|
| 0 to 8 years | 6.00 or 6.58 percent of eligible compensation |
| 9 to 12 years | 4.00 or 4.58 percent of eligible compensation |
| 13 to 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

## NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

### Contributions (continued)

#### Wayne County Prior to October 1, 2015 (continued)

##### Plan Option 5

Prior to October 1, 2015, 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

#### Wayne County Airport Authority

##### Plan Option 1

- Airport Police and Command: Five percent of eligible compensation
- All others: Contributions are based on credited service, depending on the coverage group in which the member participates, as follows:

| Credited Service | Contribution Rates |
|---|---|
| 0 to 8 years | 6.00 or 6.58 percent of eligible compensation |
| 9 to 12 years | 4.00 or 4.58 percent of eligible compensation |
| 13 to 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

## NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

### Contributions (continued)

#### Wayne County Airport Authority (continued)

##### Plan Option 5

This option is available to new employees hired after October 1, 2001; however, a defined contribution plan is obligatory for new employees. Members may transfer into Plan Options 5 or 5A when allowed by the applicable collective bargaining agreement. Under Plan Option 5A, contributions are three percent of covered compensation until the WCAA funding ratio is 100 percent. If funding is 100 percent, contributions are reduced to two percent of covered compensation until the WCAA funding ratio is less than 100 percent, at which point, contributions increase to three percent of covered compensation. Depending on the applicable collective bargaining agreement, effective July 29, 2019, some employees contribute six percent of pension eligible compensation.

### Wayne County Pension Benefits

Wayne County employees with a frozen benefit before October 1, 2015, current legislative plan members, and Third Circuit Court 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 on or after October 1, 2015 (Third Circuit Court benefits changed October 1, 2016) 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 percent for each month retirement precedes age 62. Members are eligible to retire and collect pension (frozen) benefits as outlined in collective bargaining agreements prior to October 1, 2015, and collect pension benefits as outlined after October 1, 2015, upon retirement eligibility without reduction.

The service requirements for receiving a pension under the various plan options are based on the Retirement Ordinance and collective bargaining agreements or benefit plans and are as follows:

#### Wayne County After October 1, 2015

For Wayne County 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 percent for each month retirement precedes age 62 for non-sheriffs. Sheriffs may retire at age 55 with 30 years of credited services without a reduction.

## NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

### Wayne County Pension Benefits (continued)

#### Wayne County Prior to October 1, 2015

##### 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

##### 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 Options 5 and 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's or survivor's lifetime based on the following percentages of average final compensation for each year of credited service:

##### Wayne County After October 1, 2015

Under Plan Options 1, 3, 5, and 6, the retirement benefit is based on 1.25 percent for each year after October 1, 2015; the maximum pension is 75 percent of average final compensation.

## NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

### Wayne County Pension Benefits (continued)

#### Amount of Pension Benefits (continued)

##### Wayne County After October 1, 2015 (continued)

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.

##### Wayne County Prior to October 1, 2015

###### Plan Option 1

Depending on the applicable collective bargaining agreement or benefit plan, the retirement benefit is 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

The retirement benefit is 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, the retirement benefit is 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.

## NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

### Wayne County Pension Benefits (continued)

#### Amount of Pension Benefits (continued)

##### Wayne County Prior to October 1, 2015 (continued)

###### Plan Option 5

Depending on the applicable collective bargaining agreement or benefit plan, the retirement benefit is 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, less workers' compensation payments.

###### Plan Option 6

The retirement benefit is 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 new persons hired after September 30, 2001.

### Wayne County Airport Authority Pension Benefits

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.

## NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

### Wayne County Airport Authority Pension Benefits (continued)

The service requirements for receiving a pension under the various plan options are based on the Retirement Ordinance and collective bargaining agreements or benefit plans and are as follows:

#### 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

#### 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

#### Amount of Pension Benefits

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

##### Plan Option 1

Depending on the applicable collective bargaining agreement or benefit plan, the retirement benefit is 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.

## NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

### Wayne County Airport Authority Pension Benefits (continued)

#### Amount of Pension Benefits (continued)

##### Plan Option 1 (continued)

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

The retirement benefit is 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

The retirement benefit is 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.

##### Plan Option 5

The retirement benefit is 1.25 percent for each year up to 20 years, and 1.5 percent for each year over 20 years. The maximum employer-financed portion is 75 percent of average final compensation, less workers' compensation payments. Depending on the applicable collective bargaining agreement or benefit plan, effective July 29, 2019, the retirement benefit is equal to 2.0 percent for all years of credited service after July 29, 2019.

