Combined Plan for the General Retirement System of the City of Detroit

Financial Report
with Supplemental Information
June 30, 2016

Combined Plan for the General Retirement System of the City of Detroit

Contents

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Independent Auditor's Report

To the Board of Trustees
Combined Plan for the General Retirement
System of the City of Detroit

Report on the Financial Statements

We have audited the accompanying financial statements of the Combined Plan for the General Retirement System of the City of Detroit (the "System") as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees
Combined Plan for the General Retirement
System of the City of Detroit

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Combined Plan for the General Retirement System of the City of Detroit as of June 30, 2016 and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Effective June 30, 2016, the System adopted the provisions of GASB 72, *Fair Value Measurement and Application*, as discussed in Note 4. This new accounting standard provided guidance for determining fair value measurement and resulted in significant changes to the disclosures related to all fair value measurements. Our opinion is not modified with respect to this matter.

As explained in Note 1, the financial statements include investments valued at approximately $376,000,000 (19 percent of net position) at June 30, 2016, whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by investment managers, general partners, real estate advisors, and other means. Our opinion has not been modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Trustees
Combined Plan for the General Retirement
System of the City of Detroit

Report on Summarized Comparative Information

We have previously audited the Combined Plan for the General Retirement System of the City of Detroit's June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

December 19, 2016

Using this Annual Report

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) the required supplemental information. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplemental information that further explain and support the information in the financial statements.

Condensed Financial Information

The table below compares key financial information in a condensed format between the current year and the prior year:

	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015
Total assets	$ 2,074,728,834	$ 2,323,341,226
Total liabilities	102,327,418	170,369,422
Fiduciary net position restricted for pensions	**$ 1,972,401,416**	**$ 2,152,971,804**
Net investment (loss) income	$ (12,502,147)	$ 93,112,980
Contributions:		
Employee	12,559,259	13,366,105
Employer	82,644,517	96,157,790
State and Foundations	32,886,828	103,800,000
Total contributions	128,090,604	213,323,895
ASF recoupment	4,585,453	132,529,998
Other income	1,366,916	2,750,373
Benefits paid to members and retirees:		
Retirees' pension and annuity benefits	243,215,619	253,533,495
Member annuity refunds and withdrawals	52,058,780	44,321,041
Total benefits paid	295,274,399	297,854,536
Benefits paid in excess of contributions	(167,183,795)	(84,530,641)
Ratio of contributions to benefits paid	43.38%	71.62%
Other expenses	6,836,815	6,098,785
Net (decrease) increase in fiduciary net position restricted for pensions	**$ (180,570,388)**	**$ 137,763,925**

Fund Overview, Membership, and Governance

The General Retirement System of the City of Detroit (DGRS or the "System") consists of defined benefit pension plans and defined contribution plans for the non-uniformed employees of the City of Detroit (the "City"), comprised of Component I and Component II, which are memorialized in a document entitled *The Combined Plan for the General Retirement System of the City of Detroit, Michigan*, made effective July 1, 2014, as amended and restated December 8, 2014 (the "Combined Plan"). This discussion and its accompanying financial statements are primarily concerned with Component I, a new pension plan created by the City effective July 1, 2014 for active non-uniformed employees of the City to earn pension benefits on and after that date (also referred to as the "Hybrid Plan"), and Component I, the legacy pension plan where benefits were earned through June 30, 2014.

As discussed in greater detail below, at the conclusion of the 2014 fiscal year, the City "froze" Component II. The "freeze" of Component II, which was the pension plan that existed as of June 30, 2014, means that no further benefit accruals occurred after that date and no new employees are allowed to participate as members.

DGRS exists to pay benefits to its members. Members of the System include active non-uniformed City employees, retirees, and their beneficiaries. Active members still employed with the City on and after July 1, 2014 earn service credit that entitles them to receive benefits in the future in Component I, but not in Component II, which, as noted above, has been frozen. Both the employer and municipal plan sponsor for the System, the City, and actively employed members have historically contributed to the System (the employee contributions were voluntary prior to July 1, 2014). Retirees, their beneficiaries, and disabled members are those currently receiving benefits, though the City elected in fiscal year 2015 to transition new disability claims from the benefit program administered by the System to one administered by a third-party insurance carrier.

Component I of DGRS is a newly created plan (effective July 1, 2014), with more active members earning service credit than members eligible to receive or receiving benefits. As of June 30, 2015, there were 4,997 active members, with 212 retirees and 149 terminated plan members entitled to, but not yet receiving benefits.

Component II of DGRS is a relatively mature plan in that there are more members receiving current benefits than active members. As of June 30, 2015, in Component II there were 4,688 active members, with 11,884 members receiving benefits, and 2,732 terminated plan members entitled to but not yet receiving benefits. On June 30, 2014, the Emergency Manager of the City of Detroit issued Order #30, which froze Component II. After that date, no new employees were allowed to participate in Component II and benefit accruals for members with respect to service rendered prior to July 1, 2014 were frozen based on the member's years of service, average final compensation, and the pension multiplier formula as of the freeze date. Employees working after July 1, 2014 are now earning service credit in the Hybrid Plan, or Component I.

By way of background, a brief review of the City's migration from the Legacy Plan to the Hybrid Plan is appropriate. On June 30, 2014, the Emergency Manager of the City of Detroit issued Order #30, which froze Component II. After that date, no new employees were allowed to participate in Component II and benefit accruals for members with respect to service rendered prior to July 1, 2014 were frozen based on the member's years of service, average final compensation, and the pension multiplier formula as of the freeze date. Employees working after July 1, 2014 are now earning service credit in the Hybrid Plan, or Component I. On July 1, 2014, the City first published the Combined Plan with the city clerk. By August 1, 2014, the City completed the payroll information systems project transitions required to allow now-mandatory employee contributions to be contributed to Component I. The City completed payment of its employer contributions for the first year fiscal year of Component I as of June 30, 2015, and later successfully met its employer contribution obligations for Component I's second year as of June 30, 2016.

On October 19, 2014, the Emergency Manager issued Order No. 43, which amended and restated the Combined Plan. On December 8, 2014, before leaving office, the Emergency Manager issued Order No. 44, which again amended and restated the Combined Plan. According to Order No. 44, the latest amendments and restatements to the Combined Plan conformed the Combined Plan terms to the requirements of the City's bankruptcy plan, and made clarifying modifications. The Combined Plan is available at DGRS's website, www.rscd.org.

In December 2014, DGRS governance was modified as part of the City's bankruptcy plan. DGRS is governed by a board of trustees (the "Board"). Although DGRS's investment management is now the ultimate responsibility of a seven-member investment committee (the "Investment Committee"), the Board maintains its role as the governing board vested with responsibility for the general administration, management, and operation of the System, with which the Investment Committee assists, pursuant to Michigan law.

The Board is comprised of 10 members. Five members are elected by the active membership to serve six-year terms. A sixth member is elected by the retiree membership to serve a two-year term. A seventh member is appointed by the mayor of the City of Detroit from the citizens of the City to serve a six-year term. The three remaining members serve *ex officio*, these members being the mayor of the City (or designee), the city treasurer, and one representative from the Detroit City Council. Expirations of terms of elected trustees are staggered, while the remaining trustees serve in accordance with their office or as a designee of an office.

The Investment Committee has five independent members appointed to initial terms with staggered expirations, which terms will all eventually become six years. Two additional members, one active and one retired, serve on the Investment Committee based on appointment by the Board. The Investment Committee will be in place through at least December 2034.

The City of Detroit's Chapter 9 Bankruptcy Case, the Plan of Adjustment, and Implementation

In March 2013, after the City had endured years of financial difficulty, the governor appointed an Emergency Manager for the City pursuant to Michigan Public Act 436 of 2012 (PA 436), which is a law that includes the ability for an Emergency Manager to file a bankruptcy proceeding. In anticipation of that possibility, DGRS had assembled a restructuring team of professional legal, financial, actuarial, and other advisors to assist the System's on-staff professionals with meeting the unknown challenges that could arise if the City filed for bankruptcy protection. At the direction of the board of trustees, the team of DGRS on-staff and other professionals met those challenges, which ultimately revealed themselves as unprecedented in scope and implication for DGRS and its members.

On July 18, 2013, the City filed a petition in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court") seeking protection from its creditors under Chapter 9 of the United States Bankruptcy Code (the "Chapter 9 Case"). DGRS, one of the City's largest creditors because of its duty to collect employer contributions from the City and the City's delinquency in making required employer contributions as of fiscal year 2013, objected to the City's request for Chapter 9 relief on the basis that Article IX, section 24 of the Michigan Constitution of 1963 prevented the City from diminishing accrued pension benefits, even in bankruptcy. On December 5, 2013, after a hearing lasting several weeks, the Bankruptcy Court entered an order determining that the City was eligible for Chapter 9 relief, and holding that accrued pension benefits could be impaired in bankruptcy despite the language of the Michigan Constitution. DGRS immediately filed an appeal with the United States Court of Appeals for the Sixth Circuit.

The Bankruptcy Court also ordered DGRS and other creditors to mediate their disputes with the City, a process which gained momentum in early 2014. As a result of Court-ordered mediation, DGRS supported a proposed settlement of DGRS member pension claims which was memorialized in the City's Fourth Amended Plan for the Adjustment of Debts of the City of Detroit, filed on May 5, 2014 along with an accompanying Fourth Amended Disclosure Statement (the "Pension Settlement"). On May 12, 2014, the City issued ballots to all DGRS members as claim holders in Class 11 under the City's classification system for its creditors, seeking their approval of the Pension Settlement.

On June 11, 2014, the Board adopted a resolution supporting treatment of the DGRS Class II claim holders as part of the Pension Settlement. DGRS thereafter issued correspondence to its membership in support of the treatment of Class 11 claims. Also in June, the Michigan legislature adopted legislation, which the governor signed, conditionally approving the State's contribution of $194.8 million, split between DGRS and the Police and Fire Retirement System of the City of Detroit, to support the resolution of the Chapter 9 Case.

