



**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, 2020



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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TT International
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Direct Investments/Fund Investments

American Realty Advisors
Ares Management
Benefit Street Partners Debt Fund IV LP
BlackEagle Partners
Blackstone Partners
Comvest Capital Management
Corbin Pinehurst
Crescent Direct Lending Levered Fund II LP
Crescent European Direct Lending Fund II
Deutsche Asset Management
Equus Investment Partners
Falconhead Capital
Gridiron Capital Fund IV
HL Gridiron Capital Fund
HL Platinum Equity Capital Partners IV, LP
Insight Technology Capital Partners
Mesirow Financial
PGIM Real Estate
Permira Credit Solutions III
Platinum Equity Capital Partners V
Raven Asset Backed Opportunity Fund IV
Smith Whiley & Company
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

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

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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, 2020.

The Police & Fire Retirement System of the City of Detroit (“System”) consists of defined benefit 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, 2020 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, 2020 totaled \$31,891,901 with a rate of return of 1.6 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

Matthew Gnatek

Matthew Gnatek
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	32.00%
Global Fixed Income	37.00%
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 12/31/19 (Net of Fees)

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
Total PFRS Plan	15.8%	8.5%	7.0%
Domestic Equity	29.8%	12.6%	11.0%
International Equity	23.5%	12.4%	7.4%
Fixed Income	9.4%	4.5%	3.4%
Hedge Funds	6.7%	5.6%	3.0%
Private Equity	6.27%	4.0%	5.97%
Real Estate	9.0%	8.8%	13.0%

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, 2020.

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, 2019
Pension Plan's Fiscal Year Ending Date	June 30, 2020
Single Discount Rate	7.15%
Long-term Expected Rate of Return	7.15%
Net Pension Liability (Asset)	\$(28,023,926)
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 7.15 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>6.15%</u>	Current Single Discount Rate Assumption <u>7.15%</u>	1% Increase <u>8.15%</u>
Net Pension Asset	\$1,060,173	\$(28,023,926)	\$(51,191,901)

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

ACTUARIAL & STATISTICAL SECTION

COMPONENT I

Membership by the Numbers at June 30, 2019

Legacy Disabled^	76
Retirees and Beneficiaries	117
DROP Members	124
Inactive, Nonretired Members	583
Active Plan Members	2,488
Total	<u>3,388</u>

Schedule of Contributions

<u>Fiscal Year</u> <u>Ending</u> <u>June 30</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a % of Covered</u> <u>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%
2020	N/A	\$18,028,236	N/A	\$150,648,322	11.97%

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 \$22,598.97 and average allowance paid by the Legacy Plan is \$35,375.74.

The total annual allowance paid by the Hybrid Plan is \$4,361,603 and the annual allowance paid by the Legacy Plan is \$286,614,253.

After 2014 Legacy Disability payments are to be paid from the Hybrid Plan.

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, 2019
Pension Plan’s Fiscal Year Ending Date	June 30, 2020
Single Discount Rate	7.15%
Long-term Expected Rate of Return	7.15%
Net Pension Liability	\$1,200,585,298
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 7.15 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>6.15%</u>	Current Single Discount Rate Assumption <u>7.15%</u>	1% Increase <u>8.15%</u>
Net Pension Liability	\$1,561,384,266	\$1,200,585,298	\$ 896,220,067

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

ACTUARIAL & STATISTICAL SECTION

COMPONENT II

Membership by the Numbers at June 30, 2019

Retirees and Beneficiaries	8,102
DROP Members	764
Inactive, Nonretired Members	394
Active Plan Members	1,551
Total	<u>10,811</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%
2020	N/A	\$18,300,000	N/A	\$105,233,078	17.39%

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	\$ 18,300,000
Total	<u>\$128,100,000</u>

