

Retirement Systems of the City of Detroit

**Financial Report
with Additional Information
June 30, 2003**

Retirement Systems of the City of Detroit

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Independent Auditor's Report

To the Board of Trustees
General Retirement System
of the City of Detroit and
The Board of Trustees
Policemen and Firemen Retirement
System of the City of Detroit

We have audited the accompanying statement of plan net assets of the Retirement Systems of the City of Detroit as of June 30, 2003 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Systems' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Systems' 2002 financial statements and, in our report dated October 15, 2002, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Retirement Systems of the City of Detroit as of June 30, 2003 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

October 3, 2003



Retirement Systems of the City of Detroit

Management's Discussion and Analysis

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) required additional information. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required additional information that further explains and supports 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:

General Retirement System

	Fiscal Year Ended	
	June 30, 2003	June 30, 2002
Total assets	\$ 2,545,116,149	\$ 2,719,951,225
Total liabilities	<u>221,291,935</u>	<u>329,954,534</u>
Assets held in trust for pension benefits	<u>\$ 2,323,824,214</u>	<u>\$ 2,389,996,691</u>
Net investment income (loss)	\$ 81,733,380	\$ (155,570,805)
Contributions:		
Employee	25,046,453	25,482,285
Employer	<u>72,859,246</u>	<u>67,791,488</u>
Total contributions	97,905,699	93,273,773
Benefits paid to members and retirees:		
Retiree pension and annuity benefits	151,158,815	145,101,406
Member annuity refunds and withdrawals	<u>90,883,100</u>	<u>90,070,711</u>
Total benefits paid	<u>242,041,915</u>	<u>235,172,117</u>
Benefits paid in excess of contributions	144,136,216	141,898,344
Ratio of benefits paid to contributions	2.5	2.5
Other expenses	<u>3,769,641</u>	<u>3,540,242</u>
Net decrease in net assets	<u>\$ (66,172,477)</u>	<u>\$ (301,009,391)</u>

Retirement Systems of the City of Detroit

Management's Discussion and Analysis (Continued)

Policemen and Firemen Retirement System

	Fiscal Year Ended	
	June 30, 2003	June 30, 2002
Total assets	\$ 2,972,014,380	\$ 3,379,676,538
Total liabilities	93,749,435	390,769,548
Assets held in trust for pension benefits	\$ 2,878,264,945	\$ 2,988,906,990
Net investment income (loss)	\$ 78,568,683	\$ (289,217,131)
Contributions:		
Employee	10,143,949	10,301,296
Employer	66,843,029	8,449,645
Total contributions	76,986,978	18,750,941
Benefits paid to members and retirees:		
Retiree pension and annuity benefits	190,516,952	186,683,099
Member annuity refunds and withdrawals	72,193,984	34,174,745
Total benefits paid	262,710,936	220,857,844
Benefits paid in excess of contributions	185,723,958	202,106,903
Ratio of benefits paid to contributions	3.4	11.8
Other expenses	3,486,770	3,394,196
Net decrease in net assets	\$ (110,642,045)	\$ (494,718,230)

Overall Fund Structure and Objectives

Both the General Retirement System (GRS) and the Policemen and Firemen Retirement System (PFRS) exist to pay benefits to their members and retirees. Active members earn service credit that entitles them to receive benefits in the future. Benefits currently being paid are significantly greater than contributions currently being received. The excess of benefits over contributions must be funded through investment income. The public capital markets represent the primary source of investment income.

Retirement Systems of the City of Detroit

Management's Discussion and Analysis (Continued)

Asset Allocation

Both the GRS and PFRS have 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 Retirement Systems of the City of Detroit (the "Systems"). The following is a summary of the asset allocation as of June 30, 2003:

	GRS	PFRS
Equities	56%	60%
Fixed income	27%	28%
Real estate	10%	7%
Alternative investments	7%	5%

Investment Results

The past year was another highly challenging and demanding period in the capital markets. The stock market, as measured by the S&P 500 index, was essentially unchanged from June 30, 2002, after having declined 18 percent and 14.8 percent in the two prior one-year periods. Returns from fixed income investments were significantly above their historical averages. Both the GRS and PFRS experienced gains on their investment portfolios owing primarily to the returns from the asset allocations to bonds and real estate. The overall portfolio returns achieved by the GRS and PFRS were below the actuarially assumed rates for the Systems during the current year and on a trailing three- and five-year basis.

