General Retirement System for the City of Detroit

Financial Report
with Supplemental Information
June 30, 2006

General Retirement System for the City of Detroit

Contents

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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, 2006 and the related statement of changes in plan net assets by fund 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 2005 financial statements and, in our report dated October 13, 2005, 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, 2006 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.

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 11, 2006

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 financial statements are followed by a section of required supplemental 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, 2006	June 30, 2005
Total assets	$ 4,145,070,214	$ 3,551,174,431
Total liabilities	689,990,994	232,288,104
Assets held in trust for pension benefits	**$ 3,455,079,220**	**$ 3,318,886,327**
Net investment income	$ 377,184,751	$ 276,414,652
Contributions:		
Employee	20,462,296	22,648,662
Employer	58,162,088	41,689,528
Employer - Pension obligation certificate proceeds	-	739,793,898
Total contributions	78,624,384	804,132,088
Benefits paid to members and retirees:		
Retirees' pension and annuity benefits	201,611,854	172,251,379
Member annuity refunds and withdrawals	114,333,813	106,882,109
Total benefits paid	315,945,667	279,133,488
Benefits paid (in excess of) less than contributions	(237,321,283)	524,998,600
Ratio of benefits paid to contributions	4.0	0.4
Other expenses	3,670,575	4,023,939
Net increase in net assets	**$ 136,192,893**	**$ 797,389,313**

Overall Fund Structure and Objectives

The General Retirement System for the City of Detroit (GRS) is a defined benefit pension plan. The GRS exists to pay benefits to its active members, retirees, and beneficiaries. Active members earn service credit that entitles them to receive benefits in the future.

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

The City of Detroit (the employer) makes regular contributions to the system. Basic pension and disability benefits are funded through employer contributions plus investment earnings on those contributions.

Employees may voluntarily contribute 0 percent, 3 percent, 5 percent, or 7 percent of gross pay to the system. Employee contributions are maintained in separate accounts in the Annuity Savings Fund solely for the benefit of the contributing employee. After 25 years of service, an employee may elect to withdraw his or her accumulated contributions plus investment earnings. Upon retirement, an employee may elect to annuitize some or all of his or her annuity savings fund balance, resulting in a greater monthly retirement benefit. Any portion of an employee's annuity savings fund balance which is not annuitized is refunded in a lump sum upon retirement.

GRS is a relatively mature plan in that there are more retirants and beneficiaries receiving current benefits than active members. As of June 30, 2006, there were approximately 1.2 members receiving benefits for each active member contributing to the system.

GRS paid out $316 million in benefits and refunds of annuity savings fund balances during the year. This represents approximately 9.1 percent of the assets of the system. Employer and employee contributions were $84 million or 2.4 percent of the assets of the system. The excess of benefits over contributions must be funded through investment income. The public capital markets represent the primary source of opportunities to earn investment income.

Asset Allocation

The board of trustees believes that the primary determinant of total fund investment performance over long periods of time is asset allocation. The GRS asset allocation is built upon the foundation that the obligations of the GRS to pay the benefits promised to members 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. The board must also balance the desire to achieve long-term gains with the requirements of having to fund significant benefit payments every month.

The 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 the members of the system. The following is a summary of the GRS asset allocation policy as of June 30, 2006:

Equities	50%
Tactical asset allocation	8%
Fixed income	22%
Real estate	10%
Alternative investments	8%
Market neutral	2%

Investment Results

Returns stated herein have been determined using the AIMR-compliant, time-weighted, GIPS method unless explicitly stated to the contrary. All returns for periods of one year or greater have been annualized.

Total Fund Composite

The GRS total fund composite return for the year was 11.3 percent versus its actuarially assumed rate of 7.9 percent. This return ranked the GRS in the top quartile of all public funds as captured by the Independent Consultants Cooperative (ICC) Universe. This was the third consecutive year of favorable investment experience versus the actuarially assumed rate following three consecutive years of unfavorable investment experience during each of which the GRS underperformed its actuarially assumed rate.