In a balloting process that closed on July 11, 2014, the pension claim holders, including DGRS members, were deemed by the Bankruptcy Court to have supported the City's treatment of pension claims in the Pension Settlement. In order to facilitate the orderly flow of information on a timely basis to DGRS members concerning their individual pension claims against the City, the System and its professionals provided material logistical support to the City in connection with the balloting process, without which the City would not have met the deadlines required by the Bankruptcy Court.

Meanwhile, in June 2014, separate and apart from the Chapter 9 Case, the Emergency Manager directed the City and its professional pension advisors to undertake efforts to prepare documentation and Emergency Manager Orders necessary to freeze the Legacy Plan as of June 30, 2014 and establish the Hybrid Plan effective July 1, 2014. As alluded to earlier, the Emergency Manager effectuated this action pursuant to authority under PA 436, separate and apart from those pension changes requiring Bankruptcy Court approval. The System and its professionals provided timely cooperation to the City in this effort, without which the City could not have accomplished the active pension transitions it deemed necessary.

In the Chapter 9 Case, the Pension Settlement's terms were carried forward to the Eighth Amended Plan for Adjustment of Debts of the City of Detroit (the "Plan of Adjustment"), filed with the Bankruptcy Court on October 22, 2014. In November 2014, after a confirmation hearing lasting several weeks, the Bankruptcy Court confirmed the Plan of Adjustment, which became effective December 10, 2014. The Pension Settlement, as part of the Plan of Adjustment, compromised pension claims and provided funding support for legacy pension benefit obligations under DGRS Component II from the State of Michigan, the Detroit Institute of Arts, and certain foundation donors.

Those governance changes included establishment of the Investment Committee effective December 10, 2014, which officially marked the beginning of implementation of the Plan of Adjustment, though DGRS had for months already undertaken contingency planning for all of the pension adjustments required by the Pension Settlement. The governance changes also included periodic and interim special reporting requirements for the Board and the Investment Committee to the City, the Foundation for Detroit's Future, and the State of Michigan.

For DGRS, with respect to Component II benefit adjustments, the Pension Settlement (for which benefit levels were and are contingent on other factors, including receipt of outside contributions), provided: for a loss of cost of living adjustments, or "escalators" (COLAs) paid after July 1, 2014; for a 4.5 percent cut to the remaining accrued pension benefit after the COLA loss; and, for DGRS members who participated in the Annuity Savings Fund plan between 2003 and 2013, subject to certain caps, recoupment of certain amounts of interest deemed by the City to be in "excess" of that which should have been credited to individual ASF accounts, referred to as "ASF Recoupment." ASF Recoupment, like other provisions of the Pension Settlement, was not optional. Most members will pay their ASF Recoupment by a monthly deduction from their future pension benefits for a set term of months, including interest calculated at 6.75 percent. All members were offered a lump-sum cash option, which was limited in the aggregate to $30 million in member recoupment. The Plan of Adjustment also included the possibility of restoration of certain pension benefit cuts, based on a program for the most financially vulnerable pensioners and beneficiaries through the State of Michigan Treasury Department as well as a new feature of Component II allowing restoration depending on the System's funding level over time.

Other components of implementation of the Plan of Adjustment proceeded between December 2014 and March 2015, and included dismissal of related litigation proceedings, including DGRS's appeal of the Bankruptcy Court's eligibility determination in the United States Court of Appeals for the Sixth Circuit. The process of implementing the Plan of Adjustment is expected to continue through 2016 and beyond, with monitoring, compliance, and other activity by DGRS, its board of trustees, and its investment committee. On December 1, 2014, DGRS provided its retirees and beneficiary members with applications for the Income Stabilization Program (the "ISF Program") established as part of the State Contribution Agreement, another facet of the Pension Settlement. The ISF Program, supported by City funds arising from an unlimited tax general obligation bonds settlement, is intended to ensure that the most financially vulnerable retirees and beneficiaries do not fall below the poverty line as a result of bankruptcy-related pension changes. The ISF Program was implemented March 1, 2015, along with other bankruptcy-related pension benefit changes.

DGRS, with considerable contributions from its executive staff, management, and information technology professionals, in addition to outside professional advisors, successfully implemented the vast majority of pension adjustment required by the Plan of Adjustment in a timely fashion on March 1, 2015.

As of that date, less than three months after the effective date of the Plan of Adjustment, DGRS successfully implemented the vast majority of benefit changes required by the plan, including the ISF Program coordinated in conjunction with the Michigan Department of Treasury. DGRS continues to implement the Plan of Adjustment with ongoing compliance and additional reporting requirements by the Board and the Investment Committee, annual review of benefit levels, and essentially provides for a 40-year plan to close the DGRS Legacy Component II underfunded liability. ASF Recoupment, in particular, is a notable facet of the Plan of Adjustment that will continue to be implemented as members apply for Component II pension benefits over time. DGRS met its obligations in fiscal year 2016 concerning implementation of the Plan of Adjustment.

Contributions to the System

Historically, both the City and active employees have made regular contributions to the System, though employee contributions were optional in Component II, essentially before July 1, 2014, though there was a period of transition due to the City's aging information technology infrastructure which meant that voluntary employee contributions to Component II continued through July 2014, and mandatory employee contributions to Component I from active payroll were implemented as of August 1, 2014.

Basic pension and disability benefits in Component II had been funded through employer contributions plus investment earnings on those contributions, but employee contributions are mandatory in Component I. The required employer contributions had been determined by the System's actuaries using the entry age normal cost method, which is still the case. Assumptions used by the actuaries are subject to experience testing every five years, which is also still the case. Effective December 10, 2014, as part of the resolution of the Chapter 9 Case, the investment return assumption and discount rate used by the System's actuary for purposes of determining the System's assets and liabilities for funding purposes was fixed at 6.75 percent through the period ending June 30, 2023. This applies to both Component I and Component II.

Prior to the filing of the Chapter 9 case, the City's General Fund stopped making payments related to unsecured funded debt and legacy liabilities, including payments to the System for Component II on behalf of most of DGRS's members. Notably, for some segments of DGRS's member population, such as those employees and retirees from the Detroit Library Commission, the Detroit Water and Sewerage Department, and the COBO Authority, employer contributions continued to be remitted to DGRS even after the Chapter 9 case was filed. These situations led to disputes in the Bankruptcy Court which were eventually resolved by the Plan of Adjustment.

When the City filed the Chapter 9 case, obligations owed by the City became potentially subject to compromise in the bankruptcy process. The pension claims of DGRS members were determined by the Bankruptcy Court to be included as unsecured obligations. The City's last General Fund employer contribution before the Chapter 9 case on behalf of employee and retiree groups not listed above was made on November 30, 2012. During fiscal year 2014, the City did not make any contributions to the System from the General Fund, but the Library, DWSD, and COBO Authority did remit payments. In the Chapter 9 case, DGRS filed a claim against the City for $66.6 million as of July 18, 2013, reflecting past due employer contributions with interest for fiscal years 2012 and 2013. This amount did not reflect the full unfunded actuarial accrued liability of the System.

Going forward, the obligations for contributions to support Component II of the System through 2023 are determined as fixed amounts by the provisions in the Plan of Adjustment. Pursuant to the Plan of Adjustment, the System is expected to receive contributions of a total of $718.6 million through fiscal year 2023. The Plan of Adjustment calls for the System to receive $98.8 million from the State of Michigan; $428.5 million from DWSD; $31.7 from UTGO settlement proceeds; the present value equivalent or actual contribution of $50 million from the DIA and its foundation donors during a 10-year period ending in 2024; the present value equivalent or actual contribution of $18.3 million per year from 2025 through 2034 from certain foundations; and $114.6 million from the other City-related employer contribution sources, such as the General Fund, Detroit Library Commission, and COBO Authority, over a 10-year period covering fiscal year 2014 through fiscal year 2023. After 2023, the City, and various other employer constituents such as the Library, DWSD, and COBO Authority, will retain responsibility for the full funding obligations of Component II of the System, consistent with Michigan law.

The Plan of Adjustment allows for certain of the Legacy Plan funding obligations to DPFRS through 2034 to be met by pre-payment of the present value equivalent using a discount rate of 6.75 percent. In fiscal year ended June 30, 2016, a portion of the DIA obligation to make annual $5 million contributions over 10 years ending in 2034 were prepaid. This present value pre-payment resulted in DGRS receiving $32,511,827 on June 30, 2016 from the DIA, which represents the present value, using a 6.75 percent discount rate, of $4,625,000 per year for the nine years remaining on that annual $5,000,000 commitment ending in 2024. Pursuant to the Plan of Adjustment, DGRS still expects to receive the equivalent or actual remaining $375,000 per year from the DIA for that 10-year period ending 2024, and did also receive on June 30, 2016, the amount of $375,000 in satisfaction of the fiscal year 2016 obligation from the DIA that was not prepaid.

With respect to Component I, the Hybrid Plan, non-uniformed employees who are members of DGRS are now required to make mandatory contributions of 4 percent of pay toward their defined benefit pensions earned with the City, and the City contributes an additional 5 percent of pay. The City no longer counts overtime in the calculation of its employer contribution.

The City is also setting aside an additional 0.75 percent of payroll to meet the premium payments required for the disability insurance established with a third-party carrier. DGRS is not administering those third-party carrier-managed disability benefits.

On June 30, 2016, the City met its obligation for Component I employer contributions by contributing $9,048,831 to DGRS.

Impact of City of Detroit Collective Bargaining and Bankruptcy Pension Adjustments

Pursuant to Emergency Manager Order No. 30, the existing Component II defined contribution plan and defined benefit plan were frozen, preventing any future accruals or new members in Component II effective June 30, 2014.

