

Wayne County

Employees' Retirement System

Robert J. Grden, Executive Director

Summary Annual Report
For the Plan Year Ending September 30, 2012

BOARD OF TRUSTEES
EMPLOYEE MEMBERS
Lorenzo A. Moner, Chair
Charles J. Bonza III
Andrea. Hutting
Patrick Melton

RETIREE MEMBERS
Elizabeth Misuraca
Hugh S. Macdonald

EX-OFFICIO MEMBERS
Robert A. Ficano
Wayne County Executive
Gary Woronchak
Chairperson
Wayne County Commission



ROBERT J. GRDEN
Executive Director

GERARD J. GRYSKO
Deputy Director

GABRIEL ROEDER SMITH & CO.
Actuary

ANDREW VOSBURGH, M.D.
Medical Director

LAWRENCE DELL, M.D.
Medical Director

August 9, 2013

The Honorable Wayne County Commission, Members and Participants

Ladies and Gentlemen:

On behalf of the Retirement Commission we are pleased to present the Wayne County Employees' Retirement System Summary Annual Report for the fiscal year ending September 30, 2012. For ease of reading the Wayne County Airport Authority (WCAA) data has been combined with Wayne County data unless otherwise noted. The report contains information on the Defined Benefit, Defined Contribution and Circuit Court Bailiff's Retirement Plans.

This year's Summary Annual Report contains significant changes including new requirements from the State of Michigan. Senate bill 797 amending Public Act 314 became effective on March 28, 2013. This included many requirements about how and which data is reported by public employee retirement systems. Since we also publish our Annual Actuarial Valuation on our website we have omitted those pages. Please visit www.wcers.org and select the reporting tab to view the full report; Audited Financials can also be found.

The Retirement System has been aggressively pursuing ways to cut costs including eliminating Investment Managers, negotiating fee reductions in Investment Management fees (\$1,259,993 saved over one year), streamlining office procedures, and developing "green" initiatives in order to eliminate paper and printing costs. The system had a great year in Defined Benefit investment earnings, 15.79% net of fees; the Circuit Court Bailiffs earned 23.00% net of fees. The Retirement Commission has also done an overhaul of the board's policies including the Investment Policy Statement, an Asset Allocation review and a consolidation of Deferred Compensation carriers. The hope is that all of these changes have brought the ability for the Board to be more nimble in their actions. Last but not least, an internal audit is being done to review previous retirements, retirement calculations, purchases, and transfers for correctness.

Sincerely,

Robert Grden

Robert Grden
Executive Director



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FIDUCIARIES OF THE RETIREMENT COMMISSION

Elected Employee Members

Patrick Melton	Term Expires December 31, 2012
Lorenzo A. Moner	Term Expires December 31, 2013
Charles Bonza III	Term Expires December 31, 2014
Andrea Hutting	Term Expires December 31, 2015

Elected Retiree Members

Elizabeth Misuraca	Term Expires December 31, 2012
Hugh S. Macdonald	Term Expires December 31, 2014

Ex-Officio Members

Robert A. Ficano*	Wayne County Executive
Gary Woronchak	Chairperson, Wayne County Commission

*The Wayne County Executive may appoint one designee to the Board. For the 2012 Fiscal Year he appointed Matthew Schenk of the Executives office, followed by Kenneth Wilson of Labor Relations and lastly Kevin Kelley of Veterans Affairs.

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RETIREMENT STAFF

Executive Director.....Robert Grden
Deputy Director.....Gerard Grysko



RETIREMENT SYSTEM SERVICE PROVIDERS

Actuary.....Gabriel, Roeder, Smith & Company

Attorneys.....Allen Brothers, P.L.L.C.
 Honigman Miller Schwartz and Cohn, L.L.P.
 Kilpatrick and Associates, P.C.
 Kirby McInerney L.L.P.
 Miller, Canfield, Paddock and Stone P.L.C.
 Novara Tesija, P.L.L.C.
 Plunkett Cooney, P.C.
 Racine and Associates
 Robbins Geller Rudman and Dowd, L.L.P.
 VanOverbeke, Michaud & Timmony, P.C.
 Zwerling, Schachter & Zwerling, L.L.P.

Auditor.....Rehmann Robson

Consultants.....RAN Consulting
 Next Generation Management
 Graystone Consulting

Corporation Counsel.....Zenna Elhasen
 Principal Attorney.....Kevin Kavanagh
 Lead Attorney.....Bruce Campbell

CustodianNorthern Trust

Deferred Compensation.....AXA Equitable
 G.C. Financial Inc.
 Great West Financial
 Hartford/Mass Mutual
 ING Financial Services
 Nationwide

Defined Contribution.....Prudential Financial
 UBS Financial Services Inc.

Directed Brokers.....Cheevers and Company, Inc.
 Loop Capital
 Merrill Lynch
 Morgan Stanley Smith Barney
 Northstar Financial Partners
 Raymond James & Associates
 UBS Financial Services Inc.
 Wayne Company



RETIREMENT SYSTEM SERVICE PROVIDERS (cont.)

InsuranceChartis Insurance
 Agent.....Nickel & Saph, Inc.

