Pension Plan of the General Retirement System of the City of Detroit

Financial Report
with Supplemental Information
June 30, 2014

Pension Plan of the General Retirement System of the City of Detroit

Contents

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Independent Auditor's Report

To the Board of Trustees
Pension Plan of the General Retirement
System of the City of Detroit

Report on the Financial Statements

We have audited the accompanying financial statements of the Pension Plan of the General Retirement System of the City of Detroit (the "Plan") as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees
Pension Plan of the General Retirement
System of the City of Detroit

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Pension Plan of the General Retirement System of the City of Detroit as of June 30, 2014 and 2013 and the changes in its fiduciary net position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 1, the financial statements include investments valued at approximately $642,000,000 (32 percent of net position) at June 30, 2014 and at approximately $702,000,000 (33 percent of net position) at June 30, 2013, whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by investment managers, general partners, real estate advisors, and other means. Our opinion has not been modified with respect to this matter.

Effective July 1, 2013, the System adopted the provisions of GASB 67, *Financial Reporting for Pensions*, as discussed in Note 1. Adopting this new accounting standard resulted in significant changes to the defined benefit related footnote disclosures and Required Supplementary Information schedules. The City's bankruptcy, which was confirmed after year-end, had a significant impact on the implementation of this new standard, which is disclosed in Note 9. Our opinion has not been modified with respect to this matter.

As described in Note 1 to the financial statements, the City of Detroit had previously filed for Chapter 9 bankruptcy which, as of June 30, 2013, called into question the collectability of approximately $36,000,000 of contributions receivable that were due from the City of Detroit to the System. As a result of the risk associated with the City's inability to make the required payments, the System did not reflect the contribution revenue or associated receivable balances in the financial statements as of June 30, 2013. During fiscal year 2014, the City did not make the full annual required contribution for the year ended June 30, 2014 or any late payments related to fiscal year 2013. Under the bankruptcy, the City will not be making payments directly attributable to these potential receivables and will instead be following a revised payment schedule for contributions on a go-forward basis. In addition, GASB 67 does not allow for reporting revenue unless it is received or receivable pursuant to legal requirements. Therefore, as of June 30, 2014, no revenue or receivables have been reflected in the financial statements for the balance of 2013 and 2014 fiscal year required contributions. Our opinion has not been modifid with respect to this matter.

To the Board of Trustees
Pension Plan of the General Retirement
System of the City of Detroit

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

These financial statements exclude the Schedule of Funding Progress required by GASB 25 and accounting principles generally accepted in the United States of America in periods prior to June 30, 2014 and necessary for a complete comparative financial statement presentation. The disclosures in this schedule have become obsolete given the adoption of GASB 67 in the current year. Such omitted information, although not a part of the basic financial statements, was previously required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Plante & Moran, PLLC

May 5, 2015

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) the 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 sections of required and other supplemental information that further explain and support 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 two prior years:

	Fiscal Year Ended		
	June 30, 2014	June 30, 2013	June 30, 2012
Total assets	$ 2,081,881,976	$ 2,244,235,124	$ 2,319,275,903
Total liabilities	66,674,097	145,213,170	160,438,055
Net position - held in trust for pension benefits	**$ 2,015,207,879**	**$ 2,099,021,954**	**$ 2,158,837,848**
Net investment income	$ 291,929,959	$ 270,348,063	$ 49,023,470
Contributions:			
Employer	25,126,131	26,515,782	64,218,880
Employee	10,241,761	13,395,701	16,585,232
Total contributions	35,367,892	39,911,483	80,804,112
Other income	7,604,277	11,861,477	1,604,294
Benefits paid to members and retirees:			
Retirees' pension and annuity benefits	253,683,194	246,617,947	230,915,545
Member annuity refunds and withdrawals	144,050,613	126,498,794	156,865,860
Total benefits paid	397,733,807	373,116,741	387,781,405
Benefits paid in excess of contributions	(362,365,915)	(333,205,258)	(306,977,293)
Ratio of contributions to benefits paid	8.89%	10.70%	20.84%
Other expenses	(20,982,396)	(8,820,176)	(6,379,579)
Net decrease in net position	**$ (83,814,075)**	**$ (59,815,894)**	**$ (262,729,108)**

Fund Overview, Membership, and Governance

The General Retirement System of the City of Detroit ("DGRS" or the "System") is a defined benefit pension plan and defined contribution plan which, as discussed in greater detail below, at the conclusion of the 2014 fiscal year was frozen by the City of Detroit. This legacy plan (the "Legacy Plan"), as it is now called, is being reported within these financial statements. A new, hybrid plan (the "Hybrid Plan") was created by the City on July 1, 2014 and is not included within these financial statements.

DGRS exists to pay benefits to its members. Members of the System include active employees, retirees, and beneficiaries. Active members earn service credit that entitles them to receive benefits in the future. Both the employer and municipal plan sponsor for the System, the City of Detroit (the "City"), and active members have historically contributed to the System (the employee contributions were voluntary). Retirees, their beneficiaries, and disabled members are those currently receiving benefits.

DGRS is a relatively mature plan in that there are more members receiving current benefits than active members. As of June 30, 2013, there were 5,364 active members, with 12,089 members receiving benefits, and 2,395 terminated plan members entitled to, but not yet receiving, benefits. On June 30, 2014, the Emergency Manager of the City of Detroit issued Order #30, which froze the existing pension plan, the Legacy Plan. As of June 30, 2014, no new employees were allowed to participate in the Legacy Plan and benefit accruals for members with respect to service rendered prior to July 1, 2014, were frozen based on the member's years of service, average final compensation and the pension multiplier formula as of the freeze date. Employees working after July 1, 2014, are now earning service credit in a new pension plan, the Hybrid Plan.

DGRS 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 two-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 (or designee), the city treasurer, and one representative from the Detroit City Council. Expirations of terms of elected trustees are staggered. As is discussed in more detail below, an Investment Committee was established in December 2014 by DGRS to meet governance requirements related to the consensual resolution of the City's bankruptcy case.

The City of Detroit's Chapter 9 Bankruptcy Case

In March 2013, after the City had endured years of financial difficulty, the Governor appointed an Emergency Manager (the "EM") for the City pursuant to Michigan Public Act 436 of 2012, which is a law that includes the ability for an EM to file a bankruptcy proceeding. In anticipation of that possibility, DGRS had assembled a restructuring team of professional legal, financial, actuarial, and other advisors to assist the System's on-staff professionals with meeting the challenges that could arise if the City filed for bankruptcy protection.

On July 18, 2013, the City filed a petition in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court") seeking protection from its creditors under Chapter 9 of the United States Bankruptcy Code (the "Chapter 9 Case"). DGRS objected to the City's request for Chapter 9 relief on the basis that Article IX, section 24 of the Michigan Constitution of 1963 prevented the City from diminishing accrued pension benefits, even in bankruptcy. On December 5, 2013, after a hearing lasting several weeks, the Bankruptcy Court entered an order determining that the City was eligible for Chapter 9 relief, and holding that accrued pension benefits could be decreased in bankruptcy despite the language of the Michigan Constitution. DGRS immediately filed an appeal with the United States Court of Appeals for the Sixth Circuit.