The following changes became effective July 1, 2014, with the advent of Component I:

- The Hybrid Plan defined benefit plan commenced with mandatory contributions of 4 percent of base pay. The City contributes 5 percent of employee base pay, not including overtime;
- A new Hybrid Plan defined contribution plan for the Annuity Savings Fund. Employees may make voluntary Annuity Savings Fund contributions up to 7 percent of total after-tax pay. Interest will be credited at the actual net investment rate of return of DGRS, but will, in no event, be lower than 0 percent or higher than 5.25 percent; and
- The Hybrid Plan provides that future duty disability and non-duty disability retirement allowances for members who become disabled after July 1, 2014, move to a commercial insurance program through the City.

Benefit Payments

The System exists to pay the benefits which its members have earned pursuant to benefits promised by the City, subject to the Chapter 9 case benefit adjustments going forward in the Legacy Plan and the new promises in the Hybrid Plan. Benefits are paid monthly. In fiscal year 2016, DGRS paid out $295.3 million in benefits, consisting of $243.2 million in benefits to retirees and beneficiaries plus $52.1 million in refunds of Annuity Savings Fund balances. The benefits and refunds represent approximately 15.0 percent of the net position of the System as of June 30, 2016. Employer, State and Foundations, and employee contributions were $128 million or 6.5 percent of the net position of the System. The excess of benefits over contributions of $167 million is funded through investment income. The public capital markets represent the primary source of opportunities to earn investment income.

Asset Allocation

The Board and Investment Committee of the DGRS believe that the principal determinant of total fund investment performance over long periods of time is asset allocation. The DGRS asset allocation is built upon the foundation that the obligations of the System to pay the benefits promised to its members are very long-term obligations. Accordingly, the Board and Investment Committee must make investment decisions that it believes will be the most beneficial to the System over many years, not just one or two years.

DGRS has established asset allocation policies which are expected to deliver more than enough investment income over a very long period of time to satisfy the obligations to pay the benefits promised to the members of the System. The following is a summary of the DGRS asset allocation policy as of June 30, 2016:

Asset Class	Target Allocation
Global Equity	43.00%
Fixed Income	12.00%
Global Asset Allocation/Risk Parity	16.00%
Real Estate	10.00%
Real Assets	5.00%
Private Equity	8.00%
Hedge Funds	5.00%
Cash	1.00%

DGRS asset allocation policies comply with Michigan law.

Investment Results

DGRS calculates investment results on a time weighted Global Investment Performance Standard (GIPS) basis, unless explicitly stated otherwise. All returns for periods of one year or greater have been annualized.

Total Fund Composite

DGRS total fund composite return for the year was 1.4 percent, net of fees and expenses using a time-weighted methodology. The fund returned 6.0 and 5.9 percent, respectively, for its three-year and five-year annualized returns, net of fees and expenses.

Global financial markets faced a number of headwinds over the course of the fiscal year as a result of continued economic uncertainty: growth in the U.S. was muted; commodity prices declined significantly; and uncertainty in the developed markets punctuated by Brexit and negative interest rates. While the total plan return did not keep pace with the long-term target, on a relative basis, the return compared favorably to the plan's peer group.

As part of the resolution of the City of Detroit's Chapter 9 Bankruptcy Case, the discount rate assumption used to meet current and future benefit obligations was set at 6.75 percent through the period ending June 30, 2023. This discount rate assumption provided in the Chapter 9 Case does not purport to establish an investment return assumption or discount rate for purposes of, or in accordance with, generally accepted accounting principles. Although the fund's return for this year fell below this assumption, the fund's longer-term return expectation, which this assumption is intended to characterize, still exceeds this assumption.

Total plan returns, net of fees and expenses, for the recent prior fiscal years ended June 30 are shown below:

2015	2.6%
2014	14.5%
2013	11.7%
2012	0.1%
2011	19.7%

Money Weighted Rate of Return

GASB Statement No. 67 requires the disclosure of the annual money-weighted rate of return. A money-weighted rate of return (as opposed to the time-weighted rate of return discussed in the previous section) considers both the size and timing of cash flows over the course of the year to determine an internal rate of return (sometimes referred to as "IRR"). This return is calculated net of expenses and uses cash flows determined on a monthly basis. The DGRS money-weighted rate of return for the year using end-of-the-month cash flows was 1.1 percent.

Contacting the General Retirement System's Management

This financial report is intended to provide a general overview of the System's finances and investment results in relation to actuarial projections. It shows the System's accountability for the money it receives from employer and employee contributions. If you have questions about this report or need additional information, we welcome you to contact the System's office or visit their website at www.rscd.org.

Statement of Fiduciary Net Position
June 30, 2016

	Component II Plan (Legacy)			
	Defined Benefit Fund	Income Stabilization Fund	Component I Plan (Hybrid)	Total Combined Plan
Assets				
Cash and cash equivalents (Note 3)	$ 114,972,767	$ 2,606,554	$ 12,813,262	$ 130,392,583
Investments - At fair value (Notes 3 and 4):				
Global equities	843,597,171	-	12,263,170	855,860,341
Global fixed income	98,577,668	-	1,432,912	100,010,580
Real assets	390,579,155	-	6,042,403	396,621,558
Private equity	101,770,053	-	1,479,190	103,249,243
Diversifying strategies	248,182,711	-	3,607,571	251,790,282
Receivables:				
Accrued investment income	1,328,554	-	16,784	1,345,338
Receivables from investment sales	10,219,977	-	148,558	10,368,535
Other receivable	683,705	-	-	683,705
ASF recoupment receivable (Note 1)	104,575,110	-	-	104,575,110
Notes receivable from participants	8,179,203	-	-	8,179,203
Restricted assets (Note 1)	24,803,369	-	359,834	25,163,203
Cash and investments held as collateral for securities lending (Note 3):				
Asset-backed securities	25,924,215	-	376,833	26,301,048
Repurchase agreements	177,644	-	2,582	180,226
Corporate floating rate	58,948,338	-	856,869	59,805,207
Capital assets (Note 1)	202,672	-	-	202,672
Total assets	2,032,722,312	2,606,554	39,399,968	2,074,728,834
Liabilities				
Accrued expenses	2,819,104	-	1,184,116	4,003,220
Payables for investment purchases	10,963,346	-	159,363	11,122,709
Due to the City of Detroit	454,105	-	454,105	908,210
Amounts due broker under securities lending arrangements (Note 3)	84,294,535	-	1,225,299	85,519,834
Other liabilities	649,915	-	123,530	773,445
Total liabilities	99,181,005	-	3,146,413	102,327,418
Net Position - Restricted for pensions	**$ 1,933,541,307**	**$ 2,606,554**	**$ 36,253,555**	**$ 1,972,401,416**

Combined Plan for the General Retirement System of the City of Detroit

Statement of Changes in Fiduciary Net Position

	Year Ending				
	June 30, 2016				June 30, 2015
	Component II Plan (Legacy)				
	Defined Benefit Fund	Income Stabilization Fund	Component I Plan (Hybrid)	Total Combined Plan	Total
Additions					
Investment income:					
Interest and dividends	$ 29,131,909	$ 25,008	$ 440,665	$ 29,597,582	$ 24,881,986
Net (decrease) increase in fair value of investments	(33,163,905)	-	(396,860)	(33,560,765)	78,421,363
Less investment expense	(9,229,284)	-	(132,773)	(9,362,057)	(11,017,368)
Net investment (loss) income	(13,261,280)	25,008	(88,968)	(13,325,240)	92,285,981
Securities lending income:					
Interest and dividends	487,524	-	7,650	495,174	288,204
Net unrealized gain on collateralized securities	323,209	-	4,710	327,919	538,795
Net securities lending income	810,733	-	12,360	823,093	826,999
Contributions:					
Employer	71,905,829	1,689,857	9,048,831	82,644,517	96,157,790
Employee	-	-	12,559,259	12,559,259	13,366,105
State and foundations (Note 2)	32,886,828	-	-	32,886,828	103,800,000
Total contributions	104,792,657	1,689,857	21,608,090	128,090,604	213,323,895
ASF recoupment interest (Note 1)	4,585,453	-	-	4,585,453	132,529,998
Other income	1,360,330	-	6,586	1,366,916	2,750,373
Total additions - Net	98,287,893	1,714,865	21,538,068	121,540,826	441,717,246
Deductions					
Retirees' pension and annuity benefits	242,470,451	705,006	40,162	243,215,619	253,533,495
Member refunds and withdrawals	49,811,728	-	2,247,052	52,058,780	44,321,041
General and administrative expenses	3,742,618	-	3,094,197	6,836,815	6,098,785
Total deductions	296,024,797	705,006	5,381,411	302,111,214	303,953,321
Net (Decrease) Increase in Net Position Held in Trust	(197,736,904)	1,009,859	16,156,657	(180,570,388)	137,763,925
Net Position Restricted for Pensions - Beginning of year	2,131,278,211	1,596,695	20,096,898	2,152,971,804	2,015,207,879
Net Position Restricted for Pensions - End of year	**$ 1,933,541,307**	**$ 2,606,554**	**$ 36,253,555**	**$ 1,972,401,416**	**$ 2,152,971,804**

The Notes to Financial Statements are an Integral Part of this Statement.

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the Combined Plan for the General Retirement System of the City of Detroit:

Reporting Entity

The City of Detroit (the "City") sponsors the Combined Plan for the General Retirement System of the City of Detroit (the "System"), which consists of two contributory single-employer retirement plans, as described below.

Component II - This is the legacy plan which is the original defined benefit plan, which includes a defined benefit component and a defined contribution component. Component II generally applies to benefits accrued by members prior to July 1, 2014. On June 30, 2014, as a result of negotiations between the City and the public employee unions, the existing plan benefit formulas were frozen and no employees were allowed to earn benefits under the existing plan. The Emergency Manager issued Order #30 (General Retirement System of the City of Detroit) on June 30, 2014 which put these changes into effect. Except as specifically provided in Combined Plan, benefits provided under Component II are frozen effective June 30, 2014.

Component I - As of July 1, 2014, all current and future employees participate in the new hybrid pension plan, or Component I. Active city employees who participated in the legacy plan will receive the benefits they have earned under the Retirement System through June 30, 2014 plus an additional benefit under the new hybrid plan formula, assuming all vesting requirements are met.