Just before the end of the prior fiscal year, the City of Detroit elected to issue pension obligation certificates and contribute approximately $740 million to the retirement system. The time required to effectively and prudently deploy this large cash infusion caused the system to maintain cash balances at levels much higher than normal throughout the year. Maintenance of abnormally high cash balances coupled with transaction costs of buying securities to invest cash and selling securities to raise cash to pay benefits were a drag on the total fund composite performance.

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. The Board believes that the outlook for continued global economic growth is good in both the short and long run.

The favorable investment experience during the current year is primarily attributable to the bias in the Board's asset allocation toward equity investments and real estate versus fixed income and cash. The following is a summary of the composite investment performance of the major asset classes:

Domestic equities	9.8%
International equities	33.1%
Tactical asset allocation	14.4%
Fixed income	1.7%
Real estate	20.5%
Alternative investments	15.8%
Cash	4.7%

Domestic Equities

The domestic equity assets consist of a combination of separately managed accounts and commingled funds. Within the domestic equity composite, 18 percent of the assets are managed using passive strategies designed to replicate the S&P 500 Index with the remaining 82 percent of the assets actively managed.

The overall domestic equity composite return was 9.8 percent, which out-performed the return of the S&P 500 (8.6 percent) by 120 basis points. The domestic equity composite return ranked just below the median of the ICC domestic equity universe. The excess returns from actively managed accounts versus their underlying equity index benchmarks contributed significantly to the favorable equity composite return versus the S&P 500. The following is a summary of the performance of the domestic equity composite and major components versus the broad stock market averages:

GRS Domestic Equity Composite	9.8%
GRS Domestic Large Cap Equity Composite	8.7%
GRS Domestic Small Cap Equity Composite	12.8%
Russell 3000 Index	9.6%
S&P 500 Index	8.6%
Russell 1000 Index	9.1%
Russell 2000 Index	14.6%

International Equities

The international equity assets consist of a combination of separately managed accounts and commingled funds. During the year, the Board added emerging markets equity and international small cap equity accounts to the international equity allocation. As of June 30, 2006, all of the international equity accounts were actively managed.

The overall international equity composite return was 33.1 percent. This return ranked in the top 10 percent of the ICC international equity universe. The following is a summary of the performance of the international equity composite versus the broad international stock market averages:

GRS International Equity Composite	33.1%
MSCI World ex US Index	18.6%
MSCI EAFE Index	26.6%

Tactical Asset Allocation (TAA)

The TAA account consists of a continuously variable combination of domestic and international equities and fixed income. The TAA account manager has the flexibility to allocate the assets among domestic and international equities and fixed income based upon the manager's expectations as to which combination of these asset classes will provide the greatest total return. During the year the account was converted from a domestic to a global TAA mandate.

The overall TAA return was 14.4 percent. This return ranked in the top 5 percent of the ICC TAA peer group universe.

Fixed Income

All of the system's fixed income assets are actively managed in a combination of separately managed accounts and commingled funds. Accounts within the fixed income composite are diversified among domestic, international, established markets, emerging markets, government, investment grade corporate, mortgage, and high yield mandates. The following is a summary of the distribution of assets within the fixed income composite as of June 30, 2006:

Domestic core (government, investment grade corporate)	34%
Domestic mortgages	14%
Domestic high yield	21%
Global established markets, investment grade	21%
Global emerging markets	10%

The GRS fixed income composite return was 1.7 percent. This return ranked in the top quartile of the ICC fixed income universe. This compares favorably with the readily investable broad domestic fixed income market, as measured by the Lehman Aggregate index, which was down 0.8 percent. Allocations to mortgages, domestic high yield, and international investment grade assets contributed significantly to the excess fixed income composite returns. The following is a summary of the performance of the fixed income composite and its major components versus the broad fixed income market averages:

GRS Domestic Fixed Income Composite	1.7%
GRS Domestic Core Fixed Income Composite	-0.1%
GRS Domestic High Yield Fixed Income Composite	4.7%
GRS Global Core Fixed Income Composite	3.1%
Lehman Aggregate Index	-0.8%
Citigroup Broad Investment Grade Index	-0.8%
Merrill Lynch High Yield Master Index	4.6%
Citigroup World Government Bond Index	-0.4%
JP Morgan Emerging Market Bond Index	5.3%

Returns from domestic government and investment grade fixed income investments were depressed by actions taken by the Federal Reserve Board to increase interest rates throughout the year. The duration of the fixed income composite was slightly less than that of the broad market averages which dampened the effect of rising interest rates on the overall returns.

Real Estate

The GRS real estate portfolio consists of both separately owned and managed properties as well as investments in real estate investment trusts and real estate commingled funds. The portfolio is broadly diversified by property type and geographic location. Essentially all of the GRS real estate portfolio is located within the United States.

Approximately 75 percent of the portfolio consists of core property investments with the balance consisting of noncore investments. Core investments are those whose return is primarily derived from current income, whereas non-core investments are those whose return is primarily derived from appreciation in value. The board relies on the current income from real estate to defray a disproportionate fraction of the benefits and expenses of the system.

The GRS real estate composite return for the year was 20.5 percent. This return ranked just below the top quartile of the ICC real estate universe and out-performed the broad domestic real estate market, as measured by the NCREIF Property Index, which was up 18.7 percent.

Alternative Investments

The GRS alternative investment portfolio consists of both individually managed investments as well as investments in commingled funds. The portfolio is diversified by investment type and geographic location. Broad asset classes of alternative investments include private equity funds, direct investments of equity or debt in privately held companies, mezzanine debt, distressed debt, collateralized debt obligations, hedge funds, and venture capital. Essentially all of the GRS alternative investment portfolio is located within the United States.

The GRS alternative investment composite return was 15.8 percent. Distressed debt, mezzanine debt, and private equity commingled funds exceeded their return objectives while non-performing individually managed investments dragged down the overall return from alternative investments.

Cash

During the current year, the GRS paid out approximately $300 million in benefits to its members. This relatively high level of benefit payments necessitates maintaining relatively high cash balances at all times.

The GRS runs its own money market fund to invest not only the cash needed to pay the benefits and expenses of the system, but also the idle cash balances which accumulate in the managed accounts. The money market fund provides daily liquidity and supports unlimited check writing. All cash receipts, disbursements, and movements, as well as the settlements of purchases and sales of securities, are cleared through the money market fund.

The GRS cash composite return for the year was 4.7 percent. This return ranked in the top quartile of the ICCU cash management universe. This compares very favorably with three-month U.S. Treasury bills, which returned 4.0 percent. Returns from cash on an absolute basis have been constrained since 2001 by Federal Reserve Board policy of maintaining relatively low levels of short-term interest rates.

Market Neutral

During the prior fiscal year, the GRS made an allocation to market neutral investing. Market neutral portfolios are expected to provide a positive absolute return regardless of the direction of the domestic stock market. To provide this positive absolute return, the GRS market neutral portfolios are constructed to contain essentially equal and offsetting long and short equity positions.

The GRS market neutral composite returned 9.5 percent for the year. This return ranked in the top half of the ICC market neutral peer group universe. The objective for the performance of the market neutral composite is the investment return of three-month U.S. Treasury bills plus 3 percent per annum. For the current year, the annualized return from three-month U.S. Treasury bills was 4.1 percent, making the market neutral performance objective 7.1 percent. Accordingly, the GRS market neutral composite exceeded its objective by 240 basis points.