Financial Institutions.....Bank of America
 JP Morgan Chase

Medical Directors.....Dr. Andrew Vosburgh, M.D
 Lakes Medical Center (Dr. Dell)

Money Managers (Defined Benefit).....Aletheia
 Ambassador Capital
 Behringer Harvard REIT
 Black Diamond Management AKA Greenwich
 Capital Growth Investments
 CAPROC
 Cole Capital Advisors REIT
 Centurion CDO
 Churchill Financial
 Davidson Advisors
 Derooy & Deveraux
 Earnest Partners
 First Sense Medical AKA Angott Medical
 Fisher Investments Institutional Group
 Frankenmuth Real Estate
 ITS Capital
 JP Morgan Chase
 Key Air
 Lazard Asset Management
 Lightstone Value Plus REIT
 Loomis Sayles
 Mesirov Financial
 Mt. Lucas Management
 MuniMae
 Newbridge Film Capital
 Northpointe Capital
 Orleans Capital Management
 Reinhart Partners
 Rizvi Opportunistic Fund
 Seminole Advisors Equity REIT
 Seminole Advisors Mortgage Trust
 Seizert Capital
 SIT Investments
 Stepstone Capital Partners II AKA Citigroup Capital Partners
 Steward Capital Management
 Steward Real Estate Partners
 Tradewinds
 Union Heritage Group at Morgan Stanley
 Walker Dunlop Balance Fund



FINANCIAL
SECTION
&
REQUIRED
SUPPLEMENTARY
INFORMATION



FINANCIAL SECTION - PREFACE

The independent auditing firm of Rehmann Robson has audited the financial statements of the following plans:

- Wayne County Employees' Retirement System Defined Benefit Plan
- Wayne County Circuit Court Commissioners Bailiffs' Plan
- Wayne County Employees' Retirement System Defined Contribution Plan

An electronic version of this report can be found at www.wcers.org on the reporting tab.

The financial section of this annual report will include Statements of Plan Net Assets and Statements of Changes in Plan Assets for each of the retirement plans noted above. Additionally, this section will highlight financial activity for the fiscal year ended September 30, 2012 for each set of financial statements: these summaries were not audited by the independent auditors. Required supplementary information follows the financial statements as necessary.



WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Statements of Plan Net Assets

The Plan's total net assets increased by \$32.7 million over the course of the plan year. This increase was primarily due to the improving financial market and the higher contributions into the plan from the employer and employees for the year. The overall rate of return on investments for the year ended September 30, 2012 was a gain of 16.75% gross of fees, compared to a loss of 1.41% for the year ended September 30, 2011. Net assets are held in trust to meet future benefit payments.

Statements of Changes in Plan Net Assets

The Plan's benefits are funded by contributions from Wayne County (County), Wayne County Airport Authority (WCAA), and Plan's members/participants, as well as by the investment income earned on the Plan's assets.

- Total additions to net assets, excluding appreciation (depreciation) in fair value of investments, increased by \$46.1 million from \$45.3 million for the year ended September 30, 2011 to \$91.4 million for the year ended September 30, 2012. The increase was mostly attributable to the contributions actually contributed to the plan.
- Total contributions increased by \$42.7 million from those of the prior year. Employer contributions were made at a rate of 31.97% and 9.42% of covered payroll during the years ended September 30, 2012 and 2011. Most of the increase was the result of the higher required employer contribution rate and a \$20 million decrease in the offset in the County's employer contributions from approximately \$26 million in 2011, to \$6 million in 2012, which were transferred from the Reserve for Inflation Equity to the Reserve for Employer Contributions based on Wayne County Board of Commissioners Ordinance 2010-514, instead of actually contributing funds to the Plan. Wayne County Employees' Retirement System appealed the Courts ruling on the legality of the ordinance. The remaining increase was related to the County and WCAA allowing members to transfer retirement plans and purchase service credits and the WCAA made an additional contribution of approximately \$2 million to fund a retirement incentive they offered to their members.
- Other investment income (net of investment expenses) increased by \$3.4 million from those of the prior year. Investment expenses were \$3.1 million for the year ending September 30, 2012, compared to \$4.6 million for the year ending September 30, 2011. Dividends were \$7.5 million and \$5.9 million for the years ending September 30, 2012 and 2011.
- Net appreciation in the fair value of investments was \$78.5 million for the year ended September 30, 2012, compared to net depreciation of \$22.9 for the year ended September 30, 2011. The Plan's net appreciation in the fair value of investments for the current year was attributable to the improving financial markets and the Plan recovering the losses of the prior plan year.
- The significant deductions of the Plan include the payment of pension benefits to members and beneficiaries and the costs of administering the Plan. Total deductions for the year ended September 30, 2012 were \$137.2 million and prior year's deductions were \$135.6 million, an increase of one percent from the prior year due to an increase in pension benefits to members and beneficiaries.



