

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

FINANCIAL STATEMENTS
(With Supplementary Information)

September 30, 2020 and 2019

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

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INDEPENDENT AUDITOR'S REPORT

January 22, 2021

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Wayne County Employees' Retirement System Defined Contribution Plan (the "Plan"), a pension trust fund of the Charter County of Wayne, Michigan, which comprise the statements of fiduciary net position as of September 30, 2020 and 2019, and the related statements of changes in fiduciary net position for the years then ended, as well as the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Plan's 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.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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, 2020 and 2019, and the changes in its fiduciary net position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Reporting Entity

As discussed in Note A, the financial statements present only the Plan and do not purport to, and do not, present fairly the financial position of the Charter County of Wayne, Michigan as of September 30, 2020 and 2019, 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.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

George Johnson & Company

CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

September 30, 2020 and 2019

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, 2020 and 2019. Please read it in conjunction with the Plan's financial statements, which follow this section.

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

FINANCIAL HIGHLIGHTS

- The Plan's total net position decreased by approximately \$10.5 million, or 2.3 percent, over the course of the Plan year. Assets are restricted to provide future benefit payments to plan participants.
- The Plan's basic benefits are funded by contributions from the County, WCAA, and Plan participants, 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, totaled \$21.8 million for the year ended September 30, 2020, compared to \$25.6 million and \$23.5 million for the years ended September 30, 2019 and 2018, respectively.
- The fair value of investments was favorable at the end of the year. Net appreciation in the fair value of investments was \$29.3 million for the year ended September 30, 2020, compared to \$1.8 million and \$32.8 million for the years ended September 30, 2019 and 2018, respectively. The net appreciation in the fair value of investments is added to the Plan's net position. The net appreciation in the fair value of investments for the current year is attributable to the improving financial markets and resulting investment performance for the year.
- Total deductions from net position increased by approximately \$32.8 million, from \$28.8 million for the year ended September 30, 2019 to \$61.6 million for the year ended September 30, 2020, which is attributable to higher participant distributions and withdrawals during the current year due to retirements, terminations, and approximately \$27.7 million in distributions pursuant to the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act").

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

September 30, 2020 and 2019

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains the Plan's financial statements, which consist of the statements of fiduciary net position and the statements of changes in fiduciary net position (presented on pages 7 and 8). These financial statements report information about the Plan as a whole using accounting methods similar to those used by private-sector pension plans. The statements of fiduciary net position include all of the Plan's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's increases and decreases in the Plan's net position are accounted for in the statements of changes in fiduciary net position, regardless of when cash is received or paid.

These financial statements report the Plan's net position and how it has changed. Net position represents the difference between the Plan's total of assets and deferred outflows of resources and its total of liabilities and deferred inflows of resources, and it represents one way to measure the Plan's financial health, or position. Over time, increases or decreases in the Plan's net position may be affected by several variables, such active member and employer contributions, investment performance, participant distributions during the current year due to retirements, terminations, and Plan administrative expenses.

The notes to the financial statements, which begin on page 9, explain some of the information in the financial statements and provide more detailed data.

FINANCIAL ANALYSIS OF THE PLAN AS A WHOLE

Table 1
Condensed Statements of Fiduciary Net Position
September 30, 2020, 2019, and 2018

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|------------------------------|------------------------------|------------------------------|
| Assets: | | | |
| Investments | \$ 422,971,683 | \$ 431,583,305 | \$ 431,188,485 |
| Notes receivable from participants | 14,618,903 | 16,482,126 | 18,151,534 |
| Other assets | 13,332 | 12,105 | 20,833 |
| Total Assets | 437,603,918 | 448,077,536 | 449,360,852 |
| Liabilities | 62,805 | 85,606 | 20,833 |
| Net Position Restricted for Pensions | <u>\$ 437,541,113</u> | <u>\$ 447,991,930</u> | <u>\$ 449,340,019</u> |

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

September 30, 2020 and 2019

FINANCIAL ANALYSIS OF THE PLAN AS A WHOLE (CONTINUED)

The Plan's total assets as of September 30, 2020 were \$437.6 million and were mostly comprised of investments in mutual funds. Total assets decreased by \$10.5 million, or 2.3 percent, from the prior year. Total assets as of September 30, 2019 and 2018 were \$448.1 million and \$449.4 million, respectively.