While this year's total fund investment return is again disappointing, it must be considered in a longer-term context. Returns achieved in the public capital markets are highly dependent upon the health of the economy, both in the United States as well as in other countries. Investment returns achieved during the current year turned positive for the first time in three years. Management believes that this is an indication that investment returns will revert to their long-term historical averages as the economy continues to improve.

The asset allocation of each fund is built upon the foundation that the obligations of the Systems to pay the benefits promised to members and retirees are very long-term obligations. Accordingly, each Board of Trustees must make investment decisions that they believe will be the most beneficial to the Systems over many years, not just one or two years. The actuarially assumed investment returns for the Systems are well below the long-run average returns achieved in the public capital markets.

Retirement Systems of the City of Detroit

	General Retirement System	
	2003	2002
Assets		
Cash (Note 3)	\$ -	\$ 8,450,617
Investments - At fair value (Note 3)	2,336,018,795	2,427,492,366
Accrued investment income	8,326,932	12,619,216
Contributions receivable	8,447,812	2,070,744
Receivables from investment sales	50,147,570	127,023,352
Other accounts receivable	1,077,197	96,854
Capital assets (Note 1)	598,933	822,110
Cash and investments held as collateral for securities lending (Note 3)	140,498,910	141,375,966
Total assets	2,545,116,149	2,719,951,225
Liabilities		
Bank overdraft (Note 3)	1,665,263	-
Payables for investment purchases	44,738,382	155,311,835
Claims payable to retirees and beneficiaries	4,551,486	2,471,860
Due to City of Detroit	1,608,667	1,677,019
Other liabilities	28,229,227	29,117,854
Amounts due broker under securities lending agreement (Note 3)	140,498,910	141,375,966
Total liabilities	221,291,935	329,954,534
Net Assets Held in Trust for Pension Benefits (a schedule of analysis of funding progress is presented in the additional information)	<u>\$ 2,323,824,214</u>	<u>\$ 2,389,996,691</u>

Retirement Systems of the City of Detroit

	General Retirement System	
	2003	2002
Additions		
Investment income (loss):		
Interest and dividend income	\$ 105,272,178	\$ 97,039,748
Net depreciation in fair value	(17,140,820)	(245,061,380)
Investment expense	(8,345,720)	(11,011,467)
Other income	1,947,742	3,462,294
	<u>81,733,380</u>	<u>(155,570,805)</u>
Net investment income (loss)		
Contributions:		
Employee	25,046,453	25,482,285
Employer	72,859,246	67,791,488
	<u>179,639,079</u>	<u>(62,297,032)</u>
Total additions		
Deductions		
Retirees' pension and annuity benefits	151,158,815	145,101,406
Member refunds and withdrawals	90,883,100	90,070,711
General and administrative expenses	3,487,593	3,406,964
Loss on disposal of capital assets	162,015	-
Depreciation expense	120,033	133,278
	<u>245,811,556</u>	<u>238,712,359</u>
Total deductions		
Net Decrease in Net Assets Held in Trust for Pension Benefits	(66,172,477)	(301,009,391)
Net Assets Held in Trust for Pension Benefits - Beginning of year	<u>2,389,996,691</u>	<u>2,691,006,082</u>
Net Assets Held in Trust for Pension Benefits - End of year	<u>\$ 2,323,824,214</u>	<u>\$ 2,389,996,691</u>

Statement of Changes in Plan Net Assets
Year Ended June 30, 2003
(with comparative totals for the year ended June 30, 2002)

Policemen and Firemen Retirement System	
2003	2002
\$ 113,703,878	\$ 122,896,130
(28,227,412)	(406,157,986)
(10,424,790)	(12,118,598)
<u>3,517,007</u>	<u>6,163,323</u>
78,568,683	(289,217,131)
10,143,949	10,301,296
<u>66,843,029</u>	<u>8,449,645</u>
155,555,661	(270,466,190)
190,516,952	186,683,099
72,193,984	34,174,745
3,204,722	3,260,918
162,015	-
<u>120,033</u>	<u>133,278</u>
<u>266,197,706</u>	<u>224,252,040</u>
(110,642,045)	(494,718,230)
<u>2,988,906,990</u>	<u>3,483,625,220</u>
<u>\$ 2,878,264,945</u>	<u>\$ 2,988,906,990</u>

