

Wayne County Employees' Retirement System

Defined Contribution Plan

Years Ended
September 30,
2015 and 2014

Financial
Statements

This page intentionally left blank.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statements of Fiduciary Net Position	8
Statements of Changes in Fiduciary Net Position	9
Notes to Financial Statements	10
Supplementary Information	
Schedule of Changes in Fiduciary Net Position by Component	18



This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT

February 23, 2016

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 fiduciary net assets of the *Wayne County Employees' Retirement System Defined Contribution Plan* (the "Plan"), a pension trust fund of the Charter County of Wayne, Michigan, as of September 30, 2015 and 2014 and the related statements of changes in fiduciary net assets for the years then ended and the related notes to the financial statements.

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 fiduciary net position of the Plan, as of September 30, 2015 and 2014, and the respective changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Reporting Entity

As discussed in Note 1, the financial statements present only the Wayne County Employees' Retirement System Defined Contribution Plan 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, 2015 and 2014, 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.

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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The schedule of changes in net position by component is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of changes in net position by component has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Handwritten signature of Lehmann Johnson LLC in black ink.

MANAGEMENT'S DISCUSSION AND ANALYSIS

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Management's Discussion and Analysis

This section of the annual report of the Wayne County Employees' Retirement System Defined Contribution Plan (the "Plan") presents management's discussion and analysis of the Plan's financial performance during the plan years that ended on September 30, 2015, 2014 and 2013. Please read it in conjunction with the Plan's financial statements, which follow this section.

Financial Highlights

- The Plan's total net position decreased by \$27.0 million, or 6.9%, over the course of the plan year. Assets are restricted to provide future benefit payments to plan participants.
- Plan benefits are funded by employer and employee contributions, as specified by the plan option selected, as well as by the investment income earned on the Plan's assets.
- Total additions to net position, excluding net appreciation (depreciation), have been consistent for the last three years with additions of \$24.9 million for the year ended September 30, 2015 and additions of \$26.2 million and \$26.9 million for the years ended September 30, 2014 and 2013, respectively.
- The change in the fair value of investments was unfavorable for the current year. Net depreciation in fair value of investments was \$7.0 million for the year ended September 30, 2015, and net appreciation was \$22.1 million and \$41.8 million for the years ended September 30, 2014 and 2013, respectively. The net appreciation or depreciation in the fair value of investments is added to or deducted from fiduciary net position. The net depreciation in the fair value of investments for the current year is attributable to the declining financial markets and resultant investment performance at the end of the year.
- Total deductions from net position grew by \$17.2 million, from \$27.7 million for the year ended September 30, 2014 to \$44.9 million for the year ended September 30, 2015, which is attributable to more participant distributions and withdrawals during the current year due to retirements, terminations and transfer of the Detroit Wayne Mental Health Authority (DWMHA) assets out of the Plan to a new provider.

Overview of the Financial Statements

This annual report contains the Plan's financial statements, which consist of the statements of fiduciary net position and statements of changes in fiduciary 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 fiduciary net position include all of the Plan's assets and liabilities. All of the current year's increases and decreases in the Plan's net position are accounted for in the statements of changes in fiduciary net position, regardless of when cash is received or paid.

These financial statements report the Plan's net position and how it has changed. Net position represents the difference between the Plan's assets and liabilities.

The notes to the financial statements explain some of the information in the financial statements and provide more detailed data.

Financial Analysis of the Plan as a Whole

Below are the condensed statements of fiduciary net position as of September 30, 2015, 2014 and 2013:

	Net Position (in millions)		
	2015	2014	2013
Assets			
Investments	\$ 364.7	\$ 391.7	\$ 371.1
Other assets	0.4	0.4	0.4
Net position restricted for pensions	<u>\$ 365.1</u>	<u>\$ 392.1</u>	<u>\$ 371.5</u>

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Management's Discussion and Analysis

The Plan's total assets as of September 30, 2015 were \$365.1 million and were mostly comprised of investments in registered investment companies or mutual funds. Total assets decreased by \$27.0 million, or 6.9%, from the prior year. The net depreciation in the fair value of investments for the current year is attributable to the declining financial markets and resultant investment performance at the end of the year. Total assets for September 30, 2014 and 2013 were \$392.1 million and \$371.5 million, respectively.

