Monroe County Employees' Retirement System

Financial Report
with Supplemental Information
Years Ended December 31, 2014 and 2013

Contents

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Independent Auditor's Report

To the Board of Trustees
Monroe County Employees' Retirement System

Report on the Financial Statements

We have audited the accompanying statement of fiduciary net position and the related statement of changes in fiduciary net position of the Monroe County Employees' Retirement System (the "System"), a pension trust fund of the County of Monroe, Michigan, as of and for the year ended December 31, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 financial statements are free from material misstatement.

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

To the Board of Trustees
Monroe County Employees' Retirement System

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Monroe County Employees' Retirement System as of December 31, 2014, and the changes in fiduciary net position, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 1, the financial statements include investments valued at approximately $43,000,000 (22.5 percent of net position) at December 31, 2014 and at approximately $37,000,000 (19.7 percent of net position) at December 31, 2013, whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by investment managers and other means. Our opinion has not been modified with respect to this matter.

As explained in Note 2 to the financial statements, in 2014, the System adopted new accounting guidance GASB Statement No. 67, *Financial Reporting for Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

The basic financial statements of the Monroe County Employees' Retirement System as of and for the year ended 2013 were audited by a predecessor auditor, which expressed an unmodified opinion on the statements. The predecessor auditor's report was dated June 19, 2014.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis and other required supplemental information, as identified in the table of contents, 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 who 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.

Plante & Moran, PLLC

June 5, 2015

Using this Annual Report

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplemental information. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below compares key financial information in a condensed format between the current year and the prior year:

	2014	2013
Total assets	$ 191,440,159	$ 190,445,813
Total liabilities	386,365	804,676
Net position held in trust for pension benefits	**$ 191,053,794**	**$ 189,641,137**
Net investment income	$ 7,866,098	$ 20,442,413
Net securities lending income	-	30,618
Total contributions	8,049,604	7,971,085
Retiree pension and annuity benefits	(14,044,628)	(13,454,068)
Refunds of contributions	(303,661)	(434,673)
General and administrative expenses	(154,756)	(207,058)
Net increase in net position held in trust	**$ 1,412,657**	**$ 14,348,317**

Overall Fund Structure and Objectives

The Monroe County Employees' Retirement System (the "System") exists to pay benefits to its members and retirees. Active members earn service credit that entitles them to receive benefits in the future. Benefits currently being paid are significantly greater than contributions currently being received. The excess of benefits over contributions must be funded through investment income. The public capital markets represent the primary source of investments.

GASB Statement No. 67 Implementation

As of January 1, 2014, the System was required to adopt Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*, which significantly revises existing guidance for the financial reports of most governmental pension plans.

GASB Statement No. 67 introduces significant changes to the timing and manner in which the actuarial valuation is performed, including changes to how the discount rate is calculated for accounting purposes. In addition, significant new note disclosures and required supplemental information schedules are now required.

Asset Allocation

The System has established asset allocation policies that are expected to deliver sufficient investment income over a very long period of time to satisfy the obligations to pay the benefits promised to the members of the System. The following is a summary of the adopted asset allocation as of December 31, 2014:

Equities	50%
Fixed income	45%
Cash and cash equivalents	5%

Investment Results

In 2014, there was speculation on exactly when the U.S. Federal Reserve would stop their Quantitative Easing III (QE3) program – a program by the Federal Reserve to buy bonds and keep liquidity in the capital markets. In the fourth quarter of 2014, the U.S. Federal Reserve announced the end of the QE3 program, around the time of the European Central Bank (ECB) and the Bank of Japan (BOJ) introduced a "QE" program of their own. The U.S. Gross Domestic Product (GDP) grew at a modest 3.4 percent and the Consumer Price Index (CPI) returned 0.69 percent. The QE3 speculations and expectations, coupled with low core inflation, and modest U.S. GDP growth; strengthened the U.S. dollar compared to most of the developed global currencies. As such, the Standard and Poor's 500 Index returned 13.69 percent and the MSCI EAFE Index – a proxy for international stocks – returned a negative 4.90 percent. Similar results in bonds, the Barclays Aggregate bond Index – a proxy for U.S. Bond market – returned a 5.97% return, and the Citigroup World Government Bond ex US Index returned a negative 2.68 percent. The total plan returned 4.55 percent.

The total System's return must always be considered in a longer-term context. The fund's investment horizon is long-term, corresponding to the long-term nature of the System's liabilities. Therefore, the board of trustees establishes an asset allocation policy to control risks and generate expected returns that will enable the System to pay the benefits promised to members and retirees. Accordingly, the board of trustees must make investment decisions that it believes will be the most beneficial to the System over many years, not just one or two years.

