

INDEPENDENT AUDITOR'S REPORT

to all active members & retirees of the Police and Fire retirement system of the city of detroit

*The financial statements of the Police and Fire 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	2007	2006
Cash	\$5,943,198	\$8,095,553
Investments, At Market Value	4,400,566,789	3,982,114,854
Accrued Investment Income	21,895,985	20,724,378
Contributions Receivable	57,423,365	57,807,332
Receivables From Investment Sales	27,609,212	157,834,860
Other Accounts Receivable	11,944,215	615,471
Capital Assets	422,237	417,749
Cash Collateral Securities Lending	1,086,175,835	1,028,069,856
TOTAL ASSETS	\$5,611,980,836	\$5,255,680,053
LIABILITIES		
Payable for Investment Purchases	\$31,435,872	\$181,756,605
Claims Payable to Retirants and Beneficiaries	6,405,458	4,291,693
Accrued Pension Benefits	0	0
Due to Other Funds	0	0
Other Liabilities	6,613,770	6,177,671
Cash Collateral Securities Lending	1,086,175,835	1,028,069,856
TOTAL LIABILITIES	\$1,130,630,935	\$1,220,295,825
FUND BALANCES		
Annuity Reserves:		
Annuity Savings Fund	\$260,925,844	\$269,912,502
Annuity Reserve Fund	13,468,638	9,619,757
Survivor Benefit Fund	16,454,857	20,824,838
Pension Reserves:		
Pension Obligation Certificate	651,040,589	605,039,360
Pension Accumulation Fund	689,640,161	429,161,846
Pension Reserve Fund	2,675,631,659	2,645,716,712
Market Stabilization Fund	174,188,153	55,109,213
TOTAL FUND BALANCES	\$4,481,349,901	\$4,035,384,228
TOTAL LIABILITIES AND FUND BALANCES	\$5,611,980,836	\$5,255,680,053

FINANCIAL SECTION

POLICE & FIRE RETIREMENT SYSTEM CITY OF DETROIT PENSION FUNDS

Statement of revenues, expenses and changes in fund balance.
Year ended June 30, 2007 (with comparative totals for June 30, 2006)

	ANNUITY RESERVES					PENSION RESERVES			TOTAL	
	ANNUITY SAVINGS FUND	ANNUITY RESERVE FUND	MARKET STABILIZATION FUND	ACCRUED LIABILITY RESERVE FUND	SURVIVOR BENEFIT FUND	PENSION ACCUMULATION FUND	PENSION RESERVE FUND	2007	2006	
REVENUES:										
City Contributions	\$0	\$0	\$0	\$0	\$0	\$57,423,366	\$0	\$57,423,366	\$57,807,332	
Members' Contributions	9,975,989	0	0	0	0	67,747	0	10,043,736	10,007,531	
Investment Income, Net	19,719,071	700,692	119,078,940	78,937,211	1,334,394	218,147,241	206,283,790	644,201,339	381,669,729	
TOTAL REVENUES	\$29,695,060	\$700,692	\$119,078,940	\$78,937,211	\$1,334,394	\$275,638,354	\$206,283,790	\$711,668,441	\$449,484,592	
EXPENSES:										
Pension & Annuity Benefits	\$0	\$840,477	\$0	\$0	\$3,974,298	\$0	\$220,435,073	\$225,249,848	\$217,411,446	
General & Administrative Expenses	0	0	0	0	0	3,744,225	0	3,744,225	3,399,285	
Refunds	36,708,695	0	0	0	0	0	0	36,708,695	22,244,391	
TOTAL EXPENSES	\$36,708,695	\$840,477	\$0	\$0	\$3,974,298	\$3,744,225	\$220,435,073	\$265,702,768	\$243,055,122	
Excess (Deficiency) of Revenue Over (Under) Expenses	(\$7,013,635)	(\$139,785)	\$119,078,940	\$78,937,211	(\$2,639,904)	\$271,894,129	(\$14,151,283)	\$445,965,673	\$206,429,470	
Transfers, Net	(1,973,023)	(3,988,666)	0	(32,935,982)	(1,730,077)	(11,415,814)	44,066,230	0	0	
Fund Balance at Beginning of Year	269,912,502	9,619,757	55,109,213	605,039,360	20,824,838	429,161,846	2,645,716,712	4,035,384,228	3,828,954,758	
FUND BALANCES AT END OF YEAR	\$260,925,844	\$13,468,638	\$174,188,153	\$651,040,589	\$16,454,857	\$689,640,161	\$2,675,631,659	\$4,481,349,901	\$4,035,384,228	

SUMMARY OF ASSUMPTIONS USED FOR DPFERS ACTUARIAL VALUATIONS

assumptions adopted by board of trustees after consulting with actuary

ECONOMIC ASSUMPTIONS

THE INVESTMENT RETURN RATE used in the valuation was 7.8% per year, compounded annually (net after administrative expenses). The real rate of return is the portion of total investment return which is more than the inflation rate. Considering other financial assumptions, the 7.8% total investment return rate translates to an assumed real rate of return of 3%.

PAY INCREASE ASSUMPTIONS for individual active members have been calculated. Part of the assumption for each age is for a merit and/or seniority increase, and the other 4.8% recognizes inflation.

TOTAL ACTIVE MEMBER PAYROLL is assumed to increase 4.8% annually, which is the portion of the individual pay increase assumptions attributable to wage inflation.

NON-ECONOMIC ASSUMPTIONS

THE NUMBER OF ACTIVE MEMBERS is assumed to continue at the present number.

THE MORTALITY TABLE used to measure retired life mortality was 90% of the 1983 Group Annuity Mortality Table. This table was first used for the June 30, 1998 valuation.

THE PROBABILITIES OF AGE/SERVICE RETIREMENT for members eligible to retire have been calculated. These probabilities were last revised for the June 30, 2003 valuation.

THE PROBABILITIES OF SEPARATION from service (including death-in-service) are shown for sample ages. These probabilities were revised for the June 30, 2003 valuation.