Below are the condensed statements of changes in fiduciary net position for the years ended September 30, 2015, 2014 and 2013:

	Change in Net Position (in millions)		
	2015	2014	2013
Additions			
Contributions	\$ 18.9	\$ 20.8	\$ 21.1
Investment income:			
Net appreciation (depreciation) in fair value of investments	(7.0)	22.1	41.8
Other investment income	6.0	5.4	5.8
Total additions	<u>17.9</u>	<u>48.3</u>	<u>68.7</u>
Deductions			
Participant distributions and withdrawals	44.3	27.2	31.4
Administrative expenses	0.6	0.5	0.5
Total deductions	<u>44.9</u>	<u>27.7</u>	<u>31.9</u>
Change in net position	(27.0)	20.6	36.8
Net position restricted for pensions			
Beginning of year	<u>392.1</u>	<u>371.5</u>	<u>334.7</u>
End of year	<u>\$ 365.1</u>	<u>\$ 392.1</u>	<u>\$ 371.5</u>

Additions to Fiduciary Net Position

Pension benefits are funded by contributions from Wayne County, Wayne County Airport Authority (WCAA), DWMHA, and the Plan's participants, as well as through investment earnings. Contributions and other investment income have been consistent for the last three years. Contributions and other investment income for the year ended September 30, 2015 totaled \$24.9 million, compared to \$26.2 million and \$26.9 million for the years ended September 30, 2014 and 2013, respectively.

Net Appreciation or Depreciation

The change in the fair value of investments was unfavorable for the current year. Net depreciation in the fair value of investments was \$7.0 million for the year ended September 30, 2015, compared to net appreciation of \$22.1 million and \$41.8 million for the years ended September 30, 2014 and 2013. The net appreciation or depreciation in the fair value of investments is added to or deducted from fiduciary net position. The net depreciation in the fair value of investments for the current year is attributable to the declining financial markets and resultant investment performance at the end of the year.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Management's Discussion and Analysis

Deductions from Fiduciary Net Position

The deductions of the Plan include the payment of participant distributions, withdrawals, and administrative expenses. Total deductions for the year ended September 30, 2015 were \$44.9 million, an increase of \$17.2 million when compared to the prior year. Total deductions for the years ended September 30, 2014 and 2013 were \$27.7 million and \$31.9 million, respectively. This increase is primarily due to higher participant distributions and withdrawals during the current year due to retirements, terminations and transfer of DWMHA assets to another provider.

Economic Factors

The financial markets have been volatile over the last several years. The current year saw a decline in financial markets and resultant investment performance at the end of the year.

Financial Contact

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

BASIC FINANCIAL STATEMENTS

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

Statements of Fiduciary Net Position
September 30, 2015 and 2014

	2015	2014
Assets		
Investments, at fair value (Note 3):		
Participant-directed investments:		
Debt mutual funds	\$ 106,661,492	\$ 110,011,904
Equity mutual funds	234,654,752	256,185,995
Participant loans receivable	23,397,796	25,498,223
Total investments	<u>364,714,040</u>	<u>391,696,122</u>
Equity in Wayne County pooled cash (Note 3)	405,906	420,115
Due from other Wayne County funds and component units	25,140	13,414
Accounts receivable	4,495	-
Net position restricted for pensions	<u><u>\$ 365,149,581</u></u>	<u><u>\$ 392,129,651</u></u>

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

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Statements of Changes in Fiduciary Net Position

For the Years Ended September 30, 2015 and 2014

	2015	2014
Additions		
Contributions:		
Employer, net of forfeitures	\$ 13,325,890	\$ 15,218,147
Employees	5,574,247	5,617,491
Total contributions	<u>18,900,137</u>	<u>20,835,638</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments	(6,956,421)	22,079,178
Interest and dividends	5,224,674	4,886,189
Other investment income	750,527	505,166
Total investment income (loss)	<u>(981,220)</u>	<u>27,470,533</u>
Total additions	<u>17,918,917</u>	<u>48,306,171</u>
Deductions		
Participant distributions and withdrawals	44,307,503	27,189,287
Administrative expenses	591,484	515,342
Total deductions	<u>44,898,987</u>	<u>27,704,629</u>
Change in net position	(26,980,070)	20,601,542
Net position restricted for pensions		
Beginning of year	<u>392,129,651</u>	<u>371,528,109</u>
End of year	<u>\$ 365,149,581</u>	<u>\$ 392,129,651</u>

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

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Notes to Financial Statements

1. PLAN DESCRIPTION

General. The Wayne County Employees' Retirement System Defined Contribution Plan (the "Plan") is a contributory defined contribution 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 (the "Pension Ordinance") and Resolution No. 2014-736 (December 18, 2014), of the County of Wayne (the "County") and has two participating employers, the County and WCAA. WCERS was established by the County to provide retirement, survivor, and disability benefits to the County's employees, including those of the primary government (i.e., the general county) as well as of the discretely presented component units, including but not limited to the Wayne County Airport Authority (WCAA). WCERS is considered part of the County financial reporting entity and is included in the County's comprehensive annual financial report as a collection of fiduciary pension trust funds.

