



# Wayne County

Employees' Retirement System

Robert J. Grden, Executive Director

Summary Annual Report  
For the Plan Year Ending September 30, 2018

RETIREMENT COMMISSION  
EMPLOYEE MEMBERS  
Henry Wilson, Chair  
Cassandra McDonald  
Frank Simone  
Tom Yee

RETIREE MEMBERS  
Hugh S. Macdonald  
Elizabeth Misuraca

EX-OFFICIO MEMBERS  
Warren C. Evans  
Wayne County Executive  
Richard Kaufman  
Designated Representative  
Alisha Bell, 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

September 30, 2019

The Honorable Wayne County Executive, Honorable Wayne County Commission, Wayne County Airport Authority Chief Executive Officer, Honorable Third Circuit Court Chief Judge, Members, Participants, Beneficiaries, and Retirement Commission.

Ladies and Gentlemen:

On behalf of the Retirement Commission, I am pleased to present the Wayne County Employees' Retirement System Summary Annual Report for the fiscal year ending September 30, 2018. Although this report covers only the 2018 fiscal year, it is important to view the growth and progress of the Retirement System in historical context. To help understand how far the system has come over the last decade, I have completed a ten-year historical review of the Retirement System with the period ending September 30, 2018, that may be viewed on [www.wcers.org](http://www.wcers.org) reporting tab.

While serving as the Executive Director of the Wayne County Employees' Retirement System ("Retirement System"), I have had the privilege of working with the Retirement Commission to oversee the management and operation of the Retirement System. During that time we have worked diligently and, in spite of significant obstacles, found new and innovative ways to improve the fiscal health of the Retirement System while increasing transparency and reducing costs.

As the most populous county in the State of Michigan, and the 19<sup>th</sup>- most populous county in the United States, nearly two million individuals call Wayne County home. To help its employees get ready for their Day One of retirement (and all the days that will follow), Wayne County and the Wayne County Airport Authority (WCAA) offer a Defined Benefit Plan, Defined Contribution Plan, 457 Deferred Compensation Plan, and a 457 FICA Alternative Plan, which are administered by the Retirement Commission.

The Retirement Commission and I continue to look for new opportunities to improve the financial well-being of the employees and retirees who participate in the Retirement System's Defined Contribution Plan. One of the most important decisions a member can make (but is often overlooked) is who to designate as their beneficiary for their defined contribution and deferred compensation accounts.

In 2018, we decided to renew our efforts to ensure that employees did not overlook the importance of making or revising their beneficiary designations. The messaging used was simple; the campaign, multi-channel and effective. At the center of it all was a direct-mail outreach in the form of a flyer that was developed. Many experts will note that, with respect to any type of campaign that involves behavior modification or action on a recipient's part, a positive response rate of 3%, 4% or 5% is considered a successful outcome. By keeping those baseline percentages in mind, we are proud to inform you the action rate results of 15.6% from Wayne County and 29.7% from the Wayne County Airport Authority. This successful campaign received consideration for the Leadership Award from the National Association of Government Defined Contribution Administrators (NAGDCA). Although WCERS did not win the award, our members and beneficiaries are the ultimate winners from this campaign.

When it comes to finding new and innovative ways to help our members, we are always striving to do more and make sure every employee can feel secure in his or her future. For example, after the collapse of the markets following the Great Recession, the value of the assets of the Defined Benefit Plan dropped below \$700 million and the Plan's funding level fell to only 45%, creating an unfunded actuarial accrued liability of over \$988 million. The Retirement Commission and I had the arduous task of increasing the Defined Benefit Plan's funding level in spite of growing payroll demands, increasing liabilities and shrinking assets.

To address the financial position of the Defined Benefit Plan, under the Retirement Commission's leadership, I worked with staff to update existing policies and adopt new policies relating to governance, administration and investment. Our policies focused on increasing efficiency and implementing best practices that were codified in our industry leading Policy Codification. Our focus on increasing productivity through innovative management strategies has dramatically reduced costs and fees and helped increase the overall funding level of the Retirement System.

Accordingly, as a result of our efforts and in spite adopting more conservative actuarial assumptions in 2016 that resulted in an increase to the Defined Benefit Plan's projected liabilities, the Retirement System's financial outlook has improved dramatically over the last eight years. While making over \$945 million in benefit payments and distributions we were still able to add \$313 million in assets to the Defined Benefit Plan, increasing the funding level from 45% to 63% during my tenure as Executive Director. This past year the Defined Benefit Plan paid out \$135 million in benefit payments and distributions and, in spite of the volatile global markets, experienced a 6.24% net rate of return.

This report is being submitted by the Retirement Commission in accordance with the Wayne County Code of Ordinances and Michigan Public Act 314 of 1965, as amended, setting forth the various activities of the Retirement System as on September 30, 2018.

For ease of reading, where applicable the WCAA data has been combined within this report unless otherwise noted. The Third Circuit Court data is always included with Wayne County in this report. The WCAA Valuation includes only the post-2002 retiree liability. Both the County and the WCAA valuations now include a schedule detailing the shared responsibility for the pre-2002 retiree liability. This report contains information on both the Defined Benefit and the Defined Contribution Plans.

Trust is the foundation of any meaningful partnership, and Wayne County, Third Circuit Court and the Wayne County Airport Authority depend on the hardworking men and women who carry out essential functions. We will continue to work diligently to ensure that each and every Member and Participant of the Retirement System can retire in dignity with economic security.

Sincerely,

*Robert Grden*

Robert J. Grden  
Executive Director



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**FIDUCIARIES OF THE RETIREMENT COMMISSION**

*Elected Employee Members*

<b>Frank Simone, Chair</b>	Term Expires December 31, 2018
<b>Henry Wilson</b>	Term Expires December 31, 2019
<b>Tina Turner</b> Resigned May 30, 2018	Term Expires December 31, 2020
<b>Tom Yee</b>	Term Expires December 31, 2021

*Elected Retiree Members*

<b>Hugh S. Macdonald</b>	Term Expires December 31, 2018
<b>Elizabeth Misuraca</b>	Term Expires December 31, 2020

*Ex-Officio Members*

<b>Richard Kaufman</b> Replaced Tony Saunders July 23, 2018	Wayne County Executive Designee
<b>Gary Woronchak</b>	Chairperson, Wayne County Commission

**RETIREMENT STAFF (NON-FIDUCIARIES)**

Executive Director.....	Robert J. Grden
Deputy Director.....	Gerard J. Grysko
Department Executive.....	Todd J. Pickett
Division Director.....	Tina Turner
Compliance Officer.....	Annie Hussein, Esq.

**RETIREMENT SYSTEM SERVICE PROVIDERS**

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

**Attorneys**.....  
 Allen Brothers, P.L.L.C. Plunkett Cooney, P.C.  
 Kilpatrick and Associates, P.C. Robbins Geller Rudman and Dowd, L.L.P.  
 Kirby McInerney L.L.P. VanOverbeke, Michaud & Timmony, P.C.  
 Labaton Sucharow L.L.P. Wayne County Corporation Counsel  
 Miller Law P.C. Zwerling, Schachter & Zwerling, L.L.P.

