

**WASHTENAW COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

Financial Statements

**For The Years Ended
December 31, 1996 and 1995**

WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

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INDEPENDENT AUDITORS' REPORT

March 31, 1997

To the Board of Commissioners of
Washtenaw County Retirement Commission
Ann Arbor, Michigan

We have audited the statements of net assets available for system benefits of the *Washtenaw County Employees' Retirement System* (the "System") as of December 31, 1996, and the related statements of changes in net assets available for system benefits for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Washtenaw County Employees' Retirement System as of December 31, 1995, were audited by other auditors whose report dated May 24, 1996, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1996 financial statements referred to above present fairly, in all material respects, the net assets available for system benefits of the Washtenaw County Employees' Retirement System as of December 31, 1996, and the changes in net assets available for system benefits for the year then ended, in conformity with generally accepted accounting principles.

The historical information presented on pages 15 through 17, including the information on page 15 which is supplementary information required by the Governmental Accounting Standards Board, is not a required part of the financial statements. Accordingly, we did not audit the information and express no opinion on it.

FINANCIAL STATEMENTS

WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM
Statements of Net Assets Available for System Benefits
December 31, 1996 and 1995

	1996	1995
Assets		
Investments, at fair value (Note 4)		
Common stocks	\$96,295,756	\$79,083,442
United States government securities	34,646,626	37,144,234
Corporate bonds and notes	8,359,474	5,118,483
Short-term investments	4,727,939	8,746,776
Total investments	144,029,795	130,092,935
Cash	220,490	330,297
Contributions receivable	1,351	249,689
Accrued interest and dividends	894,595	743,180
Due from other Washtenaw County funds	41	205,743
Total assets	<u>145,146,272</u>	<u>131,621,844</u>
Liabilities		
Accounts payable and accrued expenses	-	16,823
Due to other Washtenaw County funds	-	678,244
Total liabilities	<u>-</u>	<u>695,067</u>
Net assets available for benefits	<u>\$145,146,272</u>	<u>\$130,926,777</u>

See accompanying notes

WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

Statement of Changes in Net Assets Available for System Benefits For the Years Ended December 31, 1996 and 1995

	1996	1995
Additions		
Investment income:		
Net realized and unrealized appreciation in fair value of investments (Note 4)	\$12,690,828	\$21,637,122
Interest and dividends	7,238,444	6,630,653
Total investment income	19,929,272	28,267,775
Contributions: (Note 3)		
Washtenaw County	1,115,303	1,402,356
Participants	1,038,859	892,042
Total contributions	2,154,162	2,294,398
Other additions	77,622	-
Total additions	22,161,056	30,562,173
Deductions		
Participant benefits:		
Pension	5,325,248	4,780,842
Health and life insurance	1,750,189	925,220
Total participant benefits	7,075,437	5,706,062
Administrative expenses (Note 1)	765,719	679,162
Participant refunds	23,223	12,347
Other deductions	77,182	-
Total deductions	7,941,561	6,397,571
Net additions to net assets available for benefits	14,219,495	24,164,602
Net assets available for benefits, beginning of year	130,926,777	106,762,175
Net assets available for benefits, end of year	<u>\$145,146,272</u>	<u>\$130,926,777</u>

See accompanying notes

WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

1. PLAN DESCRIPTION

The following description of the Washtenaw County Employees' Retirement System (the "System") provides only general information. Participants should refer to the System agreement for a more complete description of the System's provisions.

General - The System administers a single-employer, defined benefit public employee retirement plan covering certain full-time employees of Washtenaw County (the "County").

Effective January 1, 1989, covered employees had the option of: (1) Remaining in the System; (2) Freezing their benefits in the System and participating in the Washtenaw County Money Purchase Pension Plan (the "MPPP"); or (3) Withdrawing from the System and participating in the MPPP.

All employees hired on January 1, 1989 or thereafter are covered by the MPPP and not the System.