The Bankruptcy Court also ordered DGRS and other creditors to mediate their disputes with the City, a process which gained momentum in early 2014. As a result of that mediation, a proposed settlement of pension claims of DGRS members was included as part of the City's Fourth Amended Plan for the Adjustment of Debts of the City of Detroit, filed on May 5, 2014 along with an accompanying Fourth Amended Disclosure Statement (the "Pension Settlement"). The Pension Settlement proposed a compromise of pension claims reached with the City with funding support from the State of Michigan, the Detroit Institute of Arts, and certain charitable foundations. On May 12, 2014, the City issued ballots to all DGRS members as claim holders in Class 11 under the City's classification system for its creditors, seeking their approval of the Pension Settlement.

For DGRS, with respect to benefit adjustments, the Pension Settlement, for which benefit levels were and are contingent on other factors, including receipt of outside contributions, provided for a loss of cost of living adjustments, or 'escalators' ("COLAs") paid after July 1, 2014; a 4.5% cut to the remaining accrued pension benefit after the COLA loss; and, for DGRS members who participated in the Annuity Savings Fund plan between 2003 and 2013, recoupment of certain amounts of interest deemed by the City to be in 'excess' of that which should have been credited to individual ASF accounts, referred to as ASF Recoupment. ASF Recoupment, like other provisions of the Pension Settlement, is not optional. Most members will be required to pay their ASF Recoupment by a monthly deduction from their future pension benefits for a set term of months, including interest calculated at 6.75 percent. All such members were offered a lump sum cash option, which was limited in the aggregate to $30 million in member recoupment. The Pension Settlement also included the possibility of restoration of certain pension benefit cuts, based on a program for the most financially vulnerable pensioners and beneficiaries through the State of Michigan Treasury Department as well as a new feature of the Legacy Plan allowing restoration depending on the System's funding level over time.

On June 11, 2014, the Board adopted a resolution supporting treatment of the Class 11 claim holders as part of the Pension Settlement. DGRS thereafter issued correspondence to its membership in support of the treatment of Class 11 claims. Also in June, the Michigan legislature adopted legislation, which the Governor signed, conditionally approving the State's contribution of $194.8 million, split between DGRS and the Police and Fire System, to the resolution of the Chapter 9 Case.

In a balloting process that closed on July 11, 2014, the pension claim holders, including DGRS members, were deemed by the Bankruptcy Court to have supported the City's treatment of pension claims in the Pension Settlement. The treatment of DGRS member claims was carried forward to the City's (final) Eighth Amended Plan for the Adjustment of Debts, filed October 22, 2014 (the "Plan of Adjustment").

On November 12, 2014, after a confirmation hearing lasting several weeks, the Bankruptcy Court entered an order confirming the Plan of Adjustment. The effective date of the Plan of Adjustment occurred on December 10, 2014. Effective that same day, pursuant to the Plan of Adjustment, implementation of the Pension Settlement officially began with establishment by DGRS of a seven member Investment Committee, though contingency planning for all of the pension adjustments had been underway for months. The Investment Committee is comprised of five independent members, one retiree, and one active employee. The Investment Committee has responsibility for guiding the Board's investment decisions, among other things.

Other components of implementation of the Plan of Adjustment proceeded between December 2014 and March 2015. The process of implementing the Plan of Adjustment is expected to continue well into 2015 and beyond, with monitoring, compliance, and other activity by DGRS, its Board of Trustees, and its Investment Committee. On December 1, 2014, DGRS provided its retirees and beneficiary members with applications for the Income Stabilization Program (the "ISF Program") established as part of the State Contribution Agreement, one component of the Pension Settlement. The ISF Program, supported by City funds arising from an unlimited tax general obligation bonds settlement, is intended to ensure that the most financially vulnerable retirees and beneficiaries do not fall below the poverty line as a result of bankruptcy-related pension changes. The ISF Program was implemented March 1, 2015, along with other bankruptcy-related pension benefit changes.

Contributions to the System

Historically, both the City and active employees have made regular contributions to the System, though employee contributions were optional before July 1, 2014. Basic pension and disability benefits have been funded through employer contributions plus investment earnings on those contributions. The required employer contributions have been determined by the System's actuaries using the entry age normal cost method. Assumptions used by the actuaries are subject to experience testing every five years. Effective December 10, 2014, as part of the resolution of the Chapter 9 case, the investment return assumption and discount rate used by the System's actuary for purposes of determining the System's assets and liabilities for funding purposes was fixed at 6.75 percent through the period ending June 30, 2023.

Prior to the filing of the Chapter 9 case, the City's General Fund stopped making payments related to unsecured funded debt and legacy liabilities, including payments to the System on behalf of most of DGRS's members. Notably, for some segments of DGRS's member population, such as those employees and retirees from the Detroit Library Commission, the Detroit Water and Sewerage Department, and the COBO Authority, employer contributions continued to be remitted to DGRS even after the Chapter 9 case was filed. These situations led to disputes in the Bankruptcy Court which were eventually resolved by the Plan of Adjustment.

When the City filed the Chapter 9 case, obligations owed by the City became potentially subject to compromise in the bankruptcy process. The pension claims of DGRS members were determined by the Bankruptcy Court to be included as unsecured obligations. The City's last General Fund employer contribution before the Chapter 9 case on behalf of employee and retiree groups not listed above was made on November 30, 2012. During fiscal year 2014, the City did not make any contributions to the System from the General Fund, but the Library, DWSD, and COBO Authority did remit payments. In the Chapter 9 case, DGRS filed a claim against the City for $66.6 million as of July 18, 2013, reflecting past due employer contributions with interest for fiscal years 2012 and 2013. This amount did not reflect the full unfunded actuarial accrued liability of the System.

Going forward, the obligations for contributions to the System through 2023 are determined as fixed amounts by the provisions in the Plan of Adjustment. Pursuant to the Plan of Adjustment, the System is expected to receive contributions of a total of $718.6 million through fiscal year 2023. The Plan of Adjustment calls for the System to receive $98.8 million from the State of Michigan, $428.5 million from DWSD; $31.7 from UTGO settlement proceeds; $45 million from the DIA and its foundation donors; and $114.6 million from the other City-related employer contribution sources, such as the General Fund, Library, and COBO Authority, over a 10-year period covering fiscal year 2014 through fiscal year 2023. The City, and various other employer constituents such as the Library, DWSD, and COBO Authority, will retain responsibility for the full funding obligations of the System after 2023, consistent with Michigan law.

Impact of City of Detroit Collective Bargaining and Bankruptcy Pension Adjustments

The following changes became effective pursuant to Emergency Manager Order No. 30:

- The existing Legacy Plan defined contribution plan and defined benefit plan were frozen, preventing any future accruals or new members in the Legacy Plan effective June 30, 2014;
- The following additional changes became effective July 1, 2014:
  - A new Hybrid Plan defined benefit plan commenced with mandatory contributions of 4 percent of base pay. The City contributes 5 percent of employee base pay.
  - A new Hybrid Plan defined contribution plan for the Annuity Savings Fund. Employees may make voluntary Annuity Savings Fund contributions up to 7 percent of total after-tax pay. Interest will be credited at the actual net investment rate of return of DGRS, but will, in no event, be lower than 0 percent or higher than 5.25 percent; and
  - Elimination of the COLAs (also known as pension improvement factor or escalator) for all benefits paid after the effective date on the Legacy Plan, with the possibility for variable COLAs under certain circumstances.
  - Hybrid Plan provides that future duty disability and non-duty disability retirement allowances for members who become disabled after July 1, 2014, moves to a commercial insurance program through the City.

In the Legacy Plan, frozen as of June 30, 2014, active employees were allowed to voluntarily contribute 0 percent, 3 percent, 5 percent, or 7 percent of gross pay to the defined contribution plan (also referred to as the Annuity Savings Fund). [1] Those employee contributions are maintained in separate accounts in the defined contribution plan (Annuity Savings Fund) solely for the benefit of the contributing employee. After 25 years of service, an active employee may elect to withdraw their accumulated contributions plus investment earnings. Upon retirement, an employee may elect to annuitize some of their 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 upon retirement is refunded in a lump sum.

