

# Berrien County Employees' Retirement System

Year Ended  
December 31,  
2015

Financial  
Statements

This page intentionally left blank.

# BERRIEN COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements for the Year Ended December 31, 2015	
Statement of Fiduciary Net Position	4
Statement of Changes in Fiduciary Net Position	5
Notes to Financial Statements	8
Required Supplementary Information	
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios	16
Schedule of the Employer's Net Pension Liability	17
Schedule of Investment Returns	18
Schedule of Employer Contributions	19
Supplementary Information	
Independent Auditors' Report on the Schedule of Changes in Fiduciary Net Position by Component	23
Schedule of Changes in Fiduciary Net Position by Component	25



This page intentionally left blank.

**INDEPENDENT AUDITORS' REPORT**

June 30, 2016

Board of Commissioners  
Berrien County Employees' Retirement System  
St. Joseph, Michigan

We have audited the accompanying statement of fiduciary net position of the *Berrien County Employees' Retirement System* (the "System"), a pension trust fund of Berrien County, Michigan, as of December 31, 2015 and the related statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

*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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; 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.

*Independent Auditors' 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 of material misstatement.

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

*Opinion*

In our opinion, the statements referred to above present fairly, in all material respects, the fiduciary net position of the System, as of December 31, 2015, and the respective changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Reporting Entity*

As discussed in Note 1, the financial statements present only the Berrien County Employees' Retirement System pension trust fund and do not purport to, and do not, present fairly the financial position of Berrien County as of December 31, 2015, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedules, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.



## FINANCIAL STATEMENTS

**BERRIEN COUNTY  
EMPLOYEES' RETIREMENT SYSTEM**

**Statement of Fiduciary Net Position**

December 31, 2015

Cash and cash equivalents	\$ 573,510
Investments in mutual funds, at fair value:	
Equity	87,486,596
Fixed income	44,244,658
Commodities	9,602,570
Real estate	3,391,828
Accrued interest receivable	14,626
Other assets	<u>824,821</u>
 Total assets	 146,138,609
 Liabilities	
Accounts payable	<u>137,486</u>
 Net position restricted for pension benefits	 <u><u>\$ 146,001,123</u></u>

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



**BERRIEN COUNTY  
EMPLOYEES' RETIREMENT SYSTEM**

**Statement of Changes in Fiduciary Net Position  
For the Year Ended December 31, 2015**

**Additions**

Investment income:

Net change in fair value of investments	\$ (1,889,839)
Interest and dividends	410,652
Less investment expenses	<u>(612,152)</u>

Net investment loss	<u>(2,091,339)</u>
---------------------	--------------------

Contributions:

Employer	7,235,958
Employees	<u>2,829,257</u>

Total contributions	<u>10,065,215</u>
---------------------	-------------------

Total additions	<u>7,973,876</u>
-----------------	------------------

**Deductions**

Pension benefit payments	12,200,958
Contribution refunds	502,988
Administrative expenses	<u>66,730</u>

Total deductions	<u>12,770,676</u>
------------------	-------------------

Change in net position	(4,796,800)
------------------------	-------------

Net position, beginning of year	<u>150,797,923</u>
---------------------------------	--------------------

Net position, end of year	<u>\$ 146,001,123</u>
---------------------------	-----------------------

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

This page intentionally left blank.

## NOTES TO FINANCIAL STATEMENTS

# BERRIEN COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

### 1. SYSTEM DESCRIPTION

*General.* Berrien County ("the County") administers the Berrien County Employees' Retirement System, (the "System"), a single-employer defined benefit pension plan authorized by Section 12a of Act No. 156 of the Public Acts of 1851, which was adopted and established by the County in accordance with Michigan Compiled Laws Section 46.12a. Employer and employee contributions and benefit provisions are authorized and may be amended by County Board resolution and benefits may vary pursuant to collective bargaining agreements. Substantially all employees are covered by the System. Upon retirement, the System pays a benefit percentage (depending on group), calculated using the percentage of final average compensation times years of credited service.

