

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**

ASSETS	2006	2005
Cash	\$14,631,971	\$23,279,582
Investment, at market value	3,469,494,373	3,383,373,136
Accrued Investment Income	17,112,437	10,236,614
Contributions Receivable	27,622,101	0
Receivables from Investment Sales	66,953,657	133,349,955
Other Accounts Receivable	543,597	475,090
Capital Assets	417,749	460,054
Securities Lending Collateral	548,294,329	0
TOTAL ASSETS	\$4,145,070,214	\$3,551,174,431
 LIABILITIES		
Payables for Investment Purchases	94,932,100	167,433,642
Claims Payable to Retirants and Beneficiaries	3,964,094	15,317,706
Accrued Pension Benefits	0	0
Due to Other Funds	1,372,501	1,778,305
Pension over Contribution	0	12,303,429
Other Liabilities	41,427,970	35,455,022
Securities Lending Collateral	548,294,329	0
TOTAL LIABILITIES	\$689,990,994	\$232,288,104
 FUND BALANCES		
Annuity Reserves:		
Annuity Savings Fund	653,487,930	632,101,967
Annuity Reserve Fund	41,969,180	38,652,617
Pension Reserves:		
Pension Obligation Certificate	701,180,684	680,103,722
Pension Accumulation Fund	313,967,553	304,087,675
Pension Reserve Fund	1,643,562,519	1,567,447,879
Market Stabilization Fund	100,911,354	96,492,467
TOTAL FUND BALANCES	\$3,455,079,220	\$3,318,886,327
TOTAL LIABILITIES & FUND BALANCES	\$4,145,070,214	\$3,551,174,431

FINANCIAL SECTION

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	2006	2005
Revenues:								
City Contributions	\$0	\$0	\$0	\$0	\$58,162,088	\$0	\$58,162,088	\$781,483,426
Members' Contributions	20,401,031	0	0	0	61,265	0	20,462,296	22,648,662
Investment Income, Net	119,783,196	3,178,316	4,418,887	53,728,194	61,647,172	134,428,986	377,184,751	276,414,652
TOTAL REVENUES	140,184,227	3,178,316	4,418,887	53,728,194	119,870,525	134,428,986	455,809,135	1,080,546,740
Expenses:								
Pension & Annuity Benefits	0	4,746,340	0	0	0	196,865,514	201,611,854	172,251,379
General & Administrative Expenses	0	0	0	0	3,670,575	0	3,670,575	4,023,939
Refunds	112,726,813	0	0	0	1,607,000	0	114,333,813	106,882,109
TOTAL EXPENSES	112,726,813	4,746,340	0	0	5,277,575	196,865,514	319,616,242	283,157,427
Excess (Deficiency) of Revenue								
Over (Under) Expenses	27,457,414	(1,568,024)	4,418,887	53,728,194	114,592,950	(62,436,528)	136,192,893	797,389,313
Transfers, Net	(6,071,451)	4,884,587	0	(32,651,232)	(104,713,072)	138,551,168	0	0
Fund Balances at Beginning of Year	632,101,967	38,652,617	96,492,467	680,103,722	304,087,675	1,567,447,879	3,318,886,327	2,521,497,014
FUND BALANCES AT END 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

2005 - 2006 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 \$299,051,241. 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.