



**POLICE AND FIRE RETIREMENT SYSTEM OF
THE CITY OF DETROIT
COMPONENT I and
COMPONENT II**

SUMMARY ANNUAL REPORT

For the Fiscal Year Ended

June 30, 2019

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

POLICE & FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

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POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

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Tailwind Capital Partners, LP
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Direct Investments/Fund Investments

American Realty Advisors
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Benefit Street Partners Debt Fund IV LP
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HL Platinum Equity Capital Partners IV, LP
International
Insight Technology Capital Partners
Mesirow Financial
PGIM Real Estate
Permira Credit Solutions III
Perseus Partners
Seminole Financial Services, LLC
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Stepstone Capital Partners
Steward Capital Management
Syncom Venture Partners
Tailwind Capital Partners
The Lightstone Group
TGAM Churchill Middle Market Sr. Loan Fund, LP
THL Credit Select
US Real Estate Fund
Valstone Partners, LLC
Walker & Dunlop Capital, LLC
Walton Street Capital
Wind Point Partners

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter from the Executive Director and Chairperson	Page 5 - 6
Summary of Component I Provisions	Page 7 - 8
Summary of Component II Provisions	Page 9 - 10

INVESTMENT SECTION

Historical Financial Performance	Page 11
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ACTUARIAL & STATISTICAL SECTION (Component I & II)	Page 12 - 15
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FINANCIAL SECTION

Financial Statements and Supplementary Reports	Page 16 - 23
Budget	Page 24

OTHER INFORMATION SECTION

Service Providers	Page 25
Member Loan Program	Page 26
Travel Summary Report	Page 27

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

INTRODUCTORY SECTION

LETTER FROM THE EXECUTIVE DIRECTOR AND CHAIRPERSON

Active, Retired Members and Interested Individuals:

We are pleased to submit the annual report for Component I and Component II of the Police & Fire Retirement System of the City of Detroit for the fiscal year ended June 30, 2019.

The Police & Fire Retirement System of the City of Detroit ("System") consists of defined pension plans, defined contribution plans and annuity savings plans for the uniformed employees of the City of Detroit, comprised of Component I and Component II. These plans are memorialized in a document entitled *The Combined Plan for the Police & Fire Retirement System of the City of Detroit* ("Plan of Adjustment"), effective July 1, 2014, as amended and restated December 8, 2014. The System exists to pay benefits to its members.

As a result of the bankruptcy filed by the City of Detroit and the resulting Plan of Adjustment ("POA"), in the fiscal year 2014-2015 there were significant economic and non-economic changes to the retirement plans of the Police & Fire Retirement System.

In addition to the economic changes discussed below, the POA established a nine member Investment Committee to assume responsibility for the investment of the Plan's assets. The committee is comprised of four Police & Fire Retirement System Trustees and five financial professionals selected by the State of Michigan, the City of Detroit and the Police and Fire Retirement System Board of Trustees, in consultation with the Foundation for Detroit's Future.

As a part of the Plan of Adjustment and because of negotiations between the City of Detroit and the employees' collective bargaining units, the original defined benefit plan, now known as Component II or the Legacy Plan, was frozen on June 30, 2014. All Component II benefits were also frozen as of June 30, 2014 based on service and average final compensation accrued as of that date and the provisions of the Police & Fire Retirement System as of June 30, 2014. All future cost-of-living adjustments were reduced by 55%.

Active members employed with the City on and after July 1, 2014 will earn service credit that entitles them to receive benefits under the Component I plan as set forth in the employees' collective bargaining agreements. Pursuant to the Plan of Adjustment and federal law, the benefit terms presently in force under the Component I plan will remain unchanged through June 30, 2023.

Accounting System and Reports

The financial statements of the System are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are subject to external review. The financial statements have been audited by the independent accounting firm of Plante & Moran, PLLC. The June 30, 2019 financial statements contain more detailed information and is available for review on the System's web site: www.rscd.org. Copies of the report can also be obtained by a written request to the System's office.

Funding and Reserves

The funds of the System consist of contributions and earnings that are accumulated by the System in order to fund current and future benefit obligations to the retirees and their beneficiaries. Contribution requirements for both Component plans are detailed in the actuarial and statistical sections of this report. Continuous improvement in the funding of the System is a primary objective of the Board of Trustees.

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

Investments

The System invests available funds in order to maximize income. The primary objective of the System's investment policies are to ensure that the System meets their obligation to provide retirement benefits. The System's portfolio of investments is diversified to provide the highest possible total return on assets with the least exposure to risk. The system's net investment income for the year ended June 30, 2019 totaled \$102,285,621 with a rate of return of 5.1 percent.

Closing

The Board of Trustees and the Retirement System staff continually strive to provide the members of the System with quality customer service. The Board and staff welcome your suggestions regarding the System and encourage you to inform us how we might better serve you.

Respectfully Submitted

Jeffrey Pegg

Jeffrey Pegg
Chair
Board of Trustees

David Cetlinski

David Cetlinski
Executive Director

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

INTRODUCTORY SECTION

SUMMARY OF COMPONENT I PROVISIONS (Hybrid Plan)

Component I (Hybrid Plan) was created by negotiations between the City and Police and Fire Union Organizations for active uniformed employees of the City of Detroit to earn pension benefits on and after July 1, 2014. Active members employed with the City on and after July 1, 2014 will earn service credit that entitles them to receive benefits in the future in Component I. Pursuant to the Plan of Adjustment and federal law, the benefit terms presently in force will remain unchanged through June 30, 2023.