System membership as of December 31, 1996 and 1995 is as follows:

	<u>1996</u>	<u>1995</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	475	421
Vested active participants	253	281
Non-vested active participants	2	12

The System is exempt from the requirements of Title 1 of the Employment Retirement Income Security Act of 1974 ("ERISA") and, as such, is not subject to the reporting and disclosure requirements of ERISA.

WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

1. PLAN DESCRIPTION (Continued)

Pension Benefits - Pension benefits are determined primarily as a result of collective bargaining agreements. In general, employees with eight or more years of service and having attained the age of 60 years, or certain Sheriff Department employees with 25 years or more of service and having attained the age of 50 years, and certain other Sheriff Department employees with 20 years of service, regardless of age, are entitled to annual pension benefits upon reaching the applicable retirement age. Pension benefits are determined based on each employee's years of credited service as a multiple of factors as follows:

General Employees

General employees who retired prior to January 1, 1986:

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

Certain general employees who retire on or after January 1, 1986:

- **Option B** - 2.0% of their final five-year average annual compensation for each year of service.

General employees who retired prior to January 1, 1986, and whose multiplier was less than 2.0%, received a one-time permanent adjustment to their monthly rate based upon changes in the Consumer Price Index from their date of retirement to December 1986.

Sheriff's Department Employees

- **Option C** - 2.0% of their final average compensation (highest five consecutive years out of last ten), of which the maximum County - financed portion is limited to 75% of their final average compensation; or
- **Option D** - 2.5% of their final average compensation until age 62, and 2.0% thereafter.

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

WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

1. PLAN DESCRIPTION (Concluded)

Vesting - Employees are 100% vested in elective deferrals and do not vest in the portion of accumulated plan benefits contributed by the County until after eight years of service.

Funding - The System's basic benefits, as delineated in the System's Bylaws, as amended, and various collective bargaining agreements, are funded by contributions from the County and active participants and by investment income earned on System assets. General and Sheriff Department employees who were hired on or after January 1, 1986 contribute 5% of their annual compensation. Nurses contribute 5% of annual compensation. General employees who were hired prior to January 1, 1986 and Sheriff employees choosing Option C contribute 3% of the first \$4,200 of annual compensation plus 5% of annual compensation in excess of \$4,200. Command Sheriff employees choosing Option D contribute 10% of annual compensation and Deputy Sheriff employees choosing Option D contribute 8% of their first \$4,200 of annual compensation plus 10% (7.5% subsequent to July 1, 1991) of annual compensation in excess of \$4,200. The County contributes an actuarially determined amount, which is the remainder needed to fund normal cost and the amortization of unfunded actuarial accrued liabilities.

Death and Disability Benefits - If an employee dies, a death benefit may be payable to that employee's beneficiary. Active employees with ten or more years of service who become totally and permanently incapacitated for service in the employ of the County receive annual disability benefits.

Life Insurance Benefits - If a retiree dies, a nominal death benefit may be payable to that retiree's beneficiary.

Medical Insurance Benefits - A Sheriff's Department member who retires at age 55 and other members who retire at age 62 receive the same medical insurance coverage in effect for the employees of their respective bargaining units until the retiree is eligible for Medicare. At such time, the retiree receives Medicare Supplemental coverage.

Covered Payroll - The County's Covered Payroll is defined and estimated by the actuary for the fiscal year beginning on the valuation date for employees participating in the System.

Use of Estimates in Preparation of the Financial Statements - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The System's financial statements are prepared on the accrual basis of accounting. Contributions from the County are recognized as revenue in the period in which employees provide service covered by the System. The Governmental Accounting Standards Board (GASB) has issued Statement Numbers 25 and 26. GASB Statements 25 and 26 establish the financial reporting framework for pension plans, which includes fair value accounting for investments, recognition of unrealized investment gains and losses, amortization of unfunded actuarial liabilities over a period of 40 years or less, and requires certain additional disclosures regarding postemployment healthcare benefits. The above Statements will be adopted by the System in 1997. Management is in the process of evaluating the total effect on its financial statements.

