



**GENERAL RETIREMENT SYSTEM OF
THE CITY OF DETROIT
COMPONENT I and
COMPONENT II**

SUMMARY ANNUAL REPORT

For the Fiscal Year Ended

June 30, 2017

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

ALLY DETROIT CENTER

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GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

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GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

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GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

INTRODUCTORY SECTION

LETTER FROM THE EXECUTIVE DIRECTOR AND CHAIRPERSON

Active and Retired Members and Interested Individuals:

We are pleased to submit the annual report for Component I and Component II of the General Retirement System of the City of Detroit for the fiscal year ended June 30, 2017.

The General Retirement System of the City of Detroit (“System”) consists of defined pension plans and defined contribution plans for the non-uniformed employees of the City of Detroit, comprised of Component I and Component II. These plans are memorialized in a document entitled *The Combined Plan for the General Retirement System of the City of Detroit* (“Plan of Adjustment”), effective July 1, 2014, as amended and restated December 8, 2014. The System exists to pay benefits to its members.

As a result of the bankruptcy filed by the City of Detroit and the resulting Plan of Adjustment (“POA”), in the fiscal year 2014-2015 there were significant economic and non-economic changes to the retirement plans of the General Retirement System.

In addition to the economic changes discussed below, the POA established a seven member Investment Committee to assume responsibility for the investment of the Plan's assets. The committee is comprised of two General Retirement System Trustees and five financial professionals selected by the State of Michigan, the City of Detroit and the General Retirement System Board of Trustees, in consultation with the Foundation for Detroit’s Future.

As a part of the Plan of Adjustment, the original defined benefit plan, now known as Component II or the Legacy Plan, was frozen on June 30, 2014. All Component II benefits were frozen as of June 30, 2014 based on service and average final compensation accrued as of that date and the provisions of the General Retirement System as of June 30, 2014. Frozen benefits were reduced by 4.5% and all future cost-of-living adjustments were eliminated. Benefits resulting from the Annuity Savings Fund and benefits paid from the Annuity Reserve Fund were subject to a separate reduction described as a “Claw-back”.

Component I (Hybrid Plan) was created during the bankruptcy proceedings for active non-uniformed employees of the City of Detroit for benefits earned on and after July 1, 2014. Active members employed with the City on and after July 1, 2014 will earn service credit that entitles them to receive benefits under the Component I plan. Pursuant to the Plan of Adjustment, the benefit terms presently in force under the Component I plan will remain unchanged through June 30, 2023.

Accounting System and Reports

The financial statements of the System are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are subject to external review. The financial statements have been audited by the independent accounting firm of Plante & Moran, PLLC. The June 30, 2017 financial statements contain more detailed information and is available for review on the System’s web site: www.rscd.org. Copies of the report can also be obtained by a written request to the System’s office.

Funding and Reserves

The funds of the System consist of contributions and earnings that are accumulated by the System in order to fund current and future benefit obligations to the retirees and their beneficiaries. Contribution requirements for both Component plans are detailed in the actuarial and statistical sections of this report. Continuous improvement in the funding of the System is a primary objective of the Board of Trustees

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

Investments

The System invests available funds in order to maximize income. The primary objective of the System's investment policies are to ensure that the System meets their obligation to provide retirement benefits. The System's portfolio of investments is diversified to provide the highest possible total return on assets with the least exposure to risk. The system's net investment income for the year ended June 30, 2017 totaled \$216,430,990 with a rate of return of 12.6 percent.

Closing

The Board of Trustees and the Retirement System staff continually strive to provide the members of the System with quality customer service. The Board and staff welcome your suggestions regarding the System and encourage you to inform us how we might better serve you.

Respectfully Submitted

Thomas Sheehan

Thomas Sheehan
Chair
Board of Trustees

Cynthia A. Thomas

Cynthia A. Thomas
Executive Director

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

INTRODUCTORY SECTION

SUMMARY OF COMPONENT I PROVISIONS (Hybrid Plan)

Component I (Hybrid Plan) was created during the bankruptcy proceedings for active non-uniformed employees of the City of Detroit to earn pension benefits on and after July 1, 2014. Active members employed with the City on and after July 1, 2014 will earn service credit that entitles them to receive future benefits under the Component I plan. Pursuant to the Plan of Adjustment, the benefit terms presently in force will remain unchanged through June 30, 2023.

Funding requirements of Component I are:

- Mandatory Member Contributions of 4% of base pay
- City Contributions of 5% of employee base pay, not including overtime

Voluntary Employee Contributions – Employees may make voluntary contributions of 3%, 5% or 7% of annual compensation at the election of the member. Each year, accounts are credited with earnings at a rate equal to the net investment rate of return of Retirement System Assets for the second plan year immediately preceding the plan year in which earnings are to be credited. The earnings rate may not be less than 0% and may not exceed 5.25%.

Average Final Compensation

The average of the compensation received during the 10 consecutive years of credited service (including prior service) immediately preceding the date of the members last termination with the City. If the member has less than ten years of credited service (including prior service), the average final compensation is the average of the compensation received during all years of credited service.