As of June 30, 2014, due to the plan freeze, no additional benefit accruals are being earned in the Legacy Plan.

Additionally, as noted above, as a result of the Chapter 9 case, there will be a 4.5 percent reduction to monthly pension payments and the elimination of cost of living adjustments (COLA) made to pension benefits payable annually after July 1, 2014. DGRS members, retirees, and former employees who participated in the Annuity Savings Fund any time during July 1, 2003 and June 30, 2013 are subject to ASF Recoupment.

Beginning March 1, 2015, certain DPFRS members received benefit pension cut restoration under the Income Stabilization Fund program administered by DPFRS pursuant to the State Contribution Agreement based on eligibility and benefit payments calculated by the State of Michigan.

Note 9 in the footnotes to the financial statements discusses, in further detail, the changes resulting from the Plan of Adjustment.

Benefit Payments

The System exists to pay the benefits which its members have earned pursuant to benefits promised by the City, subject to the Chapter 9 case benefit adjustments in the Legacy Plan and the new promises in the Hybrid Plan. Benefits are paid monthly. In fiscal year 2014, DGRS paid out $398 million in benefits, consisting of $254 million in benefits to retirees and beneficiaries plus $144 million in refunds of Annuity Savings Fund balances. This represents approximately 20 percent of the net asset position of the System at year end. Employer and employee contributions were $35 million or 1.7 percent of the net position of the System. The excess of benefits over contributions ($362 million) is funded through investment income. The public capital markets represent the primary source of opportunities to earn investment income.

[1] Effected in EM Order No. 30, the City prepared and first published on July 1, 2014, a document called "Component II" of the Combined Plan for DGRS, intended to reflect the provisions of the frozen Legacy Plan as they existed on June 30, 2014. A "Component I" document set forth the provisions of the Hybrid Plan under which active employees began to accrue benefits as of July 1.

As of June 30, 2014, due to the freeze of the Legacy Plan, no additional benefit accruals are being earned in the Legacy Plan. The ASF Recoupment will be transferred to the pension accumulation fund (or "PAF") and used to fund the accrued benefits of the GRS Legacy Plan.

GASB 67 Adoption

As of July 1, 2013, the Plan was required to adopt Governmental Accounting Standards Board Statement No, 67, Financial Reporting for Pension Plans, which significantly revises existing guidance for the financial reports of most governmental pension plans.

GASB Statement No. 67 introduces significant changes to the timing and manner in which the actuarial valuation is performed, including changes to how the discount rate is calculated for accounting purposes. In addition, significant new footnote disclosures and required supplementary information schedules are now required.

Asset Allocation

The Board believes that the principal determinant of total fund investment performance over long periods of time is asset allocation. The DGRS asset allocation is built upon the foundation that the obligations of the System to pay the benefits promised to its members are very long-term obligations. Accordingly, the Board must make investment decisions that it believes will be the most beneficial to the 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 raise the cash to fund significant benefit payments every month.

Michigan law imposes limitations on what fraction of the total assets of the System may be invested in assets other than government bonds, investment grade bonds, and certain mortgages. Additional restrictions are imposed on what fraction of the total assets of the System may be invested in foreign securities. The Board's asset allocation policies comply with applicable state statutes.

The Board 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 DGRS asset allocation policy as of June 30, 2014:

Domestic equity	23%
International equity	22
Domestic fixed	16
International fixed	3
Hedge	5
Private equity	6
Real estate	8
Global asset allocation/risk parity	12
Commodities	5

Investment Results

Returns presented 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

DGRS's total fund composite for the year was 14.5 percent, net of fees and expenses. The five year total fund (net) composite return was 9.9 percent, annualized. DGRS returns over the one- and five-year periods are well above the Fund's pre-Chapter 9 Case target return of 7.9 percent, the long-term return assumption previously used to meet current and future benefit obligations. As part of the resolution of the Chapter 9 Case, the discount rate assumption has been set at 6.75 percent through the period ending June 30, 2023. This discount rate assumption provided in the Chapter 9 case does not establish an investment return assumption or discount rate for purposes of, or in accordance with generally accepted accounting principles.

Returns across many market segments were unusually strong given the current investment landscape. All asset classes had positive returns during the fiscal year, with domestic equities (24.6 percent) and developed market equities (23.1 percent) posting the highest returns. Global equities (domestic, developed, and emerging) represent approximately 42 percent of total plan assets as of June 30, 2014.

Total plan returns, net of fees and expenses, for the recent prior fiscal years ended June 30 are shown below:

2013	11.7%
2012	0.1
2011	19.7
2010	4.5

Money Weighted Rate of Return

In 2012, the Governmental Accounting Standards Board ("GASB") released new accounting standards for public pension plans. One of the new GASB Statement No. 67 disclosure requirements is the annual money weighted rate of return. A money-weighted rate of return (as opposed to the time-weighted rate of return discussed in the previous section) considers both the size and timing of cash flows over the course of the year to determine an internal rate of return (sometimes referred to as "IRR"). This return is calculated net of expenses and uses cash flows determined on a monthly basis. The DGRS money-weighted rate of return for the year using end-of-the-month cash flows was 16.3 percent.

Contacting the General Retirement System's Management

This financial report is intended to provide a general overview of the System's finances and investment results in relation to actuarial projections. It shows the System's accountability for the money it receives from employer and employee contributions. If you have questions about this report or need additional information, we welcome you to contact the System's office or visit their website at www.rscd.org.

Pension Plan of the General Retirement System of the City of Detroit

Statement of Fiduciary Net Position

	June 30, 2014	June 30, 2013
Assets		
Cash and cash equivalents (Note 3)	$ 25,742,786	$ 16,852,995
Investments - At fair value (Note 3):		
Short-term investments	74,423,479	37,680,539
Stocks	1,058,090,820	1,054,606,782
Commingled equity funds and hedge funds	84,643,123	135,823,322
Bonds	116,409,457	144,296,396
Mortgage-backed securities	21,970,772	27,285,952
Pooled investments	7,870,265	7,839,000
Equity interest in real estate	211,811,951	223,433,016
Private placements	322,419,977	361,144,405
Mortgage and construction loans	99,652,517	109,134,461
Receivables:		
Accrued investment income	3,220,916	3,459,158
Receivables from investment sales	13,646,430	31,990,292
Other accounts receivable	47,647	41,610
Notes receivable from participants	9,649,208	11,877,740
Cash and investments held as collateral for securities lending (Note 3):		
Asset-backed securities	5,073,258	6,063,906
Repurchase agreements	25,876,225	69,623,876
Corporate floating rate	-	1,803,044
Capital assets (Note 1)	1,333,145	1,278,630
Total assets	2,081,881,976	2,244,235,124
Liabilities		
Claims payable to retirees and beneficiaries	11,692,026	7,381,391
Payables for investment purchases	15,593,379	37,771,258
Due to the City of Detroit	1,156,317	1,394,434
Amounts due broker under securities lending arrangements	35,241,386	96,535,642
Other liabilities	2,990,989	2,130,445
Total liabilities	66,674,097	145,213,170
Net Position - Restricted for pensions	**$ 2,015,207,879**	**$ 2,099,021,954**