Table 2
Condensed Statements of Changes in Fiduciary Net Position
For the Years Ended September 30, 2020, 2019, and 2018

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|------------------------------|------------------------------|------------------------------|
| Additions: | | | |
| Contributions | \$ 17,619,596 | \$ 18,427,044 | \$ 17,608,817 |
| Net appreciation in fair value of investments | 29,345,193 | 1,817,899 | 32,826,201 |
| Other investment income | 4,170,402 | 7,205,121 | 5,853,422 |
| Total Additions | <u>51,135,191</u> | <u>27,450,064</u> | <u>56,288,440</u> |
| Deductions: | | | |
| Participant distributions and withdrawals | 60,888,644 | 28,267,108 | 26,653,341 |
| Administrative expenses | 697,364 | 531,045 | 549,402 |
| Total Deductions | <u>61,586,008</u> | <u>28,798,153</u> | <u>27,202,743</u> |
| Change in Net Position Restricted for Pensions | <u>(10,450,817)</u> | <u>(1,348,089)</u> | <u>29,085,697</u> |
| Net Position Restricted for Pensions, Beginning of Year | 447,991,930 | 449,340,019 | 420,254,322 |
| Net Position Restricted for Pensions, End of Year | <u>\$ 437,541,113</u> | <u>\$ 447,991,930</u> | <u>\$ 449,340,019</u> |

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

September 30, 2020 and 2019

FINANCIAL ANALYSIS OF THE PLAN AS A WHOLE (CONTINUED)

Additions to Fiduciary Net Position

The net position restricted for pensions is funded by contributions from the County, WCAA, and the Plan's participants, as well as through investment earnings. Contributions have been consistent the last three years, while other investment income was higher for the year ended September 30, 2019. Contributions and other investment income for the year ended September 30, 2020 totaled \$21.8 million, compared to \$25.6 million and \$23.5 million for the years ended September 30, 2019 and 2018, respectively.

Net Appreciation

The fair value of investments was favorable for the year. Net appreciation in the fair value of investments was \$29.3 million for the year ended September 30, 2020, compared to net appreciation of \$1.8 million and \$32.8 million for the years ended September 30, 2019 and 2018, respectively. The net appreciation in the fair value of investments is added to the Plan's net position. The net appreciation in the fair value of investments for the current year is attributable to the improving financial markets and resulting investment performance for the year.

Deductions from Fiduciary Net Position

The Plan's deductions include the payment of participant distributions, withdrawals, and administrative expenses. Total deductions for the year ended September 30, 2020 were \$61.6 million, an increase of \$32.8 million when compared to the prior year. Total deductions for the years ended September 30, 2019 and 2018 were \$28.8 million and \$27.2 million, respectively. This increase is primarily due to higher participant distributions and withdrawals during the current year due to retirements, terminations, and approximately \$27.7 million in CARES Act distributions.

ECONOMIC FACTORS

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

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

STATEMENTS OF FIDUCIARY NET POSITION

September 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------|-----------------------|
| Assets: | | |
| Participant-directed investments, at fair value (Note C): | | |
| Equity mutual funds | \$ 277,744,908 | \$ 290,266,465 |
| Bond mutual funds | 45,048,219 | 44,965,907 |
| Guaranteed income funds | 100,178,556 | 96,350,933 |
| | <u>422,971,683</u> | <u>431,583,305</u> |
| Total Investments | | |
| Other assets: | | |
| Notes receivable from participants | 14,618,903 | 16,482,126 |
| Accounts receivable | 13,332 | 12,105 |
| | <u>14,632,235</u> | <u>16,494,231</u> |
| Total Other Assets | | |
| | <u>437,603,918</u> | <u>448,077,536</u> |
| Total Assets | | |
| Liabilities: | | |
| Accounts payable | 62,805 | 85,606 |
| | <u>62,805</u> | <u>85,606</u> |
| Net Position Restricted for Pensions | <u>\$ 437,541,113</u> | <u>\$ 447,991,930</u> |