##### Plan Option 5A

The retirement benefit is 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, less workers' compensation payments. Depending on the applicable collective bargaining agreement or benefit plan, effective July 29, 2019, the retirement benefit is equal to 2.0 percent for all years of credited service after July 29, 2019.

## NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

### Wayne County Airport Authority Pension Benefits (continued)

#### 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 5A, 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 September 2012, only Plan Option 4A is available to new WCAA employees.

### Plan Participants

The number of Plan participants as of September 30, 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Active participants: | | |
| Vested | 1,116 | 1,235 |
| Nonvested | 945 | 1,118 |
| Total Active Participants | 2,061 | 2,353 |
| Terminated vested | 206 | 198 |
| Retired and receiving benefits | 4,793 | 4,909 |
| | **7,060** | **7,460** |

Certain reclassifications of participants have been made to the above schedule as of September 30, 2020 to conform to classifications used as of September 30, 2021.

## 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. 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 Retirement Ordinance. Administrative expenses are financed through investment earnings.

### Net Position Restricted for Pensions

Net position restricted for pensions consists of the following reserves:

#### Reserve for Member Contributions

Members contribute at rates as stated in the Retirement 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.

#### 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 employers' 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.

## NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Net Position Restricted for Pensions (continued)

The reserve balances as of September 30, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Reserve for member contributions | $ 110,066,011 | $ 112,964,105 |
| Reserve (deficit) for employer contributions | (179,309,868) | (373,194,820) |
| Reserve for pension payments | 1,217,641,779 | 1,223,496,394 |
| | **$ 1,148,397,922** | **$ 963,265,679** |

### 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. Real estate values are determined on the basis of comparable yields available in the marketplace. Investments for which market quotations are not readily available, including investments in commingled funds, are valued at their net asset value per share (or its equivalent) of the funds, which is valued based on the fair values of the underlying assets 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 net asset 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 of securities of comparable companies engaged in similar businesses, estimates of liquidation value, the existence of restrictions on transferability, prices received in significant recent placements of securities of the same issuer, and other analytical data relating to the investment.

## NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investments (continued)

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.

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 market 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

- 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

## NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Fair Value Measurements (continued)

- 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.

### Capital Assets

Capital assets are recorded at historical cost or estimated historical cost. Depreciation is computed using the straight-line basis method over the estimated useful lives of the assets, which is five years. 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.

## NOTE C — DEPOSITS AND INVESTMENTS

The Retirement Commission is vested with a fiduciary responsibility for administration, management, and proper operation of WCERS. The Plan's assets are held and invested in accordance with Act 314. Based on the advice of its investment consultant, AndCo Consulting, the Retirement Commission has established an investment policy statement ("IPS") for the Plan. The IPS outlines the goals and investment objectives of WCERS and is intended to provide guidelines for the investment and management of the Plan's assets. Act 314 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.

## NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

### Investment Allocation Policy

The IPS regarding the allocation of invested assets is established and may be amended by the Retirement Commission. The IPS 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 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, 2021 is as follows:

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

## 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, 2021 and 2020 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) | Measured at Net Asset Value | Total |
| **2021** | | | | | |
| **Assets:** | | | | | |
| Investments: | | | | | |
| Equity investments: | | | | | |
| Common stocks | $ 513,196,900 | $ 1,108,875 | $ -0- | $ -0- | $ 514,305,775 |
| Commingled equity funds | | | | 167,409,516 | 167,409,516 |
| Equity mutual funds | 38,877,491 | | | | 38,877,491 |
| International equities | 7,577,309 | | | | 7,577,309 |
| Total Equity Investments | 559,651,700 | 1,108,875 | -0- | 167,409,516 | 728,170,091 |
| Fixed income investments: | | | | | |
| Asset-backed securities | | 7,024,820 | | | 7,024,820 |
| International fixed income funds | | 2,450,900 | | | 2,450,900 |
| Commingled fixed income funds | | | | 7,944,530 | 7,944,530 |
| Government bonds | | 54,263,451 | | | 54,263,451 |
| Mortgage-backed securities | | 34,730,865 | | | 34,730,865 |
| Corporate bonds | | 13,649,307 | | | 13,649,307 |
| Total Fixed Income Investments | -0- | 112,119,343 | -0- | 7,944,530 | 120,063,873 |
| Short-term investments: | | | | | |
| Money market funds | 33,371,138 | | | | 33,371,138 |
| Treasury bills | | 3,959,819 | | | 3,959,819 |
| Total Short-Term Investments | $ 33,371,138 | $ 3,959,819 | $ -0- | $ -0- | $ 37,330,957 |

## NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

### Fair Value (continued)

| | Fair Value Measurements | | | | |
|---|---|---|---|---|---|
| | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Measured at Net Asset Value** | **Total** |
| **2021 (continued)** | | | | | |
| **Assets (continued):** | | | | | |
| Investments (continued): | | | | | |
| Other investments: | | | | | |
| Real estate private trusts (net of valuation allowance of $1,000,000) | $ -0- | $ -0- | $ -0- | $ 157,931,745 | $ 157,931,745 |
| Investments in private equity | | | | 49,831,542 | 49,831,542 |
| Hedge funds | | | | 57,854,434 | 57,854,434 |
| Total Other Investments | -0- | -0- | -0- | 265,617,721 | 265,617,721 |
| | **$ 593,022,838** | **$ 117,188,037** | **$ -0-** | **$ 440,971,767** | **$ 1,151,182,642** |
| **2020** | | | | | |
| **Assets:** | | | | | |
| Investments: | | | | | |
| Equity investments: | | | | | |
| Common stocks | $ 389,254,425 | $ -0- | $ -0- | $ -0- | $ 389,254,425 |
| Commingled equity funds | | | | 151,858,027 | 151,858,027 |
| Equity mutual funds | 24,020,126 | | | | 24,020,126 |
| International equities | 1,902,450 | | | | 1,902,450 |
| Total Equity Investments | 415,177,001 | -0- | -0- | 151,858,027 | 567,035,028 |
| Fixed income investments: | | | | | |
| Commingled fixed income funds | | | | 127,811,750 | 127,811,750 |
| Mortgage-backed securities | | 71,692 | | | 71,692 |
| Corporate bonds | | 42 | | | 42 |
| Total Fixed Income Investments | -0- | 71,734 | -0- | 127,811,750 | 127,883,484 |
| Short-term investments: | | | | | |
| Money market funds | 31,406,822 | | | | 31,406,822 |

## NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

### Fair Value (continued)

| | Fair Value Measurements | | | | |
|---|---|---|---|---|---|
| | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Measured at Net Asset Value** | **Total** |
| **2020 (continued)** | | | | | |
| **Assets (continued):** | | | | | |
| Investments (continued): | | | | | |
| Other investments: | | | | | |
| Real estate private trusts | $ -0- | $ -0- | $ -0- | $ 155,229,091 | $ 155,229,091 |
| Investments in private equity (net of valuation allowance of $1,000,000) | | | | 50,348,526 | 50,348,526 |
| Hedge funds | | | | 30,145,245 | 30,145,245 |
| Total Other Investments | -0- | -0- | -0- | 235,722,862 | 235,722,862 |
| | **$ 446,583,823** | **$ 71,734** | **$ -0-** | **$ 515,392,639** | **$ 962,048,196** |

### Investments Measured at Net Asset Value

The primary investments that have been estimated using net asset value per share as a practical expedient are described below.

#### Real Estate Funds

This type includes 16 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 net asset value 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 one to eight 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 net asset value per share (or its equivalent) of the Plan's ownership interest in partners' capital.

## NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

### Investments Measured at Net Asset Value (continued)

#### Real Estate Funds (continued)

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 22 percent 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. As of September 30, 2021, the real estate funds have unfunded commitments of approximately $19,300,000.

#### Hedge Funds

This type invests in three hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' composite portfolio for this type includes investments in global stocks and global fixed income securities. The fair values of the investments in this type have been determined using the net asset value per share (or its equivalent) of the investments. Investments representing $19,672,599 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 as of September 30, 2021. There are $9,000,000 of unfunded commitments to hedge funds as of September 30, 2021.

#### Private Equity Funds

This type includes 11 private equity funds (seven that invest primarily in equities, and four in debt securities). The investments do not offer a stated redemption window. Instead, the nature of the investments in this type is that the 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 one to eight years. However, as of September 30, 2021, it is probable that all of the investments in this type will be sold at an amount different from the net asset value 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, 2021, a buyer (or buyers) for these investments has not yet been identified.

## NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

### Investments Measured at Net Asset Value (continued)

#### Private Equity Funds (continued)

Once a buyer has been identified, the investee fund's management is required to approve of the buyer before a sale of the investments can be completed. As of September 30, 2021, the private equity funds have unfunded commitments of approximately $41,700,000.

#### Commingled Funds

This type includes five commingled funds that invest in publicly traded global stocks and global fixed income securities. The fair values of the investments in this type have been determined using the net asset value per share (or its equivalent) of the investments. Of the total commingled funds, $65,788,545 of the assets can be liquidated on a daily basis and $109,565,501 can be liquidated on a monthly basis with 30 days' notice. All of the underlying securities within the commingled funds carrying a recurring fair value measurement of Level 1 or Level 2. There are no unfunded commitments to commingled funds as of September 30, 2021.

