

**BOARD OF TRUSTEES LETTER**

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

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Thomas Sheehan

**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 1998 - 1999 fiscal year ended June 30, 1999. 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, and 30 and 31 and summarized on page 32.

The Board's asset allocation has been well-positioned to take advantage of the continued record-breaking performance of the financial markets during the past year. 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, 1999 was \$2,756,614,458 which represents an increase of \$174,514,574 over the prior 12 months.

- The System paid \$145,550,539 in benefits to retirants and beneficiaries and \$60,256,580 in lump sum defined contribution plan benefits.

- The income from investments was \$247,776,787 which was more than one and one half times the benefit payments and administrative expenses incurred by the System.

- The funded status of the Retirement System improved by \$89 million.

- The composite rate of return achieved by the Retirement System was 12.0% which is 1.5 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

**BOARD OF TRUSTEES LETTER CON'T**

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 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 \$1,450 to all retirees.
- Credit an additional distribution to the defined contribution plan accounts of 11.89% for a total compounded annuity return of 20.28%.

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.

- Completed the implementation of a Retirement Systems internet web site ([www.rscd.org](http://www.rscd.org)) which is now available for member access.
- Made further enhancements to its state-of-the-art computer systems to provide quicker access to members' files.

- Continued to provide an 800 toll free telephone number (1-800-339-8344).

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 1999 - 2000 Annual Report, please send them to the Annual Report Committee at 908 Coleman A. Young Municipal Center, Detroit, Michigan 48226.

Sincerely,

Thomas Sheehan  
Chairman  
Board of Trustees

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Thomas Zdrodowski  
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, 1999. At June 30, 1999, the Retirement System had approximately 11,987 active members and 11,537 retirees and beneficiaries. This is a consolidated report of the Defined Benefit Plan and the Defined Contribution Plan of the Retirement System. This 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 a 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 1996-97 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, 1999 employer contributions were \$55,683,125, employee contributions were \$22,198,181, and net investment income was \$247,776,787.

**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, 1999 retirement benefits and refunds totaled \$205.8 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 retirees 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.

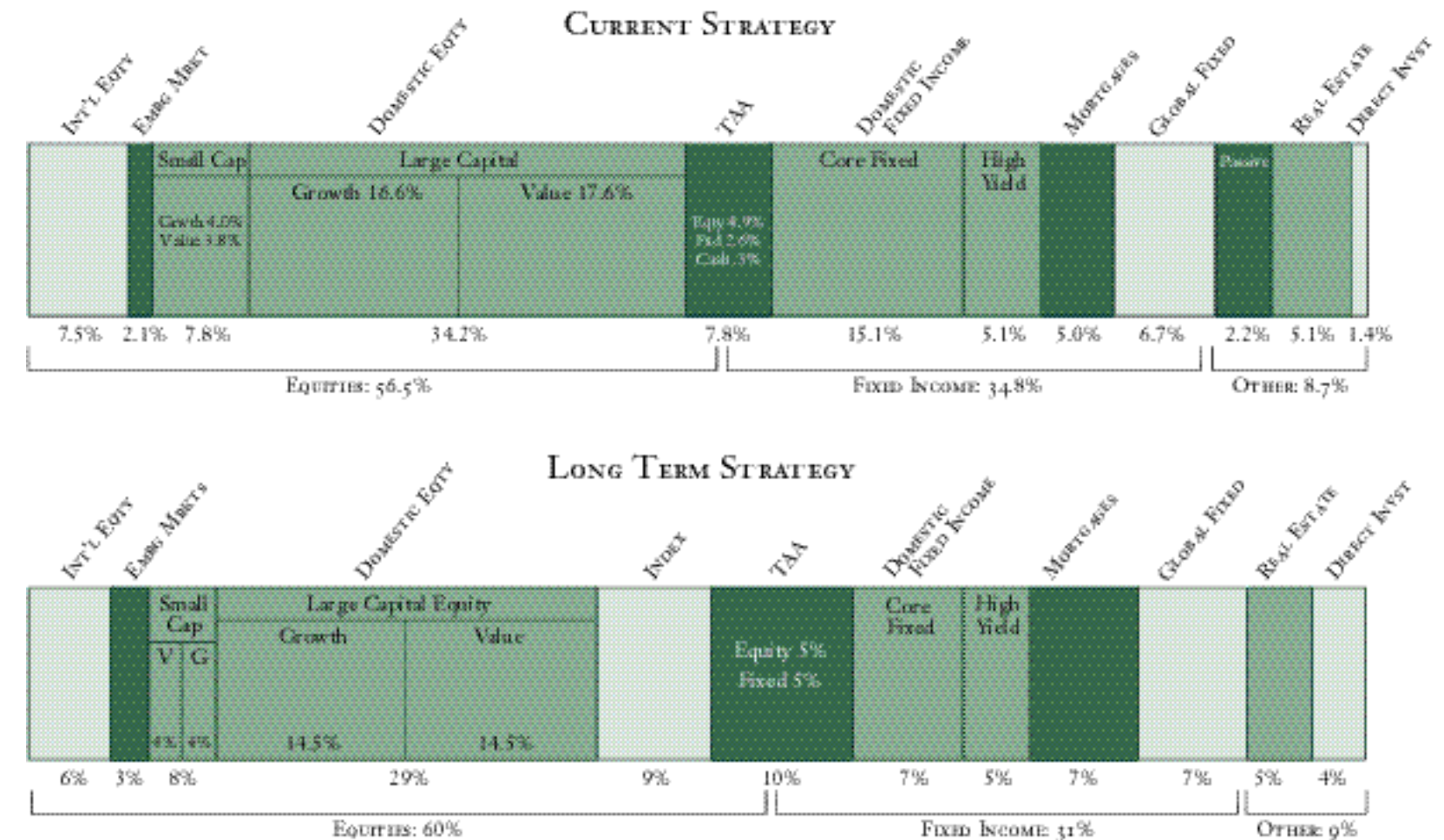
As of June 30, 1999 the funds of the Retirement System totaled \$2.757 billion. The actuarial valuation dated June 30, 1999 reflects an unfunded actuarial accrued liability of \$143.8 million, down from 232.8 million at June 30, 1998. This is the difference between the net assets available for benefits 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 all active members, retirees and other interested parties.