See notes to financial statements.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the Years Ended September 30, 2020 and 2019

| | Participant-Directed Investments | |
|--|---|------------------------------|
| | 2020 | 2019 |
| Additions: | | |
| Contributions: | | |
| Employer, net of certain forfeitures | \$ 11,131,043 | \$ 11,718,696 |
| Participants | 6,488,553 | 6,708,348 |
| Total Contributions | <u>17,619,596</u> | <u>18,427,044</u> |
| Investment income: | | |
| Net appreciation in fair value of investments | 29,345,193 | 1,817,899 |
| Interest and dividends | 4,073,985 | 6,928,922 |
| Other investment income | 193,754 | 483,569 |
| Total Investment Income | 33,612,932 | 9,230,390 |
| Less: Investment expenses | <u>(97,337)</u> | <u>(207,370)</u> |
| Net Investment Income | <u>33,515,595</u> | <u>9,023,020</u> |
| Total Additions | <u>51,135,191</u> | <u>27,450,064</u> |
| Deductions: | | |
| Participant distributions and withdrawals | 60,888,644 | 28,267,108 |
| Administrative expenses | 697,364 | 531,045 |
| Total Deductions | <u>61,586,008</u> | <u>28,798,153</u> |
| Change in Net Position Restricted for Pensions | (10,450,817) | (1,348,089) |
| Net Position Restricted for Pensions, Beginning of Year | <u>447,991,930</u> | <u>449,340,019</u> |
| Net Position Restricted for Pensions, End of Year | <u>\$ 437,541,113</u> | <u>\$ 447,991,930</u> |

See notes to financial statements.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE A — DESCRIPTION OF THE PLAN

General

The Wayne County Employees' Retirement System Defined Contribution Plan (the "Plan") is a contributory agent multiple-employer defined contribution public employee retirement plan that is established, administered, and governed in accordance with the authority of: (a) Public Act 156 of 1851, section 12a, added by Public Act 249 of 1943, as amended, (b) Michigan Compiled Laws ("MCL") section 46.12a, (c) the Wayne County Charter (the "Charter"), and (d) the Wayne County Employees' Retirement System Ordinance, as amended (the "Retirement Ordinance"). The Plan has three participating employers: the Charter County of Wayne, Michigan (the "County"), the Third Judicial Circuit of Michigan (whose data is included in the County's data), and the Wayne County Airport Authority ("WCAA"). The Wayne County Employees' Retirement System ("WCERS") provides retirement, survivor, and disability benefits to the employees of the County and WCAA, pursuant to section 6.112 of the Charter, section 141-35 of the Retirement Ordinance, the WCAA plan document, and collective bargaining agreements or benefit plans (the "coverage group").

WCERS is considered part of the County financial reporting entity and is included in the County's comprehensive annual financial report as a collection of fiduciary pension trust funds.

Pursuant to the Michigan Public Employee Retirement System Investment Act, Michigan Public Pension Investment Act 314 of 1965, as amended [MCL 38.1132, *et seq.*] ("Act 314"), and the Retirement Ordinance, the administration, management, and responsibility for the proper operation of the Plan, and for interpreting and making effective the provisions of the Plan, is vested in the trustees of the Wayne County Retirement Commission (the "Retirement Commission"). As a governmental plan, the Plan is exempt from the requirements of Title 1 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and, as such, is not subject to the reporting and disclosure requirements of ERISA.

Pursuant to both section 6.112 of the Charter and section 141-35 of the Retirement Ordinance, the Retirement Commission consists of eight elected members: four elected employee representatives, two elected retiree representatives, and two ex-officio members, including the Wayne County Executive (or his or her designee) and the Chairperson of the Wayne County Commission. All elected terms are for four years.