Funding requirements of Component I are:

- Mandatory Member Contributions of 6% of base pay if hired before 7-1-14, or 8% of base pay if hired on or after 7-1-2014. Either amount can increase if necessary to maintain funding levels at 100%
- The City's annual contributions for the period commencing July 1, 2014 through June 30, 2023 shall be 12.25% of the compensation of active employees.

Average Final Compensation

The average of the compensation received during the 5 consecutive years of Credited Service (including Prior Service) immediately preceding the date of the members last termination of City employment as a Police Officer or Firefighter. If the member has less than 5 years of Credited Service (including Prior Service), the Average Final Compensation is the average of the compensation received during all years of Credited Service.

Normal Retirement

Normal Retirement Age – Determined by the respective union contract.

Normal Retirement Amount – The retirement allowance payable to a member who retires on or after the normal retirement age is 2% times average final compensation times Credited Service (after June 30, 2014) measured to the nearest month.

Deferred Retirement (Vested Benefits) – Determined by the respective union contract.

Duty Disability Retirement

Eligibility – Individual must be totally disabled for duty for reasons of illness, injury, or disease resulting from performance of duty.

Amount – For the first 24 months, the member shall receive a basic benefit equal to 50% of his/her compensation plus a supplemental benefit equal to 16.67% of final compensation. After 24 months, if the Board finds that the member is disabled from any occupation the member shall continue to receive both the 50% and the 16.67% benefit until the member would have achieved 25 years of service. The 16.67% benefit ceases at the time the member would have had 25 years of service. Duty disability benefits continue to be paid until age 65, unless the member is found not to be disabled prior to that date. At the attainment of age 65, the pension is completed at a normal service rate. Earned income in any year acts to reduce the disability benefit in the following year, to the extent that earned income combined with the disability benefit exceeds the compensation at the time of disability (after adjustment for the Variable Improvement factor). Amounts payable from Worker's Comp or similar programs are offset against the amount otherwise payable.

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

Non-Duty Disability Retirement

Eligibility – Total and permanent disability that is not duty related but that occurred while employed by the City.

Amount – If the member has less than 5 years of Credited service, accumulated contributions are refunded or, at the members option, may be payable in the form of a cash refund annuity. No other benefits are payable. Members with 5 or more years of credited service at the time of disability may receive a benefit computed as a Normal Retirement benefit, but not less than 20% of Average Final Compensation. Earned Income in any year acts to reduce the disability benefit in the following year, to the extent that earned income combined with the disability benefit (after adjustment for the Variable Improvement factor) exceeds the compensation at the time of disability. Amounts payable from Worker’s Comp or similar programs are offset against the amount otherwise payable.

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

INTRODUCTORY SECTION

SUMMARY OF COMPONENT II PROVISIONS (Legacy Plan)

Component II (Legacy Plan) benefits are frozen as of June 30, 2014 based on service and average final compensation accrued as of that date and the provisions of the Detroit Police and Fire Retirement System as it existed on June 30, 2014 and all future cost-of-living adjustments were reduced from 2.25% to 1.0125%. Component II benefits are payable after separation from service, upon meeting the eligibility conditions of the plan as it existed June 30, 2014, regardless of whether the individual is eligible to receive a Component I benefit at the time.

Employer contribution requirements for the fiscal years 2015 to 2023 are set by the Plan of Adjustment. Beginning with Fiscal Year 2024, employer contributions will be actuarially determined.

Benefits are payable after separation from service, upon meeting the eligibility conditions of the plan as it existed on June 30, 2014 as detailed below:

Normal Retirement

Eligibility – 25 years of service regardless of age. 20 years of service regardless of age for eligible DPOA and DFFA members. DFFA members must retire by age 60.

Annual Amount

Pre-1969 Members

For all members, 2.0% of AFC times the first 25 years of service, with a maximum allowance of 15/22 of a police officer's or a firefighter's annual rate of compensation.

1969 Plan Members

For all members, 2.5% of AFC times the first 25 years of service plus 2.1% of AFC times each of the next 10 years of service.

Type of Average Final Compensation (AFC)

The average of the current compensation for the ranks held in each of the last five years (last three years for DPCOA, Executive members and their Fire equivalents) plus longevity. Pension benefits for nonunion employees may not be diminished due to a reduction in compensation because of fiscal emergency. AFC includes prior longevity distributions during the averaging period in accordance with the following schedule: 1% of compensation after 5 years of service, 2% after 11 years, 3% after 16 years and 4% after 21 years.

Deferred Retirement (Vested Benefits)

Eligibility – 10 years of service, age 40 with 8 years of service for LSA members.

Deferred Retirement Amount – The same as normal retirement but based on average final compensation and credited service at the time of termination.

Benefit Commencement –

- DPOA and Fire equivalent members hired after 6/30/85 – unreduced benefit begins at age 62
- Other members – unreduced benefit begins at the age when the members would have first been eligible for regular retirement had the member continued in City service.

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

Duty Disability Retirement

Eligibility – Individual must be totally disabled for duty for reasons of illness, injury, or disease resulting from performance of duty.