Very truly yours,

Thomas Zdrodowski  
Executive Secretary



JUNE 30, 1999 BOARD OF TRUSTEES

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**ELECTED EMPLOYEE MEMBERS:**



THOMAS KNEESHAW  
**Principal Social Planning & Development Assistant**  
Planning and Development Department  
Term expires June 30, 1999



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

**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, 1999

**APPOINTED CITIZEN MEMBER:**



REV. WENDELL ANTHONY  
Term expires June 30, 2000

**OFFICERS:**



J. EDWARD HANNAN  
**Finance Director**  
Ex-Officio Secretary



THOMAS ZDRODOWSKI  
**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 1.5% 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 years out of the last 10 including longevity.

**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** - 1-80: 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.

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 years out of the last 10 including longevity.

**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 continued at the employees elected contribution rate at the time of disability, 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.

\*APTE effective July 1, 1988

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City of Detroit  
Annual Report/General  
Art Director: Michael Cromwell  
Studio: Cromwell Communications  
File: MS 1022

SUMMARY OF PLAN BENEFIT PROVISIONS CON'T

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**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 AUDITORS'  
REPORT**

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

**KPMG** Peat Marwick LLP

Suite 1200  
150 West Jefferson  
Detroit, MI 48226-4429

To the Board of Trustees of the General Retirement System  
of the City of Detroit:

We have audited the statements of plan net assets and the related statements of changes in plan net assets of the City of Detroit General Retirement System (the System) as of and for the year ended June 30, 1999 and 1998. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 1999 and 1998 and the results of their operation for the years ended, in conformity with generally accepted accounting principles.

The schedules of funding progress and employer contributions and the year 2000 information on pages 10 and 13, respectively, are not a required part of the financial statements, but are supplementary information required by the Government Accounting Standards Board, and we did not audit and do not express an opinion on such information. We have applied to the schedules of funding progress and employer contributions certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedules. We were unable to apply certain of these limited procedures to the year 2000 information because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the System is or will become Year 2000 compliant, that the System's Year 2000 remediation efforts will be successful, in whole or in part, or that parties with whom the System does business will become Year 2000 compliant.

*KPMG Peat Marwick LLP*

October 24, 1999

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