Effective October 1, 2001, the County established the Wayne County Hybrid Retirement Plan #5 ("Plan Option 5"), which contains both defined 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.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

General (continued)

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 4A 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 is included in the financial statements of the WCERS Defined Benefit Plan.

Contributions

The Plan’s benefits are funded by contributions from the County, WCAA, and participants, as specified by the plan option selected and the coverage group, and by the investment income earned on the Plan’s assets. Contributions under the various plan options are determined as follows:

Plan Option 4

The majority of employees contribute four percent, pre-tax, of eligible pay, and the employer contributes a fixed rate of ten percent for County employees or eight percent for WCAA employees. There are some WCAA employees in legacy plan options where the employees contribute from one percent up to three percent, after-tax, of eligible pay, and the employers contribute from four percent to 15 percent of eligible pay, depending upon the employee’s coverage group and years of service.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

Contributions (continued)

Plan Option 5

Under most County coverage groups, employees may contribute on a voluntary after-tax basis with no employer contribution, subject to applicable Internal Revenue Service rules and regulations. The employees of the WCAA and the County legislative benefit plan contribute from two percent to three percent of eligible pay, depending upon the employee's coverage group, and the employer makes contributions at a rate equal to the amount contributed by each employee.

Plan Option 6

Employees may contribute on a voluntary after-tax basis with no employer contribution, subject to applicable Internal Revenue Service rules and regulations.

Eligibility

All new full-time, permanent County and WCAA employees are eligible to participate in the Plan. Effective October 1, 2001, the County closed Plan Option 4 to new hires, except executive and legislative benefit plan members and Third Circuit Court executives. Plan Option 5 is available to all persons hired after September 30, 2001. Plan Option 6 was available only upon transfer from Plan Option 5, if authorized, during specific time periods noted within collective bargaining agreements or benefit plans and all periods are now closed. Effective September 2012, only Plan Option 4A is available to new WCAA employees.

Plan Participants

As of September 30, 2020 and 2019, there were 3,220 and 3,373 active Plan participants, respectively.

Investment Options

Contributions can be invested in any combination of the Plan's 26 diverse core investment options. These options are mutual funds, collective investment trusts, insurance company separate accounts, a guaranteed investment fund, and a lifetime income hybrid fund option guaranteed by Prudential. Further, participants may invest a portion of their assets into self-directed brokerage accounts, where they can invest in individual stocks or mutual funds not available in the Plan's core lineup.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

Investment Options (continued)

If a participant fails to complete an election form, the Plan defaults the participant's new investments to an age appropriate target date fund. Asset allocation model portfolios, made up of these core investment options, are also available. These models are called GoalMaker, where investments are allocated to specific asset classes developed and monitored by Morningstar Advisors. If elected, a participant utilizes an allocation based on time horizon and overall risk tolerance. There are 12 model portfolios that range from very conservative to aggressive. Assets invested in a model portfolio could be invested in various mutual funds, collective investment trusts, insurance company separate accounts, and a guaranteed investment option in specific proportions.

Participants may elect to invest in any of the available investment options in one-percent increments, and may change contribution percentages on a daily basis. Participants electing the self-directed brokerage option must select an amount to transfer to the brokerage account custodian, and it cannot exceed 25 percent of the total fund's balance at the time of the transfer.

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 benefit that can be provided from the participant's account.

Vesting

Employer contributions are 100 percent invested in the same funds and in the same proportions as selected by the employees. Each employee may direct 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 employer contributions as follows:

Plan Option 4

Participants are vested after three years of service, except for executive and legislative benefit plan members, who are vested after two years of service.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE A — DESCRIPTION OF THE PLAN (CONTINUED)

Vesting (continued)

Plan Options 5 and 6

Participants are vested 50 percent after one year of service, 75 percent after two years of service, and 100 percent after three years of service.

Forfeitures

Nonvested employer contributions are forfeited upon termination of employment. Such forfeitures may be used to reduce future employer contributions or cover certain administrative expenses of the Plan.