The Combined Plan is a separate and independent trust qualified under applicable provisions of the Internal Revenue Code; it is an independent entity (separate and distinct from the employer/plan sponsor) as required by (1) state law and (2) Internal Revenue Code provisions setting forth qualified plan status. The trustees of the plan have a fiduciary obligation and legal liability for any violations of fiduciary duties as independent trustees. The Combined Plan provides retirement, disability, and survivor benefits to plan members and beneficiaries.

Note 1 - Summary of Significant Accounting Policies (Continued)

The financial statements for fiscal year 2016 represent the legacy plan or "Component II" as well as the new hybrid plan or "Component I." Component II also includes the Income Stabilization Fund. The fund, which is part of Component II only and established as a special plan of adjustment provision, was established for the sole purpose of paying the Income Stabilization Benefits and Income Stabilization Benefits Plus to Eligible Pensioners. A portion of the funds received by the System from UTGO Bond Tax Proceeds is credited to the Income Stabilization Fund. The allocation is based on the "Aggregate Payments to Plan Assignees" included in the POA. After 2022, the Investment Committee may recommend to the board that a portion or all of the assets that exceed income stabilization benefits (including Income Stabilization Benefits Plus) to be paid in the future be used to fund regular pension payments.

The financial statements for the System are also reported in the financial statements of the City of Detroit as a pension trust fund. The assets of the pension trust funds include no securities of or loans to the City or other related parties.

These financial statements include comparative columns for 2015. Such information is not meant to be a complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the plan's financial statements for the year ended June 30, 2015.

Plan Sponsor Financial Condition - Impact on System

In the past, the City of Detroit (the "plan sponsor") has experienced significant financial difficulty and liquidity concerns. As of June 2013, the City had defaulted on approximately $36 million of pension contributions due to the System. During fiscal year 2014, the City did not pay any employer contributions into the System, despite the fact that there were actuarially required contributions.

In February 2013, the governor appointed a financial revenue team, which determined that a local government financial emergency existed in the City. This culminated in bankruptcy proceedings which the City initiated in July 2013. Part of the federal court's ruling in December 2013 indicated that the bankruptcy status usurped whatever protections may be offered governmental pensions under the Michigan Constitution. On December 10, 2014, the City exited from bankruptcy through the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit (the "POA"). The POA specifies certain provisions pertinent to the Legacy and Hybrid plans, including contributions and benefits.

Note 1 - Summary of Significant Accounting Policies (Continued)

In fiscal year 2016, the contributions that were received by the System were made in accordance with the provisions of the POA. See Note 10 for significant changes that were implemented by the System under the POA.

Accounting and Reporting Principles

The System follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Basis of Accounting

The System uses the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Specific Balances and Transactions

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments - Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments. The fair value of real estate investments is based on periodic appraisals as well as the judgment of independent real estate advisors and management. Investments that do not have an established market value are reported at estimated fair value as determined by the System's management.

Note 1 - Summary of Significant Accounting Policies (Continued)

Approximately $376,000,000 or 19 percent of the System's net position as of June 30, 2016 is not publicly traded and therefore, does not always have a readily determinable market value.

Investments for which market quotations are readily available are generally priced by the custodian using nationally recognized pricing services and practices. For investments that do not have readily observable market prices, including but not limited to private equity, public and private real estate, alternatives and direct loans, management's estimate of their fair value is based on information provided by investment managers, general partners, real estate advisors, and other means. These sources are held to a standard of reasonable care in verifying that the valuations presented reasonably reflect the underlying fair value of the investments. A variety of factors is considered in the valuation process, including the nature of the investment, local market conditions, trading values on public exchanges for comparable investments, and current and projected operating performance. However, due to the inherent uncertainty and the degree of judgment involved in determining fair value for such investments, the values reflected in the financial statements may differ significantly from values that would have been used had a readily determinable market value for the investments existed, and the difference could be material.

ASF Recoupment Receivable - Component II (Legacy) - For members who elected to make employee contributions into the defined contributions-style program, referred to as the annuity saving fund (ASF), between July 1, 2003 and June 30, 2013, the POA called for recoupment of amounts that the City calculated were "excess interest" credited to individual ASF accounts. In 2011, the City Council adopted an ordinance which limited ASF interest credits to the plan's net investment return, with a cap of 7.9 percent and a floor of 0 percent. The POA calculation of "excess interest" applies the interest formula in the 2011 Ordinance to the July 1, 2003 - June 30, 2013 recoupment period with a 20 percent cap on the highest balance in this given period. The recoupment amount is also capped at 15.5 percent of the monthly pension check. The City offered both a limited lump sum or monthly payment option. Repayment of these excess interest amounts is not optional. As of June 30, 2016, the System has approximately $104.6 million to be collected. The receivable will be collected, with 6.75 percent interest, as a reduction to monthly pension benefits for those with recoupment balances outstanding.

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivable/Payable from Investment Sales/Purchases - The System liquidated investments prior to year end and reported a receivable from investment sales at June 30, 2016 in the amount of $10,963,346. The proceeds from the sales were received subsequent to year end. In addition, the System purchased investments prior to year end and reported a payable from investment purchases at June 30, 2016 in the amount of $10,219,977. This amount was paid subsequent to year end.

Notes Receivable from Participants - In Component II (Legacy), any active general employee who is or has been a participant in the 1973 defined contribution plan (annuity savings fund) may be eligible for the employee loan program. The minimum amount of the loan was established at $1,000. The maximum loan is the lesser of 50 percent of the member's account balance in the annuity saving fund or $10,000. Members can borrow as either a general purpose loan payable in one to five years or a residential loan payable in 1 to 15 years. A member can have only two outstanding loans. The balance of these loans for the year ended June 30, 2016 was $8,179,203. The balance is measured at the unpaid principal balance plus any accrued but unpaid interest. Participant notes receivable are written off when deemed uncollectible.

Although Component I (Hybrid) allows participant loans, there are none outstanding at June 30, 2016.

Restricted Assets - The System has entered into a collateral maintenance and security agreement whereby the plan agreed to set aside $25,163,203 as collateral in exchange for a bank backing on debt related to one of its investments. At June 30, 2016, this amount has been shown as a restricted asset.

Capital Assets - Capital assets for the System include land, office equipment, and furniture. Depreciation expense is calculated by allocating the net cost of the assets over their estimated useful lives.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Pension Plan Description

Component II (Legacy Plan) and Component I (Hybrid Plan)

Plan Administration - The System's governance was modified in December 2014 as part of the City's bankruptcy plan. The System's board of trustees and Investment Committee administer the Combined Plan for the General Retirement System of the City of Detroit Pension Plan - a single-employer defined benefit and defined contribution plan that provides retirement benefits, as well as survivor and disability benefits, for plan members and beneficiaries. Plan members include active employees, retirees, and beneficiaries from various departments within the City of Detroit. Benefit terms have been established by contractual agreements between the System and the employees' collective bargaining unit, as modified by the POA. Future amendments are subject to the same process. However, pursuant to the POA, pension benefit terms presently expressed in the Combined Plan are not subject to amendment before June 30, 2023, unless an amendment is required to maintain the tax-qualified status of the system. The obligation to contribute to and maintain the System was established by the City Charter and negotiations with the employees' collective bargaining units.

The board is comprised of 10 members. Five members of the board are elected by the active membership to serve six-year terms. One member is elected by the retiree membership to serve a two-year term. One member is appointed by the mayor of the City of Detroit from the citizens of the City to serve a six-year term. Three members serve ex-officio, these members being the mayor of the City (or designee), the city treasurer, and one representative from the Detroit City Council. Expirations of terms of elected trustees are staggered.

The Investment Committee has five independent members appointed to initial terms with staggered expirations, which terms will all eventually become six years. Two additional members, two active members, and two retired members serve on the Investment Committee based on appointment by the board. The Investment Committee will be in place through at least December 2034.

Plan Membership - At June 30, 2015, the membership consisted of the following:

	Component II	Component I
Inactive plan members or beneficiaries currently receiving benefits	11,884	149
Inactive plan members entitled to but not yet receiving benefits	2,732	212
Active plan members	4,688	4,981
Total	19,304	5,342

Note 2 - Pension Plan Description (Continued)

As of June 30, 2014, Component II has been frozen. As of that date, no new participants were allowed to enter the plan and no new benefit accruals were allowed for existing participants.

After July 1, 2014, active members will retain existing service credit in the Legacy Plan, but will only earn existing service credit in the new Hybrid Plan. Employees retiring during FY 2016 only earned approximately $40,000 in benefits from the Hybrid Plan.

Benefits Provided - The System provides retirement, disability, and death benefits. Benefit terms had been established by negotiations between the City Council and the employees' collective bargaining unit and subject to amendment by the City Council. Further changes to benefits were provided for under the POA.

Contributions - Article 9, Section 24 of the State of Michigan Constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, in the past, the System had retained an independent actuary to determine the annual contribution. The actuarially determined rate was the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. However, until 2024, contributions are based on specific provisions in accordance with the Plan of Adjustment.

The City filed for bankruptcy in 2013 and on November 12, 2014, the United States Bankruptcy Court for the Eastern District of Michigan entered an order confirming the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit. Going forward, the obligation for the City to contribute to the System will be determined by the provisions in the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit. Please read Note 10 for further information.

Note 2 - Pension Plan Description (Continued)

Employer Contributions

Component II:

For Component II, during fiscal year 2016, employer contributions are not actuarially determined but determined by the provisions of the POA detailed under Exhibit II.B.3.q.ii.A of the POA. Included within contributions for fiscal year 2016 in Component II are contributions from the Foundation for Detroit's Future (the "Foundation") in the amount of $32.9 million, $4.0 million from Unlimited Tax General Obligation bonds (UTGO), and approximately $67.9 million of contributions from the City and related entities. Of the $32.9 million from the Foundation, $32.5 million related to prepayment from the DIA. The POA allows for certain funding obligations to the System to be met by prepayment of the present value equivalent using a discount rate of 6.75 percent. The present value prepayment resulted in the System receiving the $32.5 million in fiscal year 2016. Employer contributions were also made into the Income Stabilization Fund for $1,689,857 from the UTGO proceeds.

