

# Wayne County Circuit Court Commissioners Bailiffs' Retirement System

Years Ended  
September 30,  
2014 and 2013

Financial  
Statements

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# WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

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## INDEPENDENT AUDITORS' REPORT

February 26, 2015

To the Wayne County Board of Commissioners  
and the Wayne County Retirement Commission  
Detroit, Michigan

### Report on the Financial Statements

We have audited the accompanying statements of plan net position of the *Wayne County Circuit Court Commissioners Bailiffs' Retirement System* (the "Plan"), a pension trust fund of the Charter County of Wayne, Michigan, as of September 30, 2014 and 2013, and the related statements of changes in plan net position for the years then ended and the related notes to the financial statements, which collectively comprise the Plan's financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Independent Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the Plan, as of September 30, 2014 and 2013, and the respective changes in its plan net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Reporting Entity*

As discussed in Note 1, the financial statements present only the Wayne County Circuit Court Commissioners Bailiffs' Retirement System pension trust fund and do not purport to, and do not, present fairly the financial position of the Charter County of Wayne as of September 30, 2014 and 2013, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Implementation of GASB Statement No. 67*

The Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, in the current year. While there was no effect on the amounts reported in the financial statements themselves, there were substantial changes to the disclosures found in Note 6 to the financial statements, including the calculation of the County's net pension liability, which will be required to be recorded by the County in its next fiscal year. Our opinion is not modified with respect to this matter.

*Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the pension information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

# WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

## Management's Discussion and Analysis

This section of the annual report of the Wayne County Circuit Court Commissioners Bailiffs' Retirement System (the "Plan") presents management's discussion and analysis of the Plan's financial performance during the plan years that ended on September 30, 2014, 2013 and 2012. Please read it in conjunction with the Plan's financial statements, which follow this section.

### Financial Highlights

- The Plan's total net position increased by \$346,467, or 6.4 percent, over the course of the current plan year. Trust assets are held to provide future benefit payments.
- The Plan's basic 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. For the current year and each of the last two fiscal years, the funded ratio was more than 100% for pension benefits.
- Total additions to net position, excluding net appreciation, were lower by \$15,299, or 36.1 percent, reducing from \$42,416 for the year ended September 30, 2013 to \$27,117 for the year ended September 30, 2014, due to lower contributions and higher investment expenses.
- The fair value of investments continued to be favorable for the third straight year. The fair value of investments had a net appreciation of \$463,463 for the year ended September 30, 2014 and a net appreciation of \$734,734 for the year ended September 30, 2013, which is attributable to continued improving financial markets and resultant investment performance. There was a net appreciation of \$945,575 for the year ended September 30, 2012.
- Total deductions from net position decreased from \$387,844 for the year ended September 30, 2013 to \$144,113 for the year ended September 30, 2014 due to a refund of a deceased member's contributions and interest to the estate in the prior year. Total deductions from net position for the year ended September 30, 2012 were \$163,716.

### Overview of the Financial Statements

This annual report contains the Plan's financial statements, which consist of the statements of plan net position and statements of changes in plan net position. These financial statements report information about the Plan as a whole using accounting methods similar to those used by private-sector pension plans. The statements of plan net position include all of the Plan's assets and liabilities. All of the current year changes in the Plan's net position are accounted for in the statements of changes in plan net position, regardless of when cash is received or paid.

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

The notes to the financial statements, which begin on page 10, explain some of the information in the financial statements and provide more detailed data. Additional six-year historical trend information, designed to provide information about the Plan's progress in accumulating sufficient assets to pay benefits when due, is presented in the required supplementary information.

# WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

## Management's Discussion and Analysis

### Financial Analysis of the Plan as a Whole

Below are the condensed statements of plan net position as of September 30, 2014, 2013, and 2012:

	Net Position		
	2014	2013	2012
<b>Assets</b>			
Investments	\$ 5,719,648	\$ 5,352,111	\$ 4,915,607
Other assets	33,703	36,084	83,282
<b>Total assets</b>	<u>5,753,351</u>	<u>5,388,195</u>	<u>4,998,889</u>
<b>Liabilities</b>	<u>18,689</u>	<u>-</u>	<u>-</u>
<b>Net position restricted for pensions</b>	<u>\$ 5,734,662</u>	<u>\$ 5,388,195</u>	<u>\$ 4,998,889</u>

The Plan's total assets as of September 30, 2014 were \$5,753,351 and were mostly comprised of investments. Total net position restricted for pension benefits increased by \$346,467, or 6.4%, from the prior year; this increase was primarily due to an overall appreciation in the fair value of investments as of September 30, 2014. The overall rate of return on investments for the year ended September 30, 2014 was a gain of 9.38%, compared to a gain of 16.42% and a gain of 23.84% for the years ended September 30, 2013 and 2012, respectively.

Other assets include \$33,703 of cash and accounts receivable. There were no receivables due from the Plan's broker for securities sold as of September 30, 2014 and 2013, respectively, and there were no liabilities due to the Plan's broker for securities purchased as of September 30, 2014 or 2013. Amounts due to and from the broker, if any, result from security purchase and sale transactions initiated before September 30 but not completed until after October 1.

Below are the condensed statements of changes in plan net position for the years ended September 30, 2014, 2013, and 2012:

	Change in Net Position		
	2014	2013	2012
<b>Additions</b>			
Contributions	\$ 45,168	\$ 49,078	\$ 53,021
Investment income:			
Net appreciation			
in fair value of investments	463,463	734,734	945,575
Other investment income	41,578	45,309	47,464
Investment expenses	(59,629)	(51,971)	(45,410)
<b>Total additions</b>	<u>490,580</u>	<u>777,150</u>	<u>1,000,650</u>
<b>Deductions</b>			
Benefit payments	125,424	387,844	163,716
Administrative expenses	18,689	-	-
<b>Total deductions</b>	<u>144,113</u>	<u>387,844</u>	<u>163,716</u>
<b>Change in net position</b>	<u>346,467</u>	<u>389,306</u>	<u>836,934</u>
<b>Net position restricted for pensions</b>			
Beginning of year	<u>5,388,195</u>	<u>4,998,889</u>	<u>4,161,955</u>
End of year	<u>\$ 5,734,662</u>	<u>\$ 5,388,195</u>	<u>\$ 4,998,889</u>

# WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

## Management's Discussion and Analysis

### Additions to Plan Net Position

The reserves needed to finance pension benefits are accumulated through the collection of employee contributions, contributions from the State of Michigan, and through earnings on investments. The investment return exceeded our assumed rate of return of 7.0%; these results will have a positive effect on the actuarial valuation of the Plan.

Contributions for the year ended September 30, 2014 were \$45,168 compared to contributions of \$49,078 and \$53,021 for the years ended September 30, 2013 and 2012, respectively. Contributions decreased for the current year based on the lower employee contributions due to lower compensation reported for the current year. There were three active plan participants in each of the last three years.

Other investment income for the year ended September 30, 2014 totaled \$41,578 compared to other investment income of \$45,309 and \$47,464 for the years ended September 30, 2013 and 2012. The majority of the Plan's assets are equity mutual funds and, as a result, a large percentage of other investment income includes dividends that are paid to the Plan.

Investment expenses for the year ended September 30, 2014 amounted to \$59,629 compared to investment expenses of \$51,971 and \$45,410 for the years ended September 30, 2013 and 2012, respectively. Investment expenses are fees paid to the Plan's custodian and money managers, based on the basis points of the asset balance. Fees increased from September 30, 2013 to September 30, 2014 because the investment values were higher during most of the current year.

### Net Appreciation

The fair value of investments continued to be favorable for the third straight year. Net appreciation in fair value of investments was \$463,463 for the year ended September 30, 2014, and net appreciation was \$734,734 and \$945,575 for the years ended September 30, 2013 and 2012, respectively. The net appreciation or depreciation in the fair value of investments is added to or deducted from plan net position. The net appreciation in the fair value of investments for the current year is attributable to the improving financial markets and resultant investment performance.