Amount – For the first 24 months, the member shall receive a basic benefit equal to 50% of his/her compensation plus a supplemental benefit equal to 16.67% of final compensation. After 24 months, if the Board finds that the member is disabled from any occupation the member shall continue to receive both the 50% and the 16.67% benefit until the member would have achieved 25 years of service. The 16.67% benefit ceases at the time the member would have had 25 years of service. Duty disability benefits continue to be paid until age 65, unless the member is found not to be disabled prior to that date. At the attainment of age 65, the pension is completed at a normal service rate. Earned income in any year acts to reduce the disability benefit in the following year, to the extent that earned income combined with the disability benefit exceeds the compensation at the time of disability (after adjustment for the Variable Improvement factor). Amounts payable from Worker's Comp or similar programs are offset against the amount otherwise payable.

Non-Duty Disability Retirement

Eligibility – Total and permanent disability that is not duty related but that occurred while employed by the City.

Amount – If the member has less than 5 years of Credited service, accumulated contributions are refunded or, at the members option, may be payable in the form of a cash refund annuity. No other benefits are payable. Members with 5 or more years of credited service at the time of disability may receive a benefit computed as a Normal Retirement benefit, but not less than 20% of Average Final Compensation. Earned Income in any year acts to reduce the disability benefit in the following year, to the extent that earned income combined with the disability benefit (after adjustment for the Variable Improvement factor) exceeds the compensation at the time of disability. Amounts payable from Worker's Comp or similar programs are offset against the amount otherwise payable.

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

INVESTMENT SECTION

The State of Michigan charges the Board of Trustees under the Public Employee Retirement System Investment Act with the responsibility of investing the Retirement System's portfolio in a prudent manner. Specifically, the Public Employee Retirement System Investment Act requires the Board of Trustees and the other investment fiduciaries to discharge their duties solely in the interest of participants and beneficiaries and to act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims. The law also requires the Board of Trustees to prepare and maintain written objectives, policies, and strategies with clearly defined accountability and responsibility for implementing and executing the System's investments as well as monitor the investments of the System's assets with regard to the limitations of the law. The Act permits assets to be invested in a mix of fixed income, securities, real estate or other instruments in accordance with the percentages as detailed in the Act.

The Retirement System's portfolio distribution is continually monitored to ensure that it complies with the State of Michigan Public Employee Retirement System Investment Act. A summary of the System's asset allocation policy is as follows:

Asset Class	Target Allocation
Global Equity	34.00%
Global Fixed Income	35.00%
Real Estate	10.00%
Private Equity	10.00%
Hedge funds	5.00%
MLPs	5.00%
Cash	1.00%

Historical Asset Class Performance By Calendar Year, As of 12/31/18 (Net of Fees)

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
Total PFRS Plan	-3.5%	6.6%	5.3%
Domestic Equity	-7.6%	7.9%	7.3%
International Equity	-13.9%	5.7%	2.2%
Fixed Income	1.1%	4.9%	4.1%
Hedge Funds	2.4%	4.7%	3.3%
Private Equity	6.3%	5.8%	6.1%
Real Estate	13.8%	11.8%	14.4%

Note: The Legacy and Hybrid rates of return are combined for this chart. The 7 year and 10 year numbers were not used as a result of the changes related to the bankruptcy. The System's Fiscal Year Ended June 30, 2019.

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

ACTUARIAL & STATISTICAL SECTION

COMPONENT I

The actuarial valuations are conducted and reported by Gabriel Roeder Smith & Company. Copies of the valuations are available on the Retirement System's website, www.rscd.org or at the Retirement System Office at 500 Woodward Avenue, Suite 3000, Detroit, MI 48226.

Assumptions, Methods and Additional Information

Actuarial Valuation Date	June 30, 2018
Pension Plan's Fiscal Year Ending Date	June 30, 2019
Single Discount Rate	7.19%
Long-term Expected Rate of Return	7.19%
Net Pension Asset (Liability)	\$(37,262,730)
Mortality Table Used	RP-2014 Blue Collar Annuitant Table
Service Credit Accruals	A member is credited with one month of Credited Service for each calendar month in which the individual performs 140 hours or more of service for the employer as an employee. Credited Service is recorded from the later of July 1, 2014 or the date of hire, whichever is later.
Unfunded Actuarial Accrued Liabilities	The Employer's annual contributions for the period commencing July 1, 2014 through June 30, 2023 shall be (a) 11.2% of the compensation of active employees who are members of DFFA for pay periods ending on or before November 6, 2014 and members of DPOA for pay periods ending on or before October 3, 2014 and (b) 12.25% of the compensation of active employees who are members of DPCOA, DPLSA, and DPOA for pay periods ending on or after October 3, 2014 and DFFA for pay periods ending on or after November 6, 2014.