Normal Retirement

Normal Retirement Age – The normal retirement age is 62. For individuals who were active employees and who had 10 or more years of vesting service as of June 30, 2014, the normal retirement age, solely for purposes of Component I, is reduced as follows:

<u>Age as of July 1, 2014</u>	<u>Normal Retirement Age</u>
52 years or younger	62 years
53 years	61 years and 9 months
54 years	61 years and 6 months
55 years	61 years and 3 months
56 years	61 years
57 years	60 years and 9 months
58 years	60 years and 6 months
59 years	60 years and 3 months
60 years	60 years
61 years	60 years

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

INTRODUCTORY SECTION

SUMMARY OF COMPONENT I PROVISIONS (Hybrid Plan)

Normal Retirement Amount – 1.5% times average final compensation times credited service (after June 30, 2014) measured to the nearest month.

Early Retirement

Eligibility – Age 55 with 30 or more years of credited service plus prior service.

Early Retirement Amount – The same as normal retirement but actuarially **reduced**.

Deferred Retirement (Vested Benefits)

Eligibility – 10 years of vesting service.

Deferred Retirement Amount – The same as normal retirement but based on average final compensation and credited service at the time of termination, payable at age 62.

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

INTRODUCTORY SECTION

SUMMARY OF COMPONENT II PROVISIONS (Legacy Plan)

Component II (Legacy Plan), the original defined benefit plan, was frozen on June 30, 2014 because of the Plan of Adjustment that was created during the bankruptcy process. All Component II benefits were frozen as of June 30, 2014 based on service and average final compensation accrued as of that date and the provisions of the General Retirement System on June 30, 2014. Frozen benefits were reduced by 4.5% and all future cost-of-living adjustments were eliminated. Certain benefits provided by the Annuity Savings Fund and benefits paid from the Annuity Reserve Fund were subject to a separate reduction described as a “Claw-back”.

Employer contribution requirements for the fiscal years 2015 to 2023 were set according to the Plan of Adjustment. Beginning with Fiscal Year 2024, employer contributions will be actuarially determined.

Benefits are payable after separation from service, determined by the eligibility conditions of the plan as it existed on June 30, 2014 as detailed below:

Normal Retirement

Eligibility – Any age (minimum age 55 for non-EMS members hired after 1995) with 30 years of service (25 for EMS members), or age 60 with 10 years of service, or age 65 with 8 years of service.

Annual Amount

- **EMS Members** - Sum of a) a basic pension of \$12 for each of the first 10 years of service, plus b) a pension equal to 2.0% of average final compensation (“AFC”) multiplied by years of service. Maximum benefit is 90% of AFC
- **Other Members** – Sum of a) a basic pension of \$12 for each of the first 10 years of service, plus b) a pension equal to the first 10 years of service multiplied by 1.6% of AFC, plus 1.8% of AFC for each year of service greater than 10 years up to 20 years, plus 2.0% of AFC for each year of service greater than 20 years up to 25 years, plus 2.2% of AFC for each year of service greater than 25 years. Future benefit accruals for certain active members (depending on bargaining unit) were reduced to 1.5% of final average compensation per year of service

Calculation of Average Final Compensation (AFC)

- Pre July 1, 1992 – Highest 5 consecutive years out of the last 10, excluding longevity
- July 1, 1992 to June 30, 1998 – Highest 5 consecutive years out of the last 10, excluding longevity
- July 1, 1999 to June 30, 2014 – A one-time election to add the 25% of the value of the member’s unused sick leave to the earnings used in computing AFC

Early Retirement

- Eligibility – Any age with 25 or more years of service (minimum age 55 for members hired after 1995)
- Early Retirement Amount – The same as normal retirement but actuarially **reduced**

Deferred Retirement (Vested Benefits)

- Eligibility – Hired prior to 7-1-80, age 40 with 8 years of service **or** hired on or after 7-1-80, any age, with 10 years of service
- Deferred Retirement Amount – The same as normal retirement but based on average final compensation and credited service at the time of termination
- Eligible to collect based on the individual Union Contract at time of separation

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

INVESTMENT SECTION

The State of Michigan charges the Board of Trustees under the Public Employee Retirement System Investment Act with the responsibility of investing the Retirement System’s portfolio in a prudent manner. Specifically, the Public Employee Retirement System Investment Act requires the Board of Trustees and the other investment fiduciaries to discharge their duties solely in the interest of participants and beneficiaries and to act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims. The law also requires the Board of Trustees to prepare and maintain written objectives, policies, and strategies with clearly defined accountability and responsibility for implementing and executing the System’s investments as well as monitor the investments of the System’s assets with regard to the limitations of the law. The Act permits assets to be invested in a mix of fixed income, securities, real estate or other instruments in accordance with the percentages as detailed in the Act.