Pension Plan of the General Retirement System of the City of Detroit

Statement of Changes in Fiduciary Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013
Additions		
Investment income:		
Interest and dividend income	$ 21,065,114	$ 34,809,221
Net appreciation in fair value of investments	269,067,717	241,561,967
Less investment expense	(8,947,895)	(11,696,933)
Net investment income	281,184,936	264,674,255
Securities lending income:		
Interest and dividends	161,964	434,418
Net unrealized gain on collateralized securities	838,430	5,239,390
Net securities lending income	1,000,394	5,673,808
Contributions:		
Employer	25,126,131	26,515,782
Employee	10,241,761	13,395,701
Total contributions	35,367,892	39,911,483
Other income	7,604,277	11,861,477
Total additions	325,157,499	322,121,023
Deductions		
Retirees' pension and annuity benefits	253,683,194	246,617,947
Member refunds and withdrawals	144,050,613	126,498,794
General and administrative expenses	11,131,076	8,745,727
Depreciation expense	106,691	74,449
Total deductions	408,971,574	381,936,917
Net Decrease in Net Position Held in Trust	(83,814,075)	(59,815,894)
Fiduciary Net Position Restricted for Pensions - Beginning of year	2,099,021,954	2,158,837,848
Fiduciary Net Position Restricted for Pensions - End of year	**$ 2,015,207,879**	**$ 2,099,021,954**

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

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the Pension Plan of the General Retirement System of the City of Detroit:

Reporting Entity

The City of Detroit (the "City") sponsors the Pension Plan of the General Retirement System of the City of Detroit (the "Plan"), which is a contributory single-employer retirement plan. The Plan, which is administered by the Plan's board of trustees, is a defined benefit plan comprised of a defined benefit component and a second component that operates similar to a defined contribution plan. The plans provide retirement, disability and survivor benefits to plan members and beneficiaries.

The Plan is a separate and 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 a fiduciary obligation and legal liability for any violations of fiduciary duties as independent trustees.

The financial statements for the System are also reported in the combined financial statements of the City of Detroit as a pension trust funds. The assets of the pension trust fund includes no securities of or loans to the City or any other related party.

On June 30, 2014, as a result of negotiations between the City and the Official Committee for Retirees of the City of Detroit and public employee unions, the existing plan benefit formulas were frozen and no new employees were allowed to earn benefits under the existing plans. The Emergency Manager issued Order #30 (General Retirement System of the City of Detroit) on June 30, 2014 which put these changes into effect. This plan in existence as of June 30, 2014 is known as the "legacy plan". These financial statements represent this legacy plan only.

As of July 1, 2014, all current and future employees now participate in the new hybrid pension plans. Active City employees who participated in the legacy plan will receive the benefits they have earned under the Retirement System through June 30, 2014 plus an additional benefit under the new hybrid plan formula, assuming all vesting requirements are met.

Note 1 - Summary of Significant Accounting Policies (Continued)

Plan Sponsor Financial Condition - Impact on Plan

Over the last several years, the City of Detroit (the plan sponsor) has been experiencing significant financial difficulty and liquidity concerns. In February 2013, a financial review team appointed by the Governor of the State of Michigan determined that a local government financial emergency existed in the City. In March 2013, the Governor appointed an emergency manager under PA 72 of 1990. In July 2013, the City filed a voluntary petition under Chapter 9 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Michigan, the eligibility for which was approved in federal court in December 2013. Part of the federal court's ruling in December 2013 indicated that the bankruptcy status usurped whatever protections may be offered governmental pensions under the Michigan Constitution.

As of June 2013, the City had defaulted on approximately $36 million of pension contributions due to the Plan. The City's June 30, 2013 financial statements disclosed that a "substantial doubt about the City's ability to continue as a going concern" existed. During fiscal year 2014, the City only paid $25 million in employer contributions into the Plan, despite the fact that there were actuarially required contributions of approximately $73 million.

The bankruptcy proceedings continued through November 2014. On November 12, 2014, the United States Bankruptcy Court for the Eastern District of Michigan entered an order confirming the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit. The effective date of the Plan occurred on December 10, 2014 and the City exited bankruptcy at that time. The emergency manager was then released from his role at the City. See Note 9, Subsequent Events, for additional information on the impact of the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit.

Accounting and Reporting Principles

The System follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

Basis of Accounting

The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Note 1 - Summary of Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments - Investments are reported at fair value or estimated 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 is based on periodic appraisals as well as the judgment of independent real estate advisors and management. Investments that do not have an established market value are reported at estimated fair value as determined by the System's management.

Approximately $642,000,000 or 32 percent of the Plan's net position as of June 30, 2014 and approximately $702,000,000 or 33 percent of the Plan's net position as of June 30, 2013 are not publicly traded and therefore do not always have a readily determinable market value. Of the alternatives held at June 30, 2014, the Plan classifies approximately 50% as real estate related investments, 15% as mortgage and construction loans and the remainder is classified either as private placements or pooled investments. As of June 30, 2013, the Plan classifies approximately 51% of these alternatives as real estate investments, 16% as mortgage and construction loans and the remainder is classified as either private placements or pooled investments.

Management's estimates of these values are based on information provided by investment managers, general partners, real estate advisors and other means. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

Notes Receivable from Participants - Any active general employee who is or has been a participant in the 1973 defined contribution plan (annuity savings fund) may be eligible for the employee loan program. The minimum amount of the loan was established at $1,000. The maximum loan is the lesser of 50 percent of the member's account balance in the annuity saving fund or $10,000. Members can borrow as either a general purpose loan payable in one to five years or a residential loan payable in one to fifteen years. A member can have only two outstanding loans. The balance of these loans for the years ended June 30, 2014 and 2013 was $9,649,208 and $11,877,740, respectively, measured at the unpaid principal balance plus any accrued but unpaid interest. Participant notes receivable are written off when deemed uncollectible.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Comparative Data/Reclassifications - Comparative data for the prior year has been reclassified in order to be consistent with the current year's presentation.

Reporting Change - During the year, the Plan adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. The statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. The statement did not impact the Plan.

The Plan also adopted GASB Statement No. 67, *Financial Reporting for Pension Plans,* during the year. The statement establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer and certain nonemployer contributing entities, about which information is required to be disclosed. As a result of the implementation of GASB 67, the System's financial statements now include new disclosures and required supplementary information focused on the System's total and net pension liability.

Upcoming Accounting Change - In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The System is currently evaluating the impact this standard will have on the financial statements when adopted, during the System's 2016 fiscal year.

Note 2 - Pension Plan Description

Plan Administration - The Plan's board of trustees administers the Pension Plan of the General Retirement System of the City of Detroit - a single employer defined benefit and defined contribution pension plan that provides retirement benefits, as well as survivor and disability benefits, for plan members and beneficiaries. Plan members include active employees, retirees, and beneficiaries from various departments within the City of Detroit. Benefit terms have been established by contractual agreements between the City and the employees' collective bargaining units; amendments are subject to the same process. The obligation to contribute to and maintain the Plan was established by City Charter and negotiation with the employees' collective bargaining units.

The board of trustees consists of ten members - five elected employee members, one elected retired member, one mayor appointed citizen, and three ex-officio members.

Plan Membership - At June 30, 2013, the Plan's membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	12,089
Inactive plan members entitled to but not yet receiving benefits	2,395
Active plan members	5,364
Total	19,848

As of June 30, 2014, the Plan has been frozen. As of that date, no new participants were allowed to enter the plan and no new benefit accruals were allowed for existing participants.

Benefits Provided - The Plan provides retirement, disability, and death benefits. Benefit terms are established by negotiations between the City Council and the employees' collective bargaining unit and may be amended by the City Council.