Notes Receivable from Participants

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 account balance or \$50,000, less the highest total balance of all loans 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 U.S. Federal Reserve prime rate, plus one percent, 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 or WCAA, are charged to the participants and 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's 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 recordkeeper. WCAA participants are not eligible to receive an annuity through the WCERS Defined Benefit Plan.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus.

Investments

The Plan's investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Fixed debt quotations are provided by a national brokerage pricing service. 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. Net appreciation and depreciation include gains and losses on investments bought and sold, as well as held, during the year.

Fair Value Measurements

The Plan uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. The Plan utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the Plan applies assumptions that market participants would use in pricing an asset or liability, including an assumption about risk.

The measurement of fair value includes a hierarchy based on the quality of inputs used to measure fair value. Financial assets and liabilities are categorized into this three-level fair value hierarchy based on the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (continued)

The various levels of the fair value hierarchy are described as follows:

- Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Plan has the ability to access
- Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability
- Level 3 — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

The use of observable market data, when available, is required in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Notes Receivable from Participants

Notes receivable from participants are recorded at cost plus accrued interest. If a participant ceases to make loan repayments and the Plan administrator deems the participant loan to be a distribution, the participant note receivable balance is reduced and a benefit payment is recorded. A valuation allowance for credit losses is not considered necessary as of September 30, 2020 and 2019.

Notes receivable from participants are not considered investments because they do not have a present service capacity based solely on the notes' ability to generate cash or to be sold to generate cash.

NOTE C — 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 Act 314, and investment policy established by the Retirement Commission. Act 314 incorporates the prudent person rule and requires investment fiduciaries to act solely in the interest of the Plan's participants and beneficiaries.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

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, banker's acceptances, certificates of deposit, commercial paper, repurchase agreements, reverse repurchase agreements, real and personal property, mortgages, and certain other investments.

Fair Value

The Plan's fair value hierarchy for those assets measured on a recurring basis as of September 30, 2020 and 2019 is summarized as follows:

| | <u>Fair Value Measurements</u> | | | |
|----------------------------|---|--|--|-----------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| 2020 | | | | |
| Assets: | | | | |
| Investments at fair value: | | | | |
| Equity mutual funds | \$ 277,744,908 | \$ -0- | \$ -0- | \$ 277,744,908 |
| Bond mutual funds | 45,048,219 | | | 45,048,219 |
| Guaranteed income funds | | 100,178,556 | | 100,178,556 |
| | <u>\$ 322,793,127</u> | <u>\$ 100,178,556</u> | <u>\$ -0-</u> | <u>\$ 422,971,683</u> |
| 2019 | | | | |
| Assets: | | | | |
| Investments at fair value: | | | | |
| Equity mutual funds | \$ 290,266,465 | \$ -0- | \$ -0- | \$ 290,266,465 |
| Bond mutual funds | 44,965,907 | | | 44,965,907 |
| Guaranteed income funds | | 96,350,933 | | 96,350,933 |
| | <u>\$ 335,232,372</u> | <u>\$ 96,350,933</u> | <u>\$ -0-</u> | <u>\$ 431,583,305</u> |

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risks

The Plan's deposits and investments are subject to certain types of risk, as discussed below:

Custodial Credit Risk

Deposits

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

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 allows the consideration of investments that are part of a commingled account, collective investment trust, insurance company separate account, or mutual fund, which could each operate under a slightly different custodial arrangement with the recordkeeping firm. The Plan's investment policy further requires the following for each investment manager under consideration:

- The investment manager shall be a bank, insurance company, investment management firm, mutual fund company, or investment adviser registered under the Investment Advisers Act of 1940.
- The investment manager shall operate in good standing with regulators and clients, with no material pending or concluded legal actions against it.
- All relevant quantitative and qualitative information on the manager and investment shall be made available to the investment consultant and the Retirement Commission by the manager and/or vendor.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risks (continued)

Custodial Credit Risk (continued)

Investments (continued)

Additionally, the Plan's collective investment trust managers are required to notify the Retirement Commission of any development concerning the investment manager that is likely to result in a material adverse change in the fund's investment that could impact the Plan. As of September 30, 2020 and 2019, none of the Plan's investment managers had notified the Retirement Commission of any negative development that would create a credit risk.