Retirement Systems of the City of Detroit

Notes to Financial Statements
June 30, 2003

Note 1 - Summary of Significant Accounting Policies

The City of Detroit (the "City") sponsors the Retirement Systems of the City of Detroit (the "Systems"), contributory single employer retirement plans, which consist of the General Retirement System (GRS) and the Policemen and Firemen Retirement System (PFRS). Each system, which is administered by the respective retirement system's Board of Trustees, is composed of a defined benefit plan and a defined contribution plan. The plans provide retirement, disability, and survivor benefits to plan members and beneficiaries.

The General Retirement System and the Policemen and Firemen Retirement System are separate and independent trusts qualified under applicable provisions of the Internal Revenue Code, and are independent entities (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 plans have fiduciary obligations and legal liability for any violations of fiduciary duties as independent trustees.

Reporting Entity - The financial statements of the Systems are also included in the combined financial statements of the City of Detroit as Pension Trust Funds. The assets of the Pension Trust Funds include no securities of or loans to the City or any other related party.

Basis of Accounting - The Retirement Systems of the City of Detroit's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Methods Used to Value Investments - Investments are reported at 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 independent appraisals. Investments that do not have an established market are reported at estimated fair value.

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

Retirement Systems of the City of Detroit

Notes to Financial Statements
June 30, 2003

Note 2 - Plan Description and Contribution Information

At June 30, 2003, the membership of the defined benefit plans and the defined contribution plans consisted of the following:

	Defined Benefit Plans		Defined Contribution Plans	
	GRS	PFRS	GRS	PFRS
Retirees and beneficiaries receiving pension benefits	11,348	8,648	1,611	1,507
Terminated plan members entitled to but not yet receiving benefits	1,546	38	357	13
Active plan members	12,850	5,417	11,576	4,874

Plan Description - The Systems provide retirement benefits, as well as survivor and disability benefits. Employees may receive cost of living adjustments as a percentage of their base amount, pursuant to the collective bargaining agreement in effect at their date of retirement. The obligation to contribute to and maintain the System was established by City Charter and negotiation with the employees' collective bargaining units.

Contributions - The City's policy is to fund normal costs and amortization of prior service costs. The City is required to contribute at an actuarially determined rate. Administrative costs are financed through investment earnings. The contribution rate for 2002-2003 was 0 percent to 19.12 percent of active annual payroll for the GRS (depending on bargaining unit) and 27.22 percent of active annual payroll for the PFRS. Contributions from the employer for the year ended June 30, 2003 totaled \$72,859,246 and \$66,843,029 for the GRS and PFRS, respectively.

Employee contributions for annuity savings are as follows:

- **General Retirement System:** Employees may also elect to contribute (a) 0 percent, (b) 3 percent of annual compensation up to the Social Security wage base and 5 percent of any excess over that, (c) 5 percent, or (d) 7 percent.
- **Policemen and Firemen Retirement System:** Mandatory contributions are 5 percent of base compensation until eligibility for retirement is reached.

Retirement Systems of the City of Detroit

Notes to Financial Statements
June 30, 2003

Note 2 - Plan Description and Contribution Information (Continued)

Contributions from employees during the year ended June 30, 2003 totaled \$25,046,453 and \$10,143,949 for the GRS and PFRS, respectively.

The contribution requirements of plan members and the City of Detroit are established and may be amended by the Boards of Trustees in accordance with the City Charter, union contracts, and plan provisions.

Note 3 - Deposits and Investments

Deposits - At year end, total deposits were comprised of a bank overdraft of \$1,665,266 for the GRS and a bank balance of \$1,544,173 for the PFRS without recognition of deposits in transit or outstanding checks. Of the bank balance for the PFRS, \$200,000 was covered by federal depository insurance.