General Retirement System for the City of Detroit

Statement of Plan Net Assets
June 30, 2006
(with comparative totals for June 30, 2005)

	2006	2005
Assets		
Cash (Note 3)	$ 14,631,971	$ 23,279,582
Investments - At fair value (Note 3)	3,469,494,373	3,383,373,136
Accrued investment income	17,112,437	10,236,614
Contributions receivable	27,622,101	-
Receivables from investment sales	66,953,657	133,349,955
Other accounts receivable	543,597	475,090
Capital assets (Note 1)	417,749	460,054
Cash and investments held as collateral for securities lending	548,294,329	-
Total assets	4,145,070,214	3,551,174,431
Liabilities		
Payables for investment purchases	94,932,100	167,433,642
Claims payable to retirees and beneficiaries	3,964,094	15,317,706
Due to City of Detroit	1,372,501	1,778,305
Pension over contribution	-	12,303,429
Other liabilities	41,427,970	35,455,022
Amounts due broker under securities lending agreement	548,294,329	-
Total liabilities	689,990,994	232,288,104
Net Assets Held in Trust for Pension Benefits (a schedule of analysis of funding progress is presented in the required supplement information)	**$ 3,455,079,220**	**$ 3,318,886,327**

General Retirement System for the City of Detroit

Statement of changes in plan net assets by fund
Year Ended June 30, 2006
(with comparative totals for the year ended June 30, 2005)

	2006	2005
Additions		
Investment income:		
Interest and dividend income	$ 125,575,445	$ 120,321,635
Net appreciation in fair value	261,754,054	160,852,269
Investment expense	(14,548,181)	(13,780,153)
Other income	4,403,433	9,020,901
Net investment income	377,184,751	276,414,652
Contributions:		
Employee	20,462,296	22,648,662
Employer	58,162,088	41,689,528
Employer - Pension obligation certificate proceeds	-	739,793,898
Total additions	455,809,135	1,080,546,740
Deductions		
Retirees' pension and annuity benefits	201,611,854	172,251,379
Member refunds and withdrawals	114,333,813	106,882,109
General and administrative expenses	3,565,514	3,927,794
Depreciation expense	105,061	96,145
Total deductions	319,616,242	283,157,427
Net Increase in Net Assets Held in Trust for Pension Benefits	136,192,893	797,389,313
Net Assets Held in Trust for Pension Benefits - Beginning of year	3,318,886,327	2,521,497,014
Net Assets Held in Trust for Pension Benefits - End of year	**$ 3,455,079,220**	**$ 3,318,886,327**

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

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 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 for the City of Detroit 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.

Note 2 - Plan Description and Contribution Information

At June 30, 2006, 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	11,474	1,496
Terminated plan members entitled to but not yet receiving benefits	2,844	1,202
Active plan members	9,496	8,403

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 2005-2006 ranged from 6.80 percent to 31.71 percent of active annual payroll (depending on bargaining unit), with a range of 0 percent to 13.64 percent being funded from the use of pension obligation certificate proceeds received during the prior year. The System's actuary has computed the portion of the total required contribution that is funded through the certificate proceeds. This amount is transferred from the Accrued Liability Reserve Fund to the Pension Reserve Fund. Contributions from the employer for the year ended June 30, 2006 totaled $58,162,088.

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, 2006 totaled $20,462,296.

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

The System is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The investment policy adopted by the board is in accordance with Public Act 196 of 1997 and has authorized 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 $1,182,296 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.

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:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. government	$ 83,182,932	$ 10,956,831	$ 18,142,385	$ 24,412,890	$ 29,670,826
Mortgage backed	78,218,328	2,469	11,561,068	6,330,101	60,324,690
Collateralized mortgage obligations	20,109,010	-	659,708	1,869,480	17,579,822
Corporate	196,687,355	10,468,105	75,722,413	94,146,484	16,350,353
Yankee bonds	3,565,397	-	819,340	2,103,776	642,281
Non-U.S. fixed income	68,050,764	5,406,571	36,664,624	24,280,017	1,699,552
Repurchase agreements	626,097	626,097	-	-	-
Agencies	4,049,694	4,049,694	-	-	-
Mortgages	59,991,582	24,401,997	21,589,585	-	14,000,000
Total	**$ 514,481,159**	**$ 55,911,764**	**$ 165,159,123**	**$ 153,142,748**	**$ 140,267,524**