The Actuarial Assumed Rate of Return is 6.75%

Sensitivity of Net Position Liability (Asset) to the Single Discount Rate Assumption

The following presents the plan's net pension liability (asset) using a single discount rate of 7.19 percent as well as what the plan's net pension liability (asset) would be if it were calculated using a single discount rate that is 1 percent lower and 1 percentage point higher than the current rate:

	1% Decrease <u>6.19%</u>	Current Single Discount Rate Assumption <u>7.19%</u>	1% Increase <u>8.19%</u>
Total Pension Liability	\$144,195,783	\$121,704,815	\$103,727,447
Net Position Restricted for Pension	<u>158,967,545</u>	<u>158,967,545</u>	<u>158,967,545</u>
Net Pension Asset	\$(14,771,762)	\$(37,262,730)	\$(55,240,098)

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

ACTUARIAL & STATISTICAL SECTION

COMPONENT I

Membership by the Numbers at June 30, 2018

Retirees and Beneficiaries	90
DROP Members	112
Inactive, Nonretired Members	471
Active Plan Members	<u>2,575</u>
Total	<u><u>3,248</u></u>

Schedule of Contributions

<u>Fiscal Year Ending June 30</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2015	N/A	\$14,606,971	N/A	\$121,627,871	12.01%
2016	N/A	\$15,831,763	N/A	\$130,510,339	12.13%
2017	N/A	\$16,448,246	N/A	\$137,250,599	11.98%
2018	N/A	\$19,244,806	N/A	\$145,936,144	13.19%
2019	N/A	\$17,832,015	N/A	\$133,730,109	13.33%

Note: The Actuarial Determined Contribution does not apply at this time due to the Plan of Adjustment dictated by the bankruptcy.

The average annual retirement allowance paid by Hybrid Plan is \$40,195.83 and average allowance paid by the Legacy Plan is \$35,163.74.

The total annual allowance paid by the Hybrid Plan is \$3,617,625 and the annual allowance paid by the Legacy Plan is \$286,619,659.

Long-term wage inflation as of 6/30/14 assumes 2% for the five years, 2.5% for next five years and 3% thereafter.

There is no smoothing due to the terms established by the bankruptcy.

Employer Contributions for the Hybrid Plan through June 2023 are set at 12.25% of payroll. Amortization for periods after 2023 have not been established.

Employer Contributions for the Legacy Plan will be made at a rate equal to that specified by the Plan of Adjustment through June 30, 2023. The amortization periods after 2023 have not been established.

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

ACTUARIAL & STATISTICAL SECTION

COMPONENT II

The actuarial valuations are conducted and reported by Gabriel Roeder Smith & Company. Copies of the valuations are available on the Retirement System's website: rscd.org or at the Retirement System Office at 500 Woodward Avenue, Suite 3000, Detroit, MI 48226.

Assumptions, Methods and Additional Information

Actuarial Valuation Date	June 30, 2018
Pension Plan's Fiscal Year Ending Date	June 30, 2019
Single Discount Rate	7.19%
Long-term Expected Rate of Return	7.19%
Net Pension Liability	\$998,899,296
Mortality Table Used	RP-2014 Blue Collar Annuitant Table
Service Credit Accruals	A member is credited with one month of Credited Service for each calendar month in which the individual performs 140 hours or more of service for the employer as an employee. Credited Service is recorded from the later of July 1, 2014 or the date of hire, whichever is later.
Unfunded Actuarial Accrued Liabilities	Actual employer contributions through June 30, 2023 are set by the Plan of Adjustment. The amortization period and method after 2023 has not yet been established by the Board.

The Actuarial Assumed Rate of Return is 6.75%

Sensitivity of Net Position Liability to the Single Discount Rate Assumption

The following presents the plan's net pension liability calculated using the single discount rate of 7.19 percent as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1 percent lower and 1 percentage point higher than the current rate:

	1% Decrease <u>6.19%</u>	Current Single Discount Rate Assumption <u>7.19%</u>	1% Increase <u>8.19%</u>
Total Pension Liability	\$4,039,510,643	\$3,669,742,652	\$3,358,350,912
Net Position Restricted for Pension	<u>2,670,843,356</u>	<u>2,670,843,356</u>	<u>2,670,843,356</u>
Net Pension Liability	\$1,368,667,287	\$ 998,899,296	\$ 687,507,556

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

ACTUARIAL & STATISTICAL SECTION

COMPONENT II

Membership by the Numbers at June 30, 2018

Retirees and Beneficiaries	8,151
DROP Members	694
Inactive, Nonretired Members	410
Active Plan Members	<u>1,752</u>
Total	<u><u>11,007</u></u>

Schedule of Contributions

Fiscal Year Ending	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$62,954,305	N/A	\$62,954,305	\$165,552,280	0.00%
2015	N/A	\$114,300,000	N/A	\$131,220,124	87.11%
2016	N/A	\$37,787,744	N/A	\$130,510,339	28.95%
2017	N/A	\$18,300,000	N/A	\$137,250,599	13.33%
2018	N/A	\$18,300,000	N/A	\$145,936,144	12.54%
2019	N/A	\$18,300,000	N/A	\$121,642,956	15.04%

Note: The Actuarial Determined Contribution does not apply at this time due to the Plan of Adjustment dictated by the bankruptcy. ADC will begin in 2024.