**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED BENEFIT PLAN
(COUNTY AND WCAA COMBINED)
STATEMENTS OF PLAN NET ASSETS**

September 30, 2012 and 2011

	2012	2011
Assets		
Investments, at fair value:		
Equity securities and mutual funds	\$ 427,986,598	\$ 389,875,268
Debt securities and mutual funds	99,005,703	112,799,770
Money market funds	21,492,551	17,409,568
Other investments	162,224,243	173,540,164
	710,709,095	693,624,770
Equity in Wayne County pooled cash	14,793,461	1,726,401
Due from other Wayne County component units and funds	1,970,149	12,800
Accounts receivable	156,625	244,903
Due from broker for securities sold	2,284,546	2,065,629
Accrued interest and dividends	1,214,817	1,035,717
Prepaid expense	21,686	16,320
Depreciated capital assets, net	9,774	14,576
	731,160,153	698,741,116
Liabilities		
Accounts and contracts payable	649,571	680,927
Due to broker for securities purchased	1,343,480	1,789,713
Accrued wages and benefits	226,589	205,867
Obligation for unfunded other postemployment benefits	855,717	618,930
	3,075,357	3,295,437
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 13)	\$ 728,084,796	\$ 695,445,679



**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED BENEFIT PLAN
(COUNTY AND WCAA COMBINED)
STATEMENTS OF CHANGES IN PLAN NET ASSETS**

For the Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Additions		
Contributions:		
Employer- County	\$ 42,160,286	\$ 10,070,102
Employer - WCAA	5,515,944	3,357,850
Members – County	17,890,944	15,672,737
Participants – WCAA	6,417,377	201,466
	<u>71,984,551</u>	<u>29,302,155</u>
Total contributions		
Investment income:		
Net appreciation (depreciation) in fair value of Investments	78,451,874	(22,851,967)
Interest	12,650,510	12,154,878
Dividends	7,533,194	5,896,180
Securities lending income	452,525	530,825
Other investment income	1,896,733	2,075,107
	<u>100,984,836</u>	<u>(2,194,977)</u>
Total investment income (loss)		
Less: Investment expenses	<u>(3,091,235)</u>	<u>(4,639,798)</u>
	<u>97,893,601</u>	<u>(6,834,775)</u>
Net investment income (loss)		
Total additions	<u>169,878,152</u>	<u>22,467,380</u>
Deductions		
Participant benefit payments and distributions	134,184,464	132,438,324
Administrative expenses	3,054,571	3,183,680
	<u>137,239,035</u>	<u>135,622,004</u>
Total deductions		
Change in net assets	32,639,117	(113,154,624)
Net assets held in trust for pension benefits		
Beginning of year	<u>695,445,679</u>	<u>808,600,303</u>
End of year	<u>\$ 728,084,796</u>	<u>\$ 695,445,679</u>



REQUIRED SUPPLEMENTARY INFORMATION



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

GASB STATEMENT 25 REQUIRED SUPPLEMENTARY INFORMATION

For the 10 Years Ended September 30, 2012

Schedule of Funding Progress (amounts in millions)

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation as of September 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL) (2-1)	Funded Ratio (1/2)	Annual Covered Payroll	UAAL as a % of Covered Payroll (3/5)
2003	996.6	1,007.7	11.1	98.9%	289.3	3.8%
2004	910.1	959.7	49.6	94.8%	343.3	14.4%
2005	891.4	969.3	77.9	92.0%	298.6	26.1%
2006	894.5	1,000.2	105.7	89.4%	319.6	33.1%
2007	947.8	1,169.5	221.7	81.0 %	325.4	68.1 %
2008	985.0	1,338.8	353.8	73.6 %	330.0	107.2 %
2009	970.9	1,444.3	473.4	67.2 %	297.5	159.1 %
2010	900.8	1,502.1	601.3	60.0 %	277.4	216.8 %
2011	794.6	1,594.8	800.2	49.8 %	272.1	294.1 %
2012	746.4	1,624.6	878.2	45.9 %	269.0	326.5 %

Schedule of Employer Contribution (amounts in thousands)

Fiscal Year Ended September 30	Annual Contribution County		Percentage Contributed	Annual Contribution Wayne County Airport Authority		Percentage Contributed
	Required	Actual		Required	Actual	
2003	1,223	2,764	226.1%	105	238	226.1%
2004	5,275	6,150	116.6%	1,051	1,224	116.6%
2005	9,109	9,501	104.3%	1,538	1,605	104.3%
2006	10,283	10,283	100.0 %	2,380	2,380	100.0 %
2007	12,017	12,017	100.0 %	3,381	3,381	100.0%
2008	14,910	14,910	100.0 %	3,510	3,510	100.0%
2009	29,445	29,445	100.0 %	3,114	3,114	100.0%
2010	32,496	32,496	100.0 %	2,905	2,905	100.0%
2011	36,308	10,070	27.7%*	3,358	3,358	100.0%
2012	48,116	42,160	87.6%*	3,546	5,516	155.6%

See notes to schedules of funding progress and employer contributions.

* The County shorted the Retirement System \$26.2 million in FY 2011 and \$6.0 million in FY 2012. Litigation is ongoing.



**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED BENEFIT PLAN
FUNDING NOTES**

The Retirement System funding rate has declined from 98.9% funded in 2003 to 45.9% funded in 2012. Many factors have impacted the system:

- Allowing the purchase of up to 6 years of unearned service (air time) for some plan members and/or collective bargaining units. Up to three of the years purchased were capped resulting in a discounted purchase.
- Retirement incentives waived the retirement age requirement on the defined benefit plan, allowing employees to retire as early as age 37.
- The Defined Benefit plan was reopened and had an influx of members beginning in 2002 for Plan 5 members and 2008 for Plan 6 members. Members were allowed to transfer from Plan 4 to Plan 5 at discounted rates. Then they were allowed to transfer from Plan 5 to Plan 6 and receive enhanced benefits for as little as \$500.00 per year of service.
- Defined Benefit member retiree payroll was \$88,625,371 in 2003 by 2012 it had increased by 46% to \$129,581,603.
- The average pension was \$15,257 per year in 2003; by 2012 it had increased by 53% to \$23,365 per year.
- The County did not pay its Annual Required Contribution for 2011 or 2012. They used an offset from the Inflation Equity Fund. (This is subject to ongoing litigation between Wayne County and the Wayne County Employees' Retirement System)
- Defined Benefit plan members increased from 1,644 in 2003 to 2,370 in 2012, at 44% increase.
- Due to the volatility of the financial markets the Retirement System did not achieve its Actuarial Assumed Investment Rate of Return for multiple periods. For more information please see page 21 of this report.