The System is governed by the Finance Committee of the Berrien County Board of Commissioners. The Finance Committee is assisted by a Pension investment Trust Committee made up of three individuals appointed by the Board of Commissioners and the County's Financial Consultant.

The System is administered by the County; accordingly, it is included as a pension trust fund in the County's financial statements. System amendments are under the authority of County Ordinances. Changes in required contributions are subject to collective bargaining agreements and approval by the Berrien County Board of Commissioners.

*System membership.* System membership consisted of the following at December 31, 2015:

Retirees and beneficiaries currently receiving benefits	653
Terminated employees entitled to but not yet receiving benefits	57
Vested active participants	<u>854</u>
 Total membership	 <u><u>1,564</u></u>

*Benefits provided.* System members may retire at age 55 or 60 with 5, 8, 10 or 25 years of credited service depending on bargaining unit. Members are vested after completing 5, 8 or 10 years of credited service. Retirement options that provide for survivor benefits are available to members. The System also provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary.

*Contributions.* The contribution requirements of System members and the County are established and may be amended by the County Board of Commissioners. System members are required to contribute 4.5% to 8.0% to the System, depending on their bargaining unit and hire date. The County is required to contribute at actuarially determined rates expressed as a percentage of covered payroll. The County's contribution rate for the plan for the year ended December 31, 2015 ranged from 6.99% to 28.96% of projected valuation payroll.

# BERRIEN COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

Bargaining Unit / Employee Group	Benefits Multiplier	Contribution Percentage
AFSCME (Probate and Juvenile Court Bargaining):	2.00%	7.06%
Riverwood		
Union members	2.2% - 1.7%	4.50%
Non-union members	2.20%	5.00%
Courthouse elected	2.2% - 1.9%	4.50%
Courthouse appointed	2.20%	5.00%
General non-bargaining members	2.20%	5.00%
FOPLC civilian members	2.20%	6.89%
Teamster FOC members	2.20%	8.00%
Road commission	2.00%	6.00%
Sheriff POLC Command Unit	2.80%	8.00%
Police Officers Labor Council (POLC)	2.80%	8.00%

## 2. SIGNIFICANT ACCOUNTING POLICIES

*Basis of accounting.* The System’s financial statements are prepared on the accrual basis of accounting. Member contributions are recognized in the period in which they are due. The County’s contributions are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

*Valuation of investments.* The System’s investments are stated at fair value which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the System's Board of Directors, with the assistance of a valuation service; and (d) cash deposits are reported at carrying amounts which reasonably approximates fair value.

*Administration.* Administrative costs are financed through investment earnings.

## 3. DEPOSITS AND INVESTMENTS

### Deposits

*Custodial Credit Risk - Deposits.* Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At year-end, the carrying amount of the System’s deposits was \$573,510. The bank balance of these deposits was \$573,847 of which \$323,847 was uninsured and uncollateralized.

### Investments

The Michigan Public Employees Retirement Systems’ Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations.

# BERRIEN COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

*Investment allocation policy.* The System's policy in regard to the allocation of invested assets is established and may be amended by its Board of Trustees. The policy pursues an investment strategy that protects the financial health of the System and reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. System assets will be invested in the broad investment categories and asset classes to achieve the allocation targets below. Recognizing that asset returns may vary, causing fluctuations in the relative dollar value levels of assets within classes, the System may not maintain strict adherence to the targets in the short-term, but may allow the values to fluctuate within these ranges. Over the long-term, the System will strive to adhere to the given targets as financially practicable and move toward target allocations in a prudent manner consistent with its fiduciary duty.