Contribution Requirements

The employer contributions for Fiscal Years 2015 to 2023 were set by the Plan of Adjustment. A contribution schedule showing the remaining POA mandated contributions through 2023 is as follows:

Fiscal Year	Foundation for Detroit's Future
2017	\$ 18,300,000
2018	\$ 18,300,000
2019	\$ 18,300,000
2020	\$ 18,300,000
2021	\$ 18,300,000
2022	\$ 18,300,000
2023	<u>\$ 18,300,000</u>
Total	<u><u>\$128,100,000</u></u>

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

STATEMENT OF FIDUCIARY NET POSITION

COMPONENT I

	<u>2019</u>	<u>2018</u>
Assets		
Cash and Cash Equivalents	\$ 34,463,600	\$ 16,361,957
Investments - At Fair Value	119,261,551	107,118,605
Accrued Investment Income	211,717	235,299
Receivables from Investment Sales	3,587,055	3,267,227
Contributions Receivable	4,274,284	4,220,826
Other Accounts Receivable	254,290	-
Prepaid Expenses and Other Assets	-	4,895
Cash & Investments Held as Collateral		
For Securities Lending	11,123,019	9,282,444
Capital Assets	<u>776,512</u>	<u>-</u>
Total Assets	<u>173,952,028</u>	<u>140,491,253</u>
Liabilities		
Payables for Investment Purchases	3,924,018	3,528,737
Claims Payable to Retirees and Beneficiaries	3,198	3,108
Amounts Due Brokers Under		
Securities Lending Arrangements	10,978,768	8,886,368
Due to Other Funds	-	-
Other Liabilities and Other	<u>78,499</u>	<u>101,654</u>
Total Liabilities	<u>14,984,483</u>	<u>12,519,867</u>
Net Position - Restricted for Pensions	<u>\$ 158,967,545</u>	<u>\$ 127,971,386</u>

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

COMPONENT I

	<u>2019</u>	<u>2018</u>
Additions		
Investment Income		
Interest and Dividends	\$ 3,391,976	\$ 2,589,017
Net Increase (Decrease) in Fair Value of Investments	2,570,828	6,524,441
Less Investment Expense	<u>(794,048)</u>	<u>(560,401)</u>
Net Investment Income	<u>5,168,756</u>	<u>8,553,057</u>
Securities Lending Income		
Interest and Dividends	59,330	67,605
Net Unrealized Gain (Loss) on Collateral Pool	<u>7,442</u>	<u>13,843</u>
Net Securities Lending Income	<u>66,772</u>	<u>81,448</u>
Contributions:		
Employer	17,832,015	19,244,806
Employee	<u>9,768,284</u>	<u>9,170,876</u>
Total Contributions	<u>27,600,299</u>	<u>28,415,682</u>
Other Income	11,913	55,354
Transfer from Component II	<u>4,030,561</u>	<u>-</u>
Total Additions - Net	36,878,301	37,105,541
Deductions		
Retirees' Pension and Annuity Benefits	3,617,625	345,297
Member Refunds and Withdrawals	395,733	216,264
General and Administrative Expenses	<u>1,868,784</u>	<u>1,928,614</u>
Total Deductions	<u>5,882,142</u>	<u>2,490,175</u>
Net Increase (Decrease) in Net Position Held in Trust	30,996,159	34,615,366
Net Position Restricted for Pensions - Beginning of Year	<u>127,971,386</u>	<u>93,356,020</u>
Net Position Restricted for Pensions - End of Year	<u>\$ 158,967,545</u>	<u>\$ 127,971,386</u>

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

STATEMENT OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

COMPONENT I

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability			
Service Cost	\$ 26,663,624	\$ 24,811,302	\$ 25,414,182
Interest	7,633,137	5,787,404	4,474,574
Benefit Changes	(518,835)	-	-
Difference Between Expected and Actual Experience	(3,122,804)	(3,622,053)	(10,708,737)
Assumption Changes	-	(305,021)	(221,533)
Benefits Payments, Including Refunds	(4,013,358)	(561,561)	(223,826)
Voluntary Employee Contributions	278,811	96,205	34,134
Net Change in Total Pension Liability	<u>26,920,575</u>	<u>26,206,276</u>	<u>18,768,794</u>
Total Pension Liability- Beginning of Year	<u>94,784,240</u>	<u>68,577,964</u>	<u>49,809,170</u>
Total Pension Liability- End of Year	<u>\$ 121,704,815</u>	<u>\$ 94,784,240</u>	<u>\$ 68,577,964</u>
Plan Fiduciary Net Position			
Employer Contributions	\$ 17,832,015	\$ 19,244,806	\$ 16,448,246
Mandatory Employee Contributions	9,489,473	9,074,671	8,554,893
Voluntary Employee Contributions	278,811	96,205	34,134
Net Investment Income	5,235,528	8,634,505	8,897,786
Benefit payments, including refunds	(4,013,358)	(561,561)	(223,826)
Administrative Expenses	(1,868,784)	(1,928,614)	(2,648,034)
Other Income	4,042,474	55,354	20,009,058
Net Change in Plan Fiduciary Net Position	<u>30,996,159</u>	<u>34,615,366</u>	<u>51,072,257</u>
Plan Fiduciary Net Position - Beginning of Year	<u>127,971,386</u>	<u>93,356,020</u>	<u>42,283,763</u>
Plan Fiduciary Net Position - End of Year	<u>\$ 158,967,545</u>	<u>\$ 127,971,386</u>	<u>\$ 93,356,020</u>
Net Pension (Asset) Liability	<u>\$ (37,262,730)</u>	<u>\$ (33,187,146)</u>	<u>\$ (24,778,056)</u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	130.62%	135.01%	136.13%
Covered Employee Payroll	\$ 133,730,109	\$ 145,936,144	\$137,250,599
Net Pension Liability as a Percent of Covered Employee Payroll	-27.86%	-22.74%	-18.05%