A historical plan review with further details can be found at www.wcers.org on the reporting tab.

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

**NOTES TO SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
(UNAUDITED)**

September 30, 2012

SUMMARY OF ACTUARIAL ASSUMPTIONS

The information presented in the accompanying required supplementary schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date.....	September 30, 2012
Actuarial cost method.....	Entry Age Normal
Amortization method.....	Level percent of payroll
Remaining amortization period.....	27 years (closed)
Asset valuation method.....	4-year smoothed market
Actuarial assumptions:	
Investment rate of return.....	7.75%*
Projected salary increases.....	3.5%–9.05%*
Cost-of-living adjustments.....	Inflation Equity Reserve Distributions
Actuarial assumed rate of long term wage inflation.....	3.5%

* Includes wage inflation at 3.5%



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

	Valuation Measurement Date 9/30/10		Valuation Measurement Date 9/30/11		Valuation Measurement Date 9/30/12	
	County Rate used during FYE 9/30/12	WCAA Rate used during FYE 9/30/12	County Rate used during FYE 9/30/13	WCAA Rate used during FYE 9/30/13	County Rate used during FYE 9/30/14	WCAA Rate used during FYE 9/30/14
Normal Cost						
Service allowances	10.34%	4.83%	8.72%	5.41%	8.71%	5.05%
Disability allowances	1.71%	0.79%	1.50%	0.61%	1.51%	0.69%
Survivor allowances	0.54%	0.42%	0.16%	0.10%	0.17%	0.11%
Termination benefits						
Deferred service allowances	0.53%	0.28%	0.90%	0.41%	0.89%	0.47%
Refunds of member contributions	0.26%	0.01%	0.34%	0.01%	0.35%	0.03%
Total Normal Cost	13.38%	6.33%	11.62%	6.54%	11.63%	6.35%
Less Portion Paid by Members *	-2.32%	-0.05%	-2.51%	-0.04%	-2.47%	-0.14%
County Defined Benefit Normal Cost	11.06%	6.28%	9.11%	6.50%	9.16%	6.21%
Unfunded Actuarial Accrued Liability	28.62%	10.07%	39.63%	12.47%	41.50%	15.05%
Total Computed Employer Rate	39.68%	16.35%	48.74%	18.97%	50.66%	21.26%

WCAA – Wayne County Airport Authority

* Weighted average of the various contribution rates.



**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED BENEFIT PLAN
ADMINISTRATIVE EXPENSES**

	2012	2011
Personnel Services:		
Staff Salaries	\$ 1,113,965	\$ 1,107,398
Other Fringe Benefits	811,181	916,267
Retirement Benefits	<u>205,766</u>	<u>297,421</u>
Total	2,130,912	2,321,086
 Building and Equipment:		
Building Rent	183,606	177,935
Equipment, Equipment Rent and Maintenance	32,331	23,648
Utilities	8,073	7,840
Depreciation	<u>4,802</u>	<u>3,446</u>
Total	228,812	212,869
 Professional Service		
Actuary	184,179	116,714
Medical Directors	<u>12,300</u>	<u>8,600</u>
Total	196,479	125,314
 Miscellaneous		
Office Supplies	17,649	23,359
Postage, Dues, Membership, and Other	47,821	38,802
Printing	20,542	20,359
Training, Travel and Board Meeting - Trustees	39,219	47,622
Training, Travel and Board Meeting - Other	17,078	34,652
Wayne County Chargebacks	<u>356,059</u>	<u>359,616</u>
Total	498,368	524,410
 Total Administrative Expenses	 <u><u>\$ 3,054,571</u></u>	 <u><u>\$ 3,183,680</u></u>

The Retirement System is not aware of paying for any fees with the use of soft dollars.

**WAYNE COUNTY EMPLOYEES' RETIRMENT SYSTEM
DEFINED BENEFIT PLAN
INVESTMENT EXPENSES**

Professional Service	<u>2012</u>	<u>2011</u>
Attorney Fees	\$ 431,977	\$ 467,342
Audit Fees	17,985	31,310
Consultant Fees	92,751	314,817
Custodian Fees	160,060	177,093
Fiduciary Insurance	186,898	186,954
Management Fees	2,189,234	3,449,227
Miscellaneous Fees	<u>12,330</u>	<u>13,055</u>
 Total	 <u>\$ 3,091,235</u>	 <u>\$ 4,639,798</u>

The Retirement System is not aware of paying for any fees with the use of soft dollars.

The Retirement System has been aggressively reviewing all expenses related to investments. We have reduced the number of Investment Managers, negotiated reduced fees on existing investments and restructured due diligence expenses. These cost savings were accomplished by internal staff without the use of a consultant.