Note 2 - Pension Plan Description (Continued)

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Plan retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2014, and June 30, 2013, the average active member contribution rate was between 0 percent and 7 percent, as the Plan allows the employees to 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.

For fiscal year 2014, the City's average required contribution rate, as determined by the June 30, 2012 actuarial valaution, was 30.05 percent of covered payroll. For 2013, this rate was 23.09 percent as determined per the actuarial valuation as of June 30, 2011. The City contributed only $25,126,131 and $26,515,782 of the annual required contribution of $72,643,307 and $62,297,432 in fiscal years 2014 and 2013, respectively. In fiscal year 2014, only Water, Sewer, Library, and COBO made employer contributions.

The City filed for bankruptcy in 2013 and on November 12, 2014 the United States Bankruptcy Court for the Eastern District of Michigan entered an order confirming the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit. Going forward the obligation for the City to contribute to the System will be determined by the provisions in the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit.

Note 3 - Deposits and Investments

The Plan is authorized by Michigan Public Act 347 of 2012 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 in accordance with Public Act 196 of 1997 has authorized investments according to Michigan Public Act 347. The Plan's deposits and investment policies are in accordance with statutory authority.

Note 3 - Deposits and Investments (Continued)

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate risks, market, credit risks, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported on the statement of changes in plan net position.

The Plan's cash and investments are subject to various risks, 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 Plan's deposits may not be returned to it. The Plan does not have a deposit policy for custodial credit risk. Approximately $15.4 million and $15.0 million of the Plan's checking account balances were uninsured and uncollateralized at June 30, 2014 and 2013, respectively. The Plan 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 Plan 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.

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 Plan's investment policy does not restrict investment maturities.

At June 30, 2014, the average maturities of debt investments broken down by year are as follows:

Investment Type	Fair Value (in thousands)	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Government	$ 37,579	$ 1,521	$ 5,121	$ 8,683	$ 22,254
Mortgage backed	3,829	617	-	272	2,940
Treasuries	31,262	18,463	4,346	4,218	4,235
Corporate	19,000	2,155	10,043	4,816	1,986
Private placement	20,855	5,449	3,773	2,676	8,957
State and local obligations	441	-	-	-	441
Commingled bond funds*	31,452	31,452	-	-	-
Commercial mortgages	920	153	-	-	767
Mortgages	98,467	70,918	27,549	-	-
Construction loans	1,186	-	1,186	-	-
Term loans	2,974	922	191	1,861	-
Total	$ 247,965	$ 131,650	$ 52,209	$ 22,526	$ 41,580

* Not all pooled and mutual funds and commingled funds are subject to interest rate risk.

Note 3 - Deposits and Investments (Continued)

At June 30, 2013, the average maturities of debt investments broken down by year are as follows:

Investment Type	Fair Value (in thousands)	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Government	$ 29,880	$ 3,430	$ 7,007	$ 6,145	$ 13,298
Mortgage backed	7,522	2,335	1,460	261	3,466
Treasuries	19,085	2,715	5,412	5,680	5,278
Corporate	46,774	3,774	17,808	18,789	6,403
Other fixed income	5	-	5	-	-
Convertible stocks	400	400	-	-	-
Convertible bonds	400	-	348	5	47
Private placement	44,918	4,387	13,438	16,887	10,206
State and local obligations	228	-	-	-	228
Commingled bond funds*	17,952	17,952	-	-	-
Commercial mortgages	8,262	2	-	-	8,260
Mortgages	105,179	73,979	31,200	-	-
Construction loans	3,931	3,831	100	-	-
Term loans	5,272	-	2,344	2,928	-
Total	$ 289,808	$ 112,805	$ 79,122	$ 50,695	$ 47,186

* Not all pooled and mutual funds and commingled funds are subject to interest rate risk.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Plan has no investment policy that would further limit its investment choices.

As of June 30, 2014, the credit quality ratings of debt securities (other than those guaranteed by the U.S. government) as rated by S&P are as follows:

Investment Type and Fair Value ($000)	AAA	AA	A	BAA	BA	B	CAA	NR
U.S. government	$ 35,317	$ 181	$ 260	$ -	$ -	$ -	$ -	$ 3,236
Corporate	5,347	8,148	9,025	15,452	2,846	623	866	43,941
Other fixed income	3,655	1,188	3,608	2,634	795	215	31	6,499
Treasuries, including futures	3,401	-	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-	-	98,467
Commingled bond funds	-	-	-	-	-	-	-	78,435
Preferred securities	-	-	364	658	191	-	-	-
Construction loans	-	-	-	-	-	-	-	1,186
Total	$ 47,720	$ 9,517	$ 13,257	$ 18,744	$ 3,832	$ 838	$ 897	$ 231,764

Note 3 - Deposits and Investments (Continued)

As of June 30, 2013, the credit quality ratings of debt securities (other than those guaranteed by the U.S. government) as rated by S&P are as follows:

Investment Type and Fair Value ($000)	AAA	AA	A	BAA	BA	B	CAA	NR
U.S. government	$ 22,736	$ -	$ 228	$ -	$ -	$ -	$ -	$ 3,680
Treasuries, including futures	2,715	-	-	-	-	-	-	-
Corporate	10,090	6,015	8,233	20,043	9,386	9,811	9,728	32,318
Other fixed income	3,959	1,511	3,640	3,378	4,547	12,147	5,318	10,416
Convertible stocks	-	-	-	-	-	-	-	400
Convertible bonds	-	-	-	-	47	5	-	348
Mortgages	-	-	-	-	-	-	-	105,179
Commingled bond funds	-	-	-	-	-	-	-	38,885
Preferred securities	-	-	-	167	-	592	-	-
Construction loans	-	-	-	-	-	-	-	3,931
Total	$ 39,500	$ 7,526	$ 12,101	$ 23,588	$ 13,980	$ 22,555	$ 15,046	$ 195,157

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 Plan does not restrict the amount of investments in foreign currency.

Note 3 - Deposits and Investments (Continued)

At June 30, 2014, the following deposits and securities are subject to foreign currency risk (in thousands):

	Fixed Income	Equity	Cash	Forward Contracts (Including Payable/ Receivable)
Australian dollar	$ 2,811	$ -	$ 7	$ (1,365)
Brazilian real	617	-	-	472
British pound sterling	1,248	-	565	(214)
Canadian dollar	107	-	1	(107)
Chilean peso	-	-	-	2,147
Euro currency	4,022	-	(103)	(3,874)
Hungarian forint	1,072	-	-	-
Indian rupee	-	-	-	1,117
Malaysian ringgit	561	-	-	-
Mexican nuevo peso	3,382	-	-	-
New Turkish lira	-	-	-	362
New Zealand dollar	773	-	-	(704)
Polish zloty	1,277	-	15	(1,108)
South African rand	740	-	-	-
South Korean won	1,233	-	-	-
Total	$ 17,843	$ -	$ 485	$ (3,274)

Note 3 - Deposits and Investments (Continued)

At June 30, 2013, the following deposits and securities are subject to foreign currency risk (in thousands):