Valuation of Investments and Income Recognition - The System's investments are stated at fair value (see Note 4). Quoted market prices are used to determine fair value. Shares of registered investment companies are valued at quoted market prices which represent the net asset value of shares held by the System at year end. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

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

3. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The County's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost is determined using the aggregate cost actuarial funding method.

During the year ended December 31, 1996, contributions totaling \$2,154,162 (\$1,115,303 employer and \$1,038,859 employee) were made. Employer contributions were made in accordance with contribution requirements determined by an actuarial valuation of the System as of December 31, 1994. The employer contribution consisted of \$1,115,303 for normal cost and \$0 for amortization of the unfunded actuarial accrued liability. Employer and employee contributions represented 9.3% and 8.6%, respectively, of covered payroll of \$12,044,411, as estimated by the actuary as of the actuarial valuation date. Actual payroll for System participants was \$11,321,613 and total County payroll, excluding retiree wages, was \$48,137,686 for the year ended December 31, 1996.

WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

3. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE (Concluded)

During the year ended December 31, 1995, contributions totaling \$2,294,398 (\$1,402,356 employer and \$892,042 employee) were made. Employer contributions were made in accordance with contribution requirements determined by an actuarial valuation of the System as of December 31, 1993. The employer contribution consisted of \$1,402,356 for normal cost and \$0 for amortization of the unfunded actuarial accrued liability. Employer and employee contributions represented 11.8% and 7.5%, respectively, of covered payroll of \$11,931,051, as estimated by the actuary as of the actuarial valuation date. Actual payroll for System participants was \$12,213,061 and total County payroll was \$53,736,150 for the year ended December 31, 1995.

Ten-year historical trend information (unaudited) is included herewith on pages 15, 16 and 17. This required supplementary information is intended to provide information relating to progress made in accumulating sufficient assets to pay benefits when due.

Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the pension benefit obligation as shown in Note 6.

4. CASH AND INVESTMENTS

Cash - Amounts reported as cash represents the System's individual interest in a pro-rata share of the County's cash management pool as of December 31, 1996 and 1995. Information regarding deposit insurance and risk categorization for the cash management pool is presented in the County's general purpose financial statements.

WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

4. CASH AND INVESTMENTS (Continued)

The System's investments are held by a bank-administered trust fund, except for certain investments held and administered by an independent investment management company. At December 31, 1996, the investments with this management company totaled \$11,154,457 at fair value and \$11,580,059 at cost; at December 31, 1995, the investments totaled \$10,827,153 at fair value and \$11,387,365 at cost. The following table presents the fair values of those investments:

	December 31,			
	1996		1995	
	Fair Value	Cost	Fair Value	Cost
Investments at fair value, as determined by quoted market price:				
Common stock	\$ 96,295,756	\$ 77,470,861	\$ 79,083,442	\$ 66,233,630
Corporate bonds and notes	8,359,474	8,415,647	5,118,483	5,120,095
U.S. government securities	34,646,626	32,891,774	37,144,234	34,401,618
Money Market Funds:				
NBD Bank short-term investment fund for employee benefit plans	2,309,459	2,309,459	6,329,654	6,329,653
Other	<u>2,418,480</u>	<u>2,507,839</u>	<u>2,417,122</u>	<u>2,310,502</u>
Total investments	<u>\$144,029,795</u>	<u>\$123,595,580</u>	<u>\$130,092,935</u>	<u>\$114,395,498</u>

Realized and unrealized gains and losses for the years ended December 31, 1996 and 1995 are as follows:

	1996			1995		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Net Appreciation (Depreciation)	Realized Gain (Loss)	Unrealized Gain (Loss)	Net Appreciation (Depreciation)
Investments, recorded at fair value as determined by quoted market price:						
Common stocks	\$8,189,378	\$4,736,779	\$12,926,157	\$3,750,687	\$18,074,586	\$21,825,273
Corporate bonds and U.S. government securities	<u>(235,329)</u>	--	<u>(235,329)</u>	<u>(188,151)</u>	--	<u>(188,151)</u>
Total	<u>\$7,954,049</u>	<u>\$4,736,779</u>	<u>\$12,690,828</u>	<u>\$3,562,536</u>	<u>\$18,074,586</u>	<u>\$21,637,122</u>

WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

4. CASH AND INVESTMENTS (Concluded)

Investments are categorized to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent but not in the System's name. At December 31, 1996 and 1995, all of the System's investments are classified in Category 3, except for investments in mutual funds which are not required to be categorized.

5. NET ASSETS

The net assets available for System benefits are classified into three reserve accounts, as follows:

Reserved for Employee Contributions - represents amounts contributed by active employees and accumulated investment earnings thereon, less refunds and amounts transferred to the Reserve for Retirement.

Reserved for Pension - represents amounts contributed by the County on behalf of active employees and accumulated investment earnings thereon, less administrative expenses and amounts transferred to the Reserve for Retirement.

Reserved for Retirement - represents amounts sufficient to fund the pension benefits for employees who are now inactive or retired. Such amounts are determined by the System's actuary.

WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

5. NET ASSETS (Concluded)

The following is an analysis of the changes in net assets available for System benefits by reserve account for the years ended December 31, 1996 and 1995:

	<u>Reserved for Employee Contributions</u>	<u>Reserved for Pension</u>	<u>Reserved for Retirement</u>	<u>Total Reserve</u>
Balance, January 1, 1995	\$ 9,451,405	\$41,611,450	\$55,699,320	\$106,762,175
Additions:				
Employee contributions	892,042	--	--	892,042
Employer contributions	--	1,402,356	--	1,402,356
Investment income	449,514	22,751,690	4,766,655	27,967,859
Annuities awarded	(944,623)	(4,072,979)	5,017,602	--
Other	--	--	299,916	299,916
Total additions	<u>396,933</u>	<u>20,081,067</u>	<u>10,084,173</u>	<u>30,562,173</u>
Deductions:				
Participant benefit payments	--	--	(5,694,150)	(5,694,150)
Refunds to terminated employees	(12,347)	--	--	(12,347)
Investment and administrative expenses	--	(679,162)	--	(679,162)
Transfers and other	--	(3,931,107)	3,919,195	(11,912)
Total deductions	<u>(12,347)</u>	<u>(4,610,269)</u>	<u>(1,774,955)</u>	<u>(6,397,571)</u>
Balance, December 31, 1995	<u>9,835,991</u>	<u>57,082,248</u>	<u>64,008,538</u>	<u>130,926,777</u>
Additions:				
Employee contributions	1,038,859	--	--	1,038,859
Employer contributions	--	1,115,303	--	1,115,303
Investment income	447,657	14,272,195	5,209,420	19,929,272
Annuities awarded	(594,432)	(2,342,116)	2,936,548	--
Other	--	1,672	75,950	77,622
Total additions	<u>892,084</u>	<u>13,047,054</u>	<u>8,221,918</u>	<u>22,161,056</u>
Deductions:				
Participant benefit payments	--	--	(7,075,437)	(7,075,437)
Refunds to terminated employees	(23,223)	--	--	(23,223)
Investment and administrative expenses	--	(765,719)	--	(765,719)
Transfers and other	(1,672)	(7,600,994)	7,525,484	(77,182)
Total deductions	<u>(24,895)</u>	<u>(8,366,713)</u>	<u>450,047</u>	<u>(7,941,561)</u>
Balance, December 31, 1996	<u>\$10,703,180</u>	<u>\$61,762,589</u>	<u>\$72,680,503</u>	<u>\$145,146,272</u>

WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

6. RETIREMENT SYSTEM BENEFITS

Pension Benefit Obligation - The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to (i) help users assess the System's funding status on a going-concern basis, (ii) assess progress being made in accumulating sufficient assets to pay benefits when due, and (iii) allow for comparisons among public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the System.