The adopted asset allocation policy as of December 31, 2015, is as follows:

Asset class	Target Allocation	Allocation Range
Equities	61%	35% to 65%
Fixed income	30%	20% to 40%
Other investments	9%	0% to 15%
Cash	0%	0% to 5%
<b>Total investments</b>	<b>100%</b>	

*Investments.* The System's investments are primarily held in a bank administered trust fund. Following is a summary of the System's investments as of December 31, 2015:

Mutual funds at fair value, as determined by quoted market price:

Equity:

Russell Large Cap US Eq Fund	\$ 27,518,845
Russell 1000 Index Fund Series 1	28,427,424
Russell Small Cap Fund	10,815,271
Russell International Fund	18,865,012
Russell Emerging Markets Fund	1,860,044

Fixed income -

Russell Quantitative Bond Fund	44,244,658
--------------------------------	------------

Commodities -

Russell Commodities Fund	9,602,570
--------------------------	-----------

Real estate -

Russell Real Estate Equity Fund	3,391,828
---------------------------------	-----------

**Total investments** \$ 144,725,652

# BERRIEN COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

*Credit risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's investment policy emphasizes appropriate risk/return parameters and compliance with Public Act 314, and gives discretionary authority to its investment managers as opposed to establishing specific credit rating benchmarks. The System invests in mutual funds, which are comprised of various securities. The percentages below represent the percent of the mutual funds that are invested in securities with a particular rating. As of December 31, 2015, the System's investments in debt securities (i.e. - fixed income mutual funds) were rated by Standard & Poor's as follows:

Rating	Percentage
AAA	68.5%
AA	1.9%
A	11.3%
BBB	18.3%
	100%

*Custodial credit risk.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy requires that securities be held in trust by a third-party institution in the System's name or its nominee custodian's name or in bearer form. Although uninsured and unregistered, the System's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department or agent in the System's name. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

*Concentration of credit risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. At December 31, 2015, the System's investment portfolio was not concentrated to a particular issuer due to the only investments being in shares of mutual funds.

*Interest rate risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System's investment policy does not discuss the maximum maturity for any single fixed income security or the weighted average portfolio maturity.

# BERRIEN COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

The System invests in mutual funds, which are comprised of various securities. The percentages below represent the percent of the mutual funds that are invested in securities with a particular maturity. As of December 31, 2015, maturities of the System's debt securities (i.e. - fixed income mutual funds), were as follows:

Maturity Distribution (Years)	Percentage
0 to 3	47.1%
3 to 5	15.0%
5 to 7	14.1%
7 to 10	10.4%
10 to 15	1.0%
15 to 20	2.3%
20 to 25	3.1%
25+	7.0%
	100.0%

*Rate of return.* For the year ended December 31, 2015, the annual money-weighted rate of return on System investments, net of investment expenses, was -1.26%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## 4. NET PENSION LIABILITY OF THE COUNTY

*Net pension liability.* The County's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015.

Total pension liability	\$ 256,866,133
System fiduciary net position	<u>146,001,123</u>
Net pension liability	<u>\$ 110,865,010</u>
System fiduciary net position as a percentage of the total pension liability	56.84%

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	3.55 to 6.25 percent, including inflation
Investment rate of return	7.50 percent, net of pension system investment expense, including inflation



# BERRIEN COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

Assumption changes for the current year include a decrease in the inflation rate used to calculate the discount rate, decrease in the expected salary increases, decrease in expected return on investments and a change in the mortality tables.

Mortality rates were based on fully generational RP-2014 healthy annuitant tables after adjustment to the base year 2006 for males and females with MP-2015 mortality improvement scales. The margin for future mortality improvement is included in the MP-2015 mortality improvement scales.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study conducted in 2016 which covered the past 5 years experience (2010-2014). The next assumption review is scheduled for 2020.

The long-term expected rate of return on pension System investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 for each major asset class included in the pension System's target asset allocation as of December 31, 2015 (see the discussion of the System's investment allocation policy) are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
<b>Equities</b>			
Domestic large cap equities	38.00%	6.51%	2.47%
Domestic small cap equities	8.00%	8.07%	0.65%
International equities	13.50%	7.45%	1.01%
Emerging market equities	1.50%	8.08%	0.12%
<b>Fixed Income</b>			
Investment grade domestic bonds	30.00%	2.37%	0.71%
<b>Other investments</b>			
Real estate	6.00%	4.33%	0.26%
Commodities	3.00%	6.51%	0.20%
	<u>100.00%</u>		<u>5.42%</u>
Inflation			2.20%
Risk adjustments			<u>-0.12%</u>
Investment rate of return			<u><u>7.50%</u></u>

# BERRIEN COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

*Discount rate.* The discount rate used to measure the total pension liability was 6.61%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be exhausted in the year 2057. Therefore, the discount rate represents the single equivalent rate resulting from discounting at the long-term expected rate of return until 2057, and discounting with the 20-year AA municipal bond index rate of 3.57% thereafter. This projection is done on a closed group basis, per GASB requirements. On an ongoing, opengroup basis, it is unlikely that the funds will be depleted because funding progress is frequently reviewed and adjustments are made to contribution levels.