**Auditor**.....George Johnson & Company

**Investment Consultants**.....AndCo Consulting  
 UBS Financial Services, Inc.  
 Titan Wealth Advisors of Sigma Planning Corporation

**Custodian of Assets**.....Northern Trust

**Defined Contribution Record keeper**..... Prudential Financial

**Financial Institutions**.....Bank of America  
 JP Morgan Chase  
 Northern Trust

**Medical Director**.....Dr. Andrew Vosburgh, M.D.

**Investment Managers** .....  
 AEW Capital Management, L.P. Morgan Stanley Real Estate Advisor, Inc. (Prime Property Fund)  
 Capital Dynamics, Inc. Mt. Lucas Management Corp.  
 Crescent Capital Group, L.P. Northern Trust Investments  
 Deroy & Devereaux Northpointe Capital, L.L.C.  
 Dune Real Estate Manager, L.L.C. Providence/Benefit Street Partners, L.L.C.  
 Earnest Partners, L.L.C. Reinhart Partners  
 Entrust Capital Rizvi Traverse Management, L.L.C.  
 Fisher Investments Institutional Group Seizert Capital Partners, L.L.C.  
 HGK Asset Management Inc. Seminole Advisory Services, L.L.C.  
 Landmark Realty Advisors, L.L.C. SIT Investment Associates, Inc.  
 Lazard Asset Management, L.L.C. Stepstone Group, L.P. (FKA Citigroup Capital Partners)  
 Lee Munder Capital Group Steward Capital Management  
 Lightstone REIT TerraCap Management, L.L.C.  
 Loomis, Sayles & Company Tortoise Capital Advisors, L.L.C.  
 Mesirow Financial Services, Inc. UBS Financial Services, Inc.  
 Valstone Partners V, L.L.C.

FINANCIAL  
SECTION  
&  
REQUIRED  
SUPPLEMENTARY  
INFORMATION

## FINANCIAL SECTION - PREFACE

The independent auditing firm of George Johnson & Company has audited the financial statements of the following plans:

- Wayne County Employees' Retirement System Defined Benefit Plan
- Wayne County Employees' Retirement System Defined Contribution Plan

An electronic version of the complete financial statements can be found at [www.wcers.org](http://www.wcers.org) on the reporting tab.

The financial section of this annual report will include Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position for each of the retirement plans noted above. Additionally, this section will highlight financial activity for the fiscal year ended September 30, 2018 for each set of financial statements. The financial information was obtained from the audited financial statements dated February 7, 2019, but these summaries were not audited by the independent auditors. Required supplementary information follows the financial statements as necessary.

The Wayne County, Third Circuit Court, and Wayne County Airport Authority data are all combined unless otherwise noted. The Third Circuit Court data is always included with Wayne County in this report.

## WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

### *Statements of Fiduciary Net Position*

The Wayne County Employees' Defined Benefit Plan's (DB Plan) total net position increased by \$87.3 million over the course of the plan year. The increase was primarily attributable to additional employer contributions and higher investment value. The overall rate of return on investments gross of fees was a gain of 6.71% and 12.28% for the years ended September 30, 2018 and 2017, respectively. Assets are held in trust and restricted to meet future benefit payments.

### *Statements of Changes in Fiduciary Net Position*

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

- Total additions to net position, excluding appreciation in the fair value of investments, increased by \$83.8 million from \$98.5 million for the year ended September 30, 2017 to \$182.3 million for the year ended September 30, 2018. The current year increase was primarily due to the increase in employer contributions compared to the prior year.
- Total contributions for 2018 increased by \$83.8 million from those of the prior year. Employer contributions were made at the actual rate of 115.05% (\$151.9 million) and 52.73% (\$68.2 million) of covered payroll during the years ended September 30, 2018 and 2017, respectively. Employee contributions totaled \$10.3 million and \$9.2 for the years ended September 30, 2018 and 2017, respectively. The County also made contributions totaling \$1.8 million and \$2.9 million to fund a stipend benefit paid to pre-Medicare retirees for the years ended September 30 2018 and 2017, respectively. The County's contribution rate increased from 46.72% in 2017 to 52.99% in 2018, which increased employer required contributions by \$7.6 million and the County contributed an additional \$83.0 million and \$10.0 million above the required contribution for the years ended September 30, 2018 and 2017, respectively. The WCAA's actuarially determined contribution rate increased from 20.53% for 2017 to 24.63% for 2018, which increased employer contributions. The WCAA made an additional \$0.3 million in employer contributions to the Plan to apply to its unfunded liability for the year ended September 30, 2017, while no additional contributions were made for the year ended September 30, 2018. WCAA contributed an additional \$6.6 million to the Plan to apply to the combined pre-2002 retiree unfunded liability, \$2.2 million more than the prior year. Member contributions increased as County payroll contributions, annuities and time purchases increased during the current year.
- Other investment income (including securities lending income) totaled \$0.5 million and \$2.3 million for the years ended September 30, 2018 and 2017, respectively. The decrease was due to a settlement payment of \$1.6 million the DB Plan received during the prior year. Investment expense totaled \$3.1 million and \$3.2 million for the years ended September 30, 2018 and 2017, respectively.
- The change in the fair value of investments was favorable for the current year. The fair value of investments had a net appreciation of \$44.0 million and \$83.8 million for the years ending September 30, 2018 and 2017, respectively. The net appreciation is attributable to the improving financial markets and the resultant investment performance at the end of the year.
- The deductions of the DB Plan include the payment of pension benefits to members and beneficiaries and the costs of administering the DB Plan. Total deductions of \$139.0 million for the year ended September 30, 2018 were consistent with the prior year's deductions of \$142.6 million.

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM  
DEFINED BENEFIT PLAN  
STATEMENTS OF FIDUCIARY NET POSITION**

**September 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Assets:</b>		
Investments, at fair value or net asset value:		
Equity investments	\$ 501,470,725	\$ 470,973,358
Fixed income investments	115,206,556	117,957,676
Money market funds	81,728,174	44,231,580
Other investments	293,621,893	281,901,356
Total Investments	992,027,348	915,063,970
Other assets:		
Equity in Wayne County pooled cash	18,598,952	6,528,631
Due from other Wayne County funds	20,833	-
Due from broker for securities sold	644,641	1,071,154
Accrued interest and dividends	371,232	382,682
Prepaid expense	18,998	26,853
Total Other Assets	19,654,656	8,009,320
<b>Total Assets</b>	<b>1,011,682,004</b>	<b>923,073,290</b>
<b>Liabilities:</b>		
Accounts and contracts payable	699,274	741,582
Due to other Wayne County funds	-	2,865
Due to broker for securities purchased	2,297,915	972,752
Accrued wages and benefits	113,669	127,649
<b>Total Liabilities</b>	<b>3,110,858</b>	<b>1,844,848</b>
<b>Net Position Restricted for Pensions</b>	<b>\$ 1,008,571,146</b>	<b>\$ 921,228,442</b>

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM  
DEFINED BENEFIT PLAN  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
For the Years Ended September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Additions</b>		
Contributions:		
Employer	\$ 153,719,388	\$ 71,052,048
Members	10,286,435	9,199,085
<b>Total Contributions</b>	<u>164,005,823</u>	<u>80,251,133</u>
Investment income:		
Net appreciation in fair value of investments	43,983,255	83,763,276
Interest	13,805,555	12,610,536
Dividends	7,109,697	6,548,302
Securities lending income	199,502	271,647
Other investment income	340,979	1,989,256
<b>Total Investment income</b>	<u>65,438,988</u>	<u>105,183,017</u>
Less: Investment expenses	<u>(3,144,555)</u>	<u>(3,156,646)</u>
<b>Net Investment income</b>	<u>62,294,433</u>	<u>102,026,371</u>
<b>Total Additions</b>	<u><b>226,300,256</b></u>	<u><b>182,277,504</b></u>
<b>Deductions</b>		
Participant benefit payments and distributions	136,432,380	139,888,098
Administrative expenses	2,525,172	2,676,532
<b>Total Deductions</b>	<u><b>138,957,552</b></u>	<u><b>142,564,630</b></u>
<b>Change in Net Position Restricted for Pensions</b>	<b>87,342,704</b>	<b>39,712,874</b>
<b>Net Position Restricted for Pensions</b>		
Beginning of Year	<u>921,228,442</u>	<u>881,515,568</u>
<b>End of Year</b>	<u><b>\$ 1,008,571,146</b></u>	<u><b>\$ 921,228,442</b></u>