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

GENERAL AND ADMINISTRATIVE EXPENDITURES

COMPONENT I

Wages & Benefits	\$	505,948
Professional Services		250,816
IT Contractual Fees		105,306
Legal Fees		165,321
Insurance Premiums		201,140
Rent Expense		119,993
Actuarial		82,173
Repairs & Maintenance		69,523
Printing		3,885
Trustee Expense		18,427
Computer Supplies, Equipment & Service		54,768
Media Consulting/Public Relations		15,778
Postage & Mailing		10,955
Storage		25,072
Dues & Subscriptions		1,327
Office Equipment		97
Office Supplies		3,542
Internet Service Provider		5,955
Medical and Disability Claims		9,378
Audit		70,493
Training & Travel		18,189
Trustee Election Expense		8,281
Trustee Stipends		2,683
Utilities		9,610
Imaging		-
Parking Expense		5,335
Other Expenses		1,983
Payroll Processing Fee		<u>102,808</u>
Total General & Administrative Expenses	\$	<u><u>1,868,784</u></u>

We are not aware of any soft dollar fee or cost arrangements.

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

STATEMENT OF FIDUCIARY NET POSITION

COMPONENT II

	Defined Benefit Plan <u>2019</u>	Income Stabilization Fund <u>2019</u>	<u>Total</u>	Total <u>2018</u>
Assets				
Cash and Cash Equivalents	57,654,896	394,959	58,049,855	57,294,183
Investments - At Fair Value	2,610,224,284	4,368,622	2,614,592,906	2,811,644,187
Accrued Investment Income	5,694,561	8,886	5,703,447	6,176,117
Receivables from Investment Sales	86,421,405	140,756	86,562,161	85,758,003
Due From Other Funds	-	-	-	-
Contributions Receivable	-	-	-	-
Other Accounts Receivable	86,535	-	86,535	35,630
Notes Receivable from Participants	7,586,760	-	7,586,760	6,360,470
Prepaid Expenses and Other Assets	-	-	-	128,466
Cash & Investments Held as Collateral				
For Securities Lending	200,383,825	360,174	200,743,999	235,759,250
Capital Assets	<u>1,198,468</u>	<u>-</u>	<u>1,198,468</u>	<u>551,830</u>
Total Assets	<u>2,969,250,734</u>	<u>5,273,397</u>	<u>2,974,524,131</u>	<u>3,203,708,136</u>
Liabilities				
Payables for Investment Purchases	94,809,737	153,931	94,963,668	92,622,148
Claims Payable to Retirees and Beneficiaries	787,340	-	787,340	699,877
Due To The City of Detroit	1,508,399	-	1,508,399	1,381,128
Amounts Due Brokers Under				
Securities Lending Arrangements	197,785,120	355,503	198,140,623	233,249,011
Other Liabilities	<u>3,516,782</u>	<u>2,633</u>	<u>3,519,415</u>	<u>4,813,704</u>
Total Liabilities	<u>298,407,378</u>	<u>512,067</u>	<u>298,919,445</u>	<u>332,765,868</u>
Net Position - Restricted for Pensions	<u>2,670,843,356</u>	<u>4,761,330</u>	<u>2,675,604,686</u>	<u>2,870,942,268</u>

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

COMPONENT II

FINANCIAL SECTION

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	Defined Benefit Plan <u>2019</u>	Income Stabilization Fund <u>2019</u>	<u>Total</u>	Total <u>2018</u>
Additions				
Investment Income				
Interest and Dividends	\$ 71,905,822	\$ 119,097	\$ 72,024,919	\$ 72,144,016
Net Increase (Decrease) in Fair Value of Investments	38,662,100	86,119	38,748,219	38,834,338
Less Investment Expense	(13,633,532)	(22,741)	(13,656,273)	(13,679,014)
Net Investment Income	<u>96,934,390</u>	<u>182,475</u>	<u>97,116,865</u>	<u>97,299,340</u>
Securities Lending Income				
Interest and Dividends	1,270,406	2,085	1,272,491	1,274,576
Net Unrealized Gain (Loss) on Collateral Pool	134,066	241	134,307	134,548
Net Securities Lending Income	<u>1,404,472</u>	<u>2,326</u>	<u>1,406,798</u>	<u>1,409,124</u>
Contributions:				
Employer	-	-	-	-
Employee	3,600	-	3,600	3,600
State and Foundations	18,300,000	-	18,300,000	18,300,000
Total Contributions	<u>18,303,600</u>	<u>-</u>	<u>18,303,600</u>	<u>18,303,600</u>
Other Income	<u>496,088</u>	<u>210</u>	<u>496,298</u>	<u>496,508</u>
Total Additions - Net	117,138,550	185,011	117,323,561	117,508,572
Deductions				
Retirees' Pension and Annuity Benefits	286,557,515	62,144	286,619,659	286,681,803
Member Refunds and Withdrawals	19,054,169	-	19,054,169	19,054,169
Transfer to Component I	4,030,561	-	4,030,561	4,030,561
General and Administrative Expenses	2,956,754	-	2,956,754	2,956,754
Total Deductions	<u>312,598,999</u>	<u>62,144</u>	<u>312,661,143</u>	<u>312,723,287</u>
Net Increase (Decrease) in Net Position Held in Trust	(195,460,449)	122,867	(195,337,582)	(195,214,715)
Net Position Restricted for Pensions - Beginning of Year	<u>2,866,303,805</u>	<u>4,638,463</u>	<u>2,870,942,268</u>	<u>2,875,580,731</u>
Net Position Restricted for Pensions - End of Year	<u>\$2,670,843,356</u>	<u>\$ 4,761,330</u>	<u>\$ 2,675,604,686</u>	<u>\$ 2,680,366,016</u>