### 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.

## NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

### Deposit and Investment Risks (continued)

#### Custodial Credit Risk (continued)

##### Deposits (continued)

The Plan's carrying amount of deposits of $946,513 and $1,714,187 as of September 30, 2021 and 2020, respectively, are maintained in the County's pooled cash account maintained by the County Treasurer. In accordance with the County's investment policy and Act 314, all deposits are uncollateralized and are 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.

The Plan's investment policy and Act 314 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, 2021 and 2020, none of the Plan's investments were subject to custodial credit risk, as they were held in accordance with the Plan's investment policy.

## NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

### Deposit and Investment Risks (continued)

#### 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 Act 314 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 as of September 30, 2021 and 2020 were rated as follows:

| | Asset-Backed Securities | International Fixed Income Funds | Commingled Fixed Income Funds | Government Bonds | Mortgage-Backed Securities | Corporate Bonds | Total |
|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | |
| Standard & Poor's rating: | | | | | | | |
| AAA | $ 1,287,858 | $ 300,300 | $ 7,944,530 | $ 52,876,202 | $ 32,200,077 | $ -0- | $ 94,608,967 |
| AA+ | 214,458 | | | 297,568 | | | 512,026 |
| AA | 816,315 | | | 402,638 | | | 1,218,953 |
| AA- | | 212,347 | | 364,839 | | 196,065 | 773,251 |
| A+ | 1,250,953 | | | 121,353 | 167,488 | | 1,539,794 |
| A | 1,026,197 | 496,387 | | | | 167,795 | 1,690,379 |
| A- | | 896,515 | | 200,851 | | 4,885,570 | 5,982,936 |
| BBB+ | | 369,546 | | | | 5,177,533 | 5,547,079 |
| BBB | 403,898 | 175,805 | | | | 1,283,972 | 1,863,675 |
| BBB- | | | | | 233,163 | 1,634,504 | 1,867,667 |
| Moody's rating: | | | | | | | |
| Aaa | 564,801 | | | | 1,157,075 | | 1,721,876 |
| Aa1 | 233,534 | | | | | | 233,534 |
| Aa2 | 388,846 | | | | 182,375 | | 571,221 |
| Aa3 | | | | | 171,759 | | 171,759 |
| A2 | 342,099 | | | | | | 342,099 |
| Baa3 | | | | | | 303,818 | 303,818 |
| Unrated | 495,861 | | | | 618,928 | 50 | 1,114,839 |
| | **$ 7,024,820** | **$ 2,450,900** | **$ 7,944,530** | **$ 54,263,451** | **$ 34,730,865** | **$ 13,649,307** | **$ 120,063,873** |
| **2020** | | | | | | | |
| Standard & Poor's rating: | | | | | | | |
| AAA | $ -0- | $ -0- | $ 8,014,362 | $ -0- | $ 71,692 | $ -0- | $ 8,086,054 |
| Moody's rating: | | | | | | | |
| Aa3 | | | 119,797,388 | | | | 119,797,388 |
| Unrated | | | | | | 42 | 42 |
| | **$ -0-** | **$ -0-** | **$ 127,811,750** | **$ -0-** | **$ 71,692** | **$ 42** | **$ 127,883,484** |

As of September 30, 2021 and 2020, the Plan's money market fund was rated A1+ by Standard & Poor's, with a weighted average maturity of 55 and 53 days, respectively.

## NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

### Deposit and Investment Risks (continued)

#### 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. However, it is the practice of the Plan to manage this risk by purchasing a mix of short-term and long-term investments.

Maturities of the Plan's debt securities as of September 30, 2021 and 2020 are as follows:

| | Maturity Dates | | | | |
|---|---|---|---|---|---|
| | One Year or Less | One to Five Years | Five to Ten Years | More than Ten Years | Total |
| **2021** | | | | | |
| Asset-backed securities | $ -0- | $ 3,167,236 | $ 1,872,731 | $ 1,984,853 | $ 7,024,820 |
| International fixed income funds | | 1,838,614 | 147,638 | 464,648 | 2,450,900 |
| Commingled fixed income funds | | | 7,944,530 | | 7,944,530 |
| Government bonds | | 37,305,443 | 16,142,867 | 815,141 | 54,263,451 |
| Mortgage-backed securities | | | 1,039,102 | 33,691,763 | 34,730,865 |
| Corporate bonds | | 2,228,696 | 10,287,595 | 1,133,016 | 13,649,307 |
| | **$ -0-** | **$ 44,539,989** | **$ 37,434,463** | **$ 38,089,421** | **$ 120,063,873** |
| **2020** | | | | | |
| Commingled fixed income funds | $ -0- | $ -0- | $ 127,811,750 | $ -0- | $ 127,811,750 |
| Mortgage-backed securities | | | | 71,692 | 71,692 |
| Corporate bonds | 42 | | | | 42 |
| | **$ 42** | **$ -0-** | **$ 127,811,750** | **$ 71,692** | **$ 127,883,484** |

#### Foreign Currency Risk

Foreign currency risk is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment.

## NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

### Deposit and Investment Risks (continued)

#### Foreign Currency Risk (continued)

The Plan's exposure to foreign currency risk as of September 30, 2021 and 2020 is summarized as follows:

| Country | Currency | International Equities | International Fixed Income Funds | Total |
|---|---|---|---|---|
| **2021** | | | | |
| Canada | Canadian dollar | $ 3,416,745 | $ 1,044,495 | $ 4,461,240 |
| Australia | Australian dollar | 1,798,183 | | 1,798,183 |
| India | Indian rupee | 811,233 | | 811,233 |
| Israel | Israeli new shekel | 7,131 | | 7,131 |
| Netherlands | Euro | 1,531,965 | | 1,531,965 |
| Switzerland | Swiss franc | 12,052 | | 12,052 |
| Cayman Islands | Cayman Islands dollar | | 300,300 | 300,300 |
| Japan | Japanese yen | | 147,638 | 147,638 |
| Norway | Norwegian krone | | 212,347 | 212,347 |
| United Kingdom | British pound | | 746,120 | 746,120 |
| | | **$ 7,577,309** | **$ 2,450,900** | **$ 10,028,209** |
| **2020** | | | | |
| Canada | Canadian dollar | $ 654,462 | $ -0- | $ 654,462 |
| Australia | Australian dollar | 1,247,988 | | 1,247,988 |
| | | **$ 1,902,450** | **$ -0-** | **$ 1,902,450** |

#### 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.

## NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

### Deposit and Investment Risks (continued)

#### Concentration of Credit Risk (continued)

As of September 30, 2021 and 2020, 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, 2021 and 2020, the annual money-weighted rate of return on Plan investments, net of expenses, was 26.5 percent and 2.9 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### 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 and equities as collateral. The collateral securities cannot be pledged or sold by the Plan unless the borrower defaults. For that reason, these collateral securities are not included in the Plan's financial statements. 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.

The fair value of collateral securities on loan as of September 30, 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Common stocks | $ 11,591,608 | $ 7,140,665 |
| Government fixed income investments | 9,864,913 | -0- |
| Cash | 9,083,077 | 1,704,267 |
| | **$ 30,539,598** | **$ 8,844,932** |

## NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

### Securities Lending (continued)

As of September 30, 2021 and 2020, 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 repay 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 $70,053,242 in private equities, hedge funds, and private real estate investments as of September 30, 2021. The Plan's management believes that $6,223,652 of this amount is unlikely to be called.

## NOTE D — CAPITAL ASSETS

Capital assets consist of equipment, furniture, and fixtures. Depreciable capital asset activity for the years ended September 30, 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| **Cost:** | | |
| Balance, beginning of year | $ 431,434 | $ 431,434 |
| **Balance, End of Year** | **431,434** | **431,434** |
| **Accumulated Depreciation:** | | |
| Balance, beginning of year | 431,434 | 431,434 |
| **Balance, End of Year** | **431,434** | **431,434** |
| **Net Depreciable Capital Assets** | **$ -0-** | **$ -0-** |

## NOTE E — NET PENSION LIABILITY

The components of the net pension liability of the employers as of September 30, 2021 are as follows:

| | |
|---|---|
| Total pension liability | $ 1,593,713,094 |
| Plan fiduciary net position | 1,148,397,922 |
| **Employers' Net Pension Liability** | **$ 445,315,172** |
| Plan fiduciary net position as a percentage of total pension liability | 72.06% |

### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2020 and rolled forward to September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| **Wage inflation:** | 3.0 percent |
| **Salary increases:** | County — 3.00 percent to 12.15 percent, including inflation<br>WCAA — 3.00 percent to 13.15 percent, including inflation |
| **Investment rate of return:** | 6.75 percent, net of pension plan investment expense, including inflation |
| **Mortality rates:** | RP-2014 Healthy Annuitant, Disabled, and Employee Mortality tables, adjusted for mortality improvement back to the base year of 2006. Mortality for a particular year is determined by applying the MP-2016 Mortality Improvement Scale to the aforementioned tables. |

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

## NOTE E — NET PENSION LIABILITY (CONTINUED)

### Actuarial Assumptions (continued)

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 weighing the expected future rates of return by the target asset allocation percentage and by adding expected inflation.