The Retirement System’s portfolio distribution is continually monitored to ensure that it complies with the State of Michigan Public Employee Retirement System Investment Act. A summary of the System’s asset allocation policy is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Global Equity	43%
Global Asset Allocation/Risk Parity	17%
Global Fixed Income	16%
Real Estate	10%
Private Equity	8%
Hedge Funds	5%
Cash	1%

Historical Asset Class Performance By Calendar Year, As of 12/31/16 (Gross of Fees)

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
Total GRS Plan	9.1%	5.2%	8.9%
Domestic Equity	11.6%	7.5%	14.2%
International Developed Equity	4.6%	-0.2%	6.3%
International Emerging Market Equity	13.6%	-0.2%	4.0%
Fixed Income	6.2%	1.3%	3.2%
Global Asset Allocation	3.3%	2.5%	6.0%
Alternatives	0.8%	1.1%	7.5%
Private Equity	15.1%	8.4%	10.1%
Real Estate	11.9%	11.1%	9.3%

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

ACTUARIAL & STATISTICAL SECTION

COMPONENT I

The actuarial valuations are conducted and reported by Gabriel Roeder Smith & Company. Copies of the valuations are available on the Retirement System’s website: www.rscd.org or at the Retirement System Office at 500 Woodward Avenue, Suite 3000, Detroit, MI 48226.

Assumptions, Methods and Additional Information

Actuarial Valuation Date	June 30, 2016
Pension Plan’s Fiscal Year Ending Date	June 30, 2017
Single Discount Rate	6.91%
Long-term Expected Rate of Return	6.91%
Net Pension Liability	\$9,761,260
Mortality Table Used	RP-2014 Blue Collar Annuitant Table
Service Credit Accruals	A member is credited with one month of Credited Service for each calendar month in which the individual performs 140 hours or more of service for the employer as an employee. Credited Service is recorded from the later of July 1, 2014 or the date of hire, whichever is later.
Unfunded Actuarial Accrued Liabilities	Actual employer contributions through June 30, 2023 are set by the Plan of Adjustment at 5% of pay. The amortization period and method after 2023 has not yet been established by the Board.

Sensitivity of Net Position Liability to the Single Discount Rate Assumption

The following presents the net pension liability of the City, calculated using the discount rate of 6.91 percent as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1 percent lower and 1 percentage point higher than the current rate:

	1% Decrease 5.91%	Current Single Discount Rate 6.91%	1% Increase 7.91%
Total Pension Liability	\$ 82,614,649	\$ 72,683,584	\$ 64,568,727
Net Position Restricted for Pensions	62,922,324	62,922,324	62,922,324
Net Position Liability	\$ 19,692,325	\$ 9,761,260	\$ 1,646,403

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

ACTUARIAL & STATISTICAL SECTION

COMPONENT I

Membership by the Numbers as of June 30, 2016

Inactive plan members or beneficiaries currently receiving benefits	125
Inactive plan members entitled to but not receiving benefits	1,073
Active Members	<u>4,235</u>
Total Plan Members	<u><u>5,433</u></u>

Schedule of Contributions

Fiscal Year Ending	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	N/A	\$8,811,369	N/A	\$180,069,852	4.89%
2016	N/A	\$9,048,831	N/A	\$185,147,364	4.89%
2017	N/A	\$9,484,993	N/A	\$199,307,987	4.76%

Contribution Requirements

The employer contributions for Fiscal Years 2015 to 2023 were set by the Plan of Adjustment as follows:

- 5% of compensation commencing July 1, 2014 and ending June 30, 2023

Beginning with Fiscal Year 2024, the employer contributions will be actuarially determined.

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

ACTUARIAL & STATISTICAL SECTION

COMPONENT II

The actuarial valuations are conducted and reported by Gabriel Roeder Smith & Company. Copies of the valuations are available on the Retirement System’s website: rscd.org or at the Retirement System Office at 500 Woodward Avenue, Suite 3000, Detroit, MI 48226.

Assumptions, Methods and Additional Information

Actuarial Valuation Date	June 30, 2016
Pension Plan’s Fiscal Year Ending Date	June 30, 2017
Single Discount Rate	6.91%
Long-term Expected Rate of Return	6.91%
Net Pension Liability	\$943,780,351
Mortality Table Used	RP-2014 Blue Collar Annuitant Table
Service Credit Accruals	Service accruals stopped as of June 30, 2014 - Due to the freezing of the plan, pay was not assumed to increase in the future and no inflation assumption was utilized.
Unfunded Actuarial Accrued Liabilities	Actual employer contributions through June 30, 2023 are set by the Plan of Adjustment. The amortization period and method after 2023 has not yet been established by the Board.

Sensitivity of Net Position Liability to the Single Discount Rate Assumption

The following presents the net pension liability of the City, calculated using the discount rate of 5.91 percent as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1 percent lower and 1 percentage point higher than the current rate:

	<u>1% Decrease</u> <u>5.91%</u>	<u>Current Single</u> <u>Discount Rate</u> <u>6.91%</u>	<u>1% Increase</u> <u>7.91%</u>
Total Pension Liability	\$3,178,865,186	\$2,910,509,226	\$2,682,542,199
Net Position Restricted for Pensions	<u>1,966,728,975</u>	<u>1,966,728,975</u>	<u>1,966,728,975</u>
Net Pension Liability	\$1,212,136,211	\$ 943,780,251	\$ 715,813,224

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

ACTUARIAL & STATISTICAL SECTION

COMPONENT II

Membership by the Numbers at June 30, 2016

Retirees and Beneficiaries	11,926
Inactive, Nonretired Members	3,588
Active plan members	3,236
Total	18,750