**WAYNE COUNTY EMPLOYEES' RETIRMENT SYSTEM
DEFINED BENEFIT PLAN**

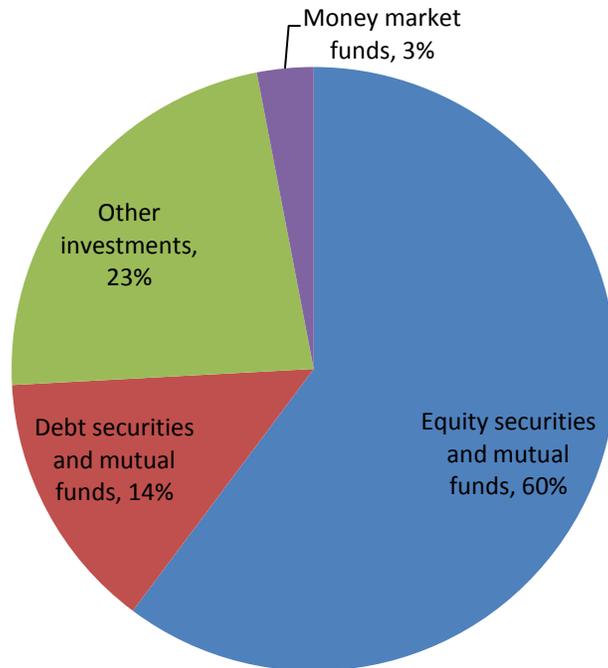
BUDGETS

	FY 2012	FY 2012	Variance	FY 2013
	Budget	Actual	Favorable	Budget
			(Unfavorable)	
Revenue				
Interest & Dividends	\$ 7,502,000	\$20,175,191	\$ 12,673,191	\$ 8,002,000
Total Budgeted Revenue	\$ 7,502,000	\$20,175,191	\$ 12,673,191	\$ 8,002,000
Expense				
Personnel Services:				
Staff Salaries	\$ 1,276,274	\$ 1,113,965	\$ 162,309	\$ 1,317,749
Other Fringe Benefits	447,107	811,181	(364,074)	586,237
Retirement Benefits	<u>371,552</u>	<u>205,766</u>	<u>165,786</u>	<u>363,798</u>
Total	2,094,933	2,130,912	(35,979)	2,267,784
Building and Equipment:				
Building Rent	195,000	183,606	11,394	200,000
Equipment, Equipment Rent & Maintenance	156,000	32,331	123,669	156,000
Utilities	8,000	8,073	(73)	8,000
Depreciation	<u>4,994</u>	<u>4,802</u>	<u>192</u>	<u>5,000</u>
Total	363,994	228,812	135,182	369,000
Professional Service				
Investment Expenses	4,416,073	3,091,235	1,324,838	4,650,981
Actuary	100,000	184,179	(84,179)	100,000
Medical Director	<u>9,400</u>	<u>12,300</u>	<u>(2,900)</u>	<u>9,400</u>
Total	4,525,473	3,287,714	1,237,759	4,760,381
Miscellaneous				
Office Supplies	30,000	17,649	12,351	30,000
Postage, Dues, Membership, & Other	75,100	47,821	27,279	74,100
Printing	30,000	20,542	9,458	30,000
Training, Education & Travel - Trustees	57,500	39,219	18,281	75,500
Training, Education & Travel - Other		17,078	(17,078)	
Wayne County Chargebacks	<u>325,000</u>	<u>356,059</u>	<u>(31,059)</u>	<u>395,235</u>
Total	517,600	498,368	19,232	604,835
Total Budgeted Expenses	\$ 7,502,000	\$ 6,145,806	\$ 1,356,194	\$ 8,002,000
Change in Budgeted Net Assets	\$ -	\$14,029,385	\$ 14,029,385	\$ -

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED BENEFIT PLAN
MARKET VALUE BY INVESTMENT TYPE
As of September 30, 2012**

Investment Type	Market Value at 9/30/2012
Equity securities and mutual funds	\$ 427,986,598
Debt securities and mutual funds	99,005,703
Other investments	162,224,243
Money market funds	21,492,551
Total Investments	\$ 710,709,095

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED BENEFIT PLAN
ASSET ALLOCATION BY TYPE
As of September 30, 2012**



**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED BENEFIT PLAN
INVESTMENT PERFORMANCE – NET OF FEES**

	Rolling Calendar-Year Basis	Fiscal Year Basis
1 Year	10.80%	15.79%
3 Year	5.54%	6.00%
5 Year	-0.07%	-0.60%
7 Year	2.69%	2.94%
10 Year	5.32%	5.47%

The Retirement System is required by the State of Michigan to show rolling calendar year returns, since we are based on a fiscal year end of September 30 we have included those numbers for continuity.



WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

Statements of Plan Net Assets

- The Plan's total net assets increased by \$836,934, or 20.1 %, over the course of the plan year. The increase was primarily due to the improving financial markets and the Plan recovering the losses of the prior plan year. The overall rate of return on investments for the year ended September 30, 2012 was a gain of 23.84% gross of fees, compared to a loss of 9.38% for the year ended September 30, 2011. Net assets are held in trust to meet future benefit payments.

Statements of Changes in Plan Net Assets

The Plan's benefits are funded by contributions from the State of Michigan, process service fees, and active members, as well as by the investment income earned on the Plan's assets.

