

# **General Retirement System for the City of Detroit**

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**Financial Report  
with Supplemental Information  
June 30, 2005**

# General Retirement System for the City of Detroit

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## Independent Auditor's Report

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

We have audited the accompanying statement of plan net assets of the General Retirement System for the City of Detroit (the "System") as of June 30, 2005 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's 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 System's 2004 financial statements and, in our report dated October 8, 2004, 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 General Retirement System for the City of Detroit as of June 30, 2005 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 and required supplemental information (identified in the table of contents) are not a required part of the basic financial statements but are 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.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the General Retirement System for the City of Detroit's basic financial statements. The accompanying other supplemental information as identified in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The statements included in other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 13, 2005

# General Retirement System for 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 supplemental 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:

	Fiscal Year Ended	
	June 30, 2005	June 30, 2004
Total assets	\$ 3,551,174,431	\$ 2,894,485,068
Total liabilities	<u>232,288,104</u>	<u>372,988,054</u>
Assets held in trust for pension benefits	<b><u>\$ 3,318,886,327</u></b>	<b><u>\$ 2,521,497,014</u></b>
Net investment income	\$ 276,414,652	\$ 336,583,041
Contributions:		
Employee	22,648,662	24,290,278
Employer	41,689,528	95,876,076
Employer - Pension obligation certificate proceeds	<u>739,793,898</u>	<u>-</u>
Total contributions	804,132,088	120,166,354
Benefits paid to members and retirees:		
Retiree pension and annuity benefits	172,251,379	156,921,199
Member annuity refunds and withdrawals	<u>106,882,109</u>	<u>98,292,960</u>
Total benefits paid	<u>279,133,488</u>	<u>255,214,159</u>
Benefits paid less than (in excess of) contributions	524,998,600	(135,047,805)
Ratio of benefits paid to contributions	0.4	2.1
Other expenses	<u>4,023,939</u>	<u>3,862,436</u>
Net increase in net assets	<b><u>\$ 797,389,313</u></b>	<b><u>\$ 197,672,800</u></b>

# General Retirement System for the City of Detroit

## Management's Discussion and Analysis (Continued)

### Overall Fund Structure and Objectives

The General Retirement System (GRS) exists to pay benefits to its active members and retirees. Active members earn service credit that entitles them to receive benefits in the future. Generally speaking, benefits paid out in any given year are significantly greater than the contributions received. The excess of benefits over contributions must be funded through investment income. The public capital markets represent the primary source of investment income.

### Asset Allocation

GRS has established asset allocation policies, which are expected to deliver more than enough investment income over a very long period of time to satisfy the obligations to pay the benefits promised to its members. The following is a summary of the GRS asset allocation policy as of June 30, 2005:

Equities	55%
Fixed income	25%
Real estate	10%
Alternative investments	10%

### Investment Results

This past year was another year in which GRS outperformed its actuarially assumed rate of return. The GRS total fund composite return was 8.3 percent versus its actuarially assumed rate of 7.9 percent. This was the second consecutive year of favorable investment experience following three consecutive years of unfavorable investment experience during which GRS underperformed its actuarially assumed rate. For the three-year period ended June 30, 2005, the GRS total fund composite investment return was 8.9 percent, outperforming its objective by 100 basis points.

The GRS equity composite return was 10.4 percent versus the broad domestic stock market, as measured by the S&P 500 index, which was up 6.3 percent for the year. This board's equity asset mix was underweighted to growth stocks, overweighted to value stocks, and overweighted to small cap stocks. All of these contributed to the outperformance of the equity composite versus the S&P 500. The board's allocation to international stocks also contributed to the outperformance.

The GRS fixed income composite return was 9.0 percent versus the broad domestic fixed income market, as measured by the Lehman Aggregate index, which was up 6.32 percent. The board's allocation to high yield and global bonds added significantly to the outperformance of the fixed income composite versus the broad domestic bond market.

# **General Retirement System for the City of Detroit**

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## **Management's Discussion and Analysis (Continued)**

The GRS real estate composite return was 17.1 percent versus the broad domestic real estate market, as measured by the NCREIF Property Index, which was up 12.04 percent. The GRS experienced favorable returns of both its core and non-core real estate investments relative to the index of the system.

