

BOARD OF TRUSTEES LETTER

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

2



Ron Gracia

DEAR MEMBERS:

On behalf of the Board of Trustees of the General Retirement System of the City of Detroit, I am pleased to present the annual report of the Retirement System for the 1999–2000 fiscal year ended June 30, 2000. This report will provide you with a summary of the plan benefit provisions, the financial condition of the Retirement System, assumptions used for actuarial valuations, and the Retirement System's investments.

Your Board of Trustees is pleased to report that the financial condition of the Retirement System is *excellent*. The Board invests all available funds in a diversified portfolio of investments with the objective of maximizing the overall long-term appreciation of the Retirement System's assets while generating sufficient

current income to pay the benefits which the members of the System have earned. This diversified portfolio is built around the Board's asset allocation plan which is detailed on pages 29, 30 and 31 and summarized on page 32.

Despite a decline in the stock market (as measured by the Dow Jones Industrial Average) and lackluster returns from bonds, the Board's asset allocation delivered a rate of return well in excess of the System's actuarially assumed rate. The significant accomplishments of the Board of Trustees and staff which are reflected in the financial statements of the Retirement System include:

- The fund balance of the Retirement System on June 30, 2000 was \$2,902,433,063 which represents an increase of \$145,818,605 over the prior 12 months.

- The System paid \$147,069,795 in benefits to retirants and beneficiaries and \$97,066,834 in lump sum defined contribution plan benefits
- The income from investments was \$302,643,965 which was more than twice the benefit payments and administrative expenses incurred by the System
- The composite rate of return achieved by the Retirement System was 11.2% which is 1.4 times the System's actuarially assumed rate of 7.9%

The foregoing confirm the fact that the General Retirement System is *stable* and *secure* and expects to meet all future retirement obligations to its members. When comparing the Retirement System with other public employee retirement plans, the Retirement System ranks in the top 10% of all such plans as measured

BOARD OF TRUSTEES LETTER CON'T

by its solvency and ability to meet all future retirement obligations to its members.

As a result of the favorable performance of the investments of the Retirement System, the Board of Trustees was able to:

- Distribute an additional \$1,050 to all retirees.
- Credit an additional distribution to the defined contribution plan accounts of 6.83% for a total compounded annuity return of 14.73%.

With the objective of providing the active and retired members of the System with better service, the Retirement System:

- Published a newsletter every six months.
- Upgraded the Retirement Systems internet web site (www.rscd.org) to include a pension benefit estimator which is available for member access.

- Neared completion of an imaging and workflow system to improve response time to member inquiries.
- Continued to provide an 800 toll-free telephone number (1-800-3398344).

These accomplishments reflect the continued hard work and dedication of the Board of Trustees, advisors, consultants and staff of the Retirement System. We ask for your continued support so that we can maintain a strong and financially secure Retirement System for all participants.

The Board of Trustees and their staff welcome your suggestions regarding the Retirement System and encourage you to inform us how we might better serve you.

If you have any suggestions for the 2000–2001 Annual Report, please send them to the Annual Report Committee at 908 Coleman A. Young Municipal Center, Detroit, Michigan 48226.

Sincerely,



Ronald Gracia
Chairman
Board of Trustees



Nicholas Degel
Executive Secretary

I am pleased to submit to you the annual report of the General Retirement System of the City of Detroit. This report was prepared to communicate to all active and retired members of the Retirement System the financial position and the results of operations of the System for the fiscal year ended June 30, 2000. At June 30, 2000 the Retirement System had approximately 12,175 active members and 11,480 retirees and beneficiaries. This is a consolidated report of the Defined Benefit Plan and the Defined Contribution Plan of the Retirement System. This annual report consists of four (4) sections:

- I **INTRODUCTORY SECTION** contains the introductory letter from the Board of Trustees, the transmittal letter from the Executive Secretary, a summary of the asset allocation strategy, the officers and members of the Board of Trustees, and summary of plan benefit provisions.
- II **Financial Section** contains the report of the independent auditors and the financial statements of the Retirement System.
- III **ACTUARIAL & STATISTICAL SECTION** contains the results of the annual valuation and statistical tables prepared by the System's actuaries.
- IV **INVESTMENT SECTION** contains the summary of the investment activity, the audited summary of detail analysis of investments and related income, and list of investment managers along with a brief description of their investment objectives.

Telephone numbers for the Retirement System and its key departments may be found on the last page of this annual report.

ACCOUNTING SYSTEM AND REPORTS: The financial statements contained herein have been prepared in accordance with generally accepted accounting principles applicable to governmental units applied on a consistent basis. Effective with the 1996-1997 fiscal year commencing July 1, 1996 the Retirement System adopted the Market Value basis of reporting for investments, replacing the Historical Cost basis. This was done in accordance with standards promulgated by the Governmental Accounting Standards Board (GASB). Accordingly, all schedules presented in this report reflect changes in market value for all assets of the Retirement System.