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

COMPONENT II

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Pension Liability				
Service Cost	\$ -	\$ -	\$ -	\$ -
Interest	256,873,505	257,841,119	261,449,503	264,233,821
Changes in Benefit Terms	(3,111,623)	-	-	-
Difference Between Expected And Actual Experience	(3,862,962)	32,674,674	(10,648,606)	45,955,553
Assumption Changes	-	(6,975,457)	(4,082,068)	114,463,362
Benefit Payments, Including Refunds	<u>(305,611,684)</u>	<u>(308,390,724)</u>	<u>(306,098,871)</u>	<u>(304,467,162)</u>
Net Change in Total Pension Liability	(55,712,764)	(24,850,388)	(59,380,042)	120,185,574
Total Pension Liability- Beginning of Year	<u>3,725,455,416</u>	<u>3,750,305,804</u>	<u>3,809,685,846</u>	<u>3,689,500,272</u>
Total Pension Liability- End of Year	<u>\$ 3,669,742,652</u>	<u>\$ 3,725,455,416</u>	<u>\$ 3,750,305,804</u>	<u>\$ 3,809,685,846</u>
Plan Fiduciary Net Position				
Contributions - State and Foundation	\$ 18,300,000	\$ 18,300,000	\$ 18,300,000	\$ 37,787,744
Contributions - Employee	3,600	42,114	14,055	24,801
Net Investment Income	98,338,862	237,675,162	282,398,410	24,618,573
Administrative Expenses	(2,956,754)	(4,933,926)	(4,433,656)	(3,103,689)
Benefit Payments, including refunds	(305,611,684)	(308,390,724)	(306,098,871)	(304,467,163)
Other additions - Includes ASF Recoupment	<u>(3,534,473)</u>	<u>1,469,201</u>	<u>(18,508,410)</u>	<u>855,743</u>
Net Change in Plan Fiduciary Net Position	(195,460,449)	(55,838,173)	(28,328,472)	(244,283,991)
Plan Fiduciary Net Position - Beginning of Year	<u>2,866,303,805</u>	<u>2,922,141,978</u>	<u>2,950,470,450</u>	<u>3,194,754,441</u>
Plan Fiduciary Net Position - End of Year	<u>\$ 2,670,843,356</u>	<u>\$ 2,866,303,805</u>	<u>\$ 2,922,141,978</u>	<u>\$ 2,950,470,450</u>
Net Pension Liability	<u>\$ 998,899,296</u>	<u>\$ 859,151,611</u>	<u>\$ 828,163,826</u>	<u>\$ 859,215,396</u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	72.78%	76.94%	77.92%	77.45%
Covered Employee Payroll	\$ 121,642,956	\$ 145,936,144	\$ 137,250,599	\$ 130,510,339
Net Pension Liability as a Percent of Covered Employee Payroll	821.17%	588.72%	603.40%	658.35%

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

GENERAL AND ADMINISTRATIVE EXPENDITURES

COMPONENT II

Wages & Benefits	\$	758,922
Professional Services		376,224
IT Contractual Fees		157,960
Legal Fees		247,981
Insurance Premiums		301,709
Rent Expense		179,989
Actuarial		123,260
Repairs & Maintenance		104,284
Printing		5,828
Trustee Expense		27,640
Computer Supplies, Equipment & Service		82,153
Media Consulting/Public Relations		23,667
Postage & Mailing		16,432
Storage		37,608
Dues & Subscriptions		1,990
Office Equipment		145
Office Supplies		5,508
Internet Service Provider		8,932
Medical and Disability Claims		14,067
Audit		105,739
Travel & Training		27,188
Trustee Election Expense		12,424
Trustee Stipend		4,024
Utilities		14,415
Imaging		-
Parking Expense		8,003
Other Expenses		73,533
Payroll Processing Fee		169,543
Bank Fees		115
Depreciation		67,470
		<hr/>
Total General & Administrative Expenses	\$	<u>2,956,754</u>

We are not aware of any soft dollar fee or cost arrangements.

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

BUDGET

COMPONENT I AND II

Investment Consultant Fees	\$	13,300,000
Total Investment Consultant Budget	\$	13,300,000
Wages & Benefits	\$	1,700,000
Professional Services		1,550,000
Contract & Professional Services		430,000
Legal Non-Investment		500,000
Insurance Premiums		800,000
Rental-Building		375,000
Actuarial		200,000
Repairs and Maintenance		150,000
Printing		30,000
Trustee Expense		57,000
Computer Supplies, Equipment & Services		77,000
Media Consulting/Public Relations		50,000
Postage		25,000
Storage		45,000
Dues & Subscription		35,000
Office Equipment & Furniture		50,000
Office Supplies		12,500
Internet Service Provider		6,300
Medical		25,000
Audit. Benefit, & Annual Reports		300,000
Travel and Training		180,000
Trustee Election Expense		60,000
Trustee Stipends		6,000
Utilities		23,000
Imaging		-
Parking Expense		20,000
Other Expense		10,000
Payroll Processing		156,000
Bank Fees		10,000
Depreciation		220,000
Total General Administrative Budget	\$	7,102,800
Total Budgeted Expenses	\$	20,402,800