The pension benefit obligation is determined by the System's actuary and is that amount which 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 for both years in determining the pension benefit obligation were (a) life expectancy of participants (the 1971 Group Annuity Mortality Table projected to 1984 with age set back for both men and women was used); (b) retirement age assumptions (the assumed average retirement age was 60 for general employees and 50 for sheriff deputies); (c) a rate of return of the investment of present and future assets of 8.0% per year compounded annually; (d) projected salary increases of 5% per year compounded annually, attributable to inflation; (e) additional projected salary increases ranging from 0.5% to 5.5% per year, depending on age and service, attributable to seniority/merit; and (f) the assumption that benefits will not increase after retirement. Health insurance premiums are projected to increase 5% per year.

The foregoing actuarial assumptions are based on the presumption that the System will continue. Were the System to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated System benefits.

WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

6. RETIREMENT SYSTEM BENEFITS (Continued)

At December 31, 1995, the latest date for which such information is available, the amount of assets in excess of the pension and health benefit obligation was \$14,043,194, determined as follows:

	<u>Pension</u>	<u>Health</u>	<u>Total</u>
Pension and health benefit obligation:			
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$52,602,319	\$21,333,210	\$ 73,935,529
Current employees:			
Accumulated employee contributions, including all allocated investment income	9,038,030	--	9,038,030
Employer financed - vested	20,168,951	--	20,168,951
Employer financed - nonvested	22,184	--	22,184
Employer financed - health benefits	<u> --</u>	<u>13,718,889</u>	<u>13,718,889</u>
Total pension and health benefit obligation	<u>\$81,831,484</u>	<u>\$35,052,099</u>	116,883,583
Net assets available for benefits (at fair value)			<u>130,926,777</u>
Assets in excess of the pension and health benefit obligation			<u>\$ 14,043,194</u>

During the year ended December 31, 1995, the System experienced a net increase of \$6,211,398 in the pension benefit obligation. The System experienced a net increase of \$12,005,839 in the health care benefit obligation during the year ended December 31, 1995. The total projected benefit obligation for health care benefits for retirees, beneficiaries, terminated employees and current employees was \$35,052,099 as of the valuation date of December 31, 1995.

WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

6. RETIREMENT SYSTEM BENEFITS (Concluded)

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information is included as supplemental data herewith and in the statistical section of the Washtenaw County Comprehensive Annual Financial Report. For the three years ended December 31, 1995, 1994 and 1993, available assets were sufficient to fund 160.0%, 141.2%, and 159.4%, respectively, of the County's pension benefit obligation. For the three years ended December 31, 1995, 1994 and 1993, assets in excess of the pension benefit obligation represented 407.6%, 261.0%, and 306.2%, respectively, of the annual covered payroll. Presenting the assets in excess of the pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes. For the three years ended December 31, 1995, 1994 and 1993, the County's contributions to the System, all made in accordance with actuarially determined requirements, were 9.3%, 11.8%, and 8.9%, respectively, of annual covered payroll.

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**SUPPLEMENTARY
INFORMATION**

WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

ANALYSIS OF FUNDING PROGRESS (UNAUDITED)