Contacting the System's Management

This financial report is intended to provide a general overview of the System's finances and investment results in relation to actuarial projections. It shows the System's accountability for the money it receives from employer and employee contributions. If you have questions about this report or need additional information, we welcome you to contact the System's office at 840 South Roessler Street, Monroe, Michigan.

Monroe County Employees' Retirement System

Statement of Fiduciary Net Position

	December 31, 2014	December 31, 2013
Assets		
Cash and cash equivalents	$ 5,493,272	$ 7,272,451
Investments		
U.S. Treasuries	13,657,567	13,983,487
U.S. agencies	-	2,786,683
Foreign government bonds	-	953,728
Corporate bonds	15,636,041	22,333,242
Hedge fund	5,531,409	-
Mutual fund	481,410	450,222
Stocks	112,394,241	27,762,600
International equities	-	10,818,716
American depository receipts	-	38,729,141
Domestic real estate investment trusts	-	2,329,552
Commingled funds	30,108,488	61,865,156
Equity real estate	7,414,394	-
Receivables:		
Accrued interest and dividend receivable	240,308	444,553
Contributions receivable	483,029	716,282
Total assets	191,440,159	190,445,813
Liabilities		
Accounts payable and accrued expenses	386,365	457,342
Obligation for impaired investment of securities lending collateral	-	347,334
Total liabilities	386,365	804,676
Net Position - Held in trust for pensions	**$ 191,053,794**	**$ 189,641,137**

The Notes to Financial Statements are an
Integral Part of this Statement.

Monroe County Employees' Retirement System

Statement of Changes in Fiduciary Net Position

	December 31, 2014	December 31, 2013
Additions		
Investment income:		
Interest and dividends	$ 3,364,737	$ 4,485,659
Net increase in fair value of investments	5,376,977	16,944,164
Less investment-related expenses	(875,616)	(987,410)
Net investment income	7,866,098	20,442,413
Securities lending income:		
Gross earnings, net of fees	-	(6,790)
Securities lending - Investment expense	-	37,408
Net securities lending income	-	30,618
Contributions:		
Employer contributions	7,275,798	7,239,324
Participants:		
Regular	769,537	528,509
Time purchase	4,269	203,252
Total contributions	8,049,604	7,971,085
Total additions	15,915,702	28,444,116
Deductions		
Benefit payments	14,044,628	13,454,068
Refunds of contributions	303,661	434,673
Administrative expenses	154,756	207,058
Total deductions	14,503,045	14,095,799
Net Increase in Net Position Held in Trust	1,412,657	14,348,317
Net Position Held in Trust - Beginning of year	189,641,137	175,292,820
Net Position Held in Trust - End of year	**$ 191,053,794**	**$ 189,641,137**

The Notes to Financial Statements are an
Integral Part of this Statement.

Note 1 - Summary of Significant Accounting Policies

The following is a summary of significant accounting policies used by the Monroe County Employees' Retirement System:

Reporting Entity

The Monroe County Employees' Retirement System (the "System") is a single-employer defined benefit contributory pension plan administered by the Monroe County Employees' Retirement System Board of Trustees (the "Board"). The System primarily provides pension, disability, and death benefits, covering substantially all full-time employees of Monroe County and its component units, including the following:

Monroe County Library System
Monroe County Road Commission
Monroe County Agency
Monroe County Community Mental Health Authority

The System was adopted by Monroe County (the "County") pursuant to Michigan Compiled Laws, Section 46.12a. Benefit provisions are established and may be amended by the Board as permitted by County Ordinances. The financial statements of the System are also included in the combined financial statement of the County as a pension trust fund. The assets of the pension trust fund include no securities of or loans to the County or any other related party.

Basis of Accounting

The System uses the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. System member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Specific Balances and Transactions

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments - Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value as determined by the System's management.

Note 1 - Summary of Significant Accounting Policies (Continued)

Approximately $43,000,000 or 22.5 percent of the System's net position as of December 31, 2014 and approximately $37,000,000 or 19.7 percent of the System's net position as of December 31, 2013 are not publicly traded and therefore do not always have a readily determinable market value.

Management's estimates of these values are based on information provided by investment managers, general partners, real estate advisors, and other means. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Implementation of GASB Statement No. 67

The System adopted GASB Statement No. 67, *Financial Reporting for Pension Plans*, during the year. The statement establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer and certain nonemployer contributing entities, about which information is required to be disclosed. As a result of the implementation of GASB 67, the System's financial statements now include new disclosures and required supplementary information focused on the System's total and net pension liability.