REVENUES: The sources of funds utilized to pay retirement benefits consist of employer and employee contributions to the System plus income on investments. For the fiscal year ended June 30, 2000 employer contributions were \$66,681,049, employee contributions were \$24,330,905 and recognized investment income was \$302,643,965.

EXPENSES: The expenses incurred by the Retirement System include payment of retirement benefits from the Defined Benefit Plan and the Defined Contribution Plan and the cost of administering the System. Administrative expenses are funded **wholly** through investment income. For the fiscal year ended June 30, 2000 retirement benefits and refunds totaled \$244.1 million.

FUNDING AND RESERVES: The trust funds consist of contributions and earnings that are accumulated by the Retirement System in order to meet current and future benefit obligations to retirants and beneficiaries. A higher level of funding and a larger accumulation of assets leads to a greater potential for higher investment income. Continuous improvement in the funding of the System is the primary objective of the Board of Trustees.

As of June 30, 2000 the funds of the Retirement System totaled \$2.902 billion. The actuarial valuation as of June 30, 1999 reflects an unfunded actuarial accrued liability of \$178.1 million. This is the difference between the net assets available for benefits and the actuarial liability calculated for the Retirement System. These "unfunded actuarial accrued liabilities" are being amortized over future years.

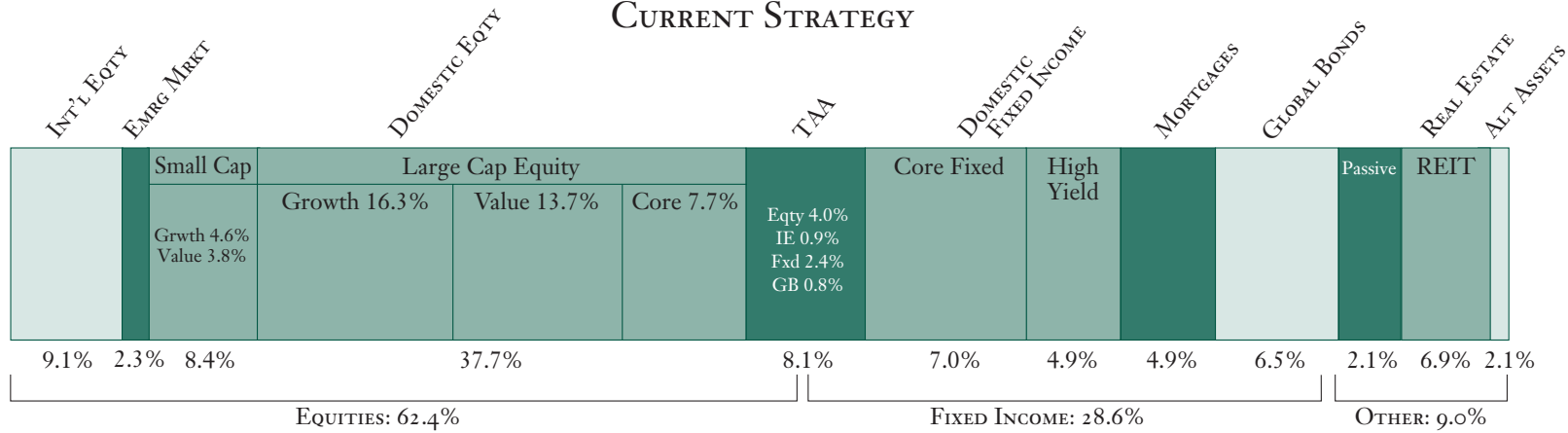
INVESTMENTS: The Retirement System invests all available funds in order to maximize both current income and long-term appreciation. The primary objective of the System's investment policy is to assure that the System meets its responsibility for providing retirement benefits. The System's portfolio of investments is diversified to provide the highest possible total return on assets with the least exposure to risk.

ACKNOWLEDGEMENTS: The preparation of this annual report reflects the combined efforts of the staff of the Retirement System under the direction of the Board of Trustees. The annual report is intended to provide complete and reliable information to the Trustees as a basis for making management decisions, to disclose compliance with legal provisions, and as a means of disseminating vital and pertinent information to all active and retired members of the General Retirement System of the City of Detroit. This report is being distributed to active members, retirees and other interested parties.

