

WASHTENAW COUNTY
EMPLOYEES' RETIREMENT SYSTEM

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Board of Commissioners
Washtenaw County Retirement Commission:

We have examined the statement of net assets available for system benefits of the Washtenaw County Employees' Retirement System as of December 31, 1983, and the related statement of changes in net assets available for system benefits for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of the Washtenaw County Employees' Retirement System for the year ended December 31, 1982 were examined by other auditors whose report dated June 8, 1983, expressed an unqualified opinion on those statements.

In our opinion, the financial statements referred to above present fairly the financial position of the Washtenaw County Employees' Retirement System at December 31, 1983, and the changes in net assets available for system benefits for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change, with which we concur, in the actuarial funding method as described in Note 7.

Coopers & Lybrand

Detroit, Michigan
November 26, 1984

WASHTENAW COUNTY
EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF NET ASSETS AVAILABLE FOR SYSTEM BENEFITS

December 31, 1983 and 1982

	<u>1983</u>	<u>1982</u>
Assets:		
Investments, at market (Note 4):		
Corporate bonds and notes	\$ 5,535,166	\$10,162,425
Common stocks	12,438,214	7,622,908
United States government securities	8,162,358	2,931,357
Money market fund	54,100	442,924
Guaranteed investment contract	800,000	800,000
Mortgages	<u>267,777</u>	<u>277,428</u>
Total investments	27,257,615	22,237,042
Cash	175,330	400,758
Accrued interest and dividends	573,537	487,289
Due from other funds	619,111	445,880
Reimbursements receivable	<u>139</u>	<u>-</u>
Total assets	28,625,732	23,570,969
Liabilities, accounts payable and accrued expenses	<u>21,462</u>	<u>28,974</u>
Net assets available for benefits	<u>\$28,604,270</u>	<u>\$23,541,995</u>
Fund balance:		
Reserved for:		
Employee contributions	\$ 6,321,932	\$ 5,395,494
Pension	18,252,058	14,483,031
Retirement	<u>4,030,280</u>	<u>3,663,470</u>
Total fund balance	<u>\$28,604,270</u>	<u>\$23,541,995</u>

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

WASHTENAW COUNTY
EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR SYSTEM BENEFITS
for the years ended December 31, 1983 and 1982

	<u>1983</u>	<u>1982</u>
Investment income:		
Net appreciation in fair value of investments (Note 4)	\$ 571,414	\$ 3,075,260
Interest	1,835,282	1,865,794
Dividends	<u>369,455</u>	<u>224,244</u>
	2,776,151	5,165,298
Less investment expenses	<u>45,590</u>	<u>29,097</u>
	<u>2,730,561</u>	<u>5,136,201</u>
Contributions:		
Employer	1,979,889	1,299,390
Employees	<u>979,232</u>	<u>886,192</u>
	<u>2,959,121</u>	<u>2,185,582</u>
Total additions	<u>5,689,682</u>	<u>7,321,783</u>
Participants' benefit payments	409,108	361,368
Refunds to terminated employees	<u>218,299</u>	<u>181,178</u>
Total deductions	<u>627,407</u>	<u>542,546</u>
Net increase	5,062,275	6,779,237
Net assets available for system benefits:		
Beginning of year	<u>23,541,995</u>	<u>16,762,758</u>
End of year	<u><u>\$28,604,270</u></u>	<u><u>\$23,541,995</u></u>

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

WASHTENAW COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS

1. Plan Description:

The following brief description of the plan is provided for general information purposes only. Participants should refer to the plan agreement for more complete information.

General

The Retirement System is a defined benefit pension plan covering substantially all full-time employees of Washtenaw County. The System is exempted from the requirements of Title 1 of the Employment Retirement Income Security Act of 1974 and as such is not subject to the reporting and disclosure requirements of the Act.

Pension Benefits

In general, employees with eight or more years of service and having attained the age of 60 years, or certain employees with 25 years or more of service and having attained the age of 50 years are entitled to annual pension benefits upon reaching the applicable retirement age. The benefits are equal to the employees' years of credited service multiplied by the sum of:

- . 1.2 percent of the first \$4,200 of their final five-year average annual compensation for each year of service, and
- . 1.7 percent of the portion, if any, of their final average compensation in excess of \$4,200.

Sheriff Department

2.0 percent of their final average compensation not to exceed 75 percent of final average compensation.

Employees may elect to receive their pension benefits in the form of a straight life annuity or in one of four options which include a survivor annuity. If employees terminate before rendering eight years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to the County's contributions.

Continued

WASHTENAW COUNTY
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, Continued

1. Plan Description, continued:

Death and Disability Benefits

If an active employee dies, a death benefit may be payable to the employee's beneficiary. Active employees with 10 or more years of service who become totally disabled receive annual disability benefits.

2. Significant Accounting Policies:

Method of Accounting

The fund utilizes the accrual basis method of accounting which recognizes revenues as earned and expenses as incurred.

Valuation of Investments

If available, quoted market prices are used to value investments. The amounts shown in Note 4 for securities that have no quoted market price represent estimated fair value. Many factors are considered in arriving at that fair value. In general, however, mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The guaranteed investment contract is valued at contract value.