As of September 30, 2020 and 2019, none of the Plan's investments were subject to custodial credit risk, as they were monitored in accordance with the Plan's investment policy.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As the Plan's 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.

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 section.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risks (continued)

Credit and Interest Rate Risk Disclosures

The Plan has the following investments for which credit risk or interest rate risk disclosures are required as of September 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------------|-----------------------------|
| Bond Mutual Funds: | | |
| AAA rating from Standard & Poor's: Weighted average maturity of 8.11 years and 7.75 years for 2020 and 2019, respectively | \$ 649,919 | \$ 115,748 |
| Weighted average maturity of 8.44 years and 8.39 years for 2020 and 2019, respectively | 6,871,862 | 5,501,242 |
| AA rating from Standard & Poor's: Weighted average maturity of 11.87 years and 12.82 years for 2020 and 2019, respectively | <u>37,526,438</u> | <u>39,348,917</u> |
| | <u>\$ 45,048,219</u> | <u>\$ 44,965,907</u> |
| Guaranteed Income Funds: | | |
| AA- rating from Standard & Poor's: Weighted average maturity of 3.3 years and 3.4 years for 2020 and 2019, respectively | <u>\$ 100,178,556</u> | <u>\$ 96,350,933</u> |

Foreign Currency Risk

Foreign currency risk is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment. As of September 30, 2020 and 2019, there were no investments that exposed the Plan to foreign currency risk.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risks (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of an entity's investments with a single issuer. Other than obligations issued, assumed, or guaranteed by the United States, its agencies, or United States government-sponsored enterprises, the Plan is prohibited by Act 314 from investing in more than five percent of the outstanding obligations of any one issuer or investing more than five percent of the Plan's assets in the obligations of any one issuer. The Plan places no limit on the amount it may invest in any one issuer. As of September 30, 2020 and 2019, there were no investments that exceeded five percent or more of the Plan's total investments, other than investments in mutual funds, similar pooled investments, or investments issued, assumed, or guaranteed by the United States, its agencies, or United States government-sponsored enterprises.

NOTE D — CONTINGENCIES

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

The full impact of the COVID-19 outbreak continues to evolve as of the date that the accompanying financial statements were available to be issued. This pandemic has affected global economic activity and greatly contributed to significant instability in financial markets. Because the values of the Plan's individual investments have fluctuated, and will fluctuate, in response to changing market conditions, the amount of losses recognized in subsequent periods, if any, and the related impact on the Plan's liquidity cannot be determined.

Although the Plan's management cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material effect on the Plan's changes in net assets, financial position, and liquidity during the year ending September 30, 2021.

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE E — CARES ACT OF 2020

The United States government signed into law the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The CARES Act has expanded options by providing loosened restrictions on early withdrawals and loans against retirement accounts for eligible individuals.

Participants are eligible if they meet one of these qualifications and self-certify the following:

- The participant, his or her spouse, or a dependent is diagnosed with COVID-19 or with the virus SARS-Co-V-2 by a test approved by the Centers for Disease Control and Prevention.
- The participant has personally experienced adverse financial consequences as a result of being quarantined, furloughed, or laid off, if the participant's work hours have been reduced, or if the participant is unable to work due to a lack of childcare or due to business closures related to the COVID-19 pandemic.

A participant can withdraw up to \$100,000 in an in-service distribution, known as a Coronavirus Related Distribution ("CRD"), from the Plan. This CRD can be taken from the Plan without the 10 percent penalty which, under normal circumstances, participants under age 59½ may be subject to for withdrawals. The participant can elect to spread out any income taxes that he or she owes over three years from the due date he or she requested and received the withdrawal; otherwise, the CRD is taxable in the year received.