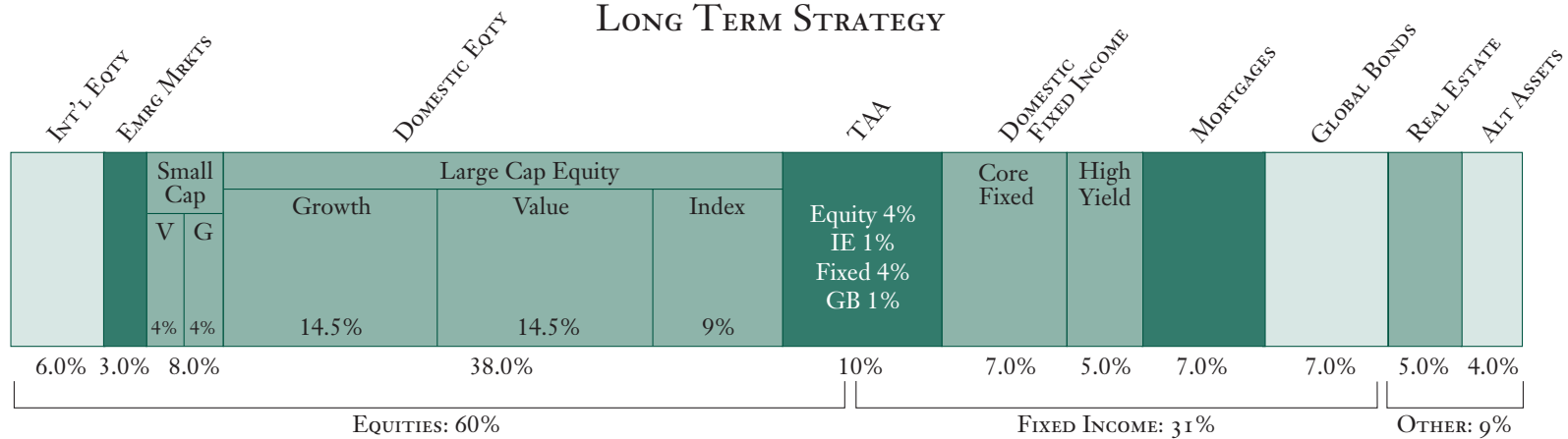
Very truly yours,

Nicholas Degel
Executive Secretary

CURRENT STRATEGY



LONG TERM STRATEGY



JUNE 30, 2000 BOARD OF TRUSTEES

ELECTED EMPLOYEE MEMBERS:



RONALD GRACIA
Senior D.P. Prog. Analyst
Water & Sewerage Department
Term expires June 30, 2001



DAVID C. CLARK
Mechanical Inspector
Buildings & Safety Engineering
Department
Term expires June 30, 2002



THOMAS SHEEHAN
Investment Agent
Finance Department
Term expires June 30, 2003



SANDRA STUDZINSKI
Business Administrator
Municipal Parking Department
Term expires June 30, 2004



THOMAS KNEESHAW
Principal Social Planning &
Development Assistant
Planning and Development
Department
Term expires June 30, 2005

EX-OFFICIO MEMBERS:



DENNIS W. ARCHER
Mayor



CLYDE CLEVELAND
Council Designate,
City Council



SHAFTER TERRY III
Treasurer

ELECTED RETIRANT MEMBER:



JOHN KANTERS
Term expires June 30, 2001

APPOINTED CITIZEN MEMBER:



REV. WENDELL ANTHONY
Term expires June 30, 2000

OFFICERS:



J. EDWARD HANNAN
Finance Director
Ex-Officio Secretary



NICHOLAS DEGEL
Executive Secretary



JOSEPH GLANTON
Assistant Executive Secretary

ACTUARY:

GABRIEL, ROEDER,
SMITH & CO.

**MEDICAL
DIRECTOR:**

REGINALD E. O'NEAL, D.O.

**PERFORMANCE
EVALUATION:**

NEW ENGLAND PENSION
CONSULTANTS*

LEGAL ADVISOR:



RONALD ZAJAC

**REAL ESTATE
CONSULTANT:**

THE TOWNSEND GROUP

**MASTER
CUSTODIAN:**

STATE STREET
CORPORATION

* Fees paid through commission recapture program

SUMMARY OF PLAN BENEFIT PROVISIONS

AGE AND SERVICE RETIREMENT

ELIGIBILITY – Any age with 30 years of service (Employees hired after January 1, 1996, age 55 with 30 years of service) age 60 with 10 years of service, or age 65 with 8 years of service.

ANNUAL AMOUNT – 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, plus (c) an annuity which is the actuarial equivalent of the member's accumulated contributions at retirement.

Members who retired or vested their pension after July 1, 1992 and prior to July 1, 1998 – 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 1.5% of AFC, plus 1.7% of AFC for each year of service greater than 10 years up to 20 years, plus 1.9% of AFC for each year of service over 20 years, plus (c) an annuity which is the actuarial equivalent of the member's accumulated contributions at retirement.