**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM  
DEFINED BENEFIT PLAN  
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER  
For the Year Ended September 30, 2018**

	<u>Charter County of Wayne, Michigan</u>	<u>Wayne County Airport Authority</u>	<u>Total</u>
<b>Additions:</b>			
Contributions:			
Employer (see Notes B and C)	\$ 139,854,103	\$ 13,865,285	\$ 153,719,388
Members	9,940,990	345,445	10,286,435
Total Contributions	149,795,093	14,210,730	164,005,823
Net investment income	54,237,461	8,056,972	62,294,433
<b>Total Additions</b>	<b>204,032,554</b>	<b>22,267,702</b>	<b>226,300,256</b>
<b>Deductions:</b>			
Participant benefit payments and distributions	127,750,254	8,682,126	136,432,380
Administrative expenses	2,198,573	326,599	2,525,172
<b>Total Deductions</b>	<b>129,948,827</b>	<b>9,008,725</b>	<b>138,957,552</b>
<b>Changes in Net Position Before Transfers</b>	<b>74,083,727</b>	<b>13,258,977</b>	<b>87,342,704</b>
Transfer of Contribution for Pre-2002 Retirees (see Note C)	6,600,000	(6,600,000)	-
<b>Changes in Net Position Restricted for Pensions</b>	<b>80,683,727</b>	<b>6,658,977</b>	<b>87,342,704</b>
<b>Net Position Restricted for Pensions</b>			
Beginning of year (see Note D)	799,760,739	121,467,703	921,228,442
<b>End of year</b>	<b>\$ 880,444,466</b>	<b>\$ 128,126,680</b>	<b>\$ 1,008,571,146</b>

Note A: 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 Pension Ordinance. Administrative expenses are financed through investment earnings.

Note B: Employer contributions from the Charter County of Wayne, Michigan (the "County") on the Schedule include an additional \$83.0 million in employer contributions made by the County to apply to its unfunded liability for the year ended September 30, 2018. No additional employer contributions were made by the Wayne County Airport Authority ("WCAA") to apply to its unfunded liability for the year ended September 30, 2018.

Note C: Employer contributions from WCAA on the Schedule include an additional \$6.6 million in employer contributions to the Plan to apply to the unfunded liability of the combined pre-2002 retirees for the year ended September 30, 2018. WCAA has agreed to pay \$4.4 million each year for a total of five years as the theoretical portion of the combined pre-2002 retiree liability related to WCAA retirees as calculated by the Plan's actuary. The combined pre-2002 retiree liability is recorded by the County and is included in the County's contribution rates.

Note D: The Plan adopted Statement of Governmental Accounting Standards ("SGAS") No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective October 1, 2017. As a result of implementing SGAS No. 75, the Plan's fiduciary net position was restated as of October 1, 2017 from \$920,751,833 to \$921,228,442.

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM  
DEFINED BENEFIT PLAN  
GASB STATEMENT 67 REQUIRED SUPPLEMENTARY INFORMATION  
Last Five Years (ultimately building to ten years)**

	2014	2015	2016	2017	2018
<b>Change in Total Pension Liability</b>					
Service cost	\$ 16,358,829	\$ 15,000,163	\$ 10,431,838	\$ 10,891,944	\$ 10,524,448
Interest	122,810,391	122,200,908	111,275,067	110,167,298	112,568,204
Changes of benefit terms	9,798,361	-	(141,296,225)	-	-
Differences between expected and actual experience	-	(21,264,821)	(532,795)	50,758,944	(4,104,803)
Changes of assumptions and other changes	-	-	-	101,352,130	2,131,112
Benefit payments, including refunds of member contributions	(133,394,978)	(136,008,966)	(139,863,597)	(139,888,098)	(136,432,380)
<b>Change in Total Pension Liability</b>	<u>15,572,603</u>	<u>(20,072,716)</u>	<u>(159,985,712)</u>	<u>133,282,218</u>	<u>(15,313,419)</u>
<b>Total Pension Liability, Beginning</b>	<u>1,644,843,098</u>	<u>1,660,415,701</u>	<u>1,640,342,985</u>	<u>1,480,357,273</u>	<u>1,613,639,491</u>
<b>Total Pension Liability, Ending (a)</b>	<u>1,660,415,701</u>	<u>1,640,342,985</u>	<u>1,480,357,273</u>	<u>1,613,639,491</u>	<u>1,598,326,072</u>
<b>Change in Plan Fiduciary Net Position</b>					
Contributions - employer	80,180,620	111,718,544	103,337,465	71,052,048	153,719,388
Contributions - member	8,521,719	11,370,680	10,734,600	9,199,085	10,286,435
Net investment income	80,199,536	25,164,638	79,649,792	102,026,371	62,294,433
Benefit payments, including refunds of member contributions	(133,394,978)	(136,008,966)	(139,863,597)	(139,888,098)	(136,432,380)
Administrative expense	(2,811,484)	(3,014,195)	(2,321,879)	(2,676,532)	(2,525,172)
<b>Change in Plan Fiduciary Net Position Before Asset Transfer</b>	<u>32,695,413</u>	<u>9,230,701</u>	<u>51,536,381</u>	<u>39,712,874</u>	<u>87,342,704</u>
<b>Transfer of Bailiffs' Plan Assets</b>	<u>-</u>	<u>-</u>	<u>5,670,643</u>	<u>-</u>	<u>-</u>
<b>Change in Plan Fiduciary Net Position</b>	<u>32,695,413</u>	<u>9,230,701</u>	<u>57,207,024</u>	<u>39,712,874</u>	<u>87,342,704</u>
<b>Plan Fiduciary Net Position, Beginning</b>	<u>782,382,430</u>	<u>815,077,843</u>	<u>824,308,544</u>	<u>881,515,568</u>	<u>921,228,442</u>
<b>Plan Fiduciary Net Position, Ending (b)</b>	<u>815,077,843</u>	<u>824,308,544</u>	<u>881,515,568</u>	<u>921,228,442</u>	<u>1,008,571,146</u>
<b>Employers' Net Pension Liability, Ending (a)-(b)</b>	<u>\$ 845,337,858</u>	<u>\$ 816,034,441</u>	<u>\$ 598,841,705</u>	<u>\$ 692,411,049</u>	<u>\$ 589,754,926</u>
Plan fiduciary net position as a percentage of the total pension liability	49.09%	50.25%	59.55%	57.09%	63.10%
Covered-employee payroll	\$ 151,536,413	\$ 147,363,016	\$ 140,222,696	\$ 129,283,884	\$ 132,030,801
Employers' net pension liability as a percentage of covered payroll	557.84%	553.76%	427.06%	535.57%	446.68%

\*GASB 67 was effective for the financial statements for fiscal years beginning after June 15, 2013

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM  
DEFINED BENEFIT PLAN  
GASB STATEMENT 67 REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Investment Returns  
Last Six Fiscal Years (ultimately building to ten years)**

Fiscal Year Ended September 30,	Annual Money-Weighted Rate of Return, Net of Investment Expense*
2013	14.09%
2014	8.33%
2015	0.70%
2016	9.82%
2017	11.95%
2018	6.12%

\*As calculated by our Custodian, Northern Trust. (Internal Rate of Return)