- Total additions to net assets, excluding appreciation (depreciation) in fair value of investments, increased by \$29,047 from \$26,028 for the year ended September 30, 2011 to \$55,075 for the year ended September 30, 2012. Total contributions increased by \$9,347, or 21.4%, from those of the prior year. Contributions increased based on the higher employer contribution rate used by the State of Michigan. As of September 30, 2012, there were three active participants in the plan. Interest and dividends and other investment income for the year ended September 30, 2012 totaled \$47,464 compared to \$32,405 for the year ended September 30, 2011. Higher dividends were paid during the plan year compared to the prior year. Investment expenses decreased by \$4,641 compared to the prior year.
- Net appreciation in the fair value of investments was \$945,575 for the year ended September 30, 2012, compared to net depreciation of \$444,570 in the fair value of investments for the year ended September 30, 2011. The Plan's net appreciation in the fair value of investments for the current year was attributable to the improving financial markets and the Plan recovering the losses of the prior plan year.
- The deductions of the Plan include the payment of pension benefits to members and beneficiaries and the costs of administering the Plan. Total deductions for the year ended September 30, 2012 were \$163,716, compared to \$164,615 for the year ended September 30, 2011.



**WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS'
RETIREMENT SYSTEM**

STATEMENTS OF PLAN NET ASSETS

September 30, 2012 and 2011

	2012	2011
Assets		
Investments, at fair value:		
Equity mutual funds	\$ 4,353,060	\$ 4,036,328
Debt securities	155,838	71,461
Other investments	297,613	-
Money market funds	109,096	50,007
Total investments	4,915,607	4,157,796
Equity in Wayne County pooled cash	928	3,925
Accounts receivable	29,489	-
Due from broker for securities sold	51,505	-
Accrued interest and dividends	1,360	234
Net assets held in trust for pension benefits (a schedule of funding progress is presented on 23)	\$ 4,998,889	\$ 4,161,955



**WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS'
RETIREMENT SYSTEM**

STATEMENTS OF CHANGES IN PLAN NET ASSETS

For the Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Additions		
Contributions:		
State of Michigan	\$ 36,820	\$ 28,906
Members	<u>16,201</u>	<u>14,768</u>
Total contributions	<u>53,021</u>	<u>43,674</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments	945,575	(444,570)
Interest and dividends	<u>47,464</u>	<u>32,405</u>
Total investment income (loss)	993,039	(412,165)
Less: investment expenses	<u>(45,410)</u>	<u>(50,051)</u>
Net investment income (loss)	<u>947,629</u>	<u>(462,216)</u>
Total additions (investment losses in excess of contributions)	1,000,650	(418,542)
Deductions		
Participant benefit payments and distributions	<u>163,716</u>	<u>164,615</u>
Change in net assets	836,934	(583,157)
Net assets held in trust for pension benefits		
Beginning of year	<u>4,161,955</u>	<u>4,745,112</u>
End of year	<u>\$4,998,889</u>	<u>\$4,161,955</u>

REQUIRED SUPPLEMENTARY INFORMATION



**WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS'
RETIREMENT SYSTEM
GASB STATEMENT 25 REQUIRED SUPPLEMENTARY INFORMATION**

For the 10 Years Ended September 30, 2012

Schedule of Funding Progress (amounts in thousands)

Actuarial Valuation as of September 30	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) - Entry Age	(3) Overfunded AAL (OAAL) (2-1)	(4) Funded Ratio (1/2)	(5) Annual Covered Payroll	(6) OAAL as a % of Covered Payroll (3/5)
2003	4,403	3,557	(846)	123.8%	714	-118.5%
2004	4,437	3,584	(853)	123.8%	714	-119.5%
2005	4,661	3,314	(1,347)	140.6%	600	-224.5%
2006	5,056	3,278	(1,778)	154.2%	600	-296.3%
2007	5,626	3,614	(2,012)	155.7%	700	-287.4%
2008	5,859	3,367	(2,492)	174.0%	651	-382.8%
2009	5,795	3,287	(2,508)	176.3%	547	-458.5%
2010	5,569	2,499	(3,070)	222.8%	312	-984.0%
2011	4,843	2,454	(2,389)	197.4%	319	-748.9%
2012	4,734	2,390	(2,344)	198.1%	320	-732.5%

Schedule of Employer and Other Contributing Entities Contributions

Fiscal Year Ended September 30	Annual Contribution		Percentage Contribution
	Required	Actual	
2003	0	63,133	0
2004	0	44,023	0
2005	0	28,850	0
2006	0	50,441	0
2007	0	38,117	0
2008	0	36,135	0
2009	0	38,339	0
2010	0	37,926	0
2011	0	28,906	0
2012	0	36,820	0

See notes to schedules of funding progress and contributions from the employer and other contributing entities



**WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS'
RETIREMENT SYSTEM**

**NOTES TO SCHEDULES OF FUNDING PROGRESS AND CONTRIBUTIONS FROM
THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES (UNAUDITED)**

September 30, 2012

SUMMARY OF ACTUARIAL ASSUMPTIONS

The information presented in the accompanying required supplementary schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	September 30, 2012
Actuarial cost method.....	Entry age actuarial cost method
Amortization method.....	Level percent of payroll
Remaining amortization period.....	Fully funded
Asset valuation method.....	4-year smoothed market
Actuarial assumptions:	
Investment rate of return.....	7.0%
Projected salary increases.....	0.0%
Cost-of-living adjustments.....	Inflation Equity Reserve distributions
Actuarial assumed rate of long term wage inflation.....	0.0%



**WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFF'S RETIREMENT SYSTEM
DEFINED BENEFIT PLAN
INVESTMENT EXPENSES**

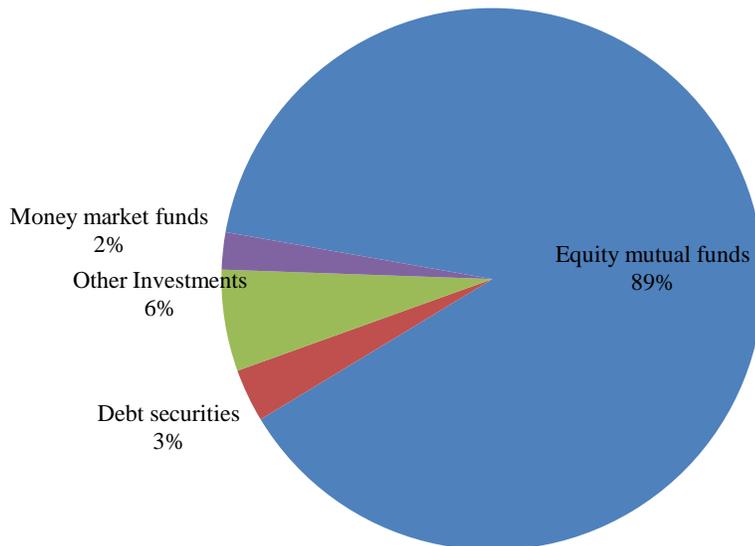
Professional Service	<u>2012</u>	<u>2011</u>
Audit Fees	8,000	8,000
Actuary	4,900	4,900
Management Fees	<u>32,510</u>	<u>37,151</u>
Total	<u>\$ 45,410</u>	<u>\$ 50,051</u>



**WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM
 MARKET VALUE BY INVESTMENT TYPE
 As of September 30, 2012**

<u>Investment Type</u>	<u>Market Value at 9/30/2012</u>
Equity mutual funds	\$ 4,353,060
Debt securities	155,838
Other Investments	297,613
Money market funds	109,096
Total Investments	\$ 4,915,607

**WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM
 ASSET ALLOCATION BY INVESTMENT TYPE
 As of September 30, 2012**



**WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BALIFFS'
RETIREMENT SYSTEM
INVESTMENT PERFORMANCE – NET OF FEES**

	Rolling Calendar-Year Basis	Fiscal Year Basis
1 Year	15.15%	23.00%
3 Year	4.29%	4.94%
5 Year	-4.41%	-4.85%
7 Year	1.14%	1.58%
10 Year	4.24%	4.43%

The Retirement System is required by the State of Michigan to show rolling calendar year returns, since we are based on a fiscal year end of September 30 we have included those numbers for continuity.



WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN OVERVIEW

The Wayne County Employee Retirement System (WCERS) offers a participant directed Defined Contribution Plan (The Plan) to provide savings and retirement benefits for employees participating in the Plan. The Plan provides a vehicle for employees to save for retirement through payroll deductions, employer contributions, and investment earnings. The plan is structured to take advantage of tax regulations that allow for the tax-deferred accumulation of earnings and asset growth.

WCERS has developed a rigorous process and procedure protocol as it applies to the selection, monitoring, removal and replacement of funds within The Plan. The intent has always been to work with an open architecture platform that allows WCERS to choose any fund from any mutual fund company, therefore ensuring the ability to offer best-in-class investments to their participating employees.

WCERS employs the services of an experienced investment advisor, the Emerson Brass Institutional Consulting Group of UBS Financial Services, Inc., that serves as co-fiduciary on plan assets, and offers one-on-one investment consulting and retirement planning to all members. A consultant with the group attends all new employee orientations for the County, as well as the Airport.

Additionally, the plan provider, Prudential Financial, offers an asset allocation program to participants called GoalMaker. This program is age-based as well as risk based. The three different risk categories, Conservative, Moderate and Aggressive, allow participants more choice when selecting their allocation program.



WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Statements of Plan Net Assets

The Plan's total net assets increased by approximately \$29.0 million, or 9.5%, over the course of the plan year. The Plan's total assets of \$334.7 million as of September 30, 2012 were mostly comprised of investments in registered investment companies or mutual funds, and increased during the fiscal year due to the improving financial markets and the Plan recovering the losses of the prior plan year. Net assets are held in trust for the future benefit of plan participants.

Statements of Changes in Plan Net Assets

- The Plan's benefits are funded by contributions from Wayne County (County), the Wayne County Airport Authority (WCAA) and the Plan's members/participants contributions; gains and losses on each individuals account will vary based on individual selection.
- Additions to net assets include contributions made to the Plan by Wayne County and the Plan's participants, as well as investment income, both of which amounted \$27.3 million at September 30, 2012, compared to \$29.3 for the year ended September 30, 2011. Employer contributions have decreased as more members transferred to the hybrid plans that have a lower employer contribution rate.
- Net appreciation in the fair value of investments was \$38.1 million for the year ended September 30, 2012, compared to net depreciation of \$4.8 million in the fair value of investments for the year ended September 30, 2011, which is attributable to the improving financial markets and the Plan recovering the losses of the prior plan year.
- Total deductions from net assets increased by approximately \$6.8 million, increasing from \$29.6 million for the year ended September 30, 2011 to \$36.4 million for the year ended September 30, 2012, which is primarily attributable to higher participant distributions and withdrawals during the current year.
- On average the total expense of The Plan is approximately 0.64% (Investment fees and recordkeeping, excludes WCERS staff and other overhead)