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

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

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

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

In December 2012, the Michigan Mental Health Code, Public Act 258 of 1974 was amended by Public Acts 375 and 376 of 2012, to require an authority to be established in order to qualify for state support, if certain criteria were met. On June 6, 2013, the Wayne County Commission enacted Enabling Resolution 2013-392 to create the Detroit Wayne County Mental Health Authority (DWMHA). This action dissolved the mental health agency, which was staffed entirely by County employees, to create the new authority on October 1, 2013. The eligible DWMHA employees enrolled in a County retirement plan before October 1, 2013, were entitled by collective bargaining agreements, benefit plans and the enabling resolution to continue in their County retirement plans until September 30, 2014, at which time the employee's pension benefits under their County plans would be frozen.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Notes to Financial Statements

Employees hired by the DWMHA on or after October 1, 2013, and all DWMHA employees after September 30, 2014, are enrolled in the new DWMHA IRC Section 414(h) defined contribution retirement plan, a sub-plan of Plan Option 4 with a required two percent employee contribution and eight percent employer contribution. WCERS was selected as the plan administrator of the new plan through DWMHA's procurement process. Under Resolution 2013-392, the DWMHA assumed all liability for the employer's share of pension benefits for mental health agency retirees, as well as for DWMHA employees and future DWMHA retirees who were enrolled in Wayne County-sponsored pension plans as of October 1, 2013 and who qualify for benefits under such a plan at the time of their retirement. In April of 2015, DWMHA changed plan administrator of the defined contribution plan, while the frozen defined benefit plan pensions and assets remained with WCERS. On April 10, 2015, the assets of DWMHA employees were transferred out of WCERS to another provider.

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

Plan Option 4. Employees contribute from one percent up to four percent of eligible pay, depending on the employee's coverage group. The County and WCAA makes contributions at a rate ranging from four percent to 15 percent of eligible pay, depending upon the employee's coverage group and years of service.

Plan Option 5. Employees contribute from two percent to three percent of eligible pay, depending on the employee's coverage group. The County and WCAA makes contributions at a rate equal to the amount contributed by each employee. Under certain employee coverage groups, employees contribute on a voluntary basis with no employer contribution, subject to applicable Internal Revenue Service rules and regulations.

Plan Option 6. Employees contribute on a voluntary basis with no employer contribution, subject to applicable Internal Revenue Service rules and regulations.

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

At September 30, 2015 and 2014, there were 3,906 and 4,110 active plan participants, respectively.

Investment Options. Contributions are invested in one of several investment funds. Effective September 1, 2005, participants may choose to either self-direct their investments or to enroll in one of three investment programs managed by the Plan's custodian with specific investment strategies: aggressive, moderate and conservative. Assets in each of these programs are invested in various mutual funds in specific proportions based on each participant's choice of time horizon and personal investment style. Participants who choose to self-direct their investments have several investment options in various mutual funds. Participants may elect to invest in any of the programs or self-directed funds in one-percent increments and may change contribution percentages on a daily basis.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Notes to Financial Statements

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

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

Plan Option 4. After three years of service, except for executive and legislative benefit plan members, who are vested after two years of service.

Plan Options 5 and 6. Fifty percent after one year of service, 75 percent after two years of service, and 100 percent after three years of service.

Forfeitures. Nonvested County and WCAA contributions are forfeited upon termination of employment. Such forfeitures are used to cover certain administrative expenses of the Plan.

Participant Loans. Participants in Plan Option 4 and some participants in Plan Options 5 and 6, depending on the applicable coverage group, are eligible for a loan from the Plan. An eligible active participant who has a vested account balance of at least \$2,000 is eligible for a loan from the Plan. The maximum loan amount may not exceed the smaller of 50 percent of the employee's vested amount or \$50,000, less the highest loan balance over the previous 12-month period, and is required to be repaid in five years (except where the loan is for the purchase of a principal residence, in which case, the loan may be repaid over 15 years). Interest on a loan is at the prime rate, plus 1% as reported in the Wall Street Journal.