Component I:

For Component 1, during fiscal year 2016, employer contributions are not actuarially determined, but are determined by the provisions of the Combined Plan detailed under Section 9.3, of Component 1. Per Section 9.3, commencing July 1, 2014 and ending June 30, 2023, the City is required to contribute 5 percent of compensation of active members. A portion of the employer's annual contribution for each plan year as determined by the City shall be credited to the Rate Stabilization Fund reserve with the remainder allocated to the Pension Accumulation Fund reserve. During fiscal year 2016, the City and related entities contributed $9,048,831 into the Hybrid Plan. Beginning in 2024, the employer contributions will be actuarially determined based on the amount necessary to fund the plan on an actuarial basis.

Because there were no actuarially determined contributions for Component I, there is no Required Schedule of the City Contributions included within these financial statements.

Employee Contributions

Component II - Contribution requirements of plan members were historically established and amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2016, there were no employee contributions into Component II, as the plan was frozen as of June 30, 2014.

Note 2 - Pension Plan Description (Continued)

Component I - Contribution requirements of plan members are established in Sections 9.3 and 10.1 of Component I of the Combined Plan. For the year ended June 30, 2016, the required active member contribution rate for employees was 4.0 percent of annual pay. Additionally employees can make voluntary contributions of 3 percent, 5 percent, or 7 percent of annual pay. During fiscal year 2016, the plan received mandatory and voluntary employee contributions of $12,559,259.

Fiscal Responsibility Provision

To safeguard the long-term actuarial and financial integrity of the System, in the event the funding level of Component I projected over a five-year period falls below 100 percent, certain remedial actions are required as set forth in section 9.5 of Component I of the Combined Plan, including elimination of COLA, transfers from the Rate Stabilization Fund reserve, to the Pension Accumulation Fund reserve and increases in mandatory employee contributions from 4 percent to 5 percent.

In the event the funding level of Component I is projected to fall below 80 percent, additional remedial actions are required including further increasing the mandatory employee contributions to 6 percent and the potential for reducing the retirement allowance.

Note 3 - Deposits and Investments

The System is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The investment policy adopted by the board is in accordance with Public Act 196 of 1997 and has authorized investments according to Michigan Public Act 314 of 1965, as amended. The System's deposits and investment policies are in accordance with statutory authority.

The System invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, credit risks, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported on the statement of changes in fiduciary net position.

Note 3 - Deposits and Investments (Continued)

The System's cash and investments are subject to various risks, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk. Approximately $8.7 million of the System's checking account balances was uninsured and uncollateralized at June 30, 2016. The System believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the System evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The System's investment policy does not restrict investment maturities.

At June 30, 2016, the average maturities of debt investments are as follows:

Investment Type	Fair Value (in thousands)	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
U.S. government	$ 60,865	$ 54,030	$ -	$ -	$ 6,835
Corporate**	22,757	423	4,701	13,290	4,343
Private placement	13,375	272	1,298	9,234	2,571
Term loans**	4,075	-	2,008	2,067	-
Total	$ 101,072	$ 54,725	$ 8,007	$ 24,591	$ 13,749

** Not all global fixed income is subject to interest rate risk.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The System has no investment policy that would further limit its investment choices.

Note 3 - Deposits and Investments (Continued)

As of June 30, 2016, the credit quality ratings of debt securities (other than the U.S. government) as rated by Moody's are as follows:

	Investment Type and Fair Value (in thousands)														
	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	WR	NR
Corporate fixed income	$ 144	$ 632	$ 515	$ 423	$ 708	$2,296	$5,748	$3,572	$2,733	$2,024	$1,914	$ 864	$ 140	$ 98	$ 947
Government fixed income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60,863
Private placements	-	-	341	609	2,355	962	2,011	1,554	1,427	1,357	819	374	-	3	1,563
Term loans	-	-	-	-	564	-	799	765	290	341	260	210	-	-	845
Total	$ 144	$ 632	$ 856	$1,032	$3,627	$3,258	$8,558	$5,891	$4,450	$3,722	$2,993	$1,448	$ 140	$ 101	$64,218

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The System does not restrict the amount of investments in foreign currency.

As of June 30, 2016, the following deposits and securities are subject to foreign currency risk (in thousands):

	Equity	Fixed Income	Cash	Forward Contracts (Including Receivable/ (Payable)
Australian dollar	$ -	$ -	$ 6	$ -
British pound sterling	-	2,210	20	(2,237)
Canadian dollar	-	-	2	-
Euro currency	-	1,318	74	(1,332)
Japanese yen	-	-	1	-
Polish zloty	-	-	12	-
Total	$ -	$ 3,528	$ 115	$ (3,569)

Securities Lending

As permitted by state statutes and under the provisions of a securities lending authorization agreement, the System lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. The custodial bank does not have the ability to pledge or sell collateral securities unless the borrower defaults. Borrowers are required to deliver collateral for each loan equal to not less than 102

Note 3 - Deposits and Investments (Continued)

percent of the market value of the loaned securities.

As of June 30, 2016, the collateral provided was 101.11 percent of the market value of the loaned securities which is less than the required 102 percent.

The System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested together with the cash collateral of other lenders in an investment pool. The average duration of this investment pool as of June 30, 2016 was 34.77 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2016, the System had no credit risk exposure to borrowers. The collateral held (at cost) and the fair market value of underlying securities on loan for the System as of June 30, 2016 were $85,847,938 and $84,902,984, respectively.

The following represents the balances relating to the securities lending transactions as of June 30, 2016; investments are reported at fair value:

Securities Lent	Underlying Securities
U.S. government and agencies	$ -
U.S. corporate fixed income	5,177,478
U.S. equities	78,138,773
Non-U.S. equities	1,586,733
Total	$ 84,902,984

The fair market value of the collateral pool related to securities lending at June 30, 2016 was $86,008,151. The investments were in asset-backed securities, floating rate notes, and repurchase agreements. Approximately 74.11 percent of these securities had a duration of less than one year, 21.10 percent had a duration between one and three years, and 4.79 percent had a duration over 15 years.

Note 3 - Deposits and Investments (Continued)

The credit ratings of the securities lending collateral pool held at June 30, 2016 as rated by S&P are as follows:

Ratings		Amount
AAA		$ 24,514,361
AA		35,250,161
A		21,954,268
CCC		2,960,287
D		1,158,763
NR		170,311
	Total	$ 86,008,151

Note 4 - Fair Value Measurements

During the year, the System adopted GASB Statement No. 72, *Fair Value Measurement and Application*. As a result, the notes to the financial statements now include enhanced disclosures about fair value measurement, the level of fair value hierarchy, and valuation techniques.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 4 - Fair Value Measurements (Continued)

The System has the following recurring fair value measurements as of June 30, 2016:

Assets Measured at Fair Value on a Recurring Basis

		Fair Value Measurement Using		
	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
U.S. government mortgage-backed securities	$ 1,803	$ -	$ 1,803	$ -
Privately negotiated debt	6,889,000	-	-	6,889,000
Corporate bonds	38,992,455	-	36,148,029	2,844,426
Total debt securities	45,883,258	-	36,149,832	9,733,426
Equity securities:				
Common stock	489,096,567	489,096,567	-	-
Preferred stock	602,800	-	602,800	-
Total equity securities	489,699,367	489,096,567	602,800	-
Private equity funds	106,498,271	-	-	106,498,271
Partnership investments	4,242,000	-	-	4,242,000
Real estate private equity funds	117,700,331	-	-	117,700,331
Real estate related investments	137,657,363	-	-	137,657,363
Collateral from securities lending	86,106,255	-	86,106,255	-
Total investments by fair value level	987,786,845	$ 489,096,567	$ 122,858,887	$ 375,831,391
Investments measured at net asset value (NAV):				
International equity funds	294,530,570			
Fixed-income funds	177,347,370			
Global asset allocation funds	187,237,501			
Hedge funds	43,372,572			
Real estate funds	128,166,770			
Total investments measured at NAV	830,654,783			
Total investments measured at fair value	$ 1,818,441,628			

A total of $180,226 of repurchase agreements that are recorded at amortized cost is not included in the fair value table above.

Note 4 - Fair Value Measurements (Continued)

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of preferred stock and debt securities at June 30, 2016 was determined primarily based on Level 2 inputs. The System estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals for identical or similar assets.

The fair value of the remaining investments at June 30, 2016 was determined primarily based on Level 3 inputs. The System estimates the fair value of these investments using the System's own pricing estimate methodology, pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table.

Investments in Entities that Calculate Net Asset Value per Share

The System holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At the year ended June 30, 2016, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
International equity funds	$ 294,530,570	$ -	Monthly	Up to 30 days
Fixed-income funds	177,347,370	-	Daily	10 business days
Global asset allocation funds	187,237,501	-	Monthly	15 business days
Hedge funds	43,372,572	-	Quarterly	Up to 95 days
Real estate funds	128,166,770	-	Quarterly	90 days
Total investments measured at NAV	$ 830,654,783	$ -		

Multiple funds are held in each category. For reporting purposes, the redemption frequency and redemption notice period provided are the most restrictive of any of the funds in the category.