	Fixed Income	Equity	Cash	Forward Contracts (Including Payable/ Receivable)
Australian dollar	$ 2,269	$ -	$ 8	$ (2,245)
Brazilian real	1,138	-	-	241
British pound sterling	3,062	-	21	(37)
Canadian dollar	992	-	3	(973)
Chilean peso	-	-	-	773
Euro currency	7,209	-	68	(7,031)
Ghanain cedi	-	-	101	(101)
Hungarian forint	1,023	-	-	-
Indian rupee	-	-	-	1,124
Indonesian rupiah	-	-	2	-
Malaysian ringgit	1,022	-	-	-
Mexican nuevo peso	4,016	-	-	-
New Turkish lira	689	-	-	-
New Zealand dollar	703	-	-	(676)
Norwegian krone	-	-	-	(603)
Polish zloty	1,073	-	14	-
South African rand	816	-	-	-
South Korean won	1,081	-	(1,045)	-
Ukraine hryvnia	-	2	-	-
Total	$ 25,093	$ 2	$ (828)	$ (9,528)

Note 3 - Deposits and Investments (Continued)

As permitted by state statutes and under the provisions of a securities lending authorization agreement, the Plan lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Plan's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. The custodial bank does 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 102 percent of the market value of the loaned securities. At June 30, 2014, the collateral provided was 102 percent of the market value of the loaned securities. As of June 30, 2013, the collateral provided was 103 percent of the market value of the loaned securities

The Plan 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 Plan and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in a separate account with the cash collateral of other lenders in an investment pool. The average duration of this investment pool as of June 30, 2014 was five 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, 2014, the Plan had no credit risk exposure to borrowers. The collateral received (at cost) and the fair market value of the underlying securities on loan for the Plan as of June 30, 2014 were $35,241,386 and $34,458,938, respectively.

Securities Lent	Underlying Securities
U.S. governments	$ 5,327,272
U.S. equities	28,037,373
Non-U.S. fixed income	444,409
Non-U.S. equities	649,884
Total	$ 34,458,938

Note 3 - Deposits and Investments (Continued)

The fair market value of collateral of the securities lending pool at June 30, 2014 was $30,949,483. The investments were in asset-backed securities, repurchase agreements, and U.S. corporate securities (floating rate). Approximately 84 percent of these securities had a duration less than a year and 16 percent had a duration over 15 years.

The credit ratings of the securities lending collateral pool held at June 30, 2014 as rated by S&P are as follows:

Ratings		Amount
CCC		$ 3,579,610
D		1,496,155
NR		25,873,718
	Total	$ 30,949,483

At June 30, 2013, the collateral received (at cost) and the fair market value of the underlying securities on loan for the Plan were $96,535,642 and $93,336,968, respectively.

Securities Lent		Underlying Securities
U.S. governments		$ 4,358,872
U.S. corporates		4,810,302
U.S. equities		80,674,153
Non - U.S. fixed income		2,199,369
Non - U.S. equities		1,294,272
	Total	$ 93,336,968

The fair market value of collateral of the securities lending at June 30, 2013 was $77,490,826. The investments were in asset-backed securities, repurchase agreements, U.S. agencies, and U.S. corporate securities (floating rate). Approximately 94 percent of these securities had a duration less than a year and 6 percent had a duration over 15 years.

Note 3 - Deposits and Investments (Continued)

The credit ratings of the securities lending collateral pool held at June 30, 2013 as rated by S&P are as follows:

Ratings		Amount
AAA		$ 1,203,128
AA		1,403,016
A		400,029
CCC		3,512,711
D		1,351,737
NR		69,620,205
	Total	$ 77,490,826

Note 4 - Pension Plan Investments - Policy and Rate of Return

Investment Policy - The Plan's policy in regard to the allocation of invested assets is established and may be amended by the board of trustees by a majority vote of its members. It is the policy of the board of trustees to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the board of trustees' adopted asset allocation policy as of June 30:

Asset Class	Target Allocation
Domestic equity	23%
International equity	22
Domestic fixed income	16
International fixed	3
Hedge	5
Private equity	6
Real estate	8
Global asset allocation/risk parity	12
Commodities	5

Rate of Return - For the year ended June 30, 2014, the annual money-weighted rate of return on the Plan's investments, net of investment expense, was 16.3 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 5 - Pension Plan Reserves

In accordance with State law, the following reserves are required to be segregated within the pension plan:

The retiree reserve is made up of two reserves - Annuity Reserve Fund and Pension Reserve Fund. The annuity reserve fund is an accumulation of transfers that are made from the annuity savings 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. The pension reserve fund represents funded pension benefits available for retired members and is funded by actuarially determined transfers from the pension accumulation fund.

The employee reserve (Annuity Savings Fund or "ASF") is credited as employee contributions are received throughout the year; the Plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate approved by the Board. The City Council adopted an Ordinance limiting the interest rate to the Plan's net investment rate of return, with a cap of 7.9 percent and a floor of 0 percent. During fiscal year 2014, the Board approved the interest rate at 0 percent. Members are eligible to withdraw if they left the City for any reason (retire, laid-off, quit, disability, death), have 25 years of service. Eligible active members may elect to withdraw their accumulated (annuity) contributions plus investment earnings. Upon retirement a member can elect to annuitize or receive a lump sum of their accumulated contribution and interest earnings. When an employee retires, becomes disabled, or if a surviving spouse elects an annuity rather than a lump-sum payout of accumulated employee contributions, the balance is transferred to the annuity reserve fund. See Note 9 for disclosure of significant changes to the ASF going forward.

The balances of the reserve accounts as of June 30, 2014 and 2013 are included in the table below. The reserve balances as of June 30, 2014 shown below do not include the current year transfer amount related to fiscal year 2014 retirements for which amounts are transferred from the employee reserve to the retiree reserve. These transfers are pending as of June 30, 2014. The reserve amounts are more than the pension plan's net position as of both June 30, 2014 and June 30, 2013.

	2014	2013
Reserved for employee contributions	$ 267,783,724	$ 401,592,576
Reserved for retired employees	2,350,833,869	2,413,853,602

Note 6 - Net Pension Liability of the City

The net pension liability of the City has been measured as of June 30, 2014 based on benefits in force as of that date and is composed of the following:

Total pension liability	$ 3,801,649,071
Plan fiduciary net position	2,015,207,879
City's net pension liability	$ 1,786,441,192
Plan fiduciary net position as a percentage of the total pension liability	53.0 %

Significant changes occurred subsequent to June 30, 2014 due to the provisions in the City's Plan of Adjustment. See footnote 9 to these financial statements for more information about those changes and how the changes impact both the City's total pension liability as well as it's net pension liability.

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2013, which used update procedures to roll forward the estimated liability to June 30, 2014. The valuation used the following actuarial assumptions, which were different between the beginning of year (July 1, 2013) and the end of the year (June 30, 2014) due to the plan freeze and changing assumptions.

To calculate the beginning of year total pension liability, the following significant assumptions were made:

Wage Inflation	4.0 %	
Salary increases	4.0 - 8.9	average, including inflation
Investment rate of return	7.9	net of pension plan investment expense, including inflation

Mortality rates were based on 110% of the RP-2000 Combined Table for males and 110 percent of the RP-2000 Combined Table set back two years for females.

To calculate the end of year total pension liability, the following significant assumptions were made:

Due to the plan freeze, pay was not assumed to increase in the future and no inflation assumption was utilized. The investment rate of return (net of pension plan investment expense, including inflation) applied to the end of year total pension liability was 7.2 percent.

Note 6 - Net Pension Liability of the City (Continued)

To calculate the total pension liability as of June 30, 2014, the mortality assumption was changed to the RP-2014 Blue Collar Mortality Tables, Employees and Health Annuitants, set forward one year for males and one year for females with fully generational mortality projections using the two-dimensional Mortality Improvement Scale MP-2014.

The actuarial assumptions used in the June 30, 2013 valuation, to calculate the total pension liability as of June 30, 2014, were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2013.