Note 3 - Deposits and Investments (Continued)

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 that guaranteed by the U.S. government) as rated by S&P is as follows:

Investment Type and Fair Value ($000)	AAA	AA	A	BBB	BB
U.S. government	$ 60,929	$ -	$ -	$ -	$ -
Mortgage backed	8,886	57	-	-	142
Collateralized mortgage obligations	6,686	498	-	-	
Corporate	6,826	2,700	10,232	28,404	33,583
Yankee bonds	-	-	-	1,370	614
Non-U.S. fixed income	39,603	1,190	7,426	540	7,502
Agencies	4,050	-	-	-	-
Total	**$ 126,980**	**$ 4,445**	**$ 17,658**	**$ 30,314**	**$ 41,841**

Investment Type and Fair Value ($000)	B	CCC & Below	A-1	NR
U.S. government	$ -	$ -	$ 47	$ 6,872
Mortgage backed	-	-	-	69,134
Collateralized mortgage obligations	-	-	-	12,925
Corporate	85,659	17,786	107	11,390
Yankee bonds	1,268	313	-	-
Non-U.S. fixed income	5,039	959	-	5,791
Repurhcase agreements	-	-	626	-
Mortgages	-	-	-	59,992
Total	**$ 91,966**	**$ 19,058**	**$ 780**	**$ 166,104**

Note 3 - Deposits and Investments (Continued)

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 (in $000):

	Fixed Income	Equity	Forward Contracts Unrealized Gain (Loss)	Cash
Australian dollar	$ 7,815	$ 11,069	$ (3,595)	$ 1,005
Brazilian real	2,128	188	-	-
British pound sterling	3,008	59,926	(11,987)	346
Canadian dollar	8,732	4,433	-	97
Cyprus pound	-	1,129	-	-
Czech koruna	-	2,809	(1,099)	177
Danish krone	-	2,069	-	40
Euro currency	8,357	136,529	(11,361)	8,822
Hong Kong dollar	-	7,575	(1,418)	486
Hungarian forint	-	3,071	-	(1,689)
Indonesian rupiah	1,546	220	-	33
Japanese yen	-	78,021	19,635	2,717
Kroon	-	96	-	-
Malaysian ringgit	1,498	-	-	-
Mexican Nuevo peso	3,348	974	-	14
New Taiwan dollar	-	633	-	163
New Zealand dollar	1,199	234	(2,119)	-
Norwegian krone	-	8,255	-	778
New Turkish lira	-	2,068	(444)	7
Philippines peso	-	-	-	-
Polish zloty	5,177	9,519	(982)	(31)
Renminbi yuan	-	1,230	-	-
Russian new ruble	-	3,126	-	-
Singapore dollar	5,361	2,294	-	156
South African rand	271	-	-	-
South Korean won	-	2,686	-	(75)
Swedish krona	5,354	10,689	386	104
Swiss franc	-	30,079	-	490
Thai baht	770	349	1,123	-
Total	**$ 54,564**	**$ 379,271**	**$ (11,861)**	**$ 13,640**

Note 3 - Deposits and Investments (Continued)

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

Investment	Amount
Short-term investments	$ 57,199,392
Stocks	1,480,486,746
Commingled equity funds	791,570,177
Bonds	360,671,578
Mortgage-backed securities	82,017,278
Pooled investments	162,121,174
Equity interest in real estate	89,256,803
Private placements	339,900,994
Mortgage and construction loans	106,270,231
Total	$ 3,469,494,373

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.

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.