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

STATEMENT OF FIDUCIARY NET POSITION

COMPONENT I

	<u>2020</u>	<u>2019</u>
Assets		
Cash and Cash Equivalents	\$ 10,606,829	\$ 34,463,600
Investments - At Fair Value	167,443,101	119,261,551
Accrued Investment Income	202,153	211,717
Receivables from Investment Sales	3,608,239	3,587,055
Contributions Receivable	4,337,723	4,274,284
Other Accounts Receivable	672,527	254,290
Prepaid Expenses and Other Assets	-	-
Cash & Investments Held as Collateral		
For Securities Lending	11,990,969	11,123,019
Capital Assets	<u>1,219,936</u>	<u>776,512</u>
Total Assets	<u>200,081,477</u>	<u>173,952,028</u>
Liabilities		
Payables for Investment Purchases	4,104,162	3,924,018
Claims Payable to Retirees and Beneficiaries	2,538	3,198
Amounts Due Brokers Under		
Securities Lending Arrangements	11,826,664	10,978,768
Due to Other Funds	-	-
Other Liabilities and Other	<u>94,575</u>	<u>78,499</u>
Total Liabilities	<u>16,027,939</u>	<u>14,984,483</u>
Net Position - Restricted for Pensions	<u>\$ 184,053,538</u>	<u>\$ 158,967,545</u>

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

COMPONENT I

	<u>2020</u>	<u>2019</u>
Additions		
Investment Income		
Interest and Dividends	\$ 4,802,127	\$ 3,391,976
Net Increase (Decrease) in Fair Value of Investments	(2,646,881)	2,570,828
Less Investment Expense	(809,926)	(794,048)
Net Investment Income	<u>1,345,320</u>	<u>5,168,756</u>
Securities Lending Income		
Interest and Dividends	63,642	59,330
Net Unrealized Gain (Loss) on Collateral Pool	(19,785)	7,442
Net Securities Lending Income	<u>43,857</u>	<u>66,772</u>
Contributions:		
Employer	18,028,236	17,832,015
Employee	10,366,173	9,768,284
Total Contributions	<u>28,394,409</u>	<u>27,600,299</u>
Other Income	9,501	11,913
Transfer from Component II	<u>1,618,996</u>	<u>4,030,561</u>
Total Additions - Net	31,412,083	36,878,301
Deductions		
Retirees' Pension and Annuity Benefits	4,361,603	3,617,625
Member Refunds and Withdrawals	345,445	395,733
General and Administrative Expenses	1,619,042	1,868,784
Total Deductions	<u>6,326,090</u>	<u>5,882,142</u>
Net Increase (Decrease) in Net Position Held in Trust	25,085,993	30,996,159
Net Position Restricted for Pensions - Beginning of Year	<u>158,967,545</u>	<u>127,971,386</u>
Net Position Restricted for Pensions - End of Year	<u>\$ 184,053,538</u>	<u>\$ 158,967,545</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>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability			
Service Cost	\$ 28,748,296	\$ 26,663,624	\$ 24,811,302
Interest	9,617,240	7,633,137	5,787,404
Benefit Changes	(748,011)	(518,835)	-
Difference Between Expected and Actual Experience	(62,923)	(3,122,804)	(3,622,053)
Assumption Changes	1,037,498	-	(305,021)
Benefits Payments, Including Refunds	(4,707,048)	(4,013,358)	(561,561)
Voluntary Employee Contributions	439,745	278,811	96,205
Net Change in Total Pension Liability	<u>34,324,797</u>	<u>26,920,575</u>	<u>26,206,276</u>
Total Pension Liability- Beginning of Year	<u>121,704,815</u>	<u>94,784,240</u>	<u>68,577,964</u>
Total Pension Liability- End of Year	<u>\$ 156,029,612</u>	<u>\$ 121,704,815</u>	<u>\$ 94,784,240</u>
Plan Fiduciary Net Position			
Employer Contributions	\$ 18,028,236	\$ 17,832,015	\$ 19,244,806
Mandatory Employee Contributions	9,926,428	9,489,473	9,074,671
Voluntary Employee Contributions	439,745	278,811	96,205
Net Investment Income	1,389,177	5,235,528	8,634,505
Benefit payments, including refunds	(4,707,048)	(4,013,358)	(561,561)
Administrative Expenses	(1,619,042)	(1,868,784)	(1,928,614)
Other Income	1,628,497	4,042,474	55,354
Net Change in Plan Fiduciary Net Position	<u>25,085,993</u>	<u>30,996,159</u>	<u>34,615,366</u>
Plan Fiduciary Net Position - Beginning of Year	<u>158,967,545</u>	<u>127,971,386</u>	<u>93,356,020</u>
Plan Fiduciary Net Position - End of Year	<u>\$ 184,053,538</u>	<u>\$ 158,967,545</u>	<u>\$ 127,971,386</u>
Net Pension (Asset) Liability	<u>\$ (28,023,926)</u>	<u>\$ (37,262,730)</u>	<u>\$ (33,187,146)</u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	117.96%	130.62%	135.01%
Covered Employee Payroll	\$ 150,648,322	\$ 133,730,109	\$ 145,936,144
Net Pension Liability as a Percent of Covered Employee Payroll	-18.60%	-27.86%	-22.74%