**Schedule of Employer Contributions  
Last Five Fiscal Years (ultimately building to ten years)**

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
9/30/2014	\$ 68,772,171	\$ 80,180,620	\$ (11,408,449)	\$ 151,536,413	52.91%
9/30/2015	\$ 65,289,481	\$ 79,505,999	\$ (14,216,518)	\$ 147,363,016	53.95%
9/30/2016	\$ 70,708,723	\$ 101,264,065	\$ (30,555,342)	\$ 140,222,696	72.22%
9/30/2017	\$ 53,549,811	\$ 68,176,195	\$ (14,626,384)	\$ 129,283,884	52.73%
9/30/2018	\$ 62,347,690	\$ 151,905,122	\$ (89,557,432)	\$ 132,030,801	115.05%

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

The Retirement System funding rate increased from 55% in 2017 to 62% in 2018 for Wayne County and from 71% in 2017 to 72% in 2018 for the Wayne County Airport Authority. The following factors that have impacted the DB Plans are:

- The Retirement Systems Actuary completed an Experience Study for the DB Plans encompassing the time period from October 1, 2010 to September 30, 2015. The Study is a review of past experience of economic assumptions and demographics. The Study can be found on [www.wcers.org](http://www.wcers.org) reporting tab. Based on the results of the experience Study, the Actuary recommended changes to several assumptions, including;
  - Withdrawal Rate
  - Inflation
  - Expected Normal (unreduced) Retirements
  - Expected Early (reduced) Retirements
  - Expected Pay Increases
  - Mortality Rates for Active and Retired Members and Participants
  - Assumed Investment Return
- The adoption of Mortality table RP-2014 with MP-2016 projection scale, which was recommended by the Actuary, caused an increase to plan liabilities resulting in a decrease of funded rate. The Assumed Rate of Return was also decreased from 7.75% to 7.25%, which increased the plan liabilities.
- The Retirement System's Actuary calculated Recognized Rate of Return was 7.00% and slightly under the 7.25% Assumed Rate of Return.
- Fixed income investment returns have been relatively flat since 2008.
- Equity market investment returns experienced strong growth for 2018.
- Detail investment activity for 2018 can be found starting on page 24.
- The increasing rate of longevity of members in our DB Plan continues to impact the current and future funding levels.

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

**Wayne County / Third Circuit**

- The County Administration, using its authority under the Consent Agreement entered into by and between Wayne County and Michigan State Treasurer N.A. Khouri on August 21, 2015 negotiated and imposed new contractual terms and conditions of employment on represented employees effective October 1, 2015. The contract terms reduced the multiplier from as high as 2.65% to 1.25% for all future years post October 1, 2015.
- For all years of County service earned post October 1, 2015, the Average Final Compensation (AFC) shall be computed using the last 10 years of base wage pay history, instead of utilizing the highest years of service with overtime, sick, and vacation accruals included.
- The County eligibility for 25 years of service or 30 years of service without an age requirement was changed to a minimum age requirement of age 62, although an early pickup at age 55 is available at an actuarial reduced rate.
- The County police unions can retire at age 55 with the service eligibility without a reduced actuarially rate.
- A change in the County maximum duty disability pension benefit from a flat rate of 75% of the best 4 years of average final compensation to an accelerated rate at 1.25% of AFC to age 60 with a maximum benefit of 60 % with a pre October 1, 2015 benefit and a post October 1, 2015 benefit. Non-duty disabilities were also capped at 60% of AFC.
- Wayne County Third Circuit Court employees in JAA and GAA unions were frozen as of October 1, 2016.
- Wayne County included an additional \$83.0 million in employer contributions to the DB Plan for 2018.
- Wayne County included an additional \$10.0 million in employer contributions to the DB Plan for 2017.
- Wayne County included an additional \$22.2 million in employer contributions to the DB Plan for 2016.

**Wayne County Airport Authority**

- The Wayne County Airport Authority had its 4<sup>th</sup> separate Annual Actuarial Valuation done as of September 30, 2018; prior to the September 30, 2015 report all reports were a combined County/Airport report.
- The Wayne County Airport Authority made an additional \$6.6 million in employer contributions to the Plan to apply to the unfunded liability of the combined pre-2002 retirees for the year ended September 30, 2018 and an additional \$4.4 million for the year ended September 30, 2017. The WCAA has agreed to pay \$4.4 million each year for a total of five years as the theoretical portion of the combined pre-2002 retiree liability related to WCAA retirees as calculated by the Plan's actuary. After the five year period, the resulting UAAL, if any, would either be paid in a lump sum or amortized in a manner to be determined at that time. The combined pre-2002 retiree liability is recorded by the County and included in the County's contribution rates.
- WCAA included an additional \$0.0 million in employer contributions to the DB Plan for 2018.
- WCAA included an additional \$0.3 million in employer contributions to the DB Plan for 2017.
- WCAA included an additional \$4.0 million in employer contributions to the DB Plan for 2016.

A historical DB Plan review with further details can be found at [www.wcers.org](http://www.wcers.org) on the reporting tab.

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM  
DEFINED BENEFIT PLAN  
SUMMARY OF ACTUARIAL ASSUMPTIONS**

**September 30, 2018**

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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, 2018
Actuarial cost method.....	Entry Age Normal
Amortization method	
County .....	Level percent of payroll
WCAA .....	Level dollar
Base UAAL remaining amortization period.....	16 years (closed)
Asset valuation method.....	4-year smoothed market, 20% corridor
Actuarial assumptions:	
Investment rate of return	
County and WCAA.....	7.25%*
Projected salary increases	
County.....	3.00%–12.15%*
WCAA.....	3.00%–13.15%*
Cost-of-living adjustments.....	N/A
Actuarial assumed rate of long term wage inflation.....	3.00%

\*Includes wage inflation at 3.00%

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

	Valuation Measurement Date 9/30/2016		Valuation Measurement Date 9/30/2017		Valuation Measurement Date 9/30/2018	
	County	WCAA	County	WCAA	County	WCAA
	Rate used during FYE 9/30/18	Rate used during FYE 9/30/18	Rate used during FYE 9/30/19	Rate used during FYE 9/30/19	Rate used during FYE 9/30/20	Rate used during FYE 9/30/20
<b>Normal Cost</b>	9.71%	8.10%	9.05%	8.03%	9.56%	8.07%
<b>Less Portion Paid by Members *</b>	-7.40%	-1.16%	-6.98%	-1.10%	-7.24%	-1.05%
<b>Employer Defined Benefit Normal Cost</b>	2.31%	6.94%	2.07%	6.93%	2.32%	7.02%
<b>Unfunded Actuarial Accrued Liability</b>	50.68%	17.69%	50.19%	18.68%	45.34%	19.77%
<b>Total Computed Employer Rate</b>	<u>52.99%</u>	<u>24.63%</u>	<u>52.26%</u>	<u>25.61%</u>	<u>47.66%</u>	<u>26.79%</u>

Contribution Type	Contribution Rates			Valuation Projected Payroll		
	County	WCAA	Combined	County	WCAA	Combined
Employer's Normal Cost	2.32%	7.02%	3.24%	\$109,694,289	\$26,848,174	\$136,547,469
Employer's Total Rate	47.66%	26.79%	43.56%	\$109,694,289	\$26,848,174	\$136,547,469
Weighted Average of Member Contributions *	7.24%	1.05%	6.02%	\$109,694,289	\$26,848,174	\$136,547,469

WCAA - Wayne County Airport Authority  
\* Weighted average of the various contribution rates.