Schedule of Contributions

Fiscal Year Ending	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$72,643,307	\$25,126,131	\$47,517,176	\$238,669,871	10.53%
2015	N/A	\$189,282,094	N/A	\$188,210,536	100.57%
2016	N/A	\$104,792,657	N/A	\$185,147,364	56.60%
2017	N/A	\$ 91,238,402	N/A	\$199,307,987	45.78%

Contribution Requirements

The employer contributions for Fiscal Years 2015 to 2023 were set by the Plan of Adjustment. Subsequent to the POA, the DIA entered into an agreement to pay part of its contribution requirement to the General Retirement Plan in a single lump sum payment in 2016. Further, in August, 2016 the City modified all of its outstanding UTGO Stub Bonds. The current contribution schedule is as follows:

Fiscal Year	For DWSD Liabilities		Foundation for Detroit's Future	Other	Transfers from DWSD	Total
	DWSD	Transfers				
2018	\$45,400,000	(\$2,500,000)	\$400,000	\$22,500,000	\$2,500,000	\$68,300,000
2019	\$45,400,000	(\$2,500,000)	\$400,000	\$22,500,000	\$2,500,000	\$68,300,000
2020	\$45,400,000	(\$2,500,000)	\$400,000	\$2,500,000	\$2,500,000	\$48,300,000
2021	\$45,400,000	(\$2,500,000)	\$400,000	\$2,500,000	\$2,500,000	\$48,300,000
2022	\$45,400,000	(\$2,500,000)	\$400,000	\$2,500,000	\$2,500,000	\$48,300,000
2023	\$45,400,000	(\$2,500,000)	\$400,000	\$2,500,000	\$2,500,000	\$48,300,000
Total	\$272,400,000	(\$15,00,000)	\$2,400,000	\$55,000,000	\$15,000,000	\$329,800,000

Beginning with Fiscal Year 2024, the employer contributions will be actuarially determined.

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

STATEMENT OF FIDUCIARY NET POSITON

COMPONENT I

	<u>2017</u>	<u>2016</u>
Assets		
Cash and Cash Equivalents	\$ 5,703,254	\$ 12,813,262
Investments - At Fair Value	55,047,301	24,825,246
Accrued Investment Income	52,054	16,784
Receivables from Investment Sales	216,258	148,558
Other accounts receivable	2,525,993	-
Cash & Investments Held as Collateral for securities lending	2,340,478	1,236,284
Restricted Assets	-	359,834
	<hr/>	<hr/>
Total Assets	<u>\$ 65,885,338</u>	<u>\$ 39,399,968</u>
Liabilities		
Accrued Expenses	203,716	-
Payables for Investment Purchases	264,260	159,363
Amounts Due Brokers Under Securities Lending Arrangements	2,314,143	1,225,299
Due to City of Detroit	-	454,105
Other Liabilities	180,895	1,307,646
	<hr/>	<hr/>
Total Liabilities	<u>2,963,014</u>	<u>3,146,413</u>
Net Position - Restricted for Pensions	<u>\$ 62,922,324</u>	<u>\$ 36,253,555</u>

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

COMPONENT I

	2017	2016
Additions		
Investment Income		
Interest and Dividends	\$ 1,001,757	\$ 440,665
Net Increase (Decrease) in Fair Value of Investments	8,374,219	(396,860)
Less Investment Expense	(281,690)	(132,773)
Net Investment Income (Loss)	9,094,286	(88,968)
Securities Lending Income		
Interest and Dividends	13,551	7,650
Net Unrealized Gain On Collateralized Securities	1,895	4,710
Net Securities Lending Income	15,446	12,360
Contributions:		
Employer	9,484,992	9,048,831
Employee	12,795,405	12,559,259
Total Contributions	22,280,397	21,608,090
Other Income	61,834	6,586
Total Additions - Net	31,451,963	21,538,068
Deductions		
Retirees' Pension and Annuity Benefits	288,290	40,162
Member Refunds and Withdrawals	1,846,519	2,247,052
General and Administrative Expenses	2,648,385	3,094,197
Total Deductions	4,783,194	5,381,411
Net Increase in Net Position Held in Trust	26,668,769	16,156,657
Net Position Restricted for Pensions - Beginning of Year	36,253,555	20,096,898
Net Position Restricted for Pensions - End of Year	\$ 62,922,324	\$ 36,253,555