*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 6.61 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 (5.61 percent) or 1-percentage-point higher (7.61 percent) than the current rate:

	1% Decrease (5.61%)	Current Discount Rate (6.61%)	1% Increase (7.61%)
County's net pension liability	\$ 143,358,460	\$ 110,865,010	\$ 83,769,529



## REQUIRED SUPPLEMENTARY INFORMATION

**BERRIEN COUNTY  
EMPLOYEES' RETIREMENT SYSTEM**

**Required Supplementary Information**  
Employees' Retirement System

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

	2014	2015
Total pension liability		
Service cost	\$ 4,669,602	\$ 4,694,759
Interest on total pension liability	15,305,513	15,655,309
Benefit changes	112,918	(7,048)
Difference between expected and actual experience	(3,197,192)	694,777
Assumption changes	-	48,836,330
Benefit payments and refunds	(12,357,967)	(12,703,945)
Net change in total pension liability	<u>4,532,874</u>	<u>57,170,182</u>
Total pension liability, beginning of year	<u>195,163,077</u>	<u>199,695,951</u>
Total pension liability, end of year	<u>199,695,951</u>	<u>256,866,133</u>
Plan fiduciary net position		
Employer contributions	7,172,057	7,235,958
Employee contributions	2,742,953	2,829,257
Pension plan net investment income	11,163,083	(2,091,339)
Benefit payments and refunds	(12,357,967)	(12,703,946)
Pension plan administrative expense	(553,509)	(66,730)
Net change in plan fiduciary net position	<u>8,166,617</u>	<u>(4,796,800)</u>
Plan fiduciary net position, beginning of year	<u>142,631,307</u>	<u>150,797,923</u>
Plan fiduciary net position, end of year	<u>150,797,924</u>	<u>146,001,123</u>
Net pension liability	<u>\$ 48,898,027</u>	<u>\$ 110,865,010</u>
Plan fiduciary net position as a percentage of total pension liability	75.51%	56.84%
Covered employee payroll	<u>\$ 41,465,482</u>	<u>\$ 43,865,207</u>
Net pension liability as a percentage of covered employee payroll	117.92%	252.74%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Note: Assumption changes for the current year include a decrease in the inflation rate used to calculate the discount rate, decrease in the expected salary increases, decrease in expected return on investments and a change in the mortality tables.

**BERRIEN COUNTY  
EMPLOYEES' RETIREMENT SYSTEM**

**Required Supplementary Information**  
Employees' Retirement System

Schedule of the Employer's Net Pension Liability

Fiscal Year Ended	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension Liability	Plan Fiduciary Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
12/31/2014	\$ 199,695,951	\$ 150,797,924	\$ 48,898,027	75.5%	\$ 41,465,482	117.9%
12/31/2015	256,866,133	146,001,123	110,865,010	56.8%	43,865,207	252.7%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Note: Assumption changes for the current year include a decrease in the inflation rate used to calculate the discount rate, decrease in the expected salary increases, decrease in expected return on investments and a change in the mortality tables.

**BERRIEN COUNTY  
EMPLOYEES' RETIREMENT SYSTEM**

**Required Supplementary Information**  
Employees' Retirement System

Schedule of Investment Returns

Fiscal Year Ended	Annual Money-Weighted Rate of Return, Net of Investment Expense
12/31/2014	9.50%
12/31/2015	-1.26%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

# BERRIEN COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Required Supplementary Information

### Employees' Retirement System

#### Schedule of Employer Contributions

Fiscal Year Ended	Actuarial Valuation Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2014	12/31/2012	\$ 7,172,057	\$ 7,172,057	\$ -	\$41,465,482	17.3%
12/31/2015	12/31/2013	7,235,958	7,235,958	-	43,865,207	16.5%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

#### Notes to Schedule of Contributions

Valuation date Actuarially determined contribution rates are calculated as of December 31 that is 24 months prior to the beginning of the fiscal year for which the contributions are reported.