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

GENERAL AND ADMINISTRATIVE EXPENDITURES

COMPONENT I

Wages & Benefits	\$	496,277
Professional Services		118,916
IT Contractual Fees		103,547
Legal Fees		226,652
Insurance Premiums		96,327
Rent Expense		127,786
Actuarial		71,011
Repairs & Maintenance		43,776
Printing		2,828
Trustee Expense		11,817
Computer Supplies, Equipment & Service		57,804
Media Consulting/Public Relations		14,544
Postage & Mailing		4,742
Storage		20,166
Dues & Subscriptions		1,570
Office Equipment		675
Office Supplies		4,026
Internet Service Provider		4,600
Medical and Disability Claims		11,992
Audit		61,898
Training & Travel		12,411
Trustee Election Expense		2,594
Trustee Stipends		1,853
Utilities		7,894
Parking Expense		6,263
Other Expenses		800
Payroll Processing Fee		103,906
Bank Service Charges		182
Board Administrative Expense		<u>2,185</u>
Total General & Administrative Expenses	\$	<u>1,619,042</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>2020</u>	Income Stabilization Fund <u>2020</u>	<u>Total</u>	<u>Total</u> <u>2019</u>
Assets				
Cash and Cash Equivalents	60,589,059	222,623	60,811,682	58,049,855
Investments - At Fair Value	2,354,977,119	4,530,534	2,359,507,653	2,614,592,906
Accrued Investment Income	5,611,832	8,738	5,620,570	5,703,447
Receivables from Investment Sales	55,631,591	104,104	55,735,695	86,562,161
Due From Other Funds	-	-	-	-
Contributions Receivable	-	-	-	-
Other Accounts Receivable	34,680	-	34,680	86,535
Notes Receivable from Participants	6,641,886	-	6,641,886	7,586,760
Prepaid Expenses and Other Assets	-	-	-	-
Cash & Investments Held as Collateral				
For Securities Lending	166,656,577	322,146	166,978,723	200,743,999
Capital Assets	<u>1,849,895</u>	<u>-</u>	<u>1,849,895</u>	<u>1,198,468</u>
Total Assets	<u>2,651,992,639</u>	<u>5,188,145</u>	<u>2,657,180,784</u>	<u>2,974,524,131</u>
Liabilities				
Payables for Investment Purchases	66,809,659	122,822	66,932,481	94,963,668
Claims Payable to Retirees and Beneficiaries	358,475	-	358,475	787,340
Due To The City of Detroit	353,573	-	353,573	1,508,399
Amounts Due Brokers Under				
Securities Lending Arrangements	164,372,971	317,731	164,690,702	198,140,623
Other Liabilities	<u>2,849,821</u>	<u>2,889</u>	<u>2,852,710</u>	<u>3,519,415</u>
Total Liabilities	<u>234,744,499</u>	<u>443,442</u>	<u>235,187,941</u>	<u>298,919,445</u>
Net Position - Restricted for Pensions	<u>2,417,248,140</u>	<u>4,744,703</u>	<u>2,421,992,843</u>	<u>2,675,604,686</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>2020</u>	Income Stabilization Fund <u>2020</u>	<u>Total</u>	Total <u>2019</u>
Additions				
Investment Income				
Interest and Dividends	\$ 79,073,176	\$ 145,228	\$ 79,218,404	\$ 72,024,919
Net Increase (Decrease) in Fair Value of Investments	(36,107,107)	(76,741)	(36,183,848)	38,748,219
Less Investment Expense	(12,464,381)	(23,594)	(12,487,975)	(13,656,273)
Net Investment Income	<u>30,501,688</u>	<u>44,893</u>	<u>30,546,581</u>	<u>97,116,865</u>
Securities Lending Income				
Interest and Dividends	989,933	1,853	991,786	1,272,491
Net Unrealized Gain (Loss) on Collateral Pool	(274,983)	(532)	(275,515)	134,307
Net Securities Lending Income	<u>714,950</u>	<u>1,321</u>	<u>716,271</u>	<u>1,406,798</u>