Investments - The Systems are authorized by Michigan Public Acts to invest in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles, certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain State and local government obligations, and certain other specified investment vehicles.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 3, the Systems' investments are categorized to give an indication of the level of custodial risk assumed by the Systems at June 30, 2003.

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the Systems or its agent in the Systems name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Systems name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Systems name.

Management believes that the investments of the Systems comply with the investment authority noted above.

Retirement Systems of the City of Detroit

Notes to Financial Statements
June 30, 2003

Note 3 - Deposits and Investments (Continued)

The following is a description of the investments by type and category:

Investment	Amount	Category
General Retirement System:		
Short-term investments	\$ 142,673,003	2
Bonds and stocks	1,592,711,016	1
Mortgage-backed securities	76,948,913	1
Mortgage and construction loans	104,476,451	1
Equity interest in real estate	76,558,487	1
Pooled investments	92,121,206	N/A
Private placements	<u>250,529,719</u>	2
Total	<u>\$ 2,336,018,795</u>	
Policemen and Firemen System:		
Short-term investments	\$ 68,905,580	2
Bonds and stocks	1,993,343,467	1
Mortgage-backed securities	115,066,417	1
Mortgage and construction loans	104,089,752	1
Equity interest in real estate	77,075,396	1
Real estate investment trusts held by custodian	23,472,362	2
Pooled investments	386,696,255	N/A
Private placements	<u>45,673,793</u>	2
Total	<u>\$ 2,814,323,022</u>	

Included in the Systems' investments at June 30, 2003 are the following:

- Approximately \$2,223,254 (GRS) and \$11,617,567 (PFRS) of securities issued by the Government National Mortgage Association (GNMA). These investments are backed by the full faith and credit of the U.S. government. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

Retirement Systems of the City of Detroit

Notes to Financial Statements
June 30, 2003

Note 3 - Deposits and Investments (Continued)

- Approximately \$74,725,659 (GRS) and \$103,448,849 (PFRS) of obligations of the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

As permitted by State statutes and under the provisions of a securities lending authorization agreement, the Systems lend securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Systems' custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. The custodial banks do 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 100 percent of the market value of the loaned securities.

The Systems 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 Systems 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, 2003 was 70 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, 2003, the Systems had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the Systems as of June 30, 2003 were \$140,498,910 and \$136,390,113 for GRS, and \$0 and \$0 for PFRS, respectively.

Retirement Systems of the City of Detroit

**Notes to Financial Statements
June 30, 2003**

Note 4 - Reserves

State law requires employee contributions to be segregated. In addition, amounts must be set aside as determined by the actuary to fund benefits to retirees currently approved to receive benefits. As of June 30, 2003, the Systems' reserves have been fully funded as follows:

	<u>GRS</u>	<u>PFRS</u>
Reserved for employee contributions	\$ 719,664,149	\$ 356,041,509
Reserved for retired employees	1,462,541,180	2,334,895,269

A statement of changes in plan net assets by reserve is included in additional information.

Additional Information



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To the Board of Trustees
General Retirement System
of the City of Detroit and
The Board of Trustees
Policemen and Firemen Retirement
System of the City of Detroit

We have audited the financial statements of the Retirement Systems of the City of Detroit as of and for the year ended June 30, 2003. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 3, 2003

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Retirement Systems of the City of Detroit

Description of Funds

Annuity Savings Fund - This fund represents cumulative required and voluntary contributions made by the active employees plus accumulated interest.

Annuity Reserve Fund - Transfers are made from the Annuity Savings Fund into the Annuity Reserve 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.

Both annuity funds are referred to as defined contribution plans.

Market Stabilization Fund - This fund represents designations from the plans' investment income (loss) to be used to cushion the market value adjustments within the other funds. The Boards of Trustees authorized the creation of this fund, and the reserve amounts are calculated using a three-year average method.

Survivor Benefits Fund - This fund is used to accumulate employee and City contributions for certain survivor benefits from which the related benefits are paid.

Pension Accumulation Fund - This fund represents accumulated City contributions to the pension system for the payment of pensions and other benefits to future retirees. Additionally, pre-employment military service credit contributions are captured in this fund.