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

	<u>2018</u>	<u>2017</u>
Personnel Services:		
Staff Salaries	\$ 891,648	\$ 976,547
Other Fringe Benefits	243,802	253,791
Retirement Benefits	358,575	313,137
Total	<u>1,494,025</u>	<u>1,543,475</u>
Building and Equipment:		
Building Rent	214,728	200,557
Equipment, Equipment Rent and Maintenance	13,746	13,975
Utilities	5,245	6,241
Total	<u>233,719</u>	<u>220,773</u>
Professional Service		
Actuary Fees	157,532	252,020
Audit Fees	24,633	37,885
Consultant Fees	170,681	108,979
Fiduciary Insurance	117,700	112,609
Medical Director	9,500	8,075
Miscellaneous Fees	4,825	35,704
Total	<u>484,871</u>	<u>555,272</u>
Miscellaneous		
Office Supplies	15,542	19,513
Postage, Dues, Membership, and Other	29,496	36,908
Printing	9,166	10,512
Training, Travel and Board Meeting - Trustees	38,127	35,585
Training, Travel and Board Meeting - Staff	20,606	28,684
Wayne County Chargebacks	315,238	350,342
Operating Expenses Allocated to other Plans	(115,618)	(124,532)
Total	<u>312,557</u>	<u>357,012</u>
Total Administrative Expenses	<u>\$ 2,525,172</u>	<u>\$ 2,676,532</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**

	<b>2018</b>	<b>2017</b>
Professional Service		
Attorney Fees	\$ 307,540	\$ 359,810
Consultant Fees	250,000	255,000
Custodian Fees	136,087	140,666
Management Fees	2,450,928	2,401,170
Total	\$ 3,144,555	\$ 3,156,646

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  
BUDGETS**

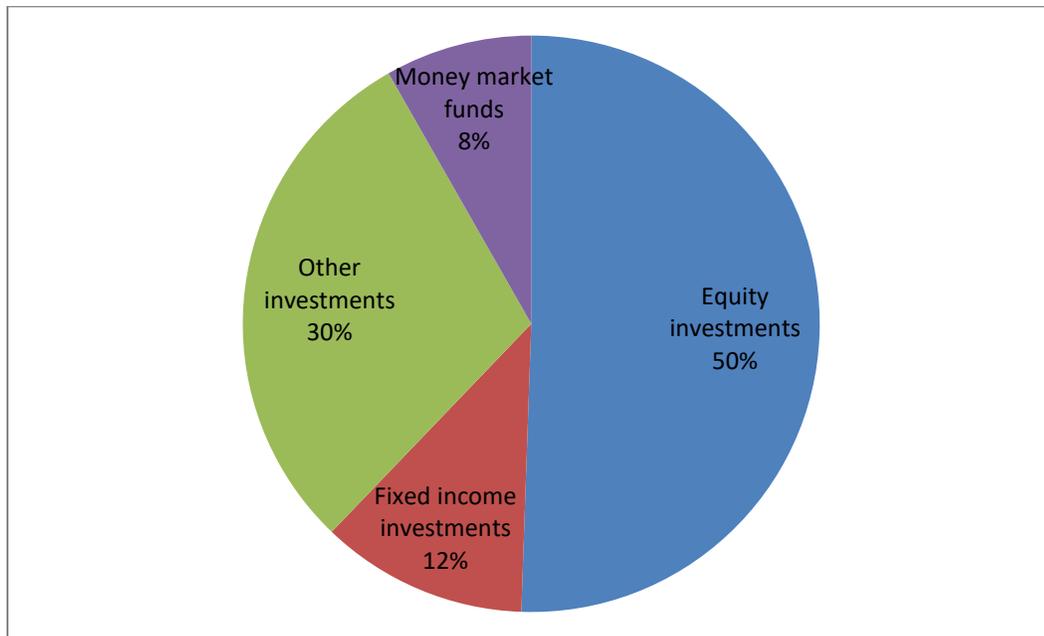
	<b>FY 2018 Budget</b>	<b>FY 2018 Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>FY 2019 Budget</b>
<b>Revenue</b>				
Interest & Dividends	\$7,626,900	\$20,915,252	\$13,288,352	\$7,626,900
<b>Total Budgeted Revenue</b>	<b>\$7,626,900</b>	<b>\$20,915,252</b>	<b>\$13,288,352</b>	<b>\$7,626,900</b>
<b>Expense</b>				
Personnel Services:				
Staff Salaries	\$1,485,620	\$1,096,790	\$388,830	\$1,605,369
Other Fringe Benefits	498,679	306,145	192,534	467,752
Retirement Benefits	392,849	443,955	(51,106)	442,279
Reimbursed Expenses*	-	(352,865)	352,865	-
<b>Total</b>	<b>2,377,148</b>	<b>1,494,025</b>	<b>883,123</b>	<b>2,515,400</b>
Building and Equipment:				
Building Rent	250,000	214,728	35,272	250,000
Equipment, Equipment Rent and Maintenance	156,000	13,746	142,254	66,000
Utilities	8,000	5,245	2,755	8,000
Depreciation	2,000	-	2,000	-
<b>Total</b>	<b>416,000</b>	<b>233,719</b>	<b>182,281</b>	<b>324,000</b>
Professional Service				
Investment & Miscellaneous Expenses	4,042,332	3,462,394	579,938	3,912,468
Actuary	160,000	157,532	2,468	175,000
Medical Director	15,000	9,500	5,500	15,000
<b>Total</b>	<b>4,217,332</b>	<b>3,629,426</b>	<b>587,906</b>	<b>4,102,468</b>
Miscellaneous				
Office Supplies	26,035	15,542	10,493	30,000
Postage, Dues, Membership, and Other	77,520	29,496	48,024	76,920
Printing	30,000	9,166	20,834	30,000
Training, Education & Travel-Trustees	66,000	38,127	27,873	70,500
Training, Education & Travel-Staff	30,000	20,606	9,394	25,500
Wayne County Chargebacks	386,865	315,238	71,627	452,112
Reimbursed Expenses*	-	(115,618)	115,618	-
<b>Total</b>	<b>616,420</b>	<b>312,557</b>	<b>303,863</b>	<b>685,032</b>
<b>Total Budgeted Expenses</b>	<b>\$7,626,900</b>	<b>\$5,669,727</b>	<b>\$1,957,173</b>	<b>\$7,626,900</b>
<b>Change in Budgeted Net Assets</b>	<b>\$ -</b>	<b>\$15,245,525</b>	<b>\$15,245,525</b>	<b>\$ -</b>

\*Administrative expenses reimbursed by the Defined Contribution Plan.

**WAYNE COUNTY EMPLOYEE'S RETIREMENT SYSTEM  
DEFINED BENEFIT PLAN  
MARKET VALUE BY INVESTMENT TYPE  
As of September 30, 2018**

<b>Investment Type</b>	<b>Market Value at 9/30/2018</b>
Equity investments	\$ 501,470,725
Fixed income investments	115,206,556
Other investments	293,621,893
Money market funds	81,728,174
<b>Total Investments</b>	<b>\$ 992,027,348</b>

**WAYNE COUNTY EMPLOYEE'S RETIREMENT SYSTEM  
DEFINED BENEFIT PLAN  
ASSET ALLOCATION BY INVESTMENT TYPE  
As of September 30, 2018**



**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM  
DEFINED BENEFIT PLAN  
INVESTMENT PERFORMANCE  
RATE OF RETURN-NET OF FEES**

	<b>Rolling Calendar - Year Basis</b>	<b>Fiscal Year Basis</b>
1 Year	-4.95%	6.24%
3 Year	5.62%	9.28%
5 Year	4.53%	7.23%
7 Year	7.27%	9.39%
10 Year	7.31%	6.32%

\*As calculated by our Custodian, Northern Trust

The Retirement System is required by the State of Michigan under Michigan Public Act 314 to show market rate rolling calendar year returns. Because we are based on a fiscal year end of September 30 we have included those numbers for continuity as of September 30, 2018.