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

STATEMENT OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

COMPONENT I

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service Cost	\$ 18,417,036	\$ 18,302,706	\$ 19,318,576
Interest	4,084,390	2,495,896	695,469
Difference Between Expected And Actual Experience	(4,667,487)	(1,263,760)	
Assumption Changes	2,780,462	2,111,451	(1,202,108)
Voluntary Employee Contributions	5,043,347	5,213,744	5,775,885
Benefits Payments, Including Refunds	<u>(2,134,809)</u>	<u>(2,287,214)</u>	<u>-</u>
Net Change in Total Pension Liability	23,522,939	24,572,823	24,587,822
Total Pension Liability- Beginning of Year	<u>49,160,645</u>	<u>24,587,822</u>	<u>-</u>
Total Pension Liability- End of Year	<u>\$ 72,683,584</u>	<u>\$ 49,160,645</u>	<u>\$ 24,587,822</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 9,484,992	\$ 9,048,831	\$ 8,811,369
Contributions - Employee	7,752,058	7,345,515	6,970,544
Net Investment Income (Loss)	9,109,732	(76,608)	20,690
Administrative Expenses	(2,648,385)	(3,094,197)	(1,481,590)
Voluntary Contributions	5,043,347	5,213,744	5,786,488
Benefit Payments, Including Refunds of Mandatory Contributions	(1,021,847)	(1,031,060)	(10,603)
Benefit Payments, Including Refunds of Voluntary Contributions	(1,112,962)	(1,256,154)	-
Benefit Payments, Including Refunds of Voluntary Contributions	<u>61,834</u>	<u>6,586</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	26,668,769	16,156,657	20,096,898
Plan Fiduciary Net Position - Beginning of Year	<u>36,253,555</u>	<u>20,096,898</u>	<u>-</u>
Plan Fiduciary Net Position - End of Year	<u>\$ 62,922,324</u>	<u>\$ 36,253,555</u>	<u>\$ 20,096,898</u>
Net Pension Liability	<u>\$ 9,761,260</u>	<u>\$ 12,907,090</u>	<u>\$ 4,490,924</u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	86.57%	73.75%	81.74%
Covered Employee Payroll	\$ 199,307,987	\$ 185,147,364	\$ 180,069,852
Net Pension Liability as a Percent of Covered Employee Payroll	4.90%	7.00%	2.50%

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

GENERAL AND ADMINISTRATIVE EXPENDITURES

COMPONENT I

PROFESSIONAL SERVICES	\$	864,600
WAGES & BENEFITS		599,487
INSURANCE PREMIUMS		260,090
LEGAL FEES		226,558
IT CONTRACTUAL FEES		215,609
AUDIT		120,309
RENT EXPENSE		104,232
DUES & SUBSCRIPTIONS		29,582
COMPUTER SUPPLIES, EQUIPMENT & SERVICE		22,199
REPAIR & MAINTENANCE		37,677
ADP FEES		29,583
ACTUARIAL		22,677
TRAVEL & TRAINING		20,208
STORAGE		18,237
MEDIA CONSULTING/PUBLIC RELATIONS		17,534
UTILITIES		11,854
TRUSTEE EXPENSES		10,564
POSTAGE AND MAILING		8,859
TRUSTEE STIPENDS		8,640
PRINTING		4,646
IMAGING		4,271
TRUSTEE ELECTION EXPENSE		4,169
OFFICE SUPPLIES		3,324
MEDICAL / DISABILITY EXAMS		1,624
INTERNET SERVICE PROVIDER		928
PARKING EXPENSE		607
OFFICE EQUIPMENT		317
		<hr/>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$	<u>2,648,385</u>

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

STATEMENT OF FIDUCIARY NET POSITION

COMPONENT II

	Defined Benefit Plan <u>2017</u>	Income Stabilization Fund <u>2017</u>	<u>Total</u>	<u>Total</u> <u>2016</u>
Assets				
Cash and Cash Equivalents	\$ 105,393,594	\$ 801,332	\$ 106,194,926	\$ 117,579,321
Investments - At Fair Value	1,752,544,384	9,266,031	1,761,810,415	1,682,706,758
Accrued Investment Income	1,657,147	8,762	1,665,909	1,328,554
Receivables from Investment Sales	6,884,559	36,400	6,920,959	10,219,977
ASF Recoupment Receivable	105,619,901	-	105,619,901	104,575,110
Other Accounts Receivable	4,385,672	1,795,758	6,181,430	683,705
Notes Receivable from Participants	4,846,803	-	4,846,803	8,179,203
Cash & Investments Held as Collateral for securities lending	74,509,066	393,941	74,903,007	85,050,197
Restricted Assets	-	-	-	24,803,369
Capital Assets	<u>267,889</u>	<u>-</u>	<u>267,889</u>	<u>202,672</u>
Total Assets	<u>\$ 2,056,109,015</u>	<u>\$ 12,302,224</u>	<u>\$ 2,068,411,239</u>	<u>\$ 2,035,328,866</u>
Liabilities				
Accrued Expenses	4,844,383		4,844,383	-
Payables for Investment Purchases	7,817,063	-	7,817,063	10,963,346
Amounts Due Brokers Under Securities Lending Arrangements	73,670,689	389,509	74,060,198	84,294,535
Due to City of Detroit	1,190,533	-	1,190,533	454,105
Other Liabilities	<u>1,857,372</u>	<u>-</u>	<u>1,857,372</u>	<u>3,469,019</u>
Total Liabilities	<u>89,380,040</u>	<u>389,509</u>	<u>89,769,549</u>	<u>99,181,005</u>
Net Position - Restricted for Pensions	<u>\$ 1,966,728,975</u>	<u>\$ 11,912,715</u>	<u>\$ 1,978,641,690</u>	<u>\$ 1,936,147,861</u>