Cost of living adjustments: For both the beginning and end of year calculations of the total pension liability, for certain active members, depending upon bargaining group, benefits are increased annually by 2.25 percent of the original pension amounts at retirement.

Attribution period: As addressed more fully in Note 9, as of June 30, 2014 the plan was frozen such that no new benefit accruals were allowed and no new members could join. Starting July 1, 2014, the participants in this legacy plan will now be earning benefits under a newly created defined benefit plan. GASB 67 requires that the service costs of all pensions be attributed through all assumed exit ages, through retirement. Neither GASB 67 nor any other GASB standard has set forth guidance specifically related to frozen plans with successor plans in place. Absent any guidance to the contrary, due to the status as a frozen plan combined with the fact that individuals are now earning service in a new defined benefit pension plan, the retirement date for purposes of attribution was assumed to be June 30, 2014 for all members. Therefore, the total pension liability at June 30, 2014 is equal to the present value of projected benefit payments.

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2014 was 7.2 percent; however, the single discount rate used at the beginning of the year was 5.88 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Note 6 - Net Pension Liability of the City (Continued)

Projected Cash Flows

For purposes of the calculation of the total pension liability at the beginning of the year, based on the above beginning of year assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate which was 4.27 percent as of June 30, 2013. The source of that bond rate was the federal reserve. The long-term expected rate of return was applied to projected benefit payments from 2015 through 2035 and the municipal bond rate was applied to the remaining periods.

However, as of June 30, 2014, due primarily to the plan freeze which lowered the future benefit payments, based on the above end of year assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2014 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	5.01%
International equity	6.13
Domestic fixed income	1.88
International fixed	3.87
Hedge	4.15
Private equity	6.83
Real estate	3.90
Global asset allocation/risk parity	4.62
Commodities	3.17

Note 6 - Net Pension Liability of the City (Continued)

Sensitivity of the Net Pension Liability at June 30, 2014 to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.2 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Net pension liability of the Plan	$ 2,170,235,520	$ 1,786,441,192	$ 1,466,150,791

Note 7 - 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) of both the General Retirement Plan of the City of Detroit and the Police and Fire Retirement Plan of the City of Detroit. The pension obligation certificate proceeds were used to fund the combined liability of both plans that 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 Plan and are accounted for in the Accrued Liability Reserve Fund (pension obligation certificate). Approximately $740,000,000 was deposited into the General Retirement Plan of the City of Detroit and approximately $630,000,000 was deposited into the Police and Fire Retirement Plan of the City of Detroit, net of issuance costs and premiums. On an annual basis, funds will be transferred from the Accrued Liability Reserve Fund to the pension accumulation reserve based on a computation performed by the City of Detroit. The Accrued Liability Reserve Fund was credited with investment earnings commensurate with the overall earnings of the Plan.

Note 8 - Credit Enhancement Agreements and Funding Commitments

The Plan has credit enhancement agreements totaling $2,850,000 during 2014 and 2013. In exchange for the credit enhancement, the Plan receives fees from the companies to which the enhancement agreements have been given.

When the Plan enters into various investments, it may not completely fund the entire investment at the beginning. Rather, it enters into commitments to fund remaining capital amounts at certain points in time. At June 30, 2014 and 2013, the remaining capital funding commitment for the Plan is approximately $41 million and $24 million, respectively.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014

Background on the City of Detroit's Chapter 9 Bankruptcy Case

On March 14, 2013, an Emergency Financial Manager, Kevyn Orr, was appointed for the City of Detroit (the "City") by the Michigan Treasury Department pursuant to Public Act 72 of 1990. On March 28, 2013, Michigan Governor Richard Snyder re-appointed Mr. Orr as Emergency Manager for the City under 2012 Public Act 436, the Local Financial Stability and Choice Act, the successor statute to P.A. 72 ("PA 436"). PA 436 provided, under certain circumstances, the mechanism for a municipality under emergency management to obtain authorization from the State to initiate bankruptcy proceedings under the municipal debt adjustment provisions of Chapter 9, Title XI, of the United States Code (the "Bankruptcy Code"). On July 18, 2013, pursuant to authorization from the Governer, the Emergency Manager, through counsel, initiated a Chapter 9 bankruptcy proceeding for the City in the United States District Court for the Eastern District of Michigan, Case No. 13-53846 (the "Chapter 9 Case").

The General Retirement System ("DGRS") and Police and Fire Retirement System ("DPFRS") are the two pension systems of the City of Detroit ("Systems") and were two of the City's creditors. Under the Public Employee Retirement System Investment Act, 1965 Public Act 314, as amended ("Act 314" or "PERSIA"), DGRS and DPFRS have responsibility to pursue collection of employer contributions from the City, their municipal plan sponsor. As of July 18, 2013, the City had past-due employer contributions due to both DGRS and DPFRS, as well as ultimate responsibility for unfunded actuarial accrued liability ("UAAL") for pension obligations to each Retirement System. The Michigan Constitution of 1963, under Art. IX, sec. 24, provides that "[t]he accrued financial benefits of each pension plan and retirement system of the state and its political subdivisions shall be a contractual obligation thereof which shall not be diminished or impaired thereby" (the "Pension Clause"). At the time of the filing of the Chapter 9 Case, there was uncertainty regarding how the Bankruptcy Court might treat the constitutional protections afforded by the Pension Clause to Detroit's pension obligations.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

The Systems objected to the City's eligibility to be a debtor under Chapter 9 of the Bankruptcy Code on various grounds, including that the City was not specifically authorized by state law to be a Chapter 9 debtor as required by Section 109(c)(2) of the Bankruptcy Code. RSCD argued, in part, that the Pension Clause prohibited impairment of accrued financial benefits and that the bankruptcy authorization was not valid under state law because it did not prohibit the impairment of accrued financial benefits. On December 5, 2013, after an eligibility hearing lasting several weeks, the Bankruptcy Court determined that the City was eligible to be a debtor under Chapter 9, and found that pension obligations were subject to impairment in the Chapter 9 case notwithstanding the protections of the Pension Clause. The Systems and others representing creditor interests immediately sought and obtained permission from the Bankruptcy Court for direct appeal of that eligibility determination in the United States Court of Appeals for the Sixth Circuit.

Mediation and the Pension Settlement

In early 2014, the Chapter 9 Case proceeded while appeals of the eligibility dtermination were prosecuted. The proceedings included Court-ordered mediation, wherein the Systems and other creditors were required to mediate their disputes with the City.

On May 5, 2014, the City filed its Fourth Amended Plan for the Adjustment of Debts of the City of Detroit and the Fourth Amended Disclosure Statement with Respect to the Fourth Amended Plan for the Adjustment of Debts of the City of Detroit (the "Disclosure Statement"), which memorialized the terms of proposed treatment of pension claims as part of a mediated resolution of those claims for DGRS and DPFRS claim holders in unsecured creditor claim Classes 11 and 10, respectively (the "Pension Settlement"). The Pension Settlement's terms were carried forward, with finalized terms of certain exhibits with related agreements, in the City's Eighth Amended Plan for the Adjustment of Debts of the City of Detroit (the "Plan") (See Case No. 13-5486, Docket No. 8045, filed October 22, 2014).