Contributions:				
Employer	-	-	-	-
Employee	-	-	-	3,600
State and Foundations	<u>18,300,000</u>	<u>-</u>	<u>18,300,000</u>	<u>18,300,000</u>
Total Contributions	<u>18,300,000</u>	<u>-</u>	<u>18,300,000</u>	<u>18,303,600</u>
Other Income	<u>1,532,079</u>	<u>251</u>	<u>1,532,330</u>	<u>496,298</u>
Total Additions - Net	51,048,717	46,465	51,095,182	117,323,561
Deductions				
Retirees' Pension and Annuity Benefits	286,551,161	63,092	286,614,253	286,619,659
Member Refunds and Withdrawals	14,024,530	-	14,024,530	19,054,169
Transfer to Component I	1,618,996	-	1,618,996	4,030,561
General and Administrative Expenses	<u>2,449,246</u>	<u>-</u>	<u>2,449,246</u>	<u>2,956,754</u>
Total Deductions	<u>304,643,933</u>	<u>63,092</u>	<u>304,707,025</u>	<u>312,661,143</u>
Net Increase (Decrease) in Net Position Held in Trust	(253,595,216)	(16,627)	(253,611,843)	(195,337,582)
Net Position Restricted for Pensions - Beginning of Year	<u>2,670,843,356</u>	<u>4,761,330</u>	<u>2,675,604,686</u>	<u>2,870,942,268</u>
Net Position Restricted for Pensions - End of Year	<u>\$ 2,417,248,140</u>	<u>\$ 4,744,703</u>	<u>\$ 2,421,992,843</u>	<u>\$ 2,675,604,686</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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability				
Service Cost	\$ -	\$ -	\$ -	\$ -
Interest	253,048,801	256,873,505	257,841,119	261,449,503
Changes in Benefit Terms	(4,490,368)	(3,111,623)	-	-
Difference Between Expected And Actual Experience	(13,062,993)	(3,862,962)	32,674,674	(10,648,606)
Assumption Changes	13,171,037	-	(6,975,457)	(4,082,068)
Benefit Payments, Including Refunds	<u>(300,575,691)</u>	<u>(305,611,684)</u>	<u>(308,390,724)</u>	<u>(306,098,871)</u>
Net Change in Total Pension Liability	(51,909,214)	(55,712,764)	(24,850,388)	(59,380,042)
Total Pension Liability- Beginning 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>
Total Pension Liability- End of Year	<u>\$ 3,617,833,438</u>	<u>\$ 3,669,742,652</u>	<u>\$ 3,725,455,416</u>	<u>\$ 3,750,305,804</u>
Plan Fiduciary Net Position				
Contributions - State and Foundation	\$ 18,300,000	\$ 18,300,000	\$ 18,300,000	\$ 18,300,000
Contributions - Employee	-	3,600	42,114	14,055
Net Investment Income	31,216,638	98,338,862	237,675,162	282,398,410
Administrative Expenses	(2,449,246)	(2,956,754)	(4,933,926)	(4,433,656)
Benefit Payments, including refunds	(300,575,691)	(305,611,684)	(308,390,724)	(306,098,871)
Other additions - Includes ASF Recoupment	<u>(86,917)</u>	<u>(3,534,473)</u>	<u>1,469,201</u>	<u>(18,508,410)</u>
Net Change in Plan Fiduciary Net Position	(253,595,216)	(195,460,449)	(55,838,173)	(28,328,472)
Plan Fiduciary Net Position - Beginning 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>
Plan Fiduciary Net Position - End of Year	<u>\$ 2,417,248,140</u>	<u>\$ 2,670,843,356</u>	<u>\$ 2,866,303,805</u>	<u>\$ 2,922,141,978</u>
Net Pension Liability	<u>\$ 1,200,585,298</u>	<u>\$ 998,899,296</u>	<u>\$ 859,151,611</u>	<u>\$ 828,163,826</u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	66.81%	72.78%	76.94%	77.92%
Covered Employee Payroll	\$ 105,233,078	\$ 121,642,956	\$ 145,936,144	\$ 137,250,599
Net Pension Liability as a Percent of Covered Employee Payroll	1140.88%	821.17%	588.72%	603.40%