This year's total fund investment return is particularly encouraging, as is the outlook for future investment returns. 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. Management believes that the outlook for continued global economic growth is good in both the short and long run.

The primary determinant of total fund investment performance over long periods of time is asset allocation. The asset allocation of the GRS is built upon the foundation that the obligations of the GRS to pay the benefits promised to members and retirees are very long-term obligations. Accordingly, the board of trustees must make investment decisions that it believes will be the most beneficial to the retirement system over many years, not just one or two years. For the trailing 10- and 15-year periods, the GRS has achieved a total portfolio return in excess of its actuarially assumed investment return.

# General Retirement System for the City of Detroit

## Statement of Plan Net Assets June 30, 2005 (with comparative totals for June 30, 2004)

	2005	2004
<b>Assets</b>		
Cash (Note 3)	\$ 23,279,582	\$ 8,051,609
Investments - At fair value (Note 3)	3,383,373,136	2,554,004,072
Accrued investment income	10,236,614	8,411,293
Contributions receivable	-	7,651,467
Receivables from investment sales	133,349,955	76,350,780
Other accounts receivable	475,090	688,729
Capital assets (Note 1)	460,054	569,142
Cash and investments held as collateral for securities lending	-	238,757,976
	<hr/>	<hr/>
Total assets	3,551,174,431	2,894,485,068
<b>Liabilities</b>		
Payables for investment purchases	167,433,642	99,488,967
Claims payable to retirees and beneficiaries	15,317,706	6,473,803
Due to City of Detroit	1,778,305	1,672,755
Pension over contribution	12,303,429	-
Other liabilities	35,455,022	26,594,553
Amounts due broker under securities lending agreement	-	238,757,976
	<hr/>	<hr/>
Total liabilities	232,288,104	372,988,054
<b>Net Assets Held in Trust for Pension Benefits</b>		
(a schedule of analysis of funding progress is presented in the required supplement information)	<b><u>\$ 3,318,886,327</u></b>	<b><u>\$ 2,521,497,014</u></b>



# General Retirement System for the City of Detroit

## Statement of Changes in Plan Net Assets Year Ended June 30, 2005 (with comparative totals for the year ended June 30, 2004)

	2005	2004
<b>Additions</b>		
Investment income:		
Interest and dividend income	\$ 120,321,635	\$ 108,803,078
Net appreciation in fair value	160,852,269	237,895,378
Investment expense	(13,780,153)	(11,496,468)
Other income	9,020,901	1,381,053
	<u>276,414,652</u>	<u>336,583,041</u>
Net investment income		
Contributions:		
Employee	22,648,662	24,290,278
Employer	41,689,528	95,876,076
Employer - Pension obligation certificate proceeds	739,793,898	-
	<u>1,080,546,740</u>	<u>456,749,395</u>
Total additions		
<b>Deductions</b>		
Retirees' pension and annuity benefits	172,251,379	156,921,199
Member refunds and withdrawals	106,882,109	98,292,960
General and administrative expenses	3,927,794	3,763,356
Depreciation expense	96,145	99,080
	<u>283,157,427</u>	<u>259,076,595</u>
Total deductions		
<b>Net Increase in Net Assets Held in Trust for Pension Benefits</b>	797,389,313	197,672,800
<b>Net Assets Held in Trust for Pension Benefits - Beginning of year</b>	<u>2,521,497,014</u>	<u>2,323,824,214</u>
<b>Net Assets Held in Trust for Pension Benefits - End of year</b>	<u><b>\$ 3,318,886,327</b></u>	<u><b>\$ 2,521,497,014</b></u>

# General Retirement System for the City of Detroit

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Notes to Financial Statements  
June 30, 2005

## Note 1 - Summary of Significant Accounting Policies

The City of Detroit (the "City") sponsors the General Retirement System for the City of Detroit (the "System"), which is a contributory single employer retirement plan. The System, which is administered by the retirement system's board of trustees, is composed of a defined benefit plan and a defined contribution plan. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries.