Note 4 - Fair Value Measurements (Continued)

The international equity funds class includes investments in funds that invest predominantly in equity securities of non-U.S. companies. The funds invest in developed and emerging market countries and utilize investments across the capitalization spectrum from large to small companies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

The fixed-income funds class includes investments in funds that invest predominantly in fixed-income instruments in the U.S. and developed and emerging market countries. The funds invest across a diverse group of security types including government, corporate, and mortgage-backed debt and across the credit quality spectrum of investment grade and high yield. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

The global asset allocation funds class includes investments in funds that are designed to capture growth with less risk than equities by managing a broad opportunity set of asset classes including, but not limited to, global equities, global bonds, commodities, currencies, and cash. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

The hedge funds class includes investments in funds that achieve capital appreciation through multimanager and/or multistrategy investments. Within this group of funds, there is exposure to investment strategies including, but not limited to, credit, event-driven, equity, and relative value. The funds have the ability to invest across all markets and across all asset classes to implement their various strategies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Approximately 1 percent of the value of the investments in the hedge fund class above is in the process of being liquidated by the fund manager. Distributions from each fund will be received as the underlying investments of the fund are liquidated. It is estimated that the underlying investments of the fund will be liquidated over the next 12-18 months.

The real estate funds class includes investments in funds whose objective is to operate a core portfolio of real estate investments predominantly located in the U.S. The funds acquire ownership in underlying investments either through direct real estate ownership or ownership in real estate companies or the equity of real estate investment trusts. The funds predominantly target purchases in office, industrial, retail, or multifamily real estate classes. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Note 5 - Pension Plan Investments - Policy and Rate of Return

Component II (Legacy Plan) and Component I (Hybrid Plan)

Investment Policy - The assets of Component II and I are commingled and invested together as allowed by the POA. The plan's policy in regard to the allocation of invested assets is established and may be amended by governance by a majority vote of its members. It is the policy of the governance to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the governance's adopted asset allocation policy as of June 30, 2016.

Asset Class	Target Allocation
Global equity	43.00 %
Global fixed income	12.00
Real estate	10.00
Private equity	8.00
Hedge funds	5.00
Global asset allocation/risk parity/real assets (liquid)	21.00
Cash	1.00

Rate of Return - For the year ended June 30, 2016, the annual money-weighted rate of return on the plan's investments, net of investment expense, was 1.1 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 6 - Pension Plan Reserves

Component II (Legacy Plan)

In accordance with the Combined Plan for the General Retirement System of the City of Detroit, Michigan, and state law, the following reserves are required to be set aside within the Component II (Legacy) pension plan:

Annuity Reserve Fund - The annuity reserve fund is an accumulation of transfers that is made from the annuity savings fund, when an employee retires, becomes disabled, or if a surviving spouse elects an annuity rather than a lump-sum payout of accumulated employee contributions.

Note 6 - Pension Plan Reserves (Continued)

Pension Reserve Fund - The pension reserve fund represents funded pension benefits available for retired members and is funded by actuarially determined transfers from the pension accumulation fund. The actuarially determined transfer is still pending for FY 2016. Approximately $158,873,200 of the actuarially determined transfer from the pension accumulation fund for fiscal year 2015 has not been made, and this amount is reflected in the difference between the required reserve and amount funded for the pension reserve fund.

The employee reserve (Annuity Savings Fund or "ASF") is credited as employee contributions are received throughout the year; ASF maintains a record of the amount contributed by each employee, and credits interest annually at a rate approved by the board. During fiscal year 2016, the board approved the interest rate at 5.25 percent. Eligible active members may elect to withdraw their accumulated (annuity) contributions plus investment earnings. Upon retirement, a member can elect to annuitize or receive a lump sum of their accumulated contribution and interest earnings. When an employee retires, becomes disabled, or if a surviving spouse elects an annuity rather than a lump-sum payout of accumulated employee contributions, the balance is transferred to the annuity reserve fund. See Note 10 for disclosure of significant changes to the ASF going forward.

The pension accumulation fund is the fund which will accumulate reserves for the pensions and other benefits payable from the contributions made by the City including various departments thereof, and certain third parties pursuant to the POA and from which pensions and other benefits will be paid on account of members with prior service credit and transfers as provided in this section E-18. Contributions to the pension accumulation fund from the effective date of the POA through fiscal year 2023 shall be made only in the amounts and from the sources identified in the POA.

The expense fund is the fund which will be credited with all money provided by the City to pay the administrative expenses of the System, and from which all the expenses necessary in connection with the administration and operation of the System will be paid. At year end, this reserve balance is zero as all employer contributions were credited to the pension accumulation fund.

Note 6 - Pension Plan Reserves (Continued)

The income fund shall be the fund to which all interest, dividends, and other income derived from the investments of Component II of the System will be credited. Transfers from the income fund will be made to credit earnings and losses to various reserves of the System in accordance with the provisions of Component II of the Combined Plan Document. Amounts credited to the income fund in excess of amounts needed to credit earnings and losses of the System as provided in Component II for any plan year shall be transferred to the pension accumulation fund and used to pay retirement allowances and other benefits on account of members. During fiscal year 2016, the income fund reserve was not utilized and all investment income was credited to the pension accumulation fund.

The balances of the reserve accounts for Component II (excluding the Income Stabilization Fund) as of June 30, 2016 are included in the table below. The reserve balances as of June 30, 2016 shown below do not include the current year transfer amount related to fiscal year 2016 retirements for amounts which are transferred from the pension accumulation fund to the pension reserve fund.

	Required Reserve	Amount Funded
Annuity Savings Fund	$ 146,377,716	$ 146,377,716
Pension Reserve Fund	1,933,995,838	1,775,122,658
Annuity Reserve Fund	12,040,933	12,040,933
Pension Accumulation Fund	N/A	-

Component I (Hybrid Plan)

In accordance with the Combined Plan for the General Retirement System of the City of Detroit and state law, the following reserves are required to be set aside within the Component I (Hybrid) pension plan:

The accumulated mandatory employee contribution fund shall be the fund in which shall be accumulated the contributions of members to provide their retirement allowances. Upon the retirement, termination, or death of a member with a vested retirement allowance, the member's accumulated mandatory employee contributions shall be deemed to be part of the pension reserve which shall be used to pay the member's retirement allowance.

The accumulated voluntary employee contribution fund shall be the fund in which shall be accumulated the voluntary after-tax contributions of members together with earnings thereon.

Note 6 - Pension Plan Reserves (Continued)

The pension accumulation fund shall be the fund in which shall be accumulated reserves for the retirement allowances and other benefits payable from that portion of the employer's annual contribution that is not credited to the rate stabilization fund and amounts transferred to Component I and from which shall be paid retirement allowances and other benefits on account of members. During fiscal year 2016, all employer contributions were directed by the City into the pension accumulation fund and no amounts were credited to the rate stabilization fund.

The rate stabilization fund shall be the fund which shall be credited with the employer's annual contributions in excess of the amount of the employer's contribution which is credited to the pension accumulation fund and amounts transferred to Component I as provided in Section E-16(C) of Component II. See Note 9 for details on the transfer provisions related to transfers between Component II and Component I. During fiscal year 2016, no amounts were credited to the rate stabilization fund. Therefore, this reserve balance is zero.

The medical benefit fund shall be the fund which will be credited with contributions made for the purpose of funding medical benefits. During the year, no such contributions were made and therefore this reserve balance is zero.

The expense fund shall be the fund to which will be credited any money provided by the employers to pay the administrative expenses of the System, and from which certain expenses incurred in connection with the administration and operation of the System will be paid. At year end, this reserve balance is zero as all employer contributions were credited to the pension accumulation fund.

The income fund shall be the fund to which all interest, dividends, and other income derived from the investments of Component I of the System will be credited. Transfers from the income fund will be made to credit earnings and losses to various reserves of the System in accordance with the provisions of Component I of the Combined Plan Document. Amounts credited to the income fund in excess of amounts needed to credit earnings and losses of the System as provided in Component I for any plan year shall be transferred to the pension accumulation fund. During fiscal year 2016, investment income was minimal and therefore this reserve balance at June 30, 2016 remains unfunded.

Note 6 - Pension Plan Reserves (Continued)

The balances of the above reserves for Component I which were funded as of June 30, 2016 are as follows:

	Required Reserve	Amount Funded
Accumulated Mandatory Employee Contribution Fund	$ 13,433,871	$ 13,433,871
Accumulated Voluntary Employee Contribution Fund	10,198,653	10,198,653
Pension Accumulation Fund	N/A	12,621,031

Note 7 - Net Pension Liability of the City for Component II (Legacy Plan)

The net pension liability of the City has been measured as of June 30, 2016 and is comprised of the following:

Total pension liability	$ 2,925,203,804
Plan fiduciary net position	1,933,541,307
City's net pension liability	$ 991,662,497
Plan fiduciary net position as a percentage of the total pension liability	66.10 %

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2015, which used updated procedures to roll forward the estimated liability to June 30, 2016. The valuation used the following actuarial assumptions applied to all periods included in the measurement:

Inflation	N/A	
Salary increases	N/A	No inflation assumption or salary increases due to plan freeze as of June 30, 2014
Investment rate of return	7.23%	Net of pension plan investment expense, including inflation

Based on an experience study from 2008-2013 issued in February 2015, the mortality table assumption was based on the RP-2014 Blue Collar Annuitant Table for males and females. The tables are projected to be fully generational, based on the two-dimensional sex distinct mortality scale MP-2014.

Note 7 - Net Pension Liability of the City for Component II (Legacy Plan) (Continued)

The actuarial assumptions other than mortality and the investment rate of return, used in the June 30, 2015 valuation to calculate the total pension liability as of June 30, 2016, were based on the results of an actuarial experience study for the period 2002-2007.

Attribution period: As addressed more fully in Note 10, as of June 30, 2014, the plan was frozen such that no new benefit accruals were allowed and no new members could join. Starting July 1, 2014, the participants in this legacy plan (Component II) will now be earning benefits under a newly created defined benefit plan (Component I). GASB Statement No. 67 requires that the service costs of all pensions be attributed through all assumed exit ages, through retirement. Neither GASB Statement No. 67 nor any other GASB standard has set forth guidance specifically related to frozen plans with successor plans in place. Absent any guidance to the contrary, due to the status as a frozen plan combined with the fact that individuals are now earning service in a new defined benefit pension plan, the retirement date for purposes of attribution was assumed to be June 30, 2014 for all members. Therefore, the total pension liability at June 30, 2016 is equal to the present value of projected benefit payments.