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM  
DEFINED BENEFIT PLAN  
REPORT ON INVESTMENT ACTIVITY**

**INTRODUCTION**

The Retirement Commission (Board) for the Wayne County Employees' Retirement System (WCERS) is a fiduciary of the WCERS in accordance with the law. Investment decisions, including investment policies and procedures, are subject to statutory regulations imposed by the Michigan Public Employee Retirement System Investment Act, Public Act 314 of 1965, as amended.

As the fiduciary of the WCERS, the Board's responsibilities include, but are not limited to: (1) establishing an investment policy and asset allocation for the pension fund; (2) prudently selecting investment managers and consultants, and (3) conducting periodic reviews to ensure that its policies are followed and that its investment professionals perform satisfactorily in accordance with established standards and goals.

**INVESTMENT OBJECTIVES**

The WCERS' primary investment objective is to provide a real rate of return, net of inflation, sufficient to support the system's ability to meet its obligations to DB Plan participants and beneficiaries without undue exposure to risk. In absolute terms, this return objective should approximate the WCERS' actuarial assumed rate of return, which is 7.25%. The WCERS seeks to attain investment results over a full market cycle. It does not expect that all investment objectives will be attained in each year and recognizes that over various periods of time the WCERS' investment results may produce "over" or "under" performance relative to broad markets. For this reason, the Retirement Commission takes a LONG-TERM perspective and will measure quantitative investment returns over a 5-year moving period. Investment managers are also expected to meet qualitative performance objectives (adherence to its investment philosophy and the WCERS' policies, continuity of firm personnel and practices, etc.) as established by the Retirement Commission.

The fiscal year ended September 30, 2018 was a year of strong gains across domestic equity markets, offset by near zero returns in international equity markets and fixed income. Investors were faced with four 0.25% fed funds rate hikes through the year and a recurring negotiation over a trade war with China and others. Faced with concerns over increasing tariffs and slowing growth overseas, international equities trailed US equity returns. Continued strong news on economic growth, corporate profitability and lower unemployment led US equity markets higher.

Domestic equity market indices were positive for the fiscal year ended September 30, 2018. Domestic large cap stock market returns represented by the S&P 500 Index were strong, returning +17.9% over the trailing year. Within domestic small cap stocks, the Russell 2000 Small Cap Index gained +15.3%. In contrast to domestic equity, international equity indices were mixed for the fiscal year. In U.S. Dollar (USD) terms, the MSCI EAFE Index gained +2.7% over the last year. The Emerging market index posted a return of -0.8% for the 1- year period.

With a total of four interest rate increases in the Fed Funds rate by the Federal Reserve throughout the year (December 2017, March 2018, June 2018, September 2018) fixed income returns were muted in the rising interest rate environment. The broad Bloomberg Barclays Aggregate Bond Index fell -1.2%. Below investment grade bonds benefitted from the rise in the equity markets, returning +3.0% for the fiscal year. Future rate increases are still expected, which will continue to cause volatility within the fixed income markets. These increases are expected to continue to be at a measured pace, with a close eye on continued economic expansion and inflationary pressures.

On the alternative investment front, Private Real Estate, as measured by the NCREIF Property Index, gained +7.2% as continued strength in the economy drove real estate prices higher. Private equity also returned in a strong year, returning +18.6%. Hedge Funds, given their conservative nature and focus on global markets, returned +3.0% for the year.

## WAYNE COUNTY EMPLOYEE'S RETIREMENT SYSTEM MARKET PERFORMANCE

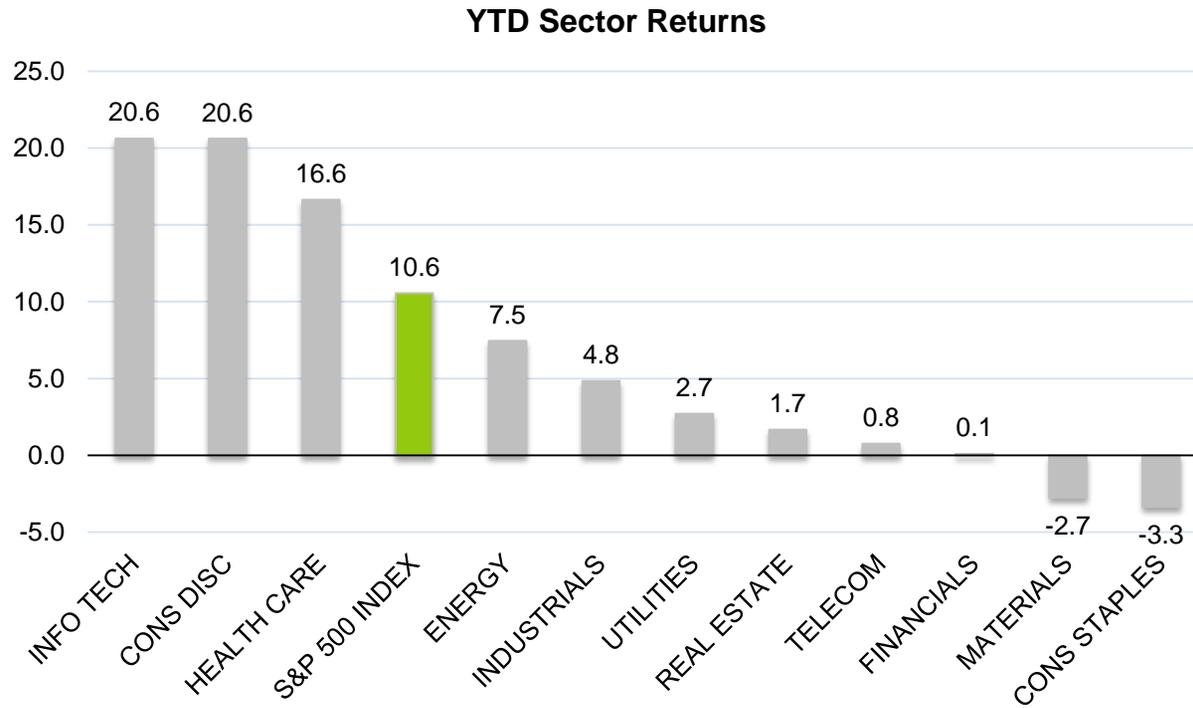
<u>Equities</u>	<u>Index Returns (%)</u>					
	<u>Month</u>	<u>3 M</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Yr Ann</u>	<u>5 Yr Ann</u>
S&P 500 Total Return	0.57	7.71	10.56	17.91	17.29	13.94
Russell Midcap Index	(0.64)	5.00	7.46	13.96	14.49	11.63
Russell 2000 Index	(2.41)	3.57	11.51	15.23	17.09	11.06
Russell 1000 Growth Indx	0.56	9.17	17.09	26.29	20.53	16.57
Russell 1000 Value Index	0.20	5.70	3.91	9.43	13.52	10.70
Russell 3000 Index	0.17	7.12	10.57	17.57	17.05	13.44
MSCI EAFE NR	0.87	1.35	(1.43)	2.74	9.23	4.41
MSCI EM NR	(0.53)	(1.10)	(7.68)	(0.81)	12.35	3.61

<u>Real Estate</u>	<u>Index Returns (%)</u>					
	<u>3 M</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>7 Year</u>	<u>10 Year</u>
NCREIF Index	1.67%	7.16%	7.75%	9.57%	9.98%	6.42%