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

STATEMENTS OF PLAN NET ASSETS

September 30, 2012 and 2011

	2012	2011
Assets		
Investments, at fair value		
Equity mutual funds	\$ 196,797,365	\$ 166,585,397
Debt mutual funds	110,465,864	110,865,569
Participant loans receivable	27,025,546	27,794,857
Total investments	334,288,775	305,245,823
Equity in Wayne County pooled cash	422,704	436,805
Due from other Wayne County component units and funds	10,646	-
Total assets	334,722,125	305,682,628
Liabilities		
Accounts and contract payable	-	18,183
Net Assets Held in Trust for Pension Benefits	\$ 334,722,125	\$ 305,664,445



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

STATEMENTS OF CHANGES IN PLAN NET ASSETS

For the Years Ended September 30, 2012 and 2011

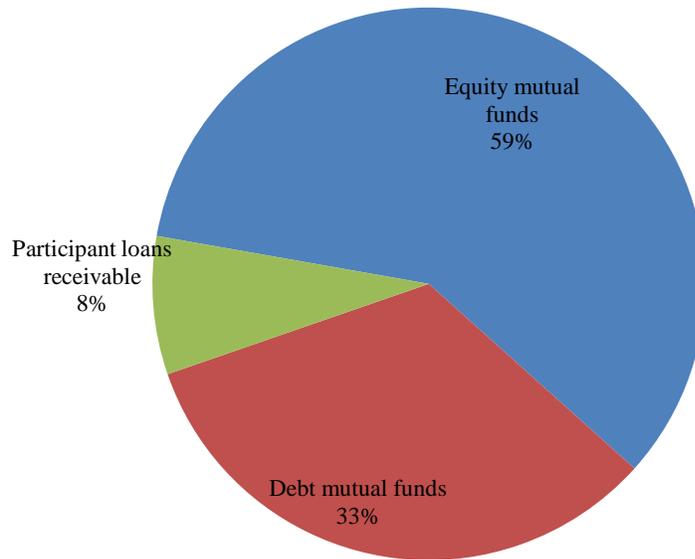
	2012	2011
Additions		
Contributions:		
Employer, net of forfeitures	\$ 16,228,448	\$ 17,213,956
Employees	5,509,061	5,906,009
Total contributions	21,737,509	23,119,965
Investment income:		
Net appreciation (depreciation) in fair value of investments	38,123,823	(4,860,434)
Interest and dividends	5,162,878	5,834,916
Other investment income	411,383	384,827
Total investment income	43,698,084	1,359,309
Total additions	65,435,593	24,479,274
Deductions		
Participant benefit payments and distributions	35,951,277	29,151,619
Administrative expenses	426,636	477,086
Total deductions	36,377,913	29,628,705
Change in net assets	29,057,680	(5,149,431)
Net assets held in trust for pension benefits		
Beginning of year	305,664,445	310,813,876
End of Year	\$ 334,722,125	\$ 305,664,445



**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION
MARKET VALUE BY INVESTMENT TYPE
As of September 30, 2012**

<u>Investment Type</u>	<u>Market Value at 9/30/2012</u>
Equity mutual funds	\$ 196,797,365
Debt mutual funds	110,465,864
Participant loans receivable	27,025,546
Total Investments	\$ 334,288,775

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION
ASSET ALLOCATION BY INVESTMENT TYPE
As of September 30, 2012**



STATE REQUIREMENTS



**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
 ADDITIONAL STATE OF MICHIGAN REQUIRED INFORMATION
 (COUNTY AND WCAA COMBINED)**

	Type of Plan	Open/Closed	Number of Active Members	Valuation Payroll
PLAN OPTION 1	Defined Benefit	Closed	82	\$5,240,100
PLAN OPTION 2	Defined Benefit	Closed	64	\$3,788,331
PLAN OPTION 3	Defined Benefit	Closed	30	\$2,087,118
PLAN OPTION 4	Defined Contribution	Open	1,970	\$121,520,584
PLAN OPTION 5	Hybrid Plan	Open	1,410	\$78,138,603
PLAN OPTION 6	Hybrid Plan	Closed Unless Collectively Bargained	784	\$58,201,501
Totals			4,340	\$268,976,237

Number of Retirees and Beneficiaries.....5,546

Average Annual Retirement Allowance.....\$23,365

Total Annual Retirement Allowances Being Paid.....\$129,581,603

Further information about the Retirement System can be found at www.wcers.org on the reporting tab, including Audited Financials, Annual Actuarial Valuation and previous years reports.



**WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS'
RETIREMENT SYSTEM
ADDITIONAL STATE OF MICHIGAN REQUIRED INFORMATION**

	Type of Plan	Open/Closed	Number of Active Members	Valuation Payroll
Bailiffs	Defined Benefit	Closed	3	\$319,518

Number of Retirees and Beneficiaries.....6
 Average Annual Retirement Allowance.....\$27,286
 Total Annual Retirement Allowances Being Paid.....\$163,716

Further information about the Retirement System can be found at www.wcers.org on the reporting tab, including Audited Financials, Annual Actuarial Valuation and previous years reports.