Note 3 - Pension Plan

Plan Administration - The System's Board administers the Monroe County Employees' Retirement System Pension Plan - a single-employer defined benefit pension plan that provides pensions for substantially all permanent full-time general employees of the County. Benefit terms have been established by contractual agreements between the County and the various employee union representation; amendments are subject to the same process.

Note 3 - Pension Plan (Continued)

Management of the System is vested in the Retirement Board, which consists of nine members - The Monroe County Board of Commissioners (the County Commission) Chair or Vice-Chair at the discretion of the Chair; a County Commissioner selected by the County Commission; a citizen, who is an elector of the County, selected by the County Commission; three members of the System, elected by the members of the System; one member of the System appointed by the Monroe County Library Board; one member elected from the Monroe County Road Commission; and one member who is a retiree and beneficiary of the System, elected by the Association of County Retired Employees, Inc.

Plan Membership - At December 31, 2013, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	700
Inactive plan members entitled to but not yet receiving benefits	137
Active plan members	751
Total	1,588

Benefits Provided - The System provides retirement, disability, and death benefits. For the County and County Agency employees, benefit terms are established by negotiations between the County Commission and the employees through collective bargaining agreements and may be amended by the County Commission.

For the Library employees, the terms are established by the Library Administration and Library Board of Trustees. For Road Commission employees, the terms are established by Road Commission Board of Trustees through collective bargaining. For Mental Health employees, the terms are established by Mental Health Board of Trustees through collective bargaining.

Note 3 - Pension Plan (Continued)

Contributions - Article 9, Section 24 of the State of Michigan Constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the union contracts and plan provisions. For the year ended December 31, 2014, the active member contribution rate ranged from 0.0 percent to 5.0 percent of annual pay and the contribution as a percentage of payroll for the various departments was 24.18 percent for General County, 31.98 percent for County Agency, 26.92 percent for the Sheriff's Office, 14.01 percent for the County Library, 22.02 percent for the Road Commission and 19.94 percent for Central Dispatch. The Mental Health contributions are expressed in dollars and the required contribution was $627,471.

For the year ended December 31, 2013, the active member contribution rate ranged from 0.0 percent to 5.0 percent of annual pay and the contribution as a percentage of payroll for the various departments was 23.75 percent for General County, 34.12 percent for County Agency, 26.26 percent for the Sheriff's Office, 13.11 percent for the County Library, 19.15 percent for the Road Commission, 19.42 percent for Central Dispatch and 9.92 percent for Mental Health. In addition, employee contributions related to purchase of service time were approximately $4,000 in 2014 and $203,000 in 2013.

Pension Plan Investments - Policy and Rate of Return

Investment Policy - The System’s policy in regard to the allocation of invested assets is established and may be amended by the System Board by a majority vote of its members. It is the policy of the System Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board’s adopted asset allocation policy as of December 31, 2014:

Asset Class	Target Allocation Percentage
Equities	50%
Fixed Income	45%
Cash or cash equivalents	5%

Note 3 - Pension Plan (Continued)

Rate of Return - For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.65 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

In accordance with state law, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions which are received throughout the year; the System maintains a record of the amount contributed by each employee and that crediting of interest shall be the rate of interest per annum, compounded annually, as reflected in the Ten Year U.S. Treasury Rate for the prior calendar year ending December 31st. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

The balances of the reserve accounts at December 31, 2014 are as follows:

	2014	2013
Retiree reserve (as of the beginning of the year)	$ 137,044,236	$ 136,223,848
Employee reserve	6,966,504	6,453,965

Net Pension Liability of the System

The net pension liability of the County has been measured as of December 31, 2014 based on benefits in force as of that date and is composed of the following:

The County reports pension expense based on funding requirements, as directed by GASB Statement No. 27. Beginning next year, the County will adopt GASB Statement No. 68, which will require the measurement of pension expense as it is earned, rather than as it is funded.

The components of the net pension liability of the County at December 31, 2014 were as follows:

Total pension liability	$ 259,978,879
Plan fiduciary net position	191,053,794
System's net position liability	$ 68,925,085
Plan fiduciary net position as a percentage of the total pension liability	73.49 %

Note 3 - Pension Plan (Continued)

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2013, which used update procedures to roll forward the estimated liability to December 31, 2014. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	4%	
Salary increases	4.5-11%	Average, including inflation
Investment rate of return	7%	Net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table for males and females, projected 20 years using scale AA.