The General Retirement System is an independent trust qualified under applicable provisions of the Internal Revenue Code, and is an independent entity (separate and distinct from the employer/plan sponsor) as required by (1) State law and (2) Internal Revenue Code provisions setting forth qualified plan status. The trustees of the plan have fiduciary obligations and legal liability for any violations of fiduciary duties as independent trustees.

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

**Basis of Accounting** - The General Retirement System for 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 System represent office equipment and furniture. Depreciation expense is calculated by allocating the net cost of the assets over their estimated useful lives.

# General Retirement System for the City of Detroit

Notes to Financial Statements  
June 30, 2005

## Note 2 - Plan Description and Contribution Information

At June 30, 2005, the membership of the defined benefit plans and the defined contribution plans consisted of the following:

	Defined Benefit Plan	Defined Contribution Plan
Retirees and beneficiaries receiving pension benefits	11,460	1,521
Terminated plan members entitled to but not yet receiving benefits	1,189	231
Active plan members	9,802	9,249

**Plan Description** - The System provides 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 2004-2005 ranged from 10.09 percent to 29.82 percent of active annual payroll for the GRS (depending on bargaining unit). Contributions from the employer for the year ended June 30, 2005 totaled \$781,483,426, of which \$739,793,898 resulted from the deposit of proceeds from pension obligation certificates.

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 toward annuity savings.

Contributions from employees during the year ended June 30, 2005 totaled \$22,648,662.

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.

# General Retirement System for the City of Detroit

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**Notes to Financial Statements  
June 30, 2005**

## **Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The System is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The investment policy adopted by the board is in accordance with Public Act 196 of 1997 and has authorized the investments according to Michigan Public Act 314. The System's deposits and investment policies are in accordance with statutory authority.

The System's cash and investments are subject to several types of risk, which are examined in more detail below:

### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the System had \$11,267,228 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The System believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the System evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# General Retirement System for the City of Detroit

## Notes to Financial Statements June 30, 2005

### Note 3 - Deposits and Investments (Continued)

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The System's investment policy does not restrict investment maturities. At year end, the average maturities of investments broken down by years are as follows:

	Fair Value	Less than 1	1-5	6-10	More than 10
Asset backed	\$ 83,953,543	\$ 753,194	\$ 59,361,622	\$ 1,252,924	\$ 22,585,803
CMO	24,876,956	-	799,965	272,038	23,804,953
Corporate bonds	231,628,740	15,904,350	82,989,282	118,588,374	14,146,734
FHLMC	24,969,252	-	1,247,691	2,044,374	21,677,187
FNMA	69,064,833	-	1,938,653	2,844,399	64,281,781
GNMA	4,743,387	-	534,423	204,094	4,004,870
Government issues	509,386,179	28,110,142	452,530,960	8,833,505	19,911,572
Municipals	702,496	653,242	49,254	-	-
Foreign government issues	33,112,342	4,028,477	6,725,441	19,353,419	3,005,005
STIF-type instrument	797,103,222	89,304,981	-	-	707,798,241
Mortgages	46,263,663	31,383,209	14,880,454	-	-
Construction loans	23,920,529	15,305,065	8,615,464	-	-
Private placement	5,000,000	-	5,000,000	-	-

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The System has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) is as follows:

S&P		Moody's	
Amount	Rating	Amount	Rating
\$ 227,955	A	\$ 3,609,067	A1
2,184,833	A+	10,746,815	A2
275,673	A-I +	2,448,851	A3
89,828	AA	1,682,295	AA1
542,621	AA-	3,530,682	AA2
152,974	AA+	914,947	AA3
11,684,542	AAA	246,131,696	AAA
3,255,949	B	18,169,725	B1
380,147	B-	21,017,424	B2

# General Retirement System for the City of Detroit

Notes to Financial Statements  
June 30, 2005

## Note 3 - Deposits and Investments (Continued)

S&P			Moody's		
Amount	Rating		Amount	Rating	
\$ 4,625,130	B+		\$ 25,387,322	B3	
1,061,020	BB		9,453,732	BA1	
60,738	BB-		15,725,284	BA2	
2,822,961	BB+		15,975,582	BA3	
1,764,783	BBB		6,043,284	BAA1	
239,755	BBB+		9,005,332	BAA2	
104,162	D		11,017,052	BAA3	
			8,750	C	
			3,598,138	CA	
			11,218,333	CAA1	
			4,612,680	CAA2	
			867,250	CAA3	

In addition, the System also had \$1,344,213,711 of unrated debt securities.

### Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The pension system does not restrict the amount of investments in foreign currency. The following deposits and securities are subject to foreign currency risk:

	Fair Market Value	Stock	Corporate Bonds	Cash and Cash Equivalents	Government Securities
Australian Dollar	\$ 16,031,965	\$ 7,586,522	\$ -	\$ 162,893	\$ 8,282,550
Brazilian Real	3,992	-	-	3,992	-
Canadian Dollar	11,729,819	1,804,213	-	31,612	9,893,994
Danish Krone	2,735,357	2,686,307	-	49,050	-
Euro Currency	94,139,937	83,937,604	-	2,162,038	8,040,295
Hong Kong Dollar	2,987,214	2,936,157	-	51,057	-
Hungarian Forint	3,169,711	3,169,711	-	-	-
Indonesian Rupiah	538,435	534,819	-	3,616	-
Japanese Yen	52,441,123	45,341,895	-	7,099,228	-
Mexican Peso	982,554	937,097	-	11,277	34,180

# General Retirement System for the City of Detroit

## Notes to Financial Statements June 30, 2005

### Note 3 - Deposits and Investments (Continued)

	Fair Market Value	Stock	Corporate Bonds	Cash and Cash Equivalents	Government Securities
New Russian Ruble	\$ 2	\$ -	\$ -	\$ 2	\$ -
New Zealand Dollar	3,032,877	293,993	1,374,483	3,751	1,360,650
Norwegian Krone	6,256,260	6,243,603	-	12,657	-
Philippine Peso	171,026	168,797	-	2,229	-
Polish Zloty	11,904,592	6,901,247	-	-	5,003,345
Pound Sterling	45,823,395	41,258,478	-	1,559,912	3,005,005
Singapore Dollar	5,621,411	1,576,226	-	16,708	4,028,477
South African Rand	546,680	537,065	-	9,615	-
South Korean Won	2,245,332	2,245,060	-	272	-
Swedish Krona	12,488,684	12,058,648	-	430,036	-
Swiss Franc	16,540,691	16,005,905	-	534,786	-
Thailand Baht	22,677	22,108	-	569	-

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

Investment	Amount
Short-term investments	\$ 664,850,311
Stocks	1,789,571,792
Bonds	307,964,461
Mortgage-backed securities	91,670,345
Mortgage and construction loans	70,184,192
Equity interest in real estate	80,762,192
Pooled investments	126,340,279
Private placements	252,029,564
<b>Total</b>	<b>\$ 3,383,373,136</b>

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

# General Retirement System for the City of Detroit

Notes to Financial Statements  
June 30, 2005

## Note 3 - Deposits and Investments (Continued)

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

As of June 30, 2005, the System had no securities lent to broker-dealers or banks.

## 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, 2005, the System's reserves have been fully funded as follows:

Reserved for employee contributions	\$ 632,101,967
Reserved for retired employees	1,670,907,580

A statement of changes in plan net assets by reserve is included in the other supplemental information.

## Note 5 - Pension Obligation Certificates

In June 2005, the City of Detroit issued \$1,440,000,000 of pension obligation certificates to provide funding for the unfunded actuarially accrued liability (UAAL), which existed at June 30, 2003. Any future UAAL that may arise will continue to be paid by the City, as well as the annual normal cost. The proceeds of the pension obligation certificates were deposited into the System and are accounted for in the Accrued Liability Fund (Pension Obligation Certificate) Reserve. Approximately \$740,000,000 was deposited into the General Employees' Retirement System and approximately \$630,000,000 was deposited into the Police and Fire Retirement System, net of issuance costs and premiums. On an annual basis, funds will be transferred from the Accrued Liability Fund reserve to the pension accumulation reserve. The Accrued Liability Fund was credited with investment earnings commensurate with the overall earnings of the System.