Members who retired prior to July 1, 1992 and members who vested their pension prior to July 1, 1992, are computed at 1.63% of average final compensation times years of service.

AVERAGE FINAL COMPENSATION (AFC)

Pre-July 1, 1992 – Highest 5 consecutive years out of the last 10 excluding longevity.

July 1, 1992 – June 30, 1998 – Highest 4 consecutive years out of the last 10 including longevity.

July 1, 1998 or After – Highest 3 consecutive years out of the last 10 including longevity.

July 1, 1999 or After – Member has the option of adding the value of 25% of unused accrued sick leave to the earnings used in computing the AFC.

EARLY SERVICE RETIREMENT

ELIGIBILITY – Any age with 25 or more years of service.

ANNUAL AMOUNT – Same as regular retirement but actuarially reduced.

DEFERRED RETIREMENT (VESTED BENEFIT)

ELIGIBILITY – January, 1980: Any age with 10 years of service.

BENEFIT COMMENCEMENT – Non-Union, SAAA, and lawyers hired prior to June 30, 1986: Benefit begins at the age the member would have become eligible for regular retirement if service had continued. Others: Benefits based on service rendered by June 30, 1986 begin at the age

the member would have become eligible for regular retirement. Benefits based on service rendered after July 1, 1986* begin at age 62.

ANNUAL AMOUNT – Same as regular retirement but based on average final compensation and service at the time of termination.

DUTY DISABILITY RETIREMENT

ELIGIBILITY – Service related disability before age 60. No service requirement.

ANNUAL AMOUNT – An annuity which is the actuarial equivalent of the accumulated contributions at date of disability plus a pension of two-thirds of average final compensation at time of disability. Effective January 1, 1999 the maximum annual pension is \$9,000. At age 60 or with 30 years, the annuity is recomputed assuming contributions would have continued at the employees elected contribution rate at the time of disability,

*APTE effective July 1, 1988

SUMMARY OF PLAN BENEFIT PROVISIONS CONT'D

8

a salary level equal to final compensation. The pension is recomputed with additional service credit granted from the date of disability to the conversion date with no maximum.

NON-DUTY DISABILITY RETIREMENT

ELIGIBILITY – Disability from any cause before age 60 with 10 or more years of service.

ANNUAL AMOUNT – Computed in the same manner as a regular retirement benefit. Effective January 1, 1999 the maximum annual pension to age 60 is \$6,000. Benefit is recomputed at age 60 with no maximum.

DUTY DEATH BEFORE RETIREMENT

ELIGIBILITY – Death from service related causes. No age or service requirements.

ANNUAL AMOUNT – One-third of final compensation to the surviving spouse for life or until remarriage, plus an equal share of 1/4 of final compensation to each unmarried child under age 18. If there is no eligible spouse, eligible children each receive 1/4 of final compensation; if there are more than 2 such children, each child shares an equal part of 1/2 of final compensation. Maximum total amount for spouse and children is \$9,000 annually. If there is no eligible spouse or children, dependent parents each receive 1/6 of deceased's final compensation, to a total maximum of \$600 annually.

NON-DUTY DEATH BEFORE RETIREMENT

ELIGIBILITY – Death in service at any age with 20 years of service; or age 60 with 10 years of service, or age 65 with 8 years of service.

ANNUAL AMOUNT – To Surviving Spouse: Computed as a regular retirement benefit but reduced in accordance with a 100% joint and survivor election. To Dependent Children if no Surviving Spouse: \$9,000 payable to age 19 of the youngest child or for life if child is physically or mentally impaired.

ELIGIBILITY – Death in service at any age with at least 15 years of service but less than 20 years of service.

ANNUAL AMOUNT – To Surviving Spouse: Computed as a regular retirement benefit but reduced in accordance

with a 50% joint and survivor election. To Dependent Children if no Surviving Spouse: \$6,000 payable to age 19 of the youngest child or for life if child is physically or mentally impaired.

POST RETIREMENT COST-OF-LIVING ADJUSTMENTS

Benefit is increased annually by 2.25% of the **original** pension amount at retirement.

MEMBER CONTRIBUTIONS

Members have the option of choosing one of four contribution amounts: (1) 0%; (2) 3.0% of compensation up to the Social Security wage base, plus 5.0% of compensation in excess of the Social Security wage base; (3) 5.0% of total compensation; or (4) 7.0% of total compensation.

**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 KPMG. KPMG's report is available for review on the Retirement Systems website, www.rscd.org. Copies of the report can be obtained by a request, in writing, to the Retirement System's Office.