Year	Valuation Date December 31	Net Assets Available For Benefits	Pension Benefit Obligation*			Percentage Funded (1)/(4)	Overfunded PBO (1)-(4)	Annual Covered Payroll (7)	(8) Unfunded (Overfunded) PBA as a Percentage of Covered Payroll (6)/(7)
			Pension Benefits	Health Care Benefits	Total (2)+(3)				
1987	1986	\$52,074,207	\$32,169,083	\$4,896,072	\$37,065,155	140.5 %	\$15,009,052	\$20,561,298	(73.0)%
1988	1987	56,286,149	43,412,189	6,307,807	49,719,996	113.2	6,566,153	23,079,794	(28.4)
1989	1988	63,298,819	46,714,139	13,203,362	59,917,501	105.6	3,381,318	19,141,043	(17.1)
1990	1989	78,962,250	43,685,397	16,266,606	59,952,003	131.7	19,010,247	17,560,488	(108.3)
1991	1990	80,965,991	49,233,567	18,104,192	67,337,759	120.2	13,628,232	16,401,602	(83.1)
1992	1991	96,955,942	52,774,781	18,808,041	71,582,822	135.4	25,373,120	16,233,676	(156.3)
1993	1992	103,280,333	61,960,250	20,852,086	82,812,336	124.7	20,467,997	15,117,795	(135.4)
1994	1993	112,403,370	70,506,835	23,289,983	93,796,818	119.8	18,606,552	13,684,907	(136.0)
1995	1994	106,762,175	75,620,068	23,046,260	98,666,328	108.2	8,095,847	11,931,051	(67.9)
1996	1995	130,926,777	81,831,484	35,052,099	116,883,583	112.0	14,043,194	12,044,411	(116.6)

* Prior to 1986, actuarial liabilities were not computed using the projected unit credit actuarial cost method. Certain amendments were made to the Plan during 1988, 1989 and 1992.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension benefit obligation as a factor.

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded and overfunded pension benefit obligations in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the System's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded and overfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded and overfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the unfunded percentage, the stronger the plan.

WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

REVENUES BY SOURCE AND EXPENSES BY TYPE (UNAUDITED)

<u>Year</u>	<u>Revenue by Source</u>			<u>Total</u>
	<u>Employees Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income (Loss)</u>	
1987	\$1,139,201	\$2,107,190	\$2,258,305	\$5,504,696
1988	1,466,256	2,258,072	5,117,308	8,841,636
1989	1,393,025	2,225,619	14,997,340	18,615,984
1990	1,513,667	2,015,630	1,360,357	4,889,654
1991	1,201,183	1,013,227	17,106,072	19,320,482
1992	1,465,263	1,061,230	7,930,775	10,457,268
1993	934,125	1,181,527	11,835,162	13,950,814
1994	686,490	1,213,634	(1,335,760)	564,364
1995	892,042	1,402,356	28,267,775	30,562,173
1996	1,038,859	1,115,303	20,006,894	22,161,056

<u>Year</u>	<u>Expenses by Type</u>			<u>Total</u>
	<u>Benefits</u>	<u>Administrative Expenses</u>	<u>Refunds</u>	
1987	\$873,206	\$160,747	\$258,801	\$1,292,754
1988	1,321,163	211,606	296,197	1,828,966
1989	1,516,428	292,095	1,144,030	2,952,553
1990	2,231,932	294,824	359,157	2,885,913
1991	2,552,552	349,845	428,134	3,330,531
1992	3,533,701	398,580	200,596	4,132,877
1993	4,238,112	526,681	62,984	4,827,777
1994	5,382,701	656,581	166,277	6,205,559
1995	5,706,062	679,162	12,347	6,397,571
1996	7,152,619	765,719	23,223	7,941,561

WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

ANALYSIS OF EMPLOYER CONTRIBUTIONS (UNAUDITED)

Valuation Date December 31	(1) Employer Contributions*	(2) Annual Covered Payroll	(3) Employer Contribution as a Percentage of Annual Covered Payroll (1)/(2)
1986	\$2,107,190	\$20,561,298	10.25%
1987	2,258,072	23,079,794	9.78%
1988	2,225,619	19,141,043	11.63%
1989	2,015,630	17,560,488	11.48%
1990	1,013,227	16,401,602	6.18%
1991	1,061,230	16,233,676	6.54%
1992	1,181,527	15,117,795	7.82%
1993	1,213,634	13,684,907	8.87%
1994	1,402,356	11,931,051	11.75%
1995	1,115,303	12,044,411	9.26%

* Contributions to date have been made in accordance with actuarially determined requirements.