## **Required Supplemental Information**

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# General Retirement System for the City of Detroit

## Required Supplemental 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)
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General Retirement System:

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
06/30/03	2,537,668,376	3,270,627,177	732,958,801	77.6	448,579,064	163.4
06/30/04	2,470,243,470	3,383,926,672	913,683,202	73.0	444,596,299	205.5

# General Retirement System for the City of Detroit

## Required Supplemental Information Schedule of Employer Contributions

Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
1999	\$ 55,683,125	100
2000	66,681,049	100
2001	68,139,535	100
2002	67,791,488	100
2003	72,859,246	100
2004	95,876,076	100
2005	106,496,612 *	100

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2004, the latest actuarial valuation, follows:

Valuation date	June 30, 2004
Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	20 years
Asset valuation method	3-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.9%
Projected salary increases	4.0%-9.5%
Includes inflation at	4.0%
Cost of living adjustments	2.25%

\* For the year ended June 30, 2005, the annual required contribution was funded by transfers from the accrued liability reserve in the amount of \$64,807,084 and from current year City contributions of \$41,689,528.

## **Other Supplemental Information**

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# **General Retirement System for the City of Detroit**

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## **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.

**Accrued Liability Reserve Fund** - This fund originated during June 2005 when the City issued pension obligation certificates to fund the unfunded actuarial accrued liability that existed at June 30, 2003 (subject UAAL). On an annual basis, the actuary will inform the system of the amount to transfer from the Accrued Liability Reserve to the Pension Accumulation Fund in lieu of contributions from the City for the subject UAAL.

**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.

# General Retirement System for the City of Detroit

	Annuity Reserves	
	Annuity Savings Fund	Annuity Reserve Fund
<b>Additions</b>		
Net investment income	\$ 58,619,317	\$ 2,770,790
Contributions:		
Employee	22,572,347	-
Employer	-	-
Total additions - Net of investment loss	81,191,664	2,770,790
<b>Deductions</b>		
Retirees' pension and annuity benefits	-	4,462,200
General and administrative expenses	-	-
Depreciation expense	-	-
Member refunds and withdrawals	105,512,457	-
Total deductions	105,512,457	4,462,200
<b>Net Additions (Deductions) - Before transfers</b>	(24,320,793)	(1,691,410)
<b>Transfers - Net</b>	(1,925,786)	5,475,864
<b>Net Increase (Decrease) in Net Assets Held in Trust for Pension Benefits</b>	(26,246,579)	3,784,454
<b>Net Assets Held in Trust for Pension Benefits - Beginning of year</b>	658,348,546	34,868,163
<b>Net Assets Held in Trust for Pension Benefits - End of year</b>	<u>\$ 632,101,967</u>	<u>\$ 38,652,617</u>

**Other Supplemental Information**  
**Statement of Changes in Plan Net Assets**  
**Year Ended June 30, 2005**  
(with comparative totals for the year ended June 30, 2004)

Market Stabilization Fund	Accrued Liability Reserve Fund	Pension Reserves		Total	
		Pension Accumulation Fund	Pension Reserve Fund	2005	2004
\$ 45,238,922	\$ 5,116,908	\$ 49,988,238	\$ 114,680,477	\$ 276,414,652	\$ 336,583,041
-	-	76,315	-	22,648,662	24,290,278
-	739,793,898	41,689,528	-	781,483,426	95,876,076
45,238,922	744,910,806	91,754,081	114,680,477	1,080,546,740	456,749,395
-	-	-	167,789,179	172,251,379	156,921,199
-	-	3,927,794	-	3,927,794	3,763,356
-	-	96,145	-	96,145	99,080
-	-	1,369,652	-	106,882,109	98,292,960
-	-	5,393,591	167,789,179	283,157,427	259,076,595
45,238,922	744,910,806	86,360,490	(53,108,702)	797,389,313	197,672,800
-	(64,807,084)	(185,933,265)	247,190,271	-	-
45,238,922	680,103,722	(99,572,775)	194,081,569	797,389,313	197,672,800
51,253,545	-	338,853,366	1,438,173,394	2,521,497,014	2,323,824,214
<b>\$ 96,492,467</b>	<b>\$ 680,103,722</b>	<b>\$ 239,280,591</b>	<b>\$ 1,632,254,963</b>	<b>\$ 3,318,886,327</b>	<b>\$ 2,521,497,014</b>