<u>Fixed Income</u>	<u>Index Returns (%)</u>					<u>Yield to Worst</u>
	<u>Month</u>	<u>3 M</u>	<u>YTD</u>	<u>1 Year</u>	<u>Mod. Adj. Duration</u>	
U.S. Aggregate	(0.64)	0.02	(1.60)	(1.22)	6.03	3.46
U.S. Corporate Investment Grade	(0.36)	0.97	(2.33)	(1.19)	7.24	4.07
U.S. Corporate High Yield	0.56	2.40	2.57	3.05	3.76	6.24
Global Aggregate	(0.86)	(0.92)	(2.37)	(1.32)	6.99	2.15

<u>Key Rates</u>	<u>Levels (%)</u>				
	<u>09/30/18</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
3 Month	2.20	1.38	0.50	0.16	0.04
US 2 Year	2.82	1.88	1.19	1.05	0.66
US 10 Year	3.06	2.41	2.44	2.27	2.17
US 30 Year	3.21	2.74	3.07	3.02	2.75
ICE LIBOR USD 3M	2.40	1.69	1.00	0.61	0.26
Euribor 3 Month ACT/360	(0.32)	(0.33)	(0.32)	(0.13)	0.08
Bankrate 30Y Mortgage Rates Na	4.57	3.85	4.06	3.90	3.99
Prime	5.25	4.50	3.75	3.50	3.25

## WAYNE COUNTY EMPLOYEE'S RETIREMENT SYSTEM MARKET PERFORMANCE



## WAYNE COUNTY EMPLOYEE'S RETIREMENT SYSTEM MARKET PERFORMANCE

<u>Currencies</u>	<u>Levels</u>		
	<u>09/30/18</u>	<u>12/31/17</u>	<u>12/31/16</u>
Euro Spot	1.16	1.20	1.05
British Pound Spot	1.30	1.35	1.23
Japanese Yen Spot	113.70	112.69	116.96
Swiss Franc Spot	0.98	0.97	1.02

<u>Commodities</u>	<u>Levels</u>		
	<u>09/30/18</u>	<u>12/31/17</u>	<u>12/31/16</u>
Oil	73.25	58.38	56.37
Gasoline	2.88	2.49	2.34
Natural Gas	3.01	2.87	2.97
Gold	1,196.20	1,332.90	1,187.30
Silver	14.71	17.47	16.50
Copper	280.50	335.05	252.10
Corn	356.25	384.00	394.75
BBG Commodity TR Idx	176.31	179.96	176.94

### Russell Indices Style Returns

	<u>V</u>	<u>B</u>	<u>G</u>
<b>L</b>	<b>3.9</b>	<b>10.5</b>	<b>17.1</b>
<b>M</b>	<b>3.1</b>	<b>7.5</b>	<b>13.4</b>
<b>S</b>	<b>7.2</b>	<b>11.5</b>	<b>15.7</b>

YTD

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

The Wayne County Employees' Retirement System (WCERS) administers a participant directed Defined Contribution Plan (DC Plan) to provide savings and retirement benefits for County and Wayne County Airport Authority (WCAA) employees participating in the DC Plan. The DC Plan provides a vehicle for employees to save for retirement through payroll deductions, employer contributions, and investment earnings. The DC 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 DC Plan. The intent has always been to work with an open architecture platform that allows WCERS to choose a variety of asset classes from any mutual fund company, thereby ensuring the ability to offer best-in-class investments to their members and participants.

The Retirement Commission continued to retain the services of an investment advisor, the Sterling Institutional Consulting Group of UBS Financial Services, Inc. (UBS). During the period, UBS served as a fiduciary and gave the Retirement Commission investment advice while offering one-on-one investment education and retirement planning to all members and participants. In this capacity, UBS regularly attended new employee orientations for County and WCAA employees.

As part of its ongoing due diligence and review of its service providers, WCERS prepared and submitted a formal Request for Proposal (RFP) to obtain information to assist in reviewing its investment consulting services. After a lengthy evaluation process that included, among other things, careful consideration of numerous proposals and interviews with potential investment consultants, WCERS resolved to retain the services of Titan Wealth Advisors of Sigma Planning Corporation (Titan) to serve as its investment consultant.

As of the close of the fiscal year September 30, 2018, Titan Wealth Advisors had developed and presented a preliminary timeline for consideration by the Retirement Commissioners for a Defined Contribution Plan record keeping RFP. This preliminary plan included a consolidation of record keeping vendors including those available to participants in the Deferred Compensation - 457(b) program as well. The goal of the consolidation initiative was to reduce vendor and investment costs and promote efficiencies available to the Plan participants.

The current Defined Contribution record keeping firm, Prudential Financial, continues to offer a robust set of investment options ranging in scope from low risk to higher risk. They also offer an asset allocation program to all participants known as Goal Maker. This program is an age-based and risk based asset allocation model with three different risk categories; conservative, moderate and aggressive. Participants make their own election in this program.

One of the most important decisions a member can make (but is often overlooked) is who to designate as their beneficiary for their defined contribution and deferred compensation accounts. That is because in the event of the death of the participant, the individual or individuals named as beneficiary will receive the assets in the retirement plan account. Many individuals make a beneficiary designation, but then fail to review it on a regular basis. This can be a major mistake, since life changes (such as marriage, divorce, or death) and other circumstances can signal the need for a change to the beneficiary designation. It is crucial for retirement plan participants to ensure that their beneficiary designation is “keeping up with their life.” If it isn’t, the simple fact is that the wrong individual(s) could receive money that was not intended for them—and those who were *supposed* to receive the decedent’s retirement savings may be left unable to collect those assets or be subject to a potentially long and costly probate process.

Two years ago, in an effort to ensure our employees’ beneficiary designations were both in place and up to date, we revised our Enrollment Guide to emphasize the importance of beneficiary designations, and how easy it is for participants to name or update them, either online or by phone. That was our initial notable focus on this topic. And in 2018, we decided to go even further.

In 2018, we decided to renew our efforts to ensure that employees did not overlook the importance of making or revising their beneficiary designations. The messaging used was simple; the campaign, multi-channel and effective. At the center of it all was a direct-mail outreach in the form of a flyer that was developed to:

- Define what a beneficiary is;
- Explain how beneficiary designations work and why naming one is so important;
- Give step-by-step instructions for electing a beneficiary—and information on who to call for assistance or more information; and
- Stand out from other communications directed to our target audience.

Many employers might have sent out the flyer in the mail or as a link in an HTML email and simply called it a day. But between July 9 and September 10, 2018, we reinforced and reiterated the important messaging in the flyer, by:

- Requesting the assistance of advisors to help get the word out during one-on-one educational meetings with participants;
- Including beneficiary articles in employee / retiree newsletters;
- Attending union meetings and discussing the importance of updating beneficiary information;
- Requesting that the newsletter spotlighting the topic be announced at roll call for Sheriff’s department personnel;
- Emailing beneficiary update reminders;

- Providing and completing beneficiary forms with participants at new employee orientations; and
- Calling employees to inquire about the last time they updated their beneficiary information.

Many experts will note that, with respect to any type of campaign that involves behavior modification or action on a recipient’s part, a positive response rate of 3%, 4% or 5% is considered a successful outcome.

With those baseline percentages in mind, we are proud to inform you of the results of each entity’s beneficiary designation campaign:

<b>Entity</b>	<b>Notified Participants</b>	<b>Participant Responses:</b>	<b>Take-Action Rate:</b>
Wayne County	3,807	594	<b>15.6%</b>
Wayne County Airport Authority	808	240	<b>29.7%</b>

With so many helping to contribute to the success of this campaign—from Wayne County personnel, to our advisor’s representatives and Prudential Retirement® staff—it was true collaboration. Best of all, the costs to execute the campaign were low, yet the results were extremely impressive. We have received positive feedback on the project and look forward to working together to find new and creative ways to continue to help our Members and Participants get the most out of their retirement.

## WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

### *Statements of Fiduciary Net Position*

The Defined Contribution Plan's (DC Plan) total net position increased by approximately \$29.1 million, or 6.9 percent, over the course of the plan year. The DC Plan's total assets of \$449.4 million as of September 30, 2018 were mostly comprised of investments in mutual funds. The net appreciation in fair value of investments for the current year is attributable to the improving financial market and resultant investment performance during the year. Assets are restricted to provide future benefit payments to plan participants.

### *Statements of Changes in Fiduciary Net Position*

- The DC Plan's benefits are funded by contributions from Wayne County (County), the Wayne County Airport Authority (WCAA) and the DC Plan's participants, as specified by the plan option selected, as well as by the investment income earned on the DC Plan's assets.
- Additions to net position, excluding appreciation (depreciation) in the fair value of investments, include contributions made to the DC Plan by the County, WCAA and the Plan's participants, as well as investment income, both of which amounted to \$23.5 million and \$24.0 million at September 30, 2018 and 2017, respectively. Contributions and other investment income have been consistent the last two years.
- The fair value of investments was favorable at the end of the year. Net appreciation in the fair value of investments was \$32.8 million and \$38.1 million for the years ended September 30, 2018, and 2017, respectively. The net appreciation in the fair value of investments for the current year is attributable to the improving financial markets and the resultant investment performance for the current year.
- Total deductions from net position increased by approximately \$0.5 million, from \$26.7 million for the year ended September 30, 2017 to \$27.2 million for the year ended September 30, 2018, which is attributable to higher participant distributions and withdrawals during the current year due to retirements and terminations.

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM  
DEFINED CONTRIBUTION PLAN  
STATEMENTS OF FIDUCIARY NET POSITION**

**September 30, 2018 and 2017**

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

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM  
DEFINED CONTRIBUTION PLAN  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**

**For the Years Ended September 30, 2018 and 2017**

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

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM  
DEFINED CONTRIBUTION PLAN  
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER**

**For the Years Ended September 30, 2018 and 2017**

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

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

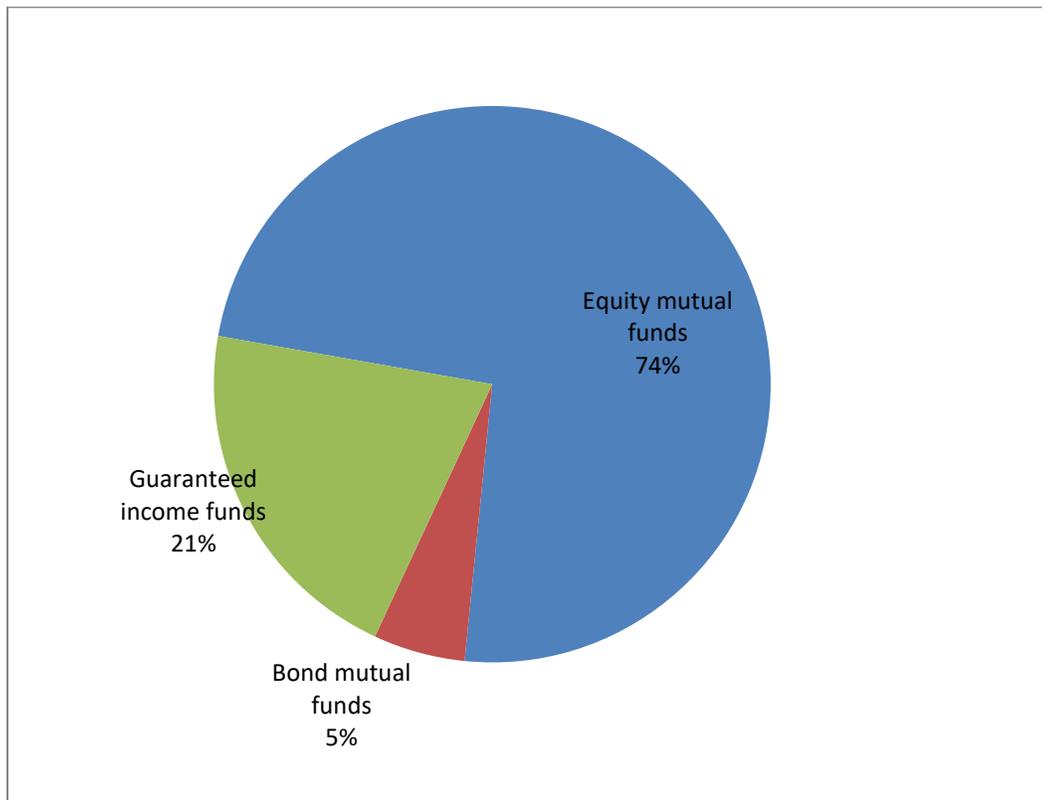
**WAYNE COUNTY EMPLOYEES' RETIRMENT SYSTEM  
DEFINED CONTRIBUTION PLAN  
ADMINISTRATIVE EXPENSES**

	<b>2018</b>	<b>2017</b>
Personnel Services:		
Staff Salaries	\$ 205,142	\$ 184,212
Other Fringe Benefits	62,343	53,366
Retirement Benefits	85,380	64,106
Total	352,865	301,684
Professional Service		
Consultant Fee	39,936	27,911
Audit Fees	18,200	17,035
Total	58,136	44,946
Miscellaneous		
Miscellaneous Fees	22,783	30,776
Allocated Operating Expenses	115,618	124,532
Total	138,401	155,308
Total Administrative Expenses	\$ 549,402	\$ 501,938

**WAYNE COUNTY EMPLOYEE'S RETIREMENT SYSTEM  
DEFINED CONTRIBUTION PLAN  
MARKET VALUE BY INVESTMENT TYPE  
As of September 30, 2018**

<u>Investment Type</u>	<u>Market Value at 9/30/2018</u>
Equity mutual funds	\$ 318,257,503
Bond mutual funds	22,987,106
Guaranteed income funds	<u>89,943,876</u>
<b>Total Investments</b>	<b><u><u>\$ 431,188,485</u></u></b>

**WAYNE COUNTY EMPLOYEE'S RETIREMENT SYSTEM  
DEFINED CONTRIBUTION PLAN  
ASSET ALLOCATION BY INVESTMENT TYPE  
As of September 30, 2018**



**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ADDITIONAL STATE OF MICHIGAN REQUIRED INFORMATION**

Type of Plan	Open/Closed	Number of Active Members			Valuation Payroll		
		County	WCAA	Combined	County	WCAA	Combined
Defined Benefit	Open	2,025	316	2,341	\$103,397,388	\$29,101,990	\$132,499,378
Defined Contribution	Open	1,124	365	1,489	\$79,485,735	\$29,361,134	\$108,846,869
Totals		3,149	681	3,830	\$182,883,123	\$58,463,124	\$241,346,247

Number of Retirees and Beneficiaries

County.....	4,777
WCAA*.....	<u>229</u>
Combined.....	5,006

Average Annual Retirement Allowance

County.....	\$25,840
WCAA*.....	\$39,729
Combined.....	\$26,475

Annual Retirement Allowances Being Paid

County.....	\$123,435,748
WCAA*.....	<u>\$9,097,929</u>
Combined.....	\$132,533,677

<b>Funding Level</b>			
	County	WCAA	Combined
Actuarial Accrued Liabilities	\$1,390,354,840	\$173,783,415	\$1,564,138,255
Actuarial Value of Assets	\$863,172,028	\$125,613,109	\$988,785,137
Unfunded Actuarial Accrued Liabilities	\$527,182,812	\$48,170,306	\$575,353,118
Funded Ratio	62%	72%	63%

\*Includes only members that retired from WCAA after September 2002

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