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

COMPONENT II

	Defined Benefit Plan 2017	Income Stabilization Fund 2017	Total	Total 2016
Additions				
Investment Income				
Interest and Dividends	\$ 33,897,894	\$ 159,211	\$ 34,057,105	\$ 29,156,917
Net Increase (Decrease) in Fair Value of Investments	182,084,779	312,839	182,397,618	(33,163,905)
Less Investment Expense	(9,612,816)	(49,994)	(9,662,810)	(9,229,284)
Net Investment Income (Loss)	206,369,857	422,056	206,791,913	(13,236,272)
Securities Lending Income				
Interest and Dividends	466,378	2,315	468,693	487,524
Net Unrealized Gain On Collateralized Securities	60,333	319	60,652	323,209
Net Securities Lending Income	526,711	2,634	529,345	810,733
Contributions:				
Employer	90,863,402	9,539,874	100,403,276	73,595,686
Employee	-	-	-	-
Foundations	375,000	-	375,000	32,886,828
Total Contributions	91,238,402	9,539,874	100,778,276	106,482,514
ASF Recoupment Interest	7,374,918	-	7,374,918	4,585,453
Other Income	949,156	10,604	959,760	1,366,916
Total Additions - Net	306,459,044	9,975,168	316,434,212	100,009,344
Deductions				
Retirees' Pension and Annuity Benefits	242,938,006	669,007	243,607,013	243,175,457
Member Refunds and Withdrawals	24,311,533	-	24,311,533	49,811,728
General and Administrative Expenses	6,021,837	-	6,021,837	3,742,618
Total Deductions	273,271,376	669,007	273,940,383	296,729,803
Net Increase (Decrease) in Net Position Held in Trust	33,187,668	9,306,161	42,493,829	(196,727,045)
Net Position Restricted for Pensions - Beginning of Year	1,933,541,307	2,606,554	1,936,147,861	2,132,874,906
Net Position Restricted for Pensions - End of Year	<u>\$ 1,966,728,975</u>	<u>\$ 11,912,715</u>	<u>\$ 1,978,641,690</u>	<u>\$ 1,936,147,861</u>

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

COMPONENT II

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability				
Service Cost	\$ -	\$ -	\$ -	\$ 32,736,019
Interest	201,919,236	214,011,164	263,007,329	242,611,073
Changes in Benefit Terms	-	-	(731,824,895)	(113,311,571)
Difference Between Expected And Actual Experience	(27,508,380)	(43,719,112)	24,644,530	-
Assumption Changes	76,925,957	90,034,927	(101,559,893)	(271,190,194)
Benefit Payments, Including Refunds	<u>(267,249,539)</u>	<u>(292,282,179)</u>	<u>(297,538,990)</u>	<u>(397,733,807)</u>
Net Change in Total Pension Liability	(15,912,726)	(31,955,200)	(843,271,919)	(506,888,480)
Total Pension Liability- Beginning of Year	<u>2,926,421,952</u>	<u>2,958,377,152</u>	<u>3,801,649,071</u>	<u>4,308,537,551</u>
Total Pension Liability- End of Year	<u>\$ 2,910,509,226</u>	<u>\$ 2,926,421,952</u>	<u>\$ 2,958,377,152</u>	<u>\$ 3,801,649,071</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 91,238,402	\$ 104,792,657	\$ 85,482,094	\$ 25,126,131
Contributions - State and Foundation	-	-	103,800,000	-
Contributions - Employee	-	-	609,073	10,241,761
Net Investment Income (Loss)	206,896,568	(12,450,547)	93,054,981	289,789,607
Administrative Expenses	(6,021,837)	(3,742,618)	(4,617,194)	(11,237,767)
Benefit Payments, including refunds	(267,249,539)	(292,282,179)	(297,538,991)	(397,733,807)
Other Additions - Includes ASF Recoupment	8,324,074	5,945,783	135,280,369	-
Net Change in Plan Fiduciary Net Position	<u>33,187,668</u>	<u>(197,736,904)</u>	<u>116,070,332</u>	<u>(83,814,075)</u>
Plan Fiduciary Net Position - Beginning of Year	<u>1,933,541,307</u>	<u>2,131,278,211</u>	<u>2,015,207,879</u>	<u>2,099,021,954</u>
Plan Fiduciary Net Position - End of Year	<u>\$ 1,966,728,975</u>	<u>\$ 1,933,541,307</u>	<u>\$ 2,131,278,211</u>	<u>\$ 2,015,207,879</u>
Net Pension Liability	<u>\$ 943,780,251</u>	<u>\$ 992,880,645</u>	<u>\$ 827,098,941</u>	<u>\$ 1,786,441,192</u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	67.57%	66.07%	72.04%	53.01%
Covered Employee Payroll	\$ 199,307,987	\$ 185,147,364	\$ 188,210,536	\$ 238,669,871
Net Pension Liability as a Percent of Covered Employee Payroll	473.50%	536.30%	439.50%	748.50%