Discount Rate - The discount rate used to measure the total pension liability was 6.95 percent. This varied from the original discount rate used for the funding valuation of 7 percent due to the open amortization period being used. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, and the valuation interest rate of 7 percent, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members prior to 2070. After that time, fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, the S&P Municipal Bond 20 year High Grade Index Rate as of December 31, 2014 of 3.34 percent was applied to all periods of subsequent projected benefit payments to determine the discount rate.

Note 3 - Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2014 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	7.50 %
International equity	7.60 %
Investment Grade US Fixed Income	2.10 %
International Fixed Income	2.60 %
Hedge Funds	3.50 %
Real estate	6.50 %
Cash or cash equivalents	0.50 %

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the County, calculated using the discount rate of 6.95 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.95 percent) or 1 percentage point higher (7.95 percent) than the current rate:

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
Net pension liability of the System	$ 100,396,258	$ 68,925,085	$ 42,354,953

Note 4 - Deposits and Investments

The System is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed $250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investments according to Michigan Public Act 347 of 2012. The System's deposits and investment policies are in accordance with statutory authority.

The System's cash and investments are subject to several types of risk, which are examined in more detail below:

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The System's investment policy does not restrict investment maturities.

At December 31, 2014, the System had the following investments and maturities:

Investment Type	Fair Value	Less than 1 year	1-5 Years	6-10 Years
U.S. Treasuries	$ 13,657,567	$ -	$ 3,465,191	$ 10,192,376
Corporate bonds	15,636,041	-	15,636,041	-
Total	$ 29,293,608	$ -	$ 19,101,232	$ 10,192,376

At December 31, 2013, the System had the following investments and maturities:

Investment Type	Fair Value	Less than 1 year	1-5 Years	6-10 Years
U.S. Treasury	$ 13,983,487	$ -	$ 8,524,525	$ 5,458,962
Corporate bonds	22,333,242	-	18,051,578	4,281,664
U.S. agencies	2,786,683	401,472	2,385,211	-
Foreign government bonds	953,728	-	496,411	457,317
Total	$ 40,057,140	$ 401,472	$ 29,457,725	$ 10,197,943

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The System's Investment policy emphasizes appropriate risk/return parameters and compliance with Public Act 347 of 2012 and gives discretionary authority to its investment managers as opposed to establishing specific credit rating benchmarks.

Note 4 - Deposits and Investments (Continued)

As of December 31, 2014, the System's Investments in debt securities were rated by Standard & Poor's as follows:

Investment type	AA+	A+	A	A-	BBB+	BBB	BBB-
U.S. Treasury	$ 13,657,567	$ -	$ -	$ -	$ -	$ -	$ -
Corporate bonds	-	708,475	2,086,523	709,175	3,236,303	4,294,047	4,601,518
Total	$ 13,657,567	$ 708,475	$ 2,086,523	$ 709,175	$ 3,236,303	$ 4,294,047	$ 4,601,518

As of December 31, 2013, the System's Investments in debt securities were rated by Standard & Poor's as follows:

Investment type	AA+	A+	A	A-	BBB+	BBB	BBB-
U.S. agencies	$ 2,786,683	$ -	$ -	$ -	$ -	$ -	$ -
Corporate bonds	879,982	-	10,027,873	-	-	11,425,387	-
Foreign government bonds	-	-	457,317	-	-	496,411	-
Total	$ 3,666,665	$ -	$ 10,485,190	$ -	$ -	$ 11,921,798	$ -

Concentration of Credit Risk - The System's Investment policy requires that no manager will hold more than 5 percent of its portion of the total fund in any single company and no more than 5 percent may be held in any single common stock. At December 31, 2014 and 2013 the System's investment portfolio was not concentrated.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. During 2014, the System divested of its individual holdings denominated in the currency of a foreign country.

The following securities were subject to foreign currency risk for fiscal year 2013:

Currency	Fair Value 2013
Bermudian dollar	$ 1,714,632
Brazilian real	953,728
British pound	728,011
Canadian dollar	2,713,299
Cayman Islands dollar	260,812
Chinese renminbi	113,134
European euro	2,868,473
Hong Kong dollar	194,671
Israeli new shekel	173,825
Japanese yen	91,356
Norwegian krone	47,313
Panamanian balboa	463,198
Peruvian nuevo sol	215,023
Singapore dollar	332,496
Swiss franc	902,473

Note 4 - Deposits and Investments (Continued)

Securities Lending - A contract approved by the System's Board of Directors permitted the System to lend its securities to broker-dealers and other entities (borrowers) for collateral that would be returned for the same securities in the future. The System's custodial bank managed the securities lending program and received securities or irrevocable bank letters of credit as collateral. The collateral securities and letters of credit were initially pledged at 102 percent of the market value of the securities lent, and could not fall below 100 percent during the term of the loan. There were no restrictions on the amount of securities that could be loaned.