Pension Reserve Fund - This fund represents funded pension benefits available for retired members and is funded by actuarially determined transfers from the Pension Accumulation Fund.

Retirement Systems of the City of Detroit

	Annuity Reserves	
	Annuity Savings Fund	Annuity Reserve Fund
Additions		
Net investment income (loss)	\$ 49,948,628	\$ 2,178,032
Contributions:		
Employee	24,960,429	-
Employer	-	-
Total additions - Net of investment income (loss)	74,909,057	2,178,032
Deductions		
Retirees' pension and annuity benefits	-	3,610,157
General and administrative expenses	-	-
Depreciation expense	-	-
Loss on disposal of capital asset	-	-
Member refunds and withdrawals	90,077,910	-
Total deductions	90,077,910	3,610,157
Net Additions (Deductions) - Before transfers	(15,168,853)	(1,432,125)
Transfers - Net	(1,875,404)	6,171,005
Net Increase (Decrease) in Net Assets Held in Trust for Pension Benefits	(17,044,257)	4,738,880
Net Assets Held in Trust for Pension Benefits - Beginning of year	705,617,753	26,351,773
Net Assets Held in Trust for Pension Benefits - End of year	\$ 688,573,496	\$ 31,090,653

Statement of Changes in Plan Net Assets
General Retirement System
Year Ended June 30, 2003
(with comparative totals for the year ended June 30, 2002)

Market Stabilization Fund	Pension Reserves		Total	
	Pension Accumulation Fund	Pension Reserve Fund	2003	2002
\$ 157,362,826	\$ (228,228,141)	\$ 100,472,035	\$ 81,733,380	\$ (155,570,805)
-	86,024	-	25,046,453	25,482,285
-	72,859,246	-	72,859,246	67,791,488
157,362,826	(155,282,871)	100,472,035	179,639,079	(62,297,032)
-	-	147,548,658	151,158,815	145,101,406
-	3,487,593	-	3,487,593	3,406,964
-	120,033	-	120,033	133,278
-	162,015	-	162,015	-
-	805,190	-	90,883,100	90,070,711
-	4,574,831	147,548,658	245,811,556	238,712,359
157,362,826	(159,857,702)	(47,076,623)	(66,172,477)	(301,009,391)
-	(172,887,543)	168,591,942	-	-
157,362,826	(332,745,245)	121,515,319	(66,172,477)	(301,009,391)
(371,206,988)	688,208,292	1,341,025,861	2,389,996,691	2,691,006,082
\$ (213,844,162)	\$ 355,463,047	\$ 1,462,541,180	\$ 2,323,824,214	\$ 2,389,996,691

Retirement Systems of the City of Detroit

	Annuity Reserves	
	Annuity Savings Fund	Annuity Reserve Fund
Additions		
Net investment income (loss)	\$ 13,817,134	\$ 1,084,122
Contributions:		
Employee	10,092,079	-
Employer	-	-
Total additions - Net of investment income (loss)	23,909,213	1,084,122
Deductions		
Retirees' pension and annuity benefits	-	1,004,953
General and administrative expenses	-	-
Depreciation expense	-	-
Loss on disposal of capital asset	-	-
Member refunds and withdrawals	72,193,984	-
Total deductions	72,193,984	1,004,953
Net Additions (Deductions) - Before transfers	(48,284,771)	79,169
Transfers - Net	(1,039,699)	495,211
Net Increase (Decrease) in Net Assets Held in Trust for Pension Benefits	(49,324,470)	574,380
Net Assets Held in Trust for Pension Benefits - Beginning of year	390,637,734	14,153,865
Net Assets Held in Trust for Pension Benefits - End of year	<u>\$341,313,264</u>	<u>\$ 14,728,245</u>

Statement of Changes in Plan Net Assets
Policemen and Firemen Retirement System
Year Ended June 30, 2003
(with comparative totals for the year ended June 30, 2002)