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

GENERAL AND ADMINISTRATIVE EXPENDITURES

COMPONENT II

Wages & Benefits	\$	744,416
Professional Services		178,373
IT Contractual Fees		155,321
Legal Fees		339,978
Insurance Premiums		144,490
Rent Expense		191,679
Actuarial		106,517
Repairs & Maintenance		65,664
Printing		4,245
Trustee Expense		17,725
Computer Supplies, Equipment & Service		86,705
Media Consulting/Public Relations		21,815
Postage & Mailing		7,113
Storage		30,250
Dues & Subscriptions		2,355
Office Equipment		1,013
Office Supplies		6,039
Internet Service Provider		6,900
Medical and Disability Claims		17,988
Audit		92,847
Travel & Training		18,616
Trustee Election Expense		3,892
Trustee Stipend		2,779
Utilities		11,841
Parking Expense		9,394
Other Expenses		1,799
Payroll Processing Fee		156,128
Bank Service Charges		273
Depreciation		19,814
Board Administrative Expense		3,277
		<hr/>
Total General & Administrative Expenses	\$	2,449,246
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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	\$	15,000,000
Total Investment Consultant Budget	\$	15,000,000
Wages & Benefits	\$	1,569,894
Professional Services		1,250,000
Contract & Professional Services		300,000
Legal Non-Investment		425,000
Insurance Premiums		700,000
Rental-Building		350,000
Actuarial		197,500
Repairs and Maintenance		142,500
Printing		20,000
Trustee Expense		37,148
Computer Supplies, Equipment & Services		120,000
Media Consulting/Public Relations		45,000
Postage		37,000
Storage		60,000
Dues & Subscription		25,000
Office Equipment & Furniture		25,000
Office Supplies		12,500
Internet Service Provider		16,380
Medical		28,000
Audit. Benefit, & Annual Reports		300,000
Travel and Training		121,000
Trustee Election Expense		20,000
Trustee Stipends		6,000
Utilities		26,000
Parking Expense		20,000
Other Expense		12,000
Payroll Processing		250,000
Bank Fees		7,500
Depreciation		82,500
Board Administrative Expense		7,000
Total General Administrative Budget	\$	6,212,922
Total Budgeted Expenses	\$	21,212,922