Actuarial Present Value of Projected Plan Benefits

Projected plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the plan's provisions to the service employees have rendered. Projected plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries; (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits under the plan are based on employees' compensation during five of their last ten years of credited service. Benefits payable under all circumstances (retirement, death, disability and termination of employment) are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

Continued

WASHTENAW COUNTY
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, Continued

2. Significant Accounting Policies, continued:

The actuarial present value of projected plan benefits is determined by the Retirement System's Actuary and is that amount that results from applying actuarial assumptions to adjust the projected plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations were (a) life expectancy of participants (the 1971 Group Annuity Mortality Table was used); (b) retirement age assumptions (the assumed average retirement age was 60), and (c) investment return. The 1983 valuation assumed an average rate of return of 6.5 percent. The 1982 valuation assumed an average rate of return of 6 percent. The foregoing actuarial assumptions are based on the presumption that the plan will continue. Were the plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of projected plan benefits.

Administrative Expense

In accordance with County policies, the health and life insurance costs and the administrative costs associated with the retirement fund, other than custodian fees, are paid from the Fringe Benefit Revolving Fund and are not reflected in the Retirement System's financial statements.

Reporting Entity

These financial statements represent the financial condition of a component unit of Washtenaw County and are an integral part of that reporting entity.

3. Funding Policy:

As a condition of participation, employees are required to contribute 3 percent of the first \$4,200 of their gross annual salary and 5 percent thereafter to the Retirement System. Present employees' accumulated contributions at December 31, 1983 and 1982, were \$6,321,932 and \$5,395,494, respectively, including interest credited at an interest rate of 5.25 percent compounded annually. The County's funding policy utilizing the entry age normal method is to make annual contributions to the Retirement System in amounts that are estimated using a constant percentage of employees' compensation each year (approximately 9.20 percent for 1984 and 8.76 percent for 1983), such that, when combined with employees' contributions, all employees' benefits will be provided for by the time they retire.

Continued

WASHTENAW COUNTY
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, Continued

4. Investments:

The Retirement System's investments are held by a bank-(Bank of Detroit) trust fund. The following table prese those investments as determined and certified by the ba represent 5 percent or more of the Retirement System's identified.

Investments at fair value as determined by
quoted market price:

Corporate bonds and notes:

Dow Chemical Company, par value 1,500,000,
11.75 percent, due January 5, 1993
Tenneco Inc., par value 1,000,000 and 500,000,
13.70 percent and 14.50 percent, maturing
September 1, 1992 and June 1, 1991
Other

Common stock

United States Government securities:

Treasury notes, Series B, 13.75 percent,
due May 15, 1992
Federal Home Loan Banks, Series D, 14.125
percent, due July 25, 1989
Federal Home Mortgage Corp., Series 1978 A,
8.85 percent, due March 15, 2008
Other
Money Market Fund

Investments at estimated fair value:
Guaranteed investment contract
Mortgages

Continued

WASHTENAW COUNTY
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, Continued

4. Investments, continued:

During 1983 and 1982, the plan's investments appreciated (depreciated) by \$571,414 and \$3,075,260, respectively, as follows:

	Net Realization Gain (Loss) Appreciation (Depreciation)
Investments at fair value as determined by quoted market price:	
Corporate bonds and notes	\$324,811,437,929
Common stock	197,211,117,118
United States Government securities	2,547,799
	525,030,32,846
Investments at estimated fair value:	
Mortgages	42,414
	\$525,030,375,260

5. Fund Balance Reserves:

The following is an analysis of changes in fund reserves for the years ended December 31, 1983 and 1982:

	Reserve for Employee Contributions	Retirement Reserve Fund	Total Reserve
Balance, beginning of year	\$5,395,494	\$13,210,918	\$16,762,758
Additions:			
Employees' contributions	979,232		886,192
Employer's contributions			1,299,390
Investment income	267,444	32,905	5,165,298
Annuities awarded	(101,939)	592,577	-
	6,540,231	13,836,400	24,113,638
Deductions:			
Participants' benefit payments		(361,368)	(361,368)
Refunds to terminated employees	(218,299)		(181,178)
Investment expenses			(29,097)
Actuarial adjustment		188,438	-
Balance, end of year	\$6,321,932	\$13,663,470	\$23,541,995

Continued

WASHTENAW COUNTY
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, Continued

6. Tax Status:

A determination of the tax status of the System has not been sought from the Internal Revenue Service. It is expected that the System would qualify under the Internal Revenue Code and, therefore, not be subject to tax under present income tax law.

7. Retirement System Benefits:

Projected plan benefits and plan net assets for the Retirement System as of December 31, 1983, the date of the most recent actuarial valuation are:

Actuarial present value of projected benefits payable to current retirants and beneficiaries	\$ 5,023,541
Actuarial present value of projected benefits payable to terminated vested participants	474,041
Actuarial present value of projected benefits for active employees	<u>27,960,508</u>
Total actuarial present value of credited projected benefits	<u>\$33,458,090</u>
Net assets available for plan benefits	<u>\$28,604,270</u>
Assumed average rate of return	<u>6.5%</u>

In 1983, the actuarial funding method was changed from the attained age normal method to the entry age normal method in order to stabilize funding requirements. The amortization period for unfunded accrued liabilities was increased from 15 years to 30 years. In addition, the method of contribution for retired member health care included in retirement benefits was changed from the pay-as-you-go basis to the level cost basis. These changes increased the unfunded liability for the actuarial present value of projected benefits by approximately \$5,850,000.