### Deductions from Plan Net Position

The deductions of the Plan include the payment of pension benefits to members and beneficiaries and the costs of administering the Plan. Total payments for the year ended September 30, 2014 were \$144,113 compared to \$387,844 and \$163,716 for the years ended September 30, 2013 and 2012. Benefit payments and distributions were higher in the prior year due to a refund of a deceased member's accumulated contributions and interest.

### Economic Factors

The financial markets have been volatile over the last several years. The current year saw improving financial markets and resultant investment performance. Management believes that the Plan is in a financial position to meet its pension benefit obligations.

### Financial Contact

This financial report is designed to present its users with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the funds it holds. If you have any questions about this report or need additional financial information, contact the Wayne County Employees' Retirement System, 28 West Adams, Suite 1900, Detroit, Michigan 48226.

## BASIC FINANCIAL STATEMENTS

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

**Statements of Plan Net Position**  
September 30, 2014 and 2013

	2014	2013
<b>Assets</b>		
Investments, at fair value (Note 3):		
Equity mutual funds	\$ 5,707,976	\$ 4,916,644
Debt securities	7,224	99,514
Other investments	-	284,950
Money market funds	4,448	51,003
	<hr/>	<hr/>
Total investments	5,719,648	5,352,111
Equity in Wayne County pooled cash (Note 3)	3,937	8,238
Accounts receivable	29,766	27,844
Accrued interest and dividends	-	2
	<hr/>	<hr/>
Total assets	5,753,351	5,388,195
<b>Liabilities</b>		
Accounts and contracts payable	18,689	-
	<hr/>	<hr/>
Net position restricted for pension benefits	<u>\$ 5,734,662</u>	<u>\$ 5,388,195</u>

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

# WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

## Statements of Changes in Plan Net Position For the Years Ended September 30, 2014 and 2013

	2014	2013
<b>Additions</b>		
Contributions:		
State of Michigan	\$ 36,698	\$ 34,160
Members	8,470	14,918
<b>Total contributions</b>	<u>45,168</u>	<u>49,078</u>
Investment income:		
Net appreciation in fair value of investments	463,463	734,734
Interest and dividends	41,578	45,309
<b>Total investment income</b>	505,041	780,043
Investment expenses	<u>(59,629)</u>	<u>(51,971)</u>
<b>Net investment income</b>	<u>445,412</u>	<u>728,072</u>
<b>Total additions</b>	<u>490,580</u>	<u>777,150</u>
<b>Deductions</b>		
Participant benefit payments and distributions	125,424	387,844
Administrative expenses	<u>18,689</u>	<u>-</u>
<b>Total deductions</b>	<u>144,113</u>	<u>387,844</u>
<b>Change in net position</b>	346,467	389,306
<b>Net position restricted for pension benefits</b>		
Beginning of year	<u>5,388,195</u>	<u>4,998,889</u>
End of year	<u>\$ 5,734,662</u>	<u>\$ 5,388,195</u>

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

# WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

## Notes to Financial Statements

### 1. PLAN DESCRIPTION

General. The Wayne County Circuit Court Commissioners Bailiffs' Retirement System (the "Plan") is a single-employer defined benefit public employee retirement plan governed by the Wayne County Employees' Retirement System ("WCERS") and created under Enrolled Ordinance No. 86-486 (November 20, 1986), as amended, of the County of Wayne (the "County"). WCERS was established by the County to provide retirement, survivor, and disability benefits to the County's employees. WCERS is considered part of the County financial reporting entity and is included in the County's comprehensive annual financial report as a collection of fiduciary pension trust funds.

The administration, management, and responsibility for the proper operation of the Plan, and for interpreting and making effective the provisions of the Plan, is vested in the trustees of the Wayne County Retirement Commission (the "Retirement Commission"). The Plan is exempt from the requirements of Title 1 of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, and, as such, is not subject to the reporting and disclosure requirements of ERISA.

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

Contributions. The Plan's basic benefits, as described in the Plan document, are primarily funded by contributions from the State of Michigan and active members, and by the investment income earned on the Plan's assets. Members contribute three percent of the first \$4,200 of annual compensation, plus five percent of annual compensation in excess of \$4,200.