The best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2021 (see the discussion of the Plan's investment allocation policy) are summarized as follows:

| Asset Class | Long-Term Expected Rate of Return |
|---|---|
| Domestic equities | 5.03 % |
| International equities | 5.13 |
| Domestic bonds | 1.00 |
| Domestic high-yield | 2.75 |
| Real estate | 6.50 |
| Alternative investments | 5.91 |

### Discount Rate

The discount rate used to measure the total pension liability was 6.75 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 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## NOTE E — NET PENSION LIABILITY (CONTINUED)

### 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 6.75 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75 percent) or one percentage point higher (7.75 percent) than the current rate:

| | One Percent Decrease (5.75 Percent) | Current Discount (6.75 Percent) | One Percent Increase (7.75 Percent) |
|---|---|---|---|
| Net pension liability | $ 597,040,287 | $ 445,315,172 | $ 316,061,306 |

## NOTE F — CONTINGENCIES

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date that the accompanying financial statements were available to be issued. This pandemic affected global economic activity and contributed to volatility in financial markets. Because the values of the Plan's investments have fluctuated, and will fluctuate, in response to changing market conditions, the amount of losses recognized in subsequent periods, if any, cannot be determined at this time. The value of the Plan's investments has a direct impact on its funded status; therefore, potential declines in market value, as well as possible changes to the actuarial assumptions used in determining the pension liability, may require WCERS to make greater cash contributions to fund the Plan. As of the date of issuance of the financial statements, the Plan's operations have not been significantly impacted, but WCERS' management continues to monitor the situation.

# REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)

**For the Nine Years Ended September 30, 2021**
**(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 |
| 2017 | 11.95 |
| 2018 | 6.12 |
| 2019 | 2.98 |
| 2020 | 2.86 |
| 2021 | 26.47 |

## SCHEDULES OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED)

**For the Eight Years Ended September 30, 2021**
**(Ultimately Building to Ten Years)**

| | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| **Changes in Total Pension Liability:** | | | | |
| Service cost | $ 16,358,829 | $ 15,000,163 | $ 10,431,838 | $ 10,891,944 |
| Interest | 122,810,391 | 122,200,908 | 111,275,067 | 110,167,298 |
| Changes in benefit terms | 9,798,361 | -0- | (141,296,225) | -0- |
| Differences between expected and actual experience | -0- | (21,264,821) | (532,795) | 50,758,944 |
| Changes in actuarial assumptions and other changes | -0- | -0- | -0- | 101,352,130 |
| Benefit payments, including refunds of member contributions | (133,394,978) | (136,008,966) | (139,863,597) | (139,888,098) |
| **Change in Total Pension Liability** | **15,572,603** | **(20,072,716)** | **(159,985,712)** | **133,282,218** |
| Total Pension Liability, Beginning of Year | 1,644,843,098 | 1,660,415,701 | 1,640,342,985 | 1,480,357,273 |
| **Total Pension Liability, End of Year** | **1,660,415,701** | **1,640,342,985** | **1,480,357,273** | **1,613,639,491** |
| **Changes in Plan Fiduciary Net Position:** | | | | |
| Contributions: | | | | |
| Employer | 80,180,620 | 111,718,544 | 103,337,465 | 71,052,048 |
| Member | 8,521,719 | 11,370,680 | 10,734,600 | 9,199,085 |
| Net investment income | 80,199,536 | 25,164,638 | 79,649,792 | 102,026,371 |
| Participant benefit payments and distributions, including refunds of member contributions | (133,394,978) | (136,008,966) | (139,863,597) | (139,888,098) |
| Administrative expenses | (2,811,484) | (3,014,195) | (2,321,879) | (2,676,532) |
| **Change in Plan Fiduciary Net Position Before Asset Transfer** | **32,695,413** | **9,230,701** | **51,536,381** | **39,712,874** |
| **Other Changes:** | | | | |
| Transfer of assets from Wayne County Circuit Court Commissioners Bailiffs' Retirement System | -0- | -0- | 5,670,643 | -0- |
| **Change in Plan Fiduciary Net Position** | **32,695,413** | **9,230,701** | **57,207,024** | **39,712,874** |
| Plan Fiduciary Net Position, Beginning of Year | 782,382,430 | 815,077,843 | 824,308,544 | 881,515,568 |
| **Plan Fiduciary Net Position, End of Year** | **815,077,843** | **824,308,544** | **881,515,568** | **921,228,442** |
| **Employers' Net Pension Liability, End of Year** | **$ 845,337,858** | **$ 816,034,441** | **$ 598,841,705** | **$ 692,411,049** |
| **Ratio Information:** | | | | |
| Plan fiduciary net position as a percentage of total pension liability | 49.09% | 50.25% | 59.55% | 57.09% |
| Covered employee payroll | $ 151,536,413 | $ 147,363,016 | $ 140,222,696 | $ 129,283,884 |
| Employers' net pension liability as a percentage of covered payroll | 557.84% | 553.76% | 427.06% | 535.57% |