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

As described further below, the Pension Settlement offered two different levels of pension claim treatment, depending on whether or not the individual pension claimants representing the obligations administered by DGRS and DPFRS voted as classes to accept the Pension Settlement, as described in both the Plan as well as the Disclosure Statement. The City's classification system for its unsecured creditors placed DGRS claim holders in Class 11 and DPFRS claim holders in Class 10. If both of these classes voted in favor of the more favorable treatments being offered to them under the Plan, and funding is received from the DIA Settlement and the State Contribution Agreement, then both DGRS and DPFRS claim holders would potentially enjoy that more favorable treatment, subject to certain conditional future events, such as monies contributed by the State of Michigan. If either Class 10 or Class 11 did not vote as a class to support the Plan, then both classes would have been subject to less favorable treatment, as described in the Disclosure Statement.

The Pension Settlement also required the eventual stipulated dismissal of certain litigation, including the Systems' appeal of the Bankruptcy Court's eligibility determination. That appeal was dismissed in early 2015 after the effective date of the Plan.

Pension Settlement Ballot Support and Confirmation of the Plan

On May 12, 2014, the City issued ballots to individual pension claim holders in Classes 10 and 11 as part of a packetof information explaining the terms of the Pension Settlement and soliciting support for the Plan. On June 11 and 19, 2014, the DGRS and DPFRS Boards respectively adopted resolutions expressing support for the Pension Settlement and thereafter issued correspondence in support of the Plan to their membership, who were the Class 10 and 11 claim holders who received ballots. The balloting process closed on July 11, 2014, and, as later certified on July 21, 2014 by the City's balloting agent, Kurtzman Carson Consultants, LLC, Classes 10 and 11 voted to support the Plan.

Following a confirmation hearing lasting almost two months and marked by settlements with other significant creditor groups, the Bankruptcy Court entered an order confirming the Plan of Adjustment (Eighth amended) on November 12, 2014. The Effective Date of the Plan occurred on December 10, 2014. The Retirement Systems had been preparing for that likelihood for over two months, and as a result, implementation of the Plan and its pension-related benefit adjustments were well underway by the close of 2014.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

For DGRS claim holders in Class 11, the treatment of claims, defined in the Plan under "GRS Adjusted Pension Amount" and further described in the Disclosure Statement, was elimination of the right to COLAs to be paid after July 1, 2014, plus an additional 4.5 percent reduction in the member's current accrued pension amount, plus annuity savings fund recoupment unless the member is the surviving beneficiary of a retiree who died before June 30, 2014 ("ASF Recoupment," described in more detail below).

ASF Recoupment

For DGRS members who participated as active in the DGRS defined contribution-style program, referred to as the annuity savings fund, between July 1, 2003 and June 30, 2013, "ASF Recoupment" refers to a method by which the City, in its Plan, seeks to recoup amounts that the City calculated were 'excess interest' credited to individual annuity savings fund accounts because those excess interest amounts exceeded DGRS's actual return on investment assets in a given year ("ASF Excess Interest"). Initially, the City mandated ASF Recoupment be repaid by all ASF Distribution Recipients on a monthly basis over a set term of months calculated using and requiring that interest at a rate of 6.75 percent be repaid along with the principal amount of ASF Excess Interest. The City later offered a limited lump sum repayment option. For ASF Current Participants, the ASF Excess Interest is calculated and deducted from such participant's Annuity Savings Fund Account.

The City identified, as part of its Plan, certain DGRS members who received ASF Excess Amounts and who are subject to ASF Recoupment because they are current participants in the Annuity Savings Fund, or are ASF Distribution Recipients. The City calculated the ASF Excess Amount using two caps. The first is a cap based on 20 percent of an individual's highest ASF account balance. The second cap, for individuals who were retirees as of June 30, 2014, is described in the Plan as a Current GRS Retiree Adjustment Cap, meaning if the funding from the State Contribution Agreement and the DIA Settlement is received, an ASF/GRS Reduction in an individual's pension payment cannot exceed 20 percent of the individual's Current Accrued Annual Pension, including an interest component of 6.75 percent on the ASF Recoupment amount. This retiree cap limits the pension reduction based on monthly pension reduction for ASF Recoupment to 15.5 percent of the member's current accrued annual pension.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

For DGRS members subject to ASF Recoupment, repayment is not optional. Effective January 2, 2015, DGRS effected recoupment for any member who had an annuity savings fund balance available, which resulted in direct recoupment of approximately $55.4 million. For any member who did not have a balance available, or for whom the balance was insufficient to meet the recoupment amount, the member's recoupment would be effected by monthly reduction of their future pension payments over a fixed term of months, calculated using a 6.75 percent interest rate, unless the member successfully elected the lump sum cash payment option offered by the City (the "Cash Option"). The Cash Option was a method by which DGRS members with a remaining balance after direct recoupment could elect to repay their ASF Recoupment in a single payment, limited in the aggregate to $30 million. The election period closed in January 2015.

For DGRS retirees and beneficiaries presently receiving benefits, the pension benefit payment adjustments required by the Plan, including the loss of COLA, the 4.5 percent pension benefit cut, and, the up to 15.5 percent further pension benefit cuts for those retiree ASF Distribution Recipients who did not elect the Cash Option, were implemented with the pension check payment dated March 1, 2015. Active employees and terminated vested members who are ASF Distribution Recipients and who did not elect the Cash Option will have their monthly pension benefits reduced over a fixed term when their monthly pension benefit in the Legacy Plan is calculated at the time they apply for retirement benefits.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

The Grand Bargain

The Pension Settlement was one component of a larger and conditional framework of agreements reached in mediation and memorialized in the Plan and certain of its exhibits, as later amended, finalized, and confirmed. This mediated resolution was designed to provide financial support for the City's pension obligations through 2023 while committing the art assets of the Detroit Institute of Arts, operated by the non-profit DIA Corp. (the "DIA") to a trust to prevent their liquidation by creditors. This framework of agreements draws on support from both the State of Michigan as well as from the DIA through the DIA settlement, which relies on contributions over time from certain DIA funders and charitable foundations (the "DIA Funding Parties") whose support was organized by the DIA (the "DIA Settlement"). This framework includes a release of claims related to pension obligations and dismissal of certain related litigation, as well as certain governance changes by the Systems, additional reporting obligations, and establishment of income stabilization programs by DGRS and DPFRS to reduce the financial impact of the pension cuts in the Chapter 9 Case felt by the City's most vulnerable retirees and beneficiaries. This larger framework of agreements became publicly referred to as "The Grand Bargain."

Contributions to the System through 2023

As set forth in the Plan and its exhibits, the "Grand Bargain" calls for an aggregate value contribution to DGRS and DPFRS, through 2023, in the amount of $816 million collectively, by the State of Michigan and the DIA Funding Parties through the DIA Settlement. The Plan, in its attached Exhibits II.B.3.r.ii.A, sets forth the schedule of anticipated contributions to DGRS supporting legacy pension benefits for the ten-year period ending June 30, 2023, reflecting total contributions in that time, of $718.6 million. DGRS's funding sources over time include $98.8 million from the State of Michigan in fiscal year 2015, $428.5 million from DWSD, $31.7 million in assigned UTGO bond settlement proceeds, $45 million from the DIA Settlement, and $114.6 from other sources, including the City's General Fund, the Detroit Library Commission ("Library"), the Detroit Regional Convention Facility Authority ("COBO Authority"), and other non-DWSD City-related constituent employer entities with DGRS participants. The Plan fixes City-related contributions through 2023, after which time the City's General Fund and City-related constituent employer entities will retain the obligation for their allocable share of any UAAL, consistent with Michigan law.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

Pursuant to the State Contribution Agreement, exhibit I.A.332 to the Plan, the "Grand Bargain" requires the State of Michigan to commit the net present value of $350 million to the Systems, the