Note 3 - Deposits and Investments (Continued)

The System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested together with the cash collateral of other lenders in an investment pool. The average duration of this investment pool as of June 30, 2006 was 26 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, 2006, the System had no credit risk exposure to borrowers. The collateral held and the fair market value of the underlying securities on loan for the System as of June 30, 2006 was $548,294,329 and $535,930,060, respectively.

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, 2006, the System's reserves have been fully funded as follows:

Reserved for employee contributions	$ 653,487,930
Reserved for retired employees	1,685,531,699

A statement of changes in plan net assets by fund 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 Retirement System for the City of Detroit and approximately $630,000,000 was deposited into the Police and Fire Retirement System for the City of Detroit, 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 on the advice of the actuary. The Accrued Liability Fund was credited with investment earnings commensurate with the overall earnings of the System.

Required Supplemental Information

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)
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
06/30/05	3,222,393,861	3,347,387,652	124,993,791	96.3	390,593,600	32.0

Required Supplemental Information
Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution		Percentage Contributed
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
2006	75,450,813	**	120

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2005, the latest actuarial valuation, follows:

Valuation date	June 30, 2005
Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	Three-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 city contribution included city contributions of $41,689,528 as well as transfers of $64,807,084 from the proceeds of pension obligation certificates.

** For the year ended June 30, 2006, the annual required contribution was funded by transfers from the accrued liability reserve in the amount of $32,651,232 and from current year city contributions of $58,162,088.

Other Supplemental Information

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.

	Annuity Reserves	
	Annuity Savings Fund	Annuity Reserve Fund
Additions		
Net investment income	$ 119,783,196	$ 3,178,316
Contributions:		
Employee	20,401,031	-
Employer	-	-
Total additions - Net of investment loss	140,184,227	3,178,316
Deductions		
Retirees' pension and annuity benefits	-	4,746,340
General and administrative expenses	-	-
Depreciation expense	-	-
Member refunds and withdrawals	112,726,813	-
Total deductions	112,726,813	4,746,340
Net Additions (Deductions) - Before transfers	27,457,414	(1,568,024)
Transfers - Net	(6,071,451)	4,884,587
Net Increase in Net Assets Held in Trust for Pension Benefits	21,385,963	3,316,563
Net Assets Held in Trust for Pension Benefits - Beginning of year	632,101,967	38,652,617
Net Assets Held in Trust for Pension Benefits - End of year	**$ 653,487,930**	**$ 41,969,180**

Other Supplemental Information
Statement of Changes in Plan Net Assets by Fund
Year Ended June 30, 2006
(with comparative totals for the year ended June 30, 2005)

		Pension Reserves			
Market Stabilization Fund	Accrued Liability Reserve Fund	Pension Accumulation Fund	Pension Reserve Fund	Total 2006	Total 2005
$ 4,418,887	$ 53,728,194	$ 61,647,172	$ 134,428,986	$ 377,184,751	$ 276,414,652
-	-	61,265	-	20,462,296	22,648,662
-	-	58,162,088	-	58,162,088	781,483,426
4,418,887	53,728,194	119,870,525	134,428,986	455,809,135	1,080,546,740
-	-	-	196,865,514	201,611,854	172,251,379
-	-	3,565,514	-	3,565,514	3,927,794
-	-	105,061	-	105,061	96,145
-	-	1,607,000	-	114,333,813	106,882,109
-	-	5,277,575	196,865,514	319,616,242	283,157,427
4,418,887	53,728,194	114,592,950	(62,436,528)	136,192,893	797,389,313
-	(32,651,232)	(104,713,072)	138,551,168	-	-
4,418,887	21,076,962	9,879,878	76,114,640	136,192,893	797,389,313
96,492,467	680,103,722	304,087,675	1,567,447,879	3,318,886,327	2,521,497,014
$ 100,911,354	**$ 701,180,684**	**$ 313,967,553**	**$1,643,562,519**	**$3,455,079,220**	**$3,318,886,327**