## SCHEDULES OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED) (CONTINUED)

**For the Eight Years Ended September 30, 2021**
**(Ultimately Building to Ten Years)**

| | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| **Changes in Total Pension Liability:** | | | | |
| Service cost | $ 10,524,448 | $ 10,746,337 | $ 10,649,616 | $ 9,635,303 |
| Interest | 112,568,204 | 111,556,453 | 110,132,335 | 108,417,531 |
| Changes in benefit terms | -0- | 1,805,747 | (1,948,585) | 1,067,339 |
| Differences between expected and actual experience | (4,104,803) | (9,788,235) | (9,474,507) | (11,455,759) |
| Changes in actuarial assumptions and other changes | 2,131,112 | 2,736,461 | 2,711,309 | 64,010,422 |
| Benefit payments, including refunds of member contributions | (136,432,380) | (135,314,829) | (135,363,556) | (134,736,360) |
| **Change in Total Pension Liability** | **(15,313,419)** | **(18,258,066)** | **(23,293,388)** | **36,938,476** |
| Total Pension Liability, Beginning of Year | 1,613,639,491 | 1,598,326,072 | 1,580,068,006 | 1,556,774,618 |
| **Total Pension Liability, End of Year** | **1,598,326,072** | **1,580,068,006** | **1,556,774,618** | **1,593,713,094** |
| **Changes in Plan Fiduciary Net Position:** | | | | |
| Contributions: | | | | |
| Employer | 153,719,388 | 79,800,443 | 66,914,695 | 65,035,776 |
| Member | 10,286,435 | 11,122,528 | 10,961,257 | 9,800,842 |
| Net investment income | 62,294,433 | 34,431,034 | 27,339,978 | 247,914,290 |
| Participant benefit payments and distributions, including refunds of member contributions | (136,432,380) | (135,314,829) | (135,363,556) | (134,736,360) |
| Administrative expenses | (2,525,172) | (2,518,758) | (2,678,259) | (2,882,305) |
| **Change in Plan Fiduciary Net Position** | **87,342,704** | **(12,479,582)** | **(32,825,885)** | **185,132,243** |
| Plan Fiduciary Net Position, Beginning of Year | 921,228,442 | 1,008,571,146 | 996,091,564 | 963,265,679 |
| **Plan Fiduciary Net Position, End of Year** | **1,008,571,146** | **996,091,564** | **963,265,679** | **1,148,397,922** |
| **Employers' Net Pension Liability, End of Year** | **$ 589,754,926** | **$ 583,976,442** | **$ 593,508,939** | **$ 445,315,172** |
| **Ratio Information:** | | | | |
| Plan fiduciary net position as a percentage of total pension liability | 63.10% | 63.04% | 61.88% | 72.06% |
| Covered employee payroll | $ 132,030,801 | $ 132,578,605 | $ 127,561,562 | $ 114,839,984 |
| Employers' net pension liability as a percentage of covered payroll | 446.68% | 440.48% | 465.27% | 387.77% |

## SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)

**For the Eight Years Ended September 30, 2021**
**(Ultimately Building to Ten Years)**

| Fiscal Year Ended September 30 | Actuarially Determined Contribution | Contributions in Relation to Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2014 | $ 68,772,171 | $ 80,180,620 | $(11,408,449) | $ 151,536,413 | 52.91 % |
| 2015 | 65,289,481 | 79,505,999 | (14,216,518) | 147,363,016 | 53.95 |
| 2016 | 70,708,723 | 101,264,065 | (30,555,342) | 140,222,696 | 72.22 |
| 2017 | 53,549,811 | 68,176,195 | (14,626,384) | 129,283,884 | 52.73 |
| 2018 | 62,347,690 | 151,905,122 | (89,557,432) | 132,030,801 | 115.05 |
| 2019 | 64,211,390 | 77,975,445 | (13,764,055) | 132,578,605 | 58.81 |
| 2020 | 59,598,643 | 65,193,269 | (5,594,626) | 127,561,562 | 51.11 |
| 2021 | 58,130,071 | 63,464,841 | (5,334,770) | 114,839,984 | 55.26 |

The following valuation dates, methods, and assumptions were used to determine contribution rates:

| | |
|---|---|
| **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 |
| **Actuarial cost method:** | Entry age normal |
| **Amortization method:** | Charter County of Wayne, Michigan — Level percentage of payroll, closed<br>Wayne County Airport Authority — Level dollar, closed |
| **Remaining amortization period:** | 15 years from September 30, 2019 (see actuarial funding policy in actuarial valuation report for more details) |
| **Asset valuation method:** | Four-year smoothed market; 20 percent corridor |
| **Wage inflation:** | 3.0 percent |

## SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED) (CONTINUED)

**For the Eight Years Ended September 30, 2021**
**(Ultimately Building to Ten Years)**

| | |
|---|---|
| **Salary increases:** | 3.0 percent to 13.15 percent, including inflation |
| **Investment rate of return:** | 7.25 percent, net of pension plan investment expense, including inflation |
| **Mortality rates:** | RP-2014 Healthy Annuitant, Disabled, and Employee Mortality tables, adjusted for mortality improvement back to the base year of 2006. Mortality for a particular year is determined by applying the MP-2016 Mortality Improvement Scale to the aforementioned tables. |

# OTHER SUPPLEMENTARY INFORMATION

GJC
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

January 28, 2022

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

### Opinion on the Schedule

We have audited the fiduciary net position as of September 30, 2021, 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 Benefit Plan (the "Plan"), a pension trust fund of the Charter County of Wayne, Michigan (the "County"), 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, 2021, and the changes in fiduciary net position of each employer for the year then ended, included in the accompanying Schedule.

In our opinion, the accompanying Schedule presents fairly, in all material respects, the fiduciary net position of the Plan as of September 30, 2021, 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 ("U.S. GAAP"). Also, in our opinion, the accompanying Schedule presents fairly, in all material respects, the fiduciary net position of each individual employer as of September 30, 2021, and the changes in fiduciary net position of each individual employer for the year then ended, in accordance with U.S. GAAP.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Schedule" section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 ON SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER (CONTINUED)

### Other Matter — Reporting Entity

As discussed in Note A to the accompanying financial statements, the Plan is included in the comprehensive annual financial report of the County. The Schedule presents only the Plan and does not purport to, and does not, present fairly the financial position of the County as of September 30, 2021, and the changes in its financial position for the year then ended, in accordance with U.S. GAAP. Our opinion is not modified with respect to that matter.

### Responsibilities of Management for the Schedule

The Plan's management is responsible for the preparation and fair presentation of the Schedule in accordance with U.S. GAAP, and for 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.

In preparing the Schedule, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for 12 months beyond the Schedule date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. *Reasonable assurance* is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule.

In performing an audit in accordance with U.S. GAAS:

- We exercise professional judgment and maintain professional skepticism throughout the audit.

- We identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and we design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.

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

### Auditor's Responsibilities for the Audit of the Schedule (continued)

- We obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- We evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and we evaluate the overall presentation of the Schedule.

- We conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### Other 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

## SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

**For the Year Ended September 30, 2021**

| | Charter County of Wayne, Michigan | Wayne County Airport Authority | Totals |
|---|---|---|---|
| **Additions:** | | | |
| Contributions: | | | |
| Employer (see Note B on page 53) | $ 58,341,620 | $ 6,694,156 | $ 65,035,776 |
| Members | 9,485,275 | 315,567 | 9,800,842 |
| Total Contributions | 67,826,895 | 7,009,723 | 74,836,618 |
| Net investment income | 212,746,142 | 35,168,148 | 247,914,290 |
| **Total Additions** | **280,573,037** | **42,177,871** | **322,750,908** |
| **Deductions:** | | | |
| Participant benefit payments and distributions | 123,642,469 | 11,093,891 | 134,736,360 |
| Administrative expenses | 2,473,433 | 408,872 | 2,882,305 |
| **Total Deductions** | **126,115,902** | **11,502,763** | **137,618,665** |
| **Change in Net Position Restricted for Pensions** | **154,457,135** | **30,675,108** | **185,132,243** |
| Net Position Restricted for Pensions, Beginning of Year | 828,827,077 | 134,438,602 | 963,265,679 |
| **Net Position Restricted for Pensions, End of Year** | **$ 983,284,212** | **$ 165,113,710** | **$ 1,148,397,922** |

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

## NOTES TO SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

**For the Year Ended September 30, 2021**

---

### NOTE A — BASIS OF ACCOUNTING

The accompanying schedule of changes in fiduciary net position by employer (the "Schedule") is prepared on the accrual basis of accounting using the economic resources measurement focus. Member 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 Retirement Ordinance. Administrative expenses are financed through investment earnings.

### NOTE B — EMPLOYER CONTRIBUTIONS

Employer contributions from the Charter County of Wayne, Michigan (the "County") and the Wayne County Airport Authority ("WCAA") on the Schedule include an additional $5.1 million in employer contributions made by the County and an additional $0.2 million in employer contributions made by WCAA to apply to their respective unfunded liabilities for the year ended September 30, 2021.