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

Payment of Benefits. Benefits may be paid to a participant or beneficiary upon retirement, total and permanent disability, death, or termination of employment in a lump-sum amount equal to the value in the participant's account in accordance with Plan provisions. A participant who leaves for reasons other than termination of employment may elect to receive his or her benefit in monthly payments over the participant or beneficiary's lifetime through transfer of the participant's benefit entitlement to the WCERS Defined Benefit Plan or through installment payments generated by the Plan's third-party record keeper.

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.

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.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Notes to Financial Statements

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 investment options offered to participants under the Plan rests with the Retirement Commission. Investments made are subject to statutory regulations imposed 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 allow participants to invest the Plan's assets in common and preferred stock; obligations of the United States, its agencies, or United States government-sponsored enterprises; obligations of any state or political subdivision of a state having the power to levy taxes; bankers' acceptances; certificates of deposit; commercial paper; repurchase agreements; reverse repurchase agreements; real and personal property; mortgages; and certain other investments.

The Plan's investments are summarized as follows as of September 30:

	2015	2014
Debt mutual funds		
Guaranteed income fund	\$ 87,066,126	\$ 89,929,275
Bond mutual funds	19,595,366	20,082,629
Total debt funds	106,661,492	110,011,904
Equity mutual funds	234,654,752	256,185,995
Participants loans receivable	23,397,796	25,498,223
Total investments	<u>\$ 364,714,040</u>	<u>\$ 391,696,122</u>

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

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Plan's deposits may not be returned to the Plan. State of Michigan 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.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN

Notes to Financial Statements

The Plan's carrying amount of deposits of \$405,906 and \$420,115 as of September 30, 2015 and 2014, respectively, are maintained in the County's pooled cash account maintained by the Wayne County Treasurer. In accordance with the County's investment policy, all deposits are uncollateralized and held in the County's name. The County evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an 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 the 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 requires 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, 2015 and 2014, none of the Plan's investments were subject to custodial credit risk due to one of the following: (a) investments were held by a third-party safe-keeper in the Plan's name; (b) investments were held by a trustee in the Plan's name; or (c) investments were part of a mutual fund.

Interest Rate Risk

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

Credit Risk

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

The Plan has investments in a guaranteed income fund that has an average portfolio credit rating of AA- and AA- by Standard & Poor's and weighted average maturity of 3.2 and 3.6 years at September 30, 2015 and 2014, respectively.

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

Notes to Financial Statements

The Plan has investments in bond mutual funds that have the following portfolio characteristics as of September 30:

	Amount	Standard & Poor's Credit Rating	Weighted Average Maturity
2015	\$ 5,862,399	AA	3.94
	11,885,092	AAA	8.11
	<u>1,847,875</u>	BB	5.71
	<u><u>\$ 19,595,366</u></u>		
2014	\$ 5,524,914	AA	4.18
	11,848,010	AAA	7.89
	<u>2,709,705</u>	BB	5.38
	<u><u>\$ 20,082,629</u></u>		

Finally, the participant loans have a weighted average maturity of 2.9 and 2.9 years at September 30, 2015 and 2014, respectively.



This page intentionally left blank.

SUPPLEMENTARY INFORMATION

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

Schedule of Changes in Fiduciary Net Position by Component
For the Year Ended September 30, 2015

	Wayne County	Detroit Wayne Mental Health Authority	Wayne County Airport Authority	Totals
Additions				
Contributions:				
Employer	\$ 10,025,864	\$ 355,399	\$ 2,944,627	\$ 13,325,890
Employees	4,020,008	159,273	1,394,966	5,574,247
Net investment income (loss)	(916,242)	516,174	(581,152)	(981,220)
Total additions	<u>13,129,630</u>	<u>1,030,846</u>	<u>3,758,441</u>	<u>17,918,917</u>
Deductions				
Participant distributions and withdrawals	29,698,152	10,796,504	3,812,847	44,307,503
Administrative expenses	510,011	11,614	69,859	591,484
Total deductions	<u>30,208,163</u>	<u>10,808,118</u>	<u>3,882,706</u>	<u>44,898,987</u>
Changes in net position	(17,078,533)	(9,777,272)	(124,265)	(26,980,070)
Transfer of employee accounts	(9,976,791)	9,583,667	393,124	-
Net position restricted for pensions				
Beginning of year	<u>323,992,308</u>	<u>193,605</u>	<u>67,943,738</u>	<u>392,129,651</u>
End of year	<u>\$ 296,936,984</u>	<u>\$ -</u>	<u>\$ 68,212,597</u>	<u>\$ 365,149,581</u>