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

OTHER INFORMATION SECTION

SERVICE PROVIDERS - COMPONENT I AND COMPONENT II

500 Webward, LLC	Money-Media, Inc.
8x8 Inc.	MSCI, Inc.
Accusoft Pegasus	NAGDCA
ADP	NCPERS
Advantage Consulting, Inc.	Neopost
Allegra	Office Depot
American Arbitration Association	Open Text
Ascension Michigan at Work	Paylocity
Asysco	Peernet, Inc.
BAB Associates, LLC	Pension Benefit Information
Bassett & Bassett	Pensions & Investments
Best Buy Co, Inc.	Planet Technologies, Inc.
Bidnet	Plante & Moran
Bloomberg Businessweek	Procentia, Inc.
Bloomberg Finance, LP	Quill Corporation
Bodman PLC	Racine & Associates
Burgoyne Appraisal Company	Republic Underwriters, Inc.
Canon Solutions America, Inc.	Revize, LLC
CDW Government	Ricoh
Chrysalis Consulting. LLC	Scantron Corporation
Cintas Corporation	Schiable Builders, Inc.
Clark Hill, PLC	Shred-It USA
Cogent Communications, Inc.	Smartsheet, Inc.
Comcast	The Hartford
Couzens, Lansky, Fealk, Ellis, PC	Transunion Risk & Alt Data Solutions, Inc.
Crain's Detroit Business	Trivalent
Creative Breakthrough Inc.	UHY Advisors
Crestwood Associates, LLC	Ultimate Parking Management
Datawatch	Veriato
Dell Marketing, LP	Verizon Wireless
Detroit Regional Chamber	Wells Fargo Vendor Financial Svcs, LLC
Direct TV	Xerox
Electronic Security Systems, Inc.	
F. Logan Davidson, PC	
Fedex	
First Choice Coffee Services	
Frank Russell Company	
Gabriel, Roeder, Smith & Co.	
Government Finance Officers Association	
Graphic Sciences, Inc.	
Great Lakes Electronics Corporation	
Harland Technology Service	
Headsets.com, Inc.	
Hudson & Muma, Inc.	
International Foundation of Employee Benefits	
Iron Mountain Records Management, Inc.	
Kelley Cawthorne	
Klausner & Kaufman	
Liebert Services / Vertiv	
MAPERS	
McLagan Partners, Inc.	
Melissa Data Corp.	
Mercury Storage	
Metcom	
Micro Center	

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

OTHER INFORMATION SECTION

MEMBER LOAN PROGRAM

COMPONENT I -No member loan activity.

COMPONENT II - For the year ended June 30, 2019 the program made 429 loans totaling \$4,400,437. The cost of administering the loan program is approximately \$5,000 for the year.

Payments received during the fiscal including interest total \$3,568,208.35. The value of the outstanding loans at June 30, 2019 is reported at \$7,586,759.74.

The Police and Fire Retirement System of the City of Detroit believes the interest received is sufficient to cover the costs of administering the Loan Program.

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

OTHER INFORMATION SECTION

TRAVEL SUMMARY REPORT

COMPONENT I AND COMPONENT II

July 1, 2018 to June 30, 2019

POLICE & FIRE RETIREMENT SYSTEM														
Travel Summary July 01, 2018 - June 30, 2019														
NAME	REASON/CONFERENCE	LOCATION	DATE	COST										
				REGISTRATION	TRANSPORTATION	LODGING	VEHICLE RENTAL	MEALS	MISC	TOTAL	HOTEL	LEASE AGENT	AUTO TYPE	AIRLINE
Angela James	Klausner Kaufman Jensen Levinson	Ft. Lauderdale, FL	June 8-13, 2019		754.60	1,265.60	202.56	384.00	90.00	2,696.76	Marriott	Budget	Journey	Delta
Brenda Jones	Protecting Shareholder Rights	New Orleans, LA	Apr 9-13, 2019		520.97	645.39		320.00	75.00	1,561.36	New Orleans			Delta
Dean Pincheck	Cert of Achievement in Public Policy	Boston, MA	June 17-22, 2019	2,300.00	337.54	1,653.80		450.00	90.00	4,831.34	Omni Parker House			Delta
Gregory Trozak	NCPERS Public Safety Conference	Las Vegas, NV	Oct 28-31, 2018	700.00	470.27	718.84		256.00	60.00	2,205.11	Bellagio			Southwest
Jeffrey Pegg	NCPERS Annual Conf & Exhibition	Austin, Texas	May 18-22, 2019	1,020.00	344.33	998.20		320.00	75.00	2,757.53	Double Tree			Spirit
John Serda	Klausner Kaufman Jensen Levinson	Ft. Lauderdale, FL	June 9-12, 2019		769.51	759.36		256.00	60.00	1,844.87	Marriott			Delta
Michael Berent	Wharton Advanced Inv. Mgmt.	Philadelphia, PA	Apr 28-May 3, 19	5,495.00	408.53	1,339.25	176.35	384.00	90.00	7,893.13	Hilton	Hertz	KIA Sportage	
Total				\$ 9,515.00	\$ 3,605.75	\$ 7,380.44	\$ 378.91	\$ 2,370.00	\$ 540.00	\$ 23,790.10				