Other information There were no changes in benefit provisions or actuarial assumptions as of the actuarial valuation date.

#### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	20 years
Asset valuation method	Market value with 5 year smoothing of gains and losses.
Inflation	4.00%
Salary increases	4.0%-6.3% including inflation
Investment rate of return	8.00% net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Mortality Table projected to 2010 set forward 2 years for males and 1 year for females. Estimated margins for future mortality improvements of 8% for males and 18% for females are provided in these tables.

Note: Assumption changes for the current year include a decrease in the inflation rate used to calculate the discount rate, decrease in the expected salary increases, decrease in expected return on investments and a change in the mortality tables. These changes will be in effect for the December 31, 2017 fiscal year.

This page intentionally left blank.



## SUPPLEMENTARY INFORMATION

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT  
ON THE SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY COMPONENT

June 30, 2016

Board of Commissioners  
Berrien County Employees' Retirement System  
St. Joseph, Michigan

#### Report on the Schedule

We have audited the fiduciary net position as of December 31, 2015 and the changes in fiduciary net position for the year then ended, included in the accompanying Schedule of Changes in Fiduciary Net Position by Component (the "Schedule") of the *Berrien County Employees' Retirement System*. We have also audited the fiduciary net position of each individual employer as of December 31, 2015 and the changes in fiduciary net position of each employer for the year then ended, included in the accompanying Schedule.

#### *Management's Responsibility for the Schedule*

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

#### *Independent Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the fiduciary net position and the changes in fiduciary net position included in the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the fiduciary net position and the changes in fiduciary net position included in the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 fiduciary net position and the changes in fiduciary net position included in the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the Schedule referred to above presents fairly, in all material respects, the fiduciary net position of the Berrien County Employees' Retirement System as of December 31, 2015, and the changes in fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the Schedule referred to above presents fairly, in all material respects, the fiduciary net position of each individual employer as of December 31, 2015, and the changes in fiduciary net position of each individual employer for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

*Restriction on Use*

Our report is intended solely for the information and use of the Berrien County Employees' Retirement System management, Board of Trustees, participating employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

*Lehmann Lobman LLC*

**BERRIEN COUNTY  
EMPLOYEES' RETIREMENT SYSTEM**

**Schedule of Changes in Fiduciary Net Position by Component  
For the Year Ended December 31, 2015**

	County General	Mental Health	Road Commission	Total
<b>Additions</b>				
Investment income:				
Net change in fair value of investments	\$ (1,484,503)	\$ (259,049)	\$ (146,287)	\$ (1,889,839)
Interest and dividends	322,575	56,290	31,787	410,652
Less investment expenses	(480,858)	(83,910)	(47,384)	(612,152)
Net investment loss	(1,642,786)	(286,669)	(161,884)	(2,091,339)
Contributions:				
Employer	5,951,986	624,842	659,130	7,235,958
Employees	2,220,063	420,872	188,322	2,829,257
Total contributions	8,172,049	1,045,714	847,452	10,065,215
Total additions	6,529,263	759,045	685,568	7,973,876
<b>Deductions</b>				
Pension benefit payments	9,781,701	989,077	1,430,180	12,200,958
Contribution refunds	407,202	39,161	56,625	502,988
Administration	52,418	9,147	5,165	66,730
Total deductions	10,241,321	1,037,385	1,491,970	12,770,676
Change in net position	(3,712,058)	(278,340)	(806,402)	(4,796,800)
Net position, beginning of year	118,494,390	20,252,245	12,051,288	150,797,923
Net position, end of year	\$ 114,782,332	\$ 19,973,905	\$ 11,244,886	\$ 146,001,123

This page intentionally left blank.