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

OTHER INFORMATION SECTION

SERVICE PROVIDERS - COMPONENT I AND COMPONENT II

500 Webward, LLC
8x8 Inc.
Accident Fund Insurance Co. of America
Accusoft Pegasus
ADP
Advantage Consulting, Inc.
Allegra
American Arbitration Association
Ascension Michigan at Work
Asysco
BAB Associates, LLC
Bassett & Bassett
Best Buy Co, Inc.
Bidnet
Bloomberg Businessweek
Bloomberg Finance, LP
Bodman PLC
Burgoyne Appraisal Company
Canon Solutions America, Inc.
CDW Government
Chrysalis Consulting. LLC
Cintas Corporation
Clark Hill, PLC
Cogent Communications, Inc.
Comcast
Couzens, Lansky, Fealk, Ellis, PC
Crain's Detroit Business
Creative Breakthrough Inc.
Crestwood Associates, LLC
Datawatch
Dell Marketing, LP
Detroit Regional Chamber
Direct TV
Easy Verification, Inc
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.
K&F Associaties (fka Tape4backup.com)
Kelley Cawthorne
Klausner & Kaufman
Laforce, Inc (fka Electronic Security Systems, Inc)
Liebert Services / Vertiv
Mad Dog Professional Services
MAPERS
McLagan Partners, Inc.
Melissa Data Corp.
Mercury Storage
Metcom
Micro Center
Money-Media, Inc.
MSCI, Inc.
NAGDCA
NCPERS
Neopost
Northstar Life Services
Office Depot
Open Text
Paylocity
Peernet, Inc.
Pension Benefit Information
Pensions & Investments
Planet Technologies, Inc.
Plante & Moran
Procentia, Inc.
Quadient Leasing USA, Inc (fka. MailFinance)
Qualtsar Corporation
Quill Corporation
Racine & Associates
Rehmann Technology Solutions, LLC (fka. Trivalent)
Republic Underwriters, Inc.
Revize, LLC
Ricoh
Scantron Corporation
Schiabie Builders, Inc.
Shred-It USA
Smartsheet, Inc.
The Hartford
The Townsend Group
Transunion Risk & Alt Data Solutions, Inc.
Trivalent
UHY Advisors
United States Postal Service
Ultimate Parking Management
Veriato
Verizon Wireless
Wells Fargo Vendor Financial Svcs, LLC
Xerox

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, 2020 the program made 195 loans totaling \$1,695,808.

Payments received during the fiscal including interest total \$2,683,809.25. The value of the outstanding loans at June 30, 2020 is reported at \$6,641,886.17.

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, 2019 to June 30, 2020

POLICE & FIRE RETIREMENT SYSTEM														
Travel Summary July 01, 2019 - June 30, 2020														
NAME	REASON/CONFERENCE	LOCATION	DATE	COST										
				REGISTRATION	TRANSPORTATION	LODGING	VEHICLE RENTAL	MEALS	MISC	TOTAL	HOTEL	LEASE AGENT	AUTO TYPE	AIRLINE
Angela James	IFEBP Annual Conf	San Diego, CA	Oct 19-24, 2019	1,595.00	950.50	1,797.65	-	426.00	90.00	4,859.15	Grand Hyatt	n/a	n/a	Delta
Gregory Trozak	NAPO Pension & Benefits Conf	Las Vegas, NV	Jan 25-29, 2020	575.00	337.98	767.58	-	305.00	75.00	2,060.56	Bellagio	n/a	n/a	Southwest
Jeffery Pegg	IFEBP Annual Conf	San Diego, CA	Oct 18-24, 2019	1,595.00	745.54	1,346.28	-	497.00	105.00	4,288.82	Wyndham	n/a	n/a	Delta
Jeffery Pegg	IFEBP Pre Conf Training	San Diego, CA	Oct 18-24, 2019	1,515.00							See above			See above
John Serda	IFEBP Annual Conf	San Diego, CA	Oct 19-24, 2019	1,595.00	1,210.37	1,551.05	-	426.00	90.00	4,872.42	Marriott	n/a	n/a	Delta
Michael Berent	IFEBP Annual Conf	San Diego, CA	Oct 19-23, 2019	1,595.00	582.61	1,083.16	-	355.00	75.00	3,690.77	Sheraton	n/a	n/a	American
Total				\$ 8,470.00	\$ 3,827.00	\$ 6,545.72	\$ -	\$ 2,009.00	\$ 435.00	\$ 19,771.72				