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

GENERAL AND ADMINISTRATIVE EXPENDITURES

COMPONENT II

PROFESSIONAL SERVICES	\$ 1,298,537
WAGES & BENEFITS	1,010,784
INSURANCE PREMIUMS	391,089
ACTUARIAL	341,005
IT CONTRACTUAL FEES	282,828
AUDIT	183,500
RENT EXPENSE	174,276
COMPUTER SUPPLIES, EQUIPMENT & SERVICE	94,537
LEGAL FEES	63,100
REPAIR & MAINTENANCE	56,625
ADP FEES	31,211
MEDIA CONSULTING/PUBLIC RELATIONS	30,703
STORAGE	27,355
TRAVEL & TRAINING	25,248
UTILITIES	17,781
TRUSTEE EXPENSES	16,346
POSTAGE AND MAILING	13,592
TRUSTEE STIPENDS	12,960
PRINTING	11,183
PARKING EXPENSE	10,922
IMAGING	6,407
TRUSTEE ELECTION EXPENSE	6,255
OFFICE SUPPLIES	4,956
MEDICAL / DISABILITY EXAMS	3,066
INTERNET SERVICE PROVIDER	1,392
OFFICE EQUIPMENT & FURNITURE	476
DEPRECIATION	216,558
OTHER EXPENSES	1,689,145
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TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$ 6,021,837

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

BUDGET

COMPONENT I AND COMPONENT II

Investment Consultant Fees	\$	6,000,000
Contract Services		1,275,000
Salaries & Benefits		1,268,797
Legal Non-Investment		500,000
Actuarial		350,000
Rental-Building		259,800
Printing		200,000
Office & Computer Equipment		125,000
Travel and Education		120,000
Repairs and Maintenance		100,000
Telecommunications		45,000
Medical		25,000
Office Supplies		17,500
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TOTAL BUDGETED EXPENDITURES	\$	10,286,097
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GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

OTHER INFORMATION SECTION

SERVICE PROVIDERS

COMPONENT I AND COMPONENT II

500 Webward, LLC
Accuity
Accusoft Pegasus
ADP
Allegra Marketing
American Arbitration Association
Astadia, Inc.
BAB Associates, LLC
Bassett & Bassett
Bloomberg Financial
Canon Solutions America, Inc.
Creative Breakthroughs, Inc.
Chrysalis Consulting
Cintas Corporation
Clark Hill, PLC
Comcast
Couzens, Lansky, Fealk, Ellis, PC
Crain's Detroit Business
Dalton Commercial Clearing
Datawatch
Direct TV
Electronic Security Systems, Inc.
Emerson Network Power Liebert Services
F. Logan Davidson, PC
Fedex
Forbes
Forms Trac Enterprises, Inc.
Gabriel, Roeder, Smith & Co.
Graphic Sciences, Inc.
Harland Technology Service
Hudson & Muma, Inc.

International Foundation of Employee Benefits
Iron Mountain Records Management
JRW Creative Ideology
MAPERS
Mercury Storage
MSCI, Inc.
Neopost
Office Depot
Open Text
Peernet, Inc.
Pepper Hamilton, LLP
Plante & Moran
Preferred Data Systems, LLC
Quill Corporation
Racine & Associates
Reginald E. O'Neal
Republic Underwriters
Richoh
Russell Investments
Schindler Elevator Corp.
Shred-It USA
Star Insurance Company
Stout Risius Ross, Inc.
Tape4backup.com
Telecomm Solutions, LLC
Ultimate Parking Management
Universal System Technologies, Inc.
UHY, Advisors
VanOverbeke, Michaud & Timmony, PC
Verizon Wireless
Xerox

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

OTHER INFORMATION SECTION

MEMBER LOAN PROGRAM

COMPONENT I AND COMPONENT II

July 1, 2016 – June 30, 2017

COMPONENT I - No member loan activity.

COMPONENT II - For the year ended June 30, 2017 the program made 310 loans totaling \$1,505,257. The cost of administering the loan program is approximately \$5,000 for the year.

Payments received during the fiscal year including interest total \$1,939,151. The value of the outstanding loans at June 30, 2017 is reported at \$4,846,803.

The General Retirement System of the City of Detroit believes the interest received is sufficient to cover the costs of administering the Loan Program.

