

**INDEPENDENT AUDITOR'S REPORT**

*to all active members & retirees of the  
general retirement system of the city of detroit*

*The financial statements of the General Retirement System of the City of Detroit have been audited by the independent auditing firm of Plante Moran. Plante Moran's report is available for review on the Retirement System's web site, **www.rscd.org**. Copies of the report can be obtained by a request, in writing, to the Retirement System's Office.*

**STATEMENT OF NET ASSETS AVAILABLE  
FOR PENSION BENEFITS**

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
Cash .....	\$15,414,839	\$14,631,971
Investment, at market value .....	3,874,977,644	3,469,494,373
Accrued Investment Income .....	14,317,270	17,112,437
Contributions Receivable .....	24,521,431	27,622,101
Receivables from Investment Sales .....	51,797,263	66,953,657
Other Accounts Receivable .....	473,054	543,597
Capital Assets .....	422,237	417,749
Securities Lending Collateral .....	544,026,578	548,294,329
<b>TOTAL ASSETS</b> .....	<b>\$4,525,950,316</b>	<b>\$4,145,070,214</b>
 <b>LIABILITIES</b>		
Payable for Investment Purchases .....	83,174,040	94,932,100
Claims Payable to Retirants and Beneficiaries .....	5,219,683	3,964,094
Accrued Pension Benefits .....	0	0
Due to Other Funds .....	3,103,995	1,372,501
Pension over Contribution .....	0	0
Other Liabilities .....	44,413,961	41,427,970
Securities Lending Collateral .....	544,026,578	548,294,329
<b>TOTAL LIABILITIES</b> .....	<b>\$679,938,257</b>	<b>\$689,990,994</b>
 <b>FUND BALANCES</b>		
Annuity Reserves:		
Annuity Savings Fund .....	733,143,529	653,487,930
Annuity Reserve Fund .....	42,997,446	41,969,180
Pension Reserves:		
Pension Obligation Certificate .....	750,755,287	701,180,684
Pension Accumulation Fund .....	352,318,500	313,967,553
Pension Reserve Fund .....	1,710,888,973	1,643,562,519
Market Stabilization Fund .....	255,908,324	100,911,354
<b>TOTAL FUND BALANCES</b> .....	<b>\$3,846,012,059</b>	<b>\$3,455,079,220</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b> .....	<b>\$4,525,950,316</b>	<b>\$4,145,070,214</b>

**STATEMENT OF REVENUES, EXPENSES  
& CHANGES IN FUND BALANCE**

	ANNUITY RESERVES			PENSION RESERVES			TOTAL	
	ANNUITY SAVINGS FUND	ANNUITY RESERVE FUND	MARKET STABILIZATION FUND	PENSION OBLIGATION CERTIFICATE	PENSION ACCUMULATION FUND	PENSION RESERVE FUND	2007	2006
Revenues:								
City Contributions .....	\$0	\$0	\$0	\$0	\$41,444,808	\$0	\$41,444,808	\$58,162,088
Members' Contributions .....	19,414,182	0	0	0	24,178	0	19,438,360	20,462,296
Investment Income, Net .....	142,788,460	2,637,482	154,996,970	89,415,194	66,682,727	157,801,297	614,322,130	377,184,751
<b>TOTAL REVENUES .....</b>	<b>162,202,642</b>	<b>2,637,482</b>	<b>154,996,970</b>	<b>89,415,194</b>	<b>108,151,713</b>	<b>157,801,297</b>	<b>675,205,298</b>	<b>455,809,135</b>
Expenses:								
Pension & Annuity Benefits .....	0	4,903,187	0	0	0	201,282,491	206,185,678	201,611,854
General & Administrative Expenses .....	0	0	0	0	4,498,224	0	4,498,224	3,670,575
Refunds .....	72,839,036	0	0	0	749,521	0	73,588,557	114,333,813
<b>TOTAL EXPENSES .....</b>	<b>72,839,036</b>	<b>4,903,187</b>	<b>0</b>	<b>0</b>	<b>5,247,745</b>	<b>201,282,491</b>	<b>284,272,459</b>	<b>319,616,242</b>
Excess (Deficiency) of Revenue								
Over (Under) Expenses .....	89,363,606	(2,265,705)	154,996,970	89,415,194	102,903,968	(43,481,194)	390,932,839	136,192,893
Transfers, Net .....	(9,708,007)	3,293,971	0	(39,840,591)	(64,553,021)	110,807,648	0	0
Fund Balances at Beginning of Year .....	653,487,930	41,969,180	100,911,354	701,180,684	313,967,553	1,643,562,519	3,455,079,220	3,318,886,327
<b>FUND BALANCES AT END OF YEAR .....</b>	<b>\$733,143,529</b>	<b>\$42,997,446</b>	<b>\$255,908,324</b>	<b>\$750,755,287</b>	<b>\$352,318,500</b>	<b>\$1,710,888,973</b>	<b>\$3,846,012,059</b>	<b>\$3,455,079,220</b>

## 2006 - 2007 FISCAL YEAR INVESTMENT ACTIVITY

The General Retirement System is a relatively mature plan in that the number of active employees is less than the number of retirees receiving benefits. The total benefits and refunds paid during the year were \$279,774,235. The investments of the system are the primary source of the funds used to pay these benefits. Accordingly, the investment activity and asset allocation must balance the desire for long term appreciation with relatively large requirements for cash to pay benefits every month.

The Board of Trustees has adopted the following goals and objectives which are designed to meet the 7.9% actuarial assumed rate of return for the fund:

- *An 8.25% total return, net of investment management fees, coupled with a 3.9% real (inflation adjusted) return objective.*
- *Total fund to consistently rank in the top half of total public fund universe and to meet or exceed policy index.*
- *Investment managers to consistently rank in the top half of appropriate public fund universe and to meet or exceed appropriate index.*
- *Above average risk-adjusted returns, when compared to comparable funds.*
- *Risk exposure of total fund to be centered in the mid-range of comparable total public funds.*
- *Results generally measured over a full market cycle, approximately 3 – 5 years.*

The System's targeted asset allocation consists of 55% equities, 27% fixed income including cash and short term investments used to pay benefits, with the remaining 18% allocated to real estate and alternative investments.