Market Stabilization Fund	Pension Reserves			Total	
	Survivor Benefits Fund	Pension Accumulation Fund	Pension Reserve Fund	2003	2002
\$ 318,947,882	\$ 2,095,719	\$ (428,340,431)	\$ 170,964,257	\$ 78,568,683	\$ (289,217,131)
-	-	51,870	-	10,143,949	10,301,296
-	-	66,843,029	-	66,843,029	8,449,645
318,947,882	2,095,719	(361,445,532)	170,964,257	155,555,661	(270,466,190)
-	3,756,881	-	185,755,118	190,516,952	186,683,099
-	-	3,204,722	-	3,204,722	3,260,918
-	-	120,033	-	120,033	133,278
-	-	162,015	-	162,015	-
-	-	-	-	72,193,984	34,174,745
-	3,756,881	3,486,770	185,755,118	266,197,706	224,252,040
318,947,882	(1,661,162)	(364,932,302)	(14,790,861)	(110,642,045)	(494,718,230)
-	-	(64,414,630)	64,959,118	-	-
318,947,882	(1,661,162)	(429,346,932)	50,168,257	(110,642,045)	(494,718,230)
(646,199,594)	28,746,636	916,841,337	2,284,727,012	2,988,906,990	3,483,625,220
<u>\$ (327,251,712)</u>	<u>\$ 27,085,474</u>	<u>\$ 487,494,405</u>	<u>\$ 2,334,895,269</u>	<u>\$2,878,264,945</u>	<u>\$2,988,906,990</u>

Retirement Systems of the City of Detroit

Required Supplementary Information Schedule of Analysis of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
General Retirement System:						
06/30/97	\$ 2,333,412,893	\$ 2,528,504,057	\$ 195,091,164	92.3	\$ 382,835,917	51.0
06/30/98	2,582,099,884	2,814,878,226	232,778,342	91.7	387,022,423	60.1
06/30/99	2,756,614,458	2,900,404,223	143,789,765	95.0	383,449,421	37.5
06/30/00	2,902,433,063	3,077,001,129	174,568,066	94.3	417,187,666	41.8
06/30/01	2,912,146,389	3,179,601,214	267,454,825	91.6	439,636,072	60.8
06/30/02	2,761,203,680	3,276,591,209	515,387,529	84.3	440,680,045	117.0
Policemen and Firemen Retirement System:						
06/30/97	2,944,208,105	2,820,330,323	(123,877,782)	104.4	217,585,229	-
06/30/98	3,325,929,721	2,976,770,662	(349,159,059)	111.7	217,479,443	-
06/30/99	3,668,362,979	3,274,050,127	(394,312,852)	112.0	216,049,687	-
06/30/00	3,964,231,470	3,342,123,550	(622,107,920)	118.6	237,741,560	-
06/30/01	3,900,020,703	3,463,248,393	(436,772,310)	112.6	253,297,027	-
06/30/02	3,635,106,581	3,523,446,635	(111,659,946)	103.2	248,663,133	-

Retirement Systems of the City of Detroit

Required Supplementary Information Schedule of Employer Contributions

General Retirement System			Policemen and Firemen Retirement System		
Year Ended June 30	Annual Required Contribution	Percentage Contributed	Year Ended June 30	Annual Required Contribution	Percentage Contributed
1997	\$ 54,655,929	100	1997	\$ 54,572,561	100
1998	52,707,172	100	1998	48,120,578	100
1999	55,683,125	100	1999	15,709,799	100
2000	66,681,049	100	2000	19,972,058	100
2001	68,139,535	100	2001	14,443,382	100
2002	67,791,488	100	2002	8,449,645	100
2003	72,859,246 *	88	2003	66,843,029 *	-

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2002, the latest actuarial valuation, follows:

	General Retirement System	Policemen and Firemen Retirement System
Valuation date	June 30, 2002	June 30, 2002
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent	Level percent
Remaining amortization period	19 years	15 years
Asset valuation method	3-year smoothed market	3-year smoothed market
Actuarial assumptions:		
Investment rate of return	7.9%	7.8%
Projected salary increases	4.0%-10.0%	5.5%-9.0%
Includes inflation at	4.0%	4.8%
Cost of living adjustments	2.25%	2.25%

* At June 30, 2003, \$8,447,812 and \$66,843,029 of the annual required contributions noted above were not received by the General Retirement System and the Policemen and Firemen Retirement System, respectively. Contributions receivable in the same amount have been recorded.