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

OTHER INFORMATION SECTION

TRAVEL SUMMARY REPORT

COMPONENT I AND COMPONENT II

July 1, 2016 – June 30, 2017

NAME	REASON/CONFERENCE	LOCATION	Dates	COST							HOTEL	LEASE AGENT	AUTO TYPE	AIRLINE
				REGISTRATION	TRANSPORTATION & RELATED COSTS	LODGING	VEHICLE RENTAL	MEALS	MISC	TOTAL				
Benson, Scott	Educational - IFEBP Annual Conference	Orlando, FL	11/12/16-11/16/16	\$ 2,995	\$ 387	\$ 1,288	-	\$ 384	\$ 90	\$ 5,144	Disney's Animal	-	-	Delta
Benson, Scott	Educational - IFEBP Advanced Trustees	Lake Buena Vista, FL	2/20/17-2/22/17	\$ 1,445	\$ 914	\$ 824	-	\$ 256	\$ 60	\$ 3,498	Disney's Yacht	-	-	Delta
Benson, Scott	NEPC Annual Investment Conference	Boston, MA	5/9/17-5/10/17	\$ -	\$ 297	\$ 959	-	\$ 225	\$ 45	\$ 1,526	InterContinental	-	-	Delta
Benson, Scott	Washington Legislative Update	Washington, D.C.	5/22/17-5/23/17	\$ 1,195	\$ 467	\$ 751	\$ -	\$ 225	\$ 45	\$ 2,683	Hilton	-	-	Delta
Bigelow, Ryan	Investment Due Diligence - Holland	Chicago, IL	2/2/17-2/4/17	\$ -	\$ 448	\$ 397	\$ -	\$ 225	\$ 45	\$ 1,115	Virgin	-	-	-
Bigelow, Ryan	Due Diligence - North American Pension Fund	Chicago, IL	3/20/17-3/21/17	\$ -	\$ 387	\$ -	\$ -	\$ 150	\$ 30	\$ 567	-	-	-	-
Bigelow, Ryan	Due Diligence - ARES	Los Angeles, CA	4/17/17-4/22/17	\$ -	\$ 511	\$ 658	\$ 150	\$ 225	\$ 45	\$ 1,589	The Ritz Carlton	Hertz	Altima	Delta
Cabean, Lamonica	Educational - IFEBP Annual Conference	Orlando, FL	11/12/16-11/16/16	\$ 1,450	\$ 457	\$ 1,117	\$ -	\$ 384	\$ 90	\$ 3,498	Marriott	-	-	Delta
Cabean, Lamonica	Educational - Portfolio Concepts & Management	Philadelphia, PA	5/1/17-5/4/17	\$ 5,095	\$ 727	\$ 1,197	\$ 223	\$ 384	\$ 90	\$ 7,715	Palomar	Enterprise	Elantra	Delta
Cetlinski, Lori	Klausner Kaufman Client Conference	Fort Lauderdale, FL	3/19/17-3/22/17	\$ -	\$ 427	\$ 580	\$ -	\$ 384	\$ 90	\$ 1,481	Hyatt Regency	-	-	Delta
Cowan, Tasha L.	NASP 28th Annual Conference	Los Angeles, CA	6/26/17-6/28/17	\$ 150	\$ 915	\$ 1,290	\$ -	\$ 375	\$ 75	\$ 2,804	Millennium	-	-	Delta
Krushena, Michael	Opportunity Fund Mediation Talks	Chicago, IL	11/8/16-11/9/16	\$ -	\$ 151	\$ -	\$ -	\$ 75	\$ 15	\$ 241	-	-	-	-
Krushena, Michael	Credit Opportunities w/THL Credit	Chicago, IL	4/21/17-4/21/17	\$ -	\$ 149	\$ -	\$ -	\$ 37	\$ 7	\$ 193	-	-	-	-
Krushena, Michael	Credit Opportunities w/Octagon & Carlyle	New York, New York	4/26/17-4/27/17	\$ -	\$ 336	\$ 136	\$ -	\$ 75	\$ 15	\$ 562	Blakely	-	-	-
Nickleberry, Armella	Klausner Kaufman Client Conference	Fort Lauderdale, FL	3/19/17-3/22/17	\$ -	\$ 343	\$ 775	\$ -	\$ 256	\$ 60	\$ 1,434	Hyatt Regency	-	-	Spirit
Nickleberry, Armella	NASP 28th Annual Conference	Los Angeles, CA	6/26/17-6/28/17	\$ 125	\$ 607	\$ 794	\$ -	\$ 300	\$ 60	\$ 1,886	Millennium	-	-	Spirit
Oxendine, Gail	Klausner Kaufman Client Conference	Fort Lauderdale, FL	3/19/17-2/22/17	\$ -	\$ 740	\$ 1,160	\$ 326	\$ 384	\$ 90	\$ 2,700	Hyatt Regency	Budget	Optima	Delta
Oxendine, Gail	IFEBP - Public Plan Policy	San Jose, CA	6/13/17-6/16/17	\$ 2,190	\$ 795	\$ 1,611	\$ -	\$ 450	\$ 90	\$ 5,135	Hilton	-	-	Delta
Sheehan, Thomas	Klausner Kaufman Client Conference	Fort Lauderdale, FL	3/19/17-3/22/17	\$ -	\$ 467	\$ 519	\$ -	\$ 256	\$ 60	\$ 1,303	Renaissance	-	-	Delta
Thomas, Cynthia	Pugh Capital Conference	Seattle, WA	8/10/16-8/12/16	\$ -	\$ 203	\$ 265	\$ -	\$ 112	\$ 22	\$ 602	Inn at the WAC	-	-	Delta
Thomas, Cynthia	Governing New York	New York, NY	11/1/2016	\$ -	\$ 106	\$ 285	\$ -	\$ 75	\$ 15	\$ 481	JW Marriott	-	-	American
Thomas, Cynthia	NCPERS Annual Conference	Hollywood, FL	5/20/17-5/24/17	\$ 800	\$ -	\$ 862	\$ -	\$ 256	\$ 60	\$ 1,978	The Diplomat	-	-	-
Total				\$ 15,445	\$ 9,835	\$ 15,468	\$ 699	\$ 5,493	\$ 1,199	\$ 48,138				