Pension Benefits. Employees with 25 years of service and having attained age 50, as well as employees with five years of service and having attained age 60, are entitled to annual pension benefits upon reaching the applicable retirement age. There is no mandatory retirement age. Pension benefits are calculated as total years of service, multiplied by two percent of average final compensation. The maximum employer financed portion of the pension benefit is 75 percent of average final compensation.

Death and Disability Benefits. The Plan also provides non-duty death and disability benefits to members after ten years of credited service. The ten-year service provision is waived for duty disability and death benefits.

Eligibility. The Plan is closed to new hires. At September 30, 2014, the Plan had three active vested participants and four retired members receiving benefits; at September 30, 2013, the Plan had three active vested participants and five retired members receiving benefits.

# WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

## Notes to Financial Statements

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting.** The Plan's financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Member contributions are recognized in the period in which the contributions are due. State of Michigan contributions are recognized when due and the State of Michigan 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 Plan document. Administrative expenses are financed through investment earnings.

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

*Reserve for Member Contributions.* Members contribute at rates as stated in the Plan document. Interest is credited at least annually to the reserve for member contributions. The balance represents active members' contributions and interest, less amounts transferred to funds for retirement, amounts refunded to terminated members, and transferred inactive accounts.

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

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

*Reserve for Inflation Equity.* This reserve represents the reserves for payment of supplemental pension benefits. Additions to the reserve are based on the investment results of the Plan. An annual distribution of a percentage of the balance in the reserve may be made to each participant in the form of a benefit check. The amount of the benefit is calculated by the Plan's actuaries and approved by the Plan's trustees each year, in accordance with the distribution provisions of the Plan document.

*Unallocated Net Position.* This balance is credited with all investment earnings, and all administrative expenses are paid from this balance. Interest transfers are made at least annually to the various reserves.

# WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

## Notes to Financial Statements

The reserve and unallocated net position balances as of September 30, 2014 and 2013 are as follows:

	2014	2013
Reserved for:		
Member contributions	\$ 1,135,238	\$ 1,081,161
Employer contributions	3,406,518	2,605,557
Pension payments	689,725	875,293
Inflation equity	68,358	78,357
Unallocated	434,823	747,827
	<u>\$ 5,734,662</u>	<u>\$ 5,388,195</u>

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

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

### 3. DEPOSITS AND INVESTMENTS

The authority for the purchase and sale of investments rests with the Retirement Commission. Investments are subject to statutory compliance under the Michigan Public Pension Investment Act 314 of 1965, as amended (Act 55, P.A. 1982), and investment policy established by the Retirement Commission. The Investment Act incorporates the prudent-person rule and requires investment fiduciaries to act solely in the interest of the Plan's participants and beneficiaries.

The Retirement Commission has authority to invest the Plan's assets in common and preferred stock; obligations of the United States, its agencies or United States government-sponsored enterprises; obligations of any state or political subdivision of a state having the power to levy taxes; bankers' acceptances; certificates of deposit; commercial paper; repurchase agreements; reverse repurchase agreements; real and personal property; mortgages; and certain other investments.

# WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

## Notes to Financial Statements

### *Investment Allocation Policy*

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

On July 28, 2014 the Retirement Commission voted to adopt recommendations from the Wayne County Circuit Court Commissioners Bailiffs Fund of the 50th Annual Actuarial Valuation. The recommendation from the actuary was implemented in the fourth quarter of 2014, not by the plan year end date September 30, 2014. The strategy for the plan to reduce volatility and lower risk had been in discussion prior to the board motion and the plan to execute was for the fourth quarter in 2014.

The following chart shows a significant shift to fixed income from equities between September 30, 2014 and December 31, 2014.

Asset Class	9/30/14 Allocation	12/31/14 Allocation
Equity	100%	49%
Domestic fixed income	0%	34%
International fixed income	0%	17%
<b>Total investments</b>	<b>100%</b>	<b>100%</b>

### *Investment Holdings*

As of September 30, 2014 and 2013, the Plan's investments were as follows:

	2014	2013
Equity mutual funds	\$ 5,707,976	\$ 4,916,644
Debt securities		
U.S. government agency bond mutual funds	7,224	99,514
Other investments		
Global real estate mutual fund	-	284,950
Money market funds	4,448	51,003
<b>Total investments</b>	<b>\$ 5,719,648</b>	<b>\$ 5,352,111</b>

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

# WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

## Notes to Financial Statements

### *Custodial Credit Risk*

*Deposits.* Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Plan's deposits may not be returned to the Plan. State statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts be made with banks doing business and having a place of business in the State of Michigan that are also members of a federal or national insurance corporation.

