

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, 1986 and 1985, and the related statement of changes in net assets available for system benefits for the years then ended. Our examinations were 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.

In our opinion, the financial statements referred to above present fairly the financial position of the Washtenaw County Employees' Retirement System at December 31, 1986 and 1985, and the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Coopers & Lybrand*

Detroit, Michigan  
June 29, 1987

WASHTENAW COUNTY  
EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF NET ASSETS AVAILABLE FOR SYSTEM BENEFITS

December 31, 1986 and 1985

	<u>1986</u>	<u>1985</u>
Assets:		
Investments, at market (Note 4):		
Corporate bonds and notes	\$13,101,200	\$ 4,453,269
Common stocks	18,811,661	17,090,818
United States Government securities	13,009,993	13,317,967
Money market fund	6,043,270	7,442,335
Guaranteed investment contract	-	800,000
Mortgages	190,083	279,499
Total investments	51,156,207	43,383,888
Cash	24,538	55,450
Accrued interest and dividends	727,553	629,051
Due from other funds	195,093	98,687
Reimbursements receivable	-	23,809
Total assets	52,103,391	44,190,885
Liabilities, accounts payable and accrued expenses	1,482	51,437
Due to other funds	27,702	-
Net assets available for benefits	\$52,074,207	\$44,139,448
Fund balance:		
Reserved for:		
Employee contributions	\$ 7,576,150	\$ 7,023,274
Pension	36,334,868	30,479,923
Retirement	8,163,189	6,636,251
Total fund balance	\$52,074,207	\$44,139,448

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, 1986 and 1985

	<u>1986</u>	<u>1985</u>
Investment income:		
Net appreciation in fair value of investments (Note 4)	\$ 3,047,395	\$ 6,170,249
Interest	2,687,214	2,200,917
Dividends	540,690	571,928
	<u>6,275,299</u>	<u>8,943,094</u>
Less investment and administrative expenses	<u>155,674</u>	<u>117,106</u>
	<u>6,119,625</u>	<u>8,825,988</u>
Contributions:		
Employer	2,090,466	2,005,265
Employees	1,009,730	963,340
	<u>3,100,196</u>	<u>2,968,605</u>
Total additions	<u>9,219,821</u>	<u>11,794,593</u>
Participants' benefit payments	698,190	586,177
Refunds to terminated employees	586,872	688,225
	<u>1,285,062</u>	<u>1,274,402</u>
Total deductions	<u>1,285,062</u>	<u>1,274,402</u>
Net increase	7,934,759	10,520,191
Net assets available for system benefits:		
Beginning of year	<u>44,139,448</u>	<u>33,619,257</u>
End of year	<u>\$52,074,207</u>	<u>\$44,139,448</u>

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

WASHTENAW COUNTY  
EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS

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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 exempt from the requirements of Title I 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:

- A. General employees who retired prior to January 1, 1986,
  - . 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.
- B. Certain general employees who retire on or after January 1, 1986,
  - . 2.0 percent of their final five-year average annual compensation for each year of service.

Sheriff Department

2.0 percent of their final average compensation (highest 5 consecutive years out of last 10) of which the maximum County financed portion is limited to 75 percent of final average compensation.

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WASHTENAW COUNTY  
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, Continued

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1. Plan Description, continued:

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.

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 Accumulated Plan Benefits

Accumulated 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. Accumulated 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 accumulated plan benefits is determined by the Retirement System's Actuary and is that amount that results from applying actuarial assumptions to adjust the accumulated 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 for general employees and 50 for sheriff deputies), and (c) investment return. The 1985 valuation assumed an average rate of return of 6.5 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 accumulated plan benefits.

Administrative Expense

In accordance with County policies, the administrative costs associated with the retirement fund are paid by the Retirement System.

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. Beginning in September 1986, those members whose pension factor was improved to 2.0 percent also began contributing 6 percent of gross annual salary. Present employees' accumulated contributions at December 31, 1986 and 1985, were \$7,576,150 and \$7,023,274, respectively, including interest credited at an interest rate of 6.25 percent in 1986 and 6 percent in 1985 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 such that, when combined with employees' contributions, all employees' benefits will be provided for by the time they retire. The rate in effect for general employees during 1986 and 1985 was approximately 7.76 percent and 8.41 percent, respectively. The rate in effect for sheriffs during 1986 and 1985 was approximately 15.36 percent and 16.49 percent, respectively. In a prior year, the County began funding a health insurance reserve for retirees.

WASHTENAW COUNTY  
EMPLOYEES' RETIREMENT

NOTES TO FINANCIAL STATEMENTS

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4. Investments:

The Retirement System's investments are held in a trust fund (Bank of Detroit) trust fund. The following investments as determined and certified represent 5 percent or more of the Retirement System's assets and are identified.

Investments at fair value as determined  
quoted market price:

Corporate bonds and notes:

Dow Chemical Company, par value \$1,500,000,  
11.75 percent, due January 5, 1992

Other

Common stock

United States Government securities:

Treasury notes, Series B, 13.75 percent,  
due May 15, 1992

Federal National Mortgage Association  
debenture, 10.5 percent, due July 1, 1992

Federal Home Loan Banks, consolidated  
bond, 11.70 percent, due July 26, 1992

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 1986 and 1985, the plan's investments appreciated and \$6,170,249 respectively, as follows:

	1986	1985
	Realized Gain (Loss)	Net Appreciation (Depreciation)
Investments at fair value as determined by quoted market price:		
Common stock	\$ 757,4996	\$4,841,062
Bonds: Corporate and U. S. Government securities	760,7457	1,287,578
	1,518,1453	6,128,640
Investments at estimated fair value:		
Mortgages	- 609	41,609
	\$1,518,1062	\$6,170,249

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WASHTENAW COUNTY  
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, Contir

5. Fund Balance Reserves:

The following is an analysis of changes in fund res:  
December 31, 1986 and 1985:

	1985		
	Reserve Employ Contribut	Retirement Reserve Fund	Total Reserve
Balance, beginning of year	\$7,023,23	\$4,595,420	\$33,619,257
Additions:			
Employees' contributions	1,009,7		963,340
Employer's contributions	55		2,005,265
Investment income	395,92	1,466,207	8,943,094
Annuities awarded	(265,81)	1,160,801	-
	8,162,79	7,222,428	45,530,956
Deductions:			
Participants' benefit payments		(586,177)	(586,177)
Refunds to terminated employees	(586,5		(688,225)
Investment expenses	16)		(117,106)
	\$7,576,13	\$6,636,251	\$44,139,448

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WASHTENAW COUNTY  
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, Continued

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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:

Accumulated plan benefits and plan net assets for the Retirement System as of December 31, 1985, the date of the most recent actuarial valuation, are:

Actuarial present value of projected benefits payable to current retirees and beneficiaries	\$ 6,707,605
Actuarial present value of projected benefits payable to terminated vested participants	636,118
Actuarial present value of projected benefits for active employees	<u>29,878,097</u>
Total actuarial present value of credited projected benefits	<u>\$37,221,820</u>
Net assets available for plan benefits, December 31, 1985	<u>\$44,139,448</u>
Assumed average rate of return	<u>6.5%</u>