Note that the long-term assumed rates of return used for the purpose of the GASB 67 valuations were determined in accordance with generally accepted accounting principles. This should not be confused with the provisions in the Plan of Adjustment which established a 6.75 percent assumed rate of return for purposes of the various provisions within the plan; the Plan of Adjustment did not attempt to dictate the long-term rate of return to be used for accounting purposes.

Discount Rate - The discount rate used to measure the total pension liability as of June 30, 2016 was 7.23 percent; however, the single discount rate used at the beginning of the year was 7.61 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Note 7 - Net Pension Liability of the City for Component II (Legacy Plan) (Continued)

Projected Cash Flows - Based on the above assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees both at the beginning of the year as well as at the end of the year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate. Contributions of the System are projected to be at the minimum amounts required by the Plan of Adjustment through 2023, followed by actuarially determined contributions beginning in 2024. While no funding policy has been adopted by the City of Detroit, the projection of cash flows assumes full funding of contributions such that the plan's net position will be sufficient to make all benefit payments. The System believes that the funding practice adopted by the City will be consistent with the underlying objective used in the projection to develop the single discount rate.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return as of June 30, 2016 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment note, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Global equity	6.22 %
Global fixed income	2.95
Real estate	3.92
Private equity	7.35
Hedge funds	4.41
Global asset allocation/risk parity/commodities	5.02
Cash	0.98

Note 7 - Net Pension Liability of the City for Component II (Legacy Plan) (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.23 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.23 percent) or 1 percentage point higher (8.23 percent) than the current rate:

	1% Decrease (6.23%)	Current Discount Rate (7.23%)	1% Increase (8.23%)
Net pension liability of the City	$ 1,257,227,563	$ 991,662,497	$ 765,833,652

Note 8 - Net Pension Liability of the City for Component I (Hybrid Plan)

The net pension liability of the City has been measured as of June 30, 2016 based on benefits in force as of that date and is comprised of the following:

Total pension liability	$ 49,198,806
Plan fiduciary net position	36,253,555
City's net pension liability	$ 12,945,251
Plan fiduciary net position as a percentage of the total pension liability	73.7 %

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2015, which used updated procedures to roll forward the estimated liability to June 30, 2016. The following are the significant assumptions:

Wage inflation assumption was 2 percent for five years, 2.5 percent for the next five years, and 3 percent thereafter.

The investment rate of return (net of pension plan investment expense, including inflation) applied to the beginning of year total pension liability was 7.61 percent as compared to 7.23 percent which was the assumed long-term rate of return as of the end of year. The rates were determined in accordance with generally accepted accounting principles. This should not be confused with the provisions in the Plan of Adjustment which established a 6.75 percent assumed rate of return for purposes of the various provisions within the plan; the Plan of Adjustment did not attempt to dictate the long-term rate of return to be used for accounting purposes.

Note 8 - Net Pension Liability of the City for Component I (Hybrid Plan) (Continued)

Based on an experience study from 2008-2013 issued in February 2015, the mortality table assumption was based on RP-2014 Blue Collar Annuitant Table for males and females. The tables are projected to be fully generational, based on the two-dimensional sex distinct mortality scale MP-2014.

Cost of living adjustments: This plan has a postretirement COLA feature known as the Variable Pension Improvement Factor (VPIF) of a 2 percent simple COLA. It can be granted beginning July 1, 2018 only if the five-year projection shows the plan funded status at 100 percent based upon 6.75 percent future investment return. For purposes of the total pension liability, the actuary assumed a 0.50 percent simple COLA beginning July 1, 2018 to model the potential average COLA over time. Had no COLA been assumed, the net pension liability would have been $11,414,916. Had the full 2 percent COLA been assumed, the net pension liability would have been $17,538,062.

There were no changes in benefit provisions during the year affecting the total pension liability.

Other than mortality and the investment rate of return, the actuarial assumptions used in the June 30, 2015 valuation, to calculate the total pension liability as of June 30, 2016, were based on the results of an actuarial experience study for the period 2002-2007 modified as necessary to account for the difference in eligibility of this new plan.

Discount Rate - The discount rate used to measure the total pension liability as of June 30, 2016 was 7.23 percent; however, the single discount rate used at the beginning of the year was 7.61 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Note 8 - Net Pension Liability of the City for Component I (Hybrid Plan) (Continued)

Projected Cash Flows - Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees both at the beginning of the year as well as at the end of the year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate. Contributions of the System are projected to be at the minimum amounts required by the Plan of Adjustment through 2023, followed by actuarially determined contributions beginning in 2024. While no funding policy has been adopted by the City of Detroit, the projection of cash flows assumes full funding of contributions such that the plan's net position will be sufficient to make all benefit payments. The System believes that the funding practice adopted by the City will be consistent with the underlying objective used in the projection to develop the single discount rate.

The long-term expected rate of return on future pension plan investments is the same as Component II given that the assets are commingled (See Note 7).

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.23 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.23 percent) or 1 percentage point higher (8.23 percent) than the current rate:

	1% Decrease (6.23%)	Current Discount Rate (7.23%)	1% Increase (8.23%)
Net pension liability of the City	$ 19,354,239	$ 12,945,251	$ 7,702,925

Note 9 - Commitments

When the System enters into various investments, it may not completely fund the entire investment at the beginning. Rather, it enters into commitments to fund remaining capital amounts at certain points in time. At June 30, 2016, the remaining capital funding commitment for the System is approximately $40 million.

Note 9 - Commitments (Continued)

In addition, the Combined Plan document setting forth the Legacy Plan (Component II) contain a provision for the transfer of certain excess investment returns to the new Hybrid Plan (Component I). In any plan year during the period beginning on or after July 1, 2014 and ending June 30, 2023, if the annual rate of return credited to member annuity savings fund accounts is less than the actual rate of return net of expenses of the Plan's invested assets for the second plan year preceding the plan year in which the annual rate of return is credited, the excess earned shall be transferred to the pension accumulation fund maintained under Component I of the Combined Plan and will be used to fund transition costs related to Component I. The transition cost is a measure of the liability that Component I of the Retirement System has at its inception due to the fact that members in Component I receive vesting and eligibility credit under Component I for service that was earned prior to July 1, 2014 and is otherwise credited to members under Component II. Such transition costs will be calculated by the Plan's actuary. This transfer will be calculated and transferred in the second year following the year in which the return is earned based on a two-year 'lookback'; therefore, for example, any transfers based on the plan year ended June 30, 2015 will be calculated and transferred during the plan year ending June 30, 2017.

Note 10 - City of Detroit's Chapter 9 Bankruptcy Plan of Adjustment and Continuing Impact on the Plan

In March 2013, after enduring years of financial difficulty, the City of Detroit filed for bankruptcy protection. The Eighth Amended Plan for Adjustment of Debts of the City of Detroit (the "Plan of Adjustment") was filed with the Bankruptcy Court on October 22, 2014. In November 2014, after a confirmation hearing lasting several weeks, the Bankruptcy Court confirmed the Plan of Adjustment (POA), which became effective December 10, 2014.

Note 10 - City of Detroit's Chapter 9 Bankruptcy Plan of Adjustment and Continuing Impact on the Plan (Continued)

Legacy Plan (Component II)

The Pension Settlement, as part of the Plan of Adjustment, compromised pension claims and provided funding support for legacy pension benefit obligations under the General Retirement System of the City of Detroit (DGRS or the "System") Component II from the State of Michigan, the Detroit Institute of Arts, and certain foundation donors. The Plan of Adjustment also required certain governance changes for DGRS. Those governance changes included establishment of the Investment Committee effective December 10, 2014, which officially marked the beginning of implementation of the Plan of Adjustment, though DGRS had for months already undertaken contingency planning for all of the pension adjustments. In addition to governance changes, the POA requires of the System, through its board of trustees and Investment Committee, certain periodic and interim reporting obligations to the City, the Foundation for Detroit's Future, and the State of Michigan. Though there were some delays in meeting certain obligations because of new actuarial reporting requirements for governmental systems, which in turn impacted the preparation of the System's audited financial statements, the System believes it has ultimately met its special reporting obligations in fiscal year 2016.

For DGRS, with respect to Component II benefit adjustments, the Pension Settlement (for which benefit levels were and are contingent on other factors, including receipt of outside contributions) provided for:

- A loss of cost of living adjustments, or "escalators" (COLAs) paid after July 1, 2014;
- A 4.5 percent cut to the remaining accrued pension benefit after the COLA loss;
- For DGRS members who participated in the Annuity Savings Fund plan between 2003 and 2013, subject to certain caps, recoupment of certain amounts of interest deemed by the City to be in "excess" of that which should have been credited to individual ASF accounts, referred to as "ASF Recoupment". ASF Recoupment, like other provisions of the pension settlement, was not optional. Most members will pay their ASF Recoupment by a monthly deduction from their future pension benefits for a set term of months, including interest calculated at 6.75 percent. All members were offered a lump-sum cash option, which was limited in the aggregate to $30 million in member recoupment. In fiscal year 2016, the Bankruptcy Court approved certain additional members whose application submissions were not timely received to participate in the lump-sum cash option.