The Plan's carrying amount of deposits of \$3,937 and \$8,238 as of September 30, 2014 and 2013, respectively, are maintained in the County's pooled cash account maintained by the Wayne County Treasurer. In accordance with the County's investment policy and Public Act 314 of 1965, as amended, all deposits are uncollateralized and held in the County's name. The County evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. In addition, the County's investment policy places concentration limits on the total amount deposited with a single financial institution. Due to the dollar amounts of cash deposits in the County's pooled cash account and limits of FDIC insurance, Plan management believes it is impractical to obtain FDIC insurance for all bank deposits.

*Investments.* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the entity, and are held by either the counterparty or the counterparty's trust department or agent, but not in the entity's name.

The Plan's investment policy and Public Act 314 of 1965, as amended, require that (a) investments are held by a third-party safe-keeper in the Plan's name; (b) investments are held by a trustee in the Plan's name; or (c) investments are part of a mutual fund. The Plan's investment policy also requires that the safekeeping institution shall annually provide a copy of its most recent report on internal controls (also referred to as a "SOC 1 report").

As of September 30, 2014 and 2013, none of the Plan's investments were subject to custodial credit risk as all investments were held in the name of the Plan or were part of a mutual fund.

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributable to the magnitude of an entity's investments with a single issuer. Other than obligations issued, assumed or guaranteed by the United States, its agencies or United States government-sponsored enterprises, the Plan is prohibited by Public Act 314 of 1965, as amended, from investing in more than five percent of the outstanding obligations of any one issuer or investing more than five percent of the Plan's assets in the obligations of any one issuer. The Plan places no limit on the amount it may invest in any one issuer. As of September 30, 2014 and 2013, there were no investments that exceeded five percent or more of the Plan's total investments, other than investments in mutual funds. As a result, the Plan was not exposed to concentration of credit risk.

# WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

## Notes to Financial Statements

### *Credit Risk*

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

As of September 30, 2014 and 2013, the Plan's investments in bond mutual funds were rated AAA by Standard & Poor's.

As of September 30, 2014 and 2013, the Plan's money market funds were rated A1+ by Standard & Poor's with weighted average maturities of 45 and 49 days, respectively.

Mutual funds are not subject to credit risk rating.

### *Interest Rate Risk*

Interest rate risk is the risk that the value of investments will vary unfavorably as a result of a change in interest rates. The Plan's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the practice of the Plan to manage this risk by purchasing a mix of short and long-term investments.

At September 30, 2014 and 2013, the Plan's investments in bond mutual funds had maturities less than one year.

### *Rate of Return*

For the years ended September 30, 2014 and 2013, the annual money-weighted rate of return on plan investments, net of investment expenses, was 8.7 and 15.7 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## 4. ANNUAL REQUIRED CONTRIBUTIONS (GASB Statement No. 25)

There were no annual required contributions to the Plan for the years ended September 30, 2014 and 2013, as determined by the respective applicable actuarial valuations. Nevertheless, actual contributions of \$36,698 and \$34,160 were made to the Plan by the State of Michigan for the years ended September 30, 2014 and 2013, respectively.

## 5. FUNDED STATUS AND FUNDING PROGRESS (GASB Statement No. 25)

As of September 30, 2013, the most recent actuarial valuation date, the actuarial accrued liability using the entry age actuarial cost method was \$2,149,471, the actuarial value of assets of was \$4,687,505 and the resulting overfunded actuarial accrued liability was \$2,538,034 (funding ratio of 218%). The overfunded actuarial accrued liability was 863% of covered payroll of \$293,639.

# WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

## Notes to Financial Statements

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the Plan's assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The schedule of employer contributions, presented as required supplementary information following the notes to the financial statements, presents trend information about the amounts contributed to the Plan in comparison to the ARC (annual required contribution), an amount that is actuarially determined in accordance with the parameters of GASB Statement 25. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation includes:

Actuarial valuation date	September 30, 2013
Actuarial cost method	Entry age actuarial cost method
Amortization method contributions	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

## 6. NET PENSION LIABILITY (GASB Statement No. 67)

The components of the net pension liability for this Plan at September 30, 2014, are as follows:

Total pension liability	\$ 2,163,407
Plan fiduciary net position	<u>5,734,662</u>
Net pension liability (asset)	<u>\$ (3,571,255)</u>
Plan fiduciary net position as a percentage of the total pension liability	265.08%

# WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

## Notes to Financial Statements

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of September 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.0 percent
Salary increases	0.0 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Mortality Table

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 (see the discussion of the Plan's investment allocation policy) are summarized in the following table:

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**Notes to Financial Statements**

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability, calculated using the discount rate of 7.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Net pension asset	\$ (3,470,271)	\$ (3,571,255)	\$ (3,663,786)



## REQUIRED SUPPLEMENTARY INFORMATION

# WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

## Required Supplementary Information (GASB Statement No. 25) (amounts in thousands)

### Schedule of Funding Progress

Actuarial Valuation as of September 30	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Overfunded AAL (OAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	OAAL as a % of Covered Payroll ((B-A)/C)
2008	\$ 5,859	\$ 3,367	\$ (2,492)	174%	\$ 651	-383%
2009	5,795	3,287	(2,508)	176%	547	-459%
2010	5,569	2,499	(3,070)	223%	312	-984%
2011	4,843	2,454	(2,389)	197%	319	-749%
2012	4,734	2,390	(2,344)	198%	320	-733%
2013	4,688	2,150	(2,538)	218%	294	-863%

### Schedule of Employer and Other Contributing Entities Contributions

Year Ended September 30	Annual Required Contribution (ARC)	Annual Actual Contribution (AAC)
2009	\$ -	\$ 38,339
2010	-	37,926
2011	-	28,906
2012	-	36,820
2013	-	34,160
2014	-	36,698

WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

Required Supplementary Information (GASB Statement No. 67)

Schedule of Investment Returns  
Last Two Fiscal Years

Fiscal Year Ended	Annual Money-Weighted Rate of Return, Net of Investment
9/30/2013	15.7%
9/30/2014	8.7%

## WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

### Required Supplementary Information (GASB Statement No. 67)

#### Schedule of Changes in Net Pension Liability and Related Ratios Last Fiscal Year

	2014
Change in total pension liability	
Service cost	\$ 14,839
Interest	160,774
Changes of benefit terms	-
Differences between expected and actual experience	(114,610)
Changes of assumptions	-
Benefit payments, including refunds of member contributions	(125,424)
Net change in total pension liability	(64,421)
Total pension liability, beginning	2,227,828
Total pension liability, ending (a)	2,163,407
Change in plan fiduciary net position	
Contributions - employer	36,698
Contributions - member	8,470
Net investment income	445,412
Benefit payments, including refunds of member contributions	(125,424)
Administrative expense	(18,689)
Other	-
Net change in plan fiduciary net position	346,467
Plan fiduciary net position, beginning	5,388,195
Plan fiduciary net position, ending (b)	5,734,662
Net pension liability, ending (a)-(b)	\$ (3,571,255)
Plan fiduciary net position as a percentage of the total pension liability	265.08%
Covered-employee payroll	163,999
Net pension liability as a percentage of covered payroll	-2177.61%

# WAYNE COUNTY CIRCUIT COURT COMMISSIONERS BAILIFFS' RETIREMENT SYSTEM

## Required Supplementary Information (GASB Statement No. 67)

### Schedule of Contributions

Last Fiscal Year

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	\$ -	\$ 36,698	\$ (36,698)	\$ 163,999	22.38%

### Notes to Schedule of Contributions

Valuation date September 30, 2014

#### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	Not applicable; fully funded
Asset valuation method	4-year smoothed market
Price inflation	3.0%
Salary increases	0.0%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Mortality Table

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