The loan provision was also amended for loans issued during the period between March 27, 2020 and September 21, 2020 as part of the CARES Act. This impacted new loans requested during this period of time only in the following ways:

- The maximum loan amount was raised from \$50,000 to \$100,000 for new loans initiated from the time the Plan implemented the provision through September 21, 2020.
- The loan provision requirement that a participant may borrow only 50 percent of his or her vested account balance, up to a maximum of \$50,000, was suspended. In effect, a participant could borrow up to 100 percent of his or her vested account balance, up to a maximum of \$100,000, if no other loans were outstanding at the time of this request.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF CHANGES
IN FIDUCIARY NET POSITION BY EMPLOYER**

January 22, 2021

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

Report on the Schedule

We have audited the fiduciary net position as of September 30, 2020, and the changes in fiduciary net position for the year then ended, included in the accompanying schedule of changes in fiduciary net position by employer (the "Schedule") of the Wayne County Employees' Retirement System Defined Contribution Plan (the "Plan"), a pension trust fund of the Charter County of Wayne, Michigan, as well as the related notes to the Schedule. We have also audited the fiduciary net position of each individual employer as of September 30, 2020, and the changes in fiduciary net position of each employer for the year then ended, included in the accompanying Schedule.

Management's Responsibility for the Schedule

The Plan's management is responsible for the preparation and fair presentation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the fiduciary net position and changes in fiduciary net position included in the Schedule, 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 fiduciary net position and the changes in fiduciary net position in the Schedule 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.

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

Auditor's Responsibility (continued)

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 fiduciary net position and the changes in fiduciary net position included in the Schedule.

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 Schedule referred to above presents fairly, in all material respects, the fiduciary net position of the Plan as of September 30, 2020, and the changes in its fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the Schedule referred to above presents fairly, in all material respects, the fiduciary net position of each individual employer as of September 30, 2020, and the changes in fiduciary net position of each individual employer for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Reporting Entity

As discussed in Note A to the financial statements, the financial statements present only the Plan and do not purport to, and do not, present fairly the financial position of the Charter County of Wayne, Michigan as of September 30, 2020, and the changes in its financial position for the year 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.

Restrictions on Use

This report is intended solely for the information and use of the Plan, its participating employers, and the independent auditors of the participating employers and is not intended to be, and should not be, used by anyone other than these specified parties.

George Johnson & Company

CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
 DEFINED CONTRIBUTION PLAN

SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

For the Year Ended September 30, 2020

| | Charter County of Wayne, Michigan | Wayne County Airport Authority | Totals |
|--|--|---|-----------------------|
| Additions: | | | |
| Contributions: | | | |
| Employer, net of certain forfeitures | \$ 7,193,267 | \$ 3,937,776 | \$ 11,131,043 |
| Participants | 4,357,485 | 2,131,068 | 6,488,553 |
| Total Contributions | 11,550,752 | 6,068,844 | 17,619,596 |
| Net investment income | 25,398,243 | 8,117,352 | 33,515,595 |
| Total Additions | 36,948,995 | 14,186,196 | 51,135,191 |
| Deductions: | | | |
| Participant distributions and withdrawals | 50,130,529 | 10,758,115 | 60,888,644 |
| Administrative expenses | 560,087 | 137,277 | 697,364 |
| Total Deductions | 50,690,616 | 10,895,392 | 61,586,008 |
| Change in Net Position Restricted for Pensions | (13,741,621) | 3,290,804 | (10,450,817) |
| Net Position Restricted for Pensions, Beginning of Year | 346,335,931 | 101,655,999 | 447,991,930 |
| Net Position Restricted for Pensions, End of Year | \$ 332,594,310 | \$ 104,946,803 | \$ 437,541,113 |

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

WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFINED CONTRIBUTION PLAN

**NOTE TO SCHEDULE OF CHANGES IN FIDUCIARY
NET POSITION BY EMPLOYER**

For the Year Ended September 30, 2020

NOTE A — BASIS OF ACCOUNTING

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 Retirement Ordinance. Administrative expenses are paid from Plan assets, unless paid by the employer.