Note 10 - City of Detroit's Chapter 9 Bankruptcy Plan of Adjustment and Continuing Impact on the Plan (Continued)

- The possibility of restoration of certain pension benefit cuts, based on a program for the most financially vulnerable pensioners and beneficiaries through the State of Michigan Treasury Department, as well as a new feature of Component II allowing restoration depending on the System's funding level over time.
- An Income Stabilization Program (the "ISF Program") was established as part of the State Contribution Agreement, another facet of the Pension Settlement. The ISF Program, supported by city funds arising from an unlimited tax general obligation bonds settlement, is intended to ensure that the most financially vulnerable retirees and beneficiaries do not fall below the poverty line as a result of bankruptcy-related pension changes. Beginning March 1, 2015, certain DGRS members also received benefit pension cut restoration under the ISF Program administered by DGRS pursuant to the State Contribution Agreement based on eligibility and benefit payments calculated by the State of Michigan. Following the close of the fiscal year ended June 30, 2016, and pursuant to Component II of the Combined Plan and the State Contribution Agreement, the System implemented the first annual ISF Program benefit adjustments effective July 1, 2016.
- The POA also discusses a "restoration plan". Terms of the pension restoration are contained in "Exhibit II.B.3q.ii.C" of the POA and the terms govern how accrued pensions, including COLA benefits that were reduced as a part of the POA, may be restored over the 30-year period following the Confirmation Order. The Investment Committee will supervise the restoration process in accordance with the restoration plan. The restoration plan shall be deemed a part of Component II. The funding levels have not been attained yet as of June 30, 2016 for the restoration process to initiate.

Note 10 - City of Detroit's Chapter 9 Bankruptcy Plan of Adjustment and Continuing Impact on the Plan (Continued)

Going forward, the obligations for contributions to support Component II of the System through 2023 are determined as fixed amounts by the provisions in the Plan of Adjustment. Pursuant to the Plan of Adjustment, the System is expected to receive contributions of a total of $718.6 million through fiscal year 2023. The Plan of Adjustment calls for the System to receive $98.8 million from the State of Michigan; $428.5 million from DWSD; $31.7 from UTGO settlement proceeds; the actual or present value equivalent of $50 million from the DIA and its foundation donors; and $114.6 million from the other City-related employer contribution sources, such as the General Fund, Detroit Library Commission, and COBO Authority, over a 10-year period covering fiscal year 2014 through fiscal year 2023. Between 2025 and 2034, DGRS will receive $18.3 million per year from certain foundation donors. After 2023, the City, and various other employer constituents such as the Library, DWSD, and COBO Authority, will retain responsibility for the full funding obligations of Component I of the System, consistent with Michigan law.

In fiscal year 2016, DGRS received from the City, its employer-related contribution sources, the State of Michigan, and the DIA and its foundation donors, all contributions required by the Plan of Adjustment. DGRS also received prepayment of a portion of the $50 million obligation of the DIA to contribute to DGRS from 2015 to 2024. Those payment obligations were set forth in the POA as an annual $5 million contribution in each of those 10 years. The POA provided the option for the DIA to meet its obligations with prepayment of the present value of that obligation using a 6.75 percent discount rate. On June 30, 2016, DGRS received $32,511,827 from the DIA, which represents the present value at a 6.75 percent discount rate of the $4,625,000 of the remaining annual $5,000,000 commitment over the period 2017 to 2024. DGRS also received on June 30, 2016 the $375,000 in satisfaction of the non-prepaid portion of the DIA contribution for 2016. The DIA's obligation to contribute $375,000 per year for the remaining eight (8) years of that obligation to DGRS, from 2017 to 2024, has not been prepaid, and so that obligation remains.

As of March 1, 2015, less than three months after the effective date of the POA, DGRS successfully implemented the vast majority of benefit changes required by the plan, including the ISF Program coordinated in conjunction with the Michigan Department of Treasury.

Note 10 - City of Detroit's Chapter 9 Bankruptcy Plan of Adjustment and Continuing Impact on the Plan (Continued)

DGRS continues to implement the POA, which includes ongoing compliance and additional reporting requirements by the board and the Investment Committee, annual review of benefit levels, and essentially provides for a 40-year plan to close the DGRS Legacy Component II underfunded liability. ASF Recoupment, in particular, is a notable facet of the Plan of Adjustment that will continue to be implemented as members apply for Component II pension benefits over time.

Required Supplemental Information

Required Supplemental Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios (Legacy Plan)
Last Three Fiscal Years

	2016	2015	2014
Total Pension Liability			
Service cost	$ -	$ -	$ 32,736,019
Interest	213,957,125	263,007,329	242,611,073
Changes in benefit terms	-	(732,535,007)	(113,311,571)
Differences between expected and actual experience	(44,173,106)	24,644,530	-
Changes in assumptions	90,034,927	(101,559,893)	(271,190,194)
Benefit payments, including refunds	(292,282,181)	(297,538,991)	(397,733,807)
Net Change in Total Pension Liability	(32,463,235)	(843,982,032)	(506,888,480)
Total Pension Liability - Beginning of year	2,957,667,039	3,801,649,071	4,308,537,551
Total Pension Liability - End of year	**$ 2,925,203,804**	**$ 2,957,667,039**	**$ 3,801,649,071**
Plan Fiduciary Net Position			
Contributions - Employer, State, and Foundation	$ 104,792,657	$ 189,282,094	$ 25,126,131
Contributions - Employee	-	609,073	10,241,761
Net investment (loss) income	(12,450,547)	93,054,981	289,789,607
Administrative expenses	(3,742,618)	(4,617,194)	(11,237,767)
Benefit payments, including refunds	(292,282,179)	(297,538,991)	(397,733,807)
Other additions (includes ASF recoupment)	5,945,783	135,280,369	-
Net Change in Plan Fiduciary Net Position	(197,736,904)	116,070,332	(83,814,075)
Plan Fiduciary Net Position - Beginning of year	2,131,278,211	2,015,207,879	2,099,021,954
Plan Fiduciary Net Position - End of year	**$ 1,933,541,307**	**$ 2,131,278,211**	**$ 2,015,207,879**
City's Net Pension Liability - Ending	**$ 991,662,497**	**$ 826,388,828**	**$ 1,786,441,192**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.10 %	72.06 %	53.01 %
Covered Payroll*	$ 185,147,364	$ 188,210,536	$ 238,669,871
City's Net Pension Liability as a Percentage of Covered Employee Payroll	535.6 %	439.1 %	748.5 %

* Covered payroll excludes overtime and longevity pay, which was included as compensation for purposes of determining employer contributions.

Combined Plan for the General Retirement System of the City of Detroit

Required Supplemental Information
Schedule of Investment Returns (Legacy and Hybrid Plan)
Last Three Fiscal Years

	2016	2015	2014
Annual money weighted rate of return - Net of investment expense	1.1 %	2.4 %	16.3 %

* GASB Statement No. 67 was implemented June 30, 2014 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.

Fiscal years 2014 and 2015 do not include information related to the Hybrid Plan. The Hybrid Plan was effective July 1, 2014 and for the first year (fiscal year 2015) did not invest in anything other than cash and cash equivalents.

Required Supplemental Information
Schedule of City Contributions (Legacy Plan)
Last Ten Fiscal Years

	2016 *	2015 *	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	N/A	N/A	$ 72,643,307	$ 62,297,432	$ 64,065,214	$ 55,138,011	$ 37,338,960	$ 41,395,719	$ 43,168,448	$ 41,444,808
Contributions in relation to the actuarially determined contribution	N/A	N/A	25,126,131	26,515,782	64,065,214	55,138,044	37,338,960	41,395,719	43,168,448	41,444,808
Contribution Deficiency	**$ -**	**$ -**	**$ 47,517,176**	**$ 35,781,650**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered Employee Payroll	$ -	$ -	$ 238,669,871	$ 213,291,083	$ 257,992,240	$ 303,379,482	$ 334,343,506	$ 357,072,833	$ 368,470,990	$ 361,701,481
Contributions as a Percentage of Covered Employee Payroll	- %	- %	10.5 %	12.4 %	24.8 %	18.2 %	11.2 %	11.6 %	11.7 %	11.5 %

* The contributions starting with fiscal year 2015 were determined by the provisions of the POA; the contributions were not actuarially determined and therefore not subject to disclosure on accordance with GASB 67 within this schedule.

Notes to Schedule of System Contributions (Legacy and Hybrid Plans)

Actuarial valuation information relative to the determination of contributions:

Valuation date — N/A - Starting in FY 2015, contributions are not actuarially determined.

Methods and assumptions used to determine contribution rates:

Actuarial cost method

Amortization method

Remaining amortization period

Asset valuation method

Inflation

Salary increases

Investment rate of return

Retirement age

Mortality

Other information

Combined Plan for the General Retirement System of the City of Detroit

Required Supplemental Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios (Hybrid Plan - Component I)
Last Two Fiscal Years

	2016	2015
Total Pension Liability		
Service cost	$ 18,302,706	$ 19,318,576
Interest	2,495,896	695,469
Difference between expected and actual experience	2,111,447	(1,202,108)
Assumption changes	(1,225,597)	-
Voluntary employee contributions	5,216,480	5,775,885
Benefit payments, including refunds	(2,289,948)	-
Net Change in Total Pension Liability	24,610,984	24,587,822
Total Pension Liability - Beginning of year	24,587,822	-
Total Pension Liability - End of year	**$ 49,198,806**	**$ 24,587,822**
Plan Fiduciary Net Position		
Employer contributions	$ 9,048,831	$ 8,811,369
Mandatory employee contributions	7,345,516	6,970,544
Net investment (loss) income	(70,025)	20,690
Administrative expenses	(3,094,197)	(1,481,590)
Voluntary employee contributions	5,216,480	5,786,488
Benefit payments, including refunds of mandatory contributions	(1,031,059)	(10,603)
Benefit payments and refunds based on voluntary contributions	(1,258,889)	-
Net Change in Plan Fiduciary Net Position	16,156,657	20,096,898
Plan Fiduciary Net Position - Beginning of year	20,096,898	-
Plan Fiduciary Net Position - End of year	**$ 36,253,555**	**$ 20,096,898**
City's Net Pension Liability - Ending	**$ 12,945,251**	**$ 4,490,924**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	73.69 %	81.74 %
Covered Payroll	$ 185,147,364	$ 180,069,852
City's Net Pension Liability as a Percentage of Covered Employee Payroll	7.0 %	2.5 %

Changes in Assumptions (Legacy Plan and Hybrid Plan)

The discount rate used to calculate the June 30, 2016 total pension liability was 7.23 percent. The discount rate used to calculate the total pension liability as of June 30, 2015 was 7.61 percent.