The System terminated the securities lending program and contract in the current year.

At December 31, 2013, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts the borrowers owed the System. The contract with the custodial bank required it to indemnify the System if the borrowers failed to return the securities (and if the collateral was inadequate to replace the securities lent) or failed to pay the System for income distributions by the securities' issuers while the securities were on loan.

Also, at December 31, 2013, through a cash collateral investing program provided by the custodial bank, the System had an obligation to repay $347,334 of cash collateral that was invested in a Sigma Finance Medium Term Note which was impaired. This obligation was paid during the current year when the System terminated the securities lending program.

Note 5 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The System is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this Statement are effective for fiscal years beginning after June 15, 2014. The County will be required to adopt GASB 68 for the year ended December 31, 2015.

Note 5 - Upcoming Accounting Pronouncements (Continued)

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The System is currently evaluating the impact this standard will have on the financial statements when adopted, during the System's year ending December 31, 2016.

Required Supplemental Information

Monroe County Employees' Retirement System

Required Supplemental Information
Schedule of Changes in the System Net Pension Liability and Related Ratios
Last Fiscal Year
(Schedule is built prospectively upon implementation of GASB 67)

	2014
Total Pension Liability	
Service cost	$ 4,475,473
Interest	17,360,575
Benefit payments, including refunds	(14,348,289)
Net Change in Total Pension Liability	7,487,759
Total Pension Liability - Beginning of year	252,491,120
Total pension liability - End of year	**$ 259,978,879**
Plan Fiduciary Net Position	
Contributions - Employer	$ 7,275,798
Contributions - Member	773,806
Net investment income	7,866,098
Administrative expenses	(154,756)
Benefit payments, including refunds	(14,348,289)
Net Change in Plan Fiduciary Net Position	1,412,657
Plan Fiduciary Net Position - Beginning of year	189,641,137
Plan fiduciary net position - End of year	**$ 191,053,794**
System's Net Pension Liability - Ending	**$ 68,925,085**
Plan Fiduciary Net Position as a Percent of Total Pension Liability	73.49 %
Covered Employee Payroll	$ 33,045,751
System's Net Pension Liability as a Percent of Covered Employee Payroll	208.6 %

Required Supplemental Information
Schedule of County Contributions
Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	$ 7,275,798	$ 7,169,324	$ 7,114,103	$ 5,994,825	$ 5,938,425	$ 5,547,369	$ 5,938,425	$ 4,910,784	$ 3,170,195	$ 2,034,722
Contributions in relation to the actuarially determined contribution	7,275,798	7,169,324	7,114,103	5,994,825	5,938,425	5,547,369	5,938,425	4,910,784	3,170,195	2,034,722
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$33,045,751	$37,587,747	$38,891,988	$42,893,135	$43,961,798	$43,152,156	$41,821,305	$41,047,874	$38,712,508	$37,862,618
Contributions as a percentage of covered employee payroll	22.0 %	19.1 %	18.3 %	14.0 %	13.5 %	12.9 %	14.2 %	12.0 %	8.2 %	5.4 %

Notes to Schedule of System Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation Date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the 2014 FY were determined based on the actuarial valuation as of 12/31/2012. The most recent actuarial valuation for funding purposes was as of 12/31/2013.
Methods and assumptions used to determine contribution rates	
Actuarial cost method	Entry age
Amortization method	Liabilities were amortized using a 20-year level percent of payroll with the exception of Mental Health liabilities that were amortized using a 10-year level dollar method for the valuation as of December 31, 2012.
Remaining amortization period	Liabilities were amortized using a 20-year level percent of payroll with the exception of Mental Health liabilities that were amortized using a 20-year level dollar method starting with the valuation as of December 31, 2013 due to the Mental Health division falling below 100% funding levels.
Asset valuation method	7-year smoothed
Inflation	4.0%
Salary increases	4.5% - 11.0%
Investment rate of return	7.0% (net of investment and administrative expenses)
Retirement age	Experience-based table of rates are specific to the type of eligibility condition.
Mortality	RP-2000 Mortality Table for males and females, projected 20 years using scale AA.
Other information	None

Required Supplemental Information
Schedule of Investment Returns
Last Ten Fiscal Years (Schedule is built prospectively upon implementation of GASB 67)

	2014
Annual money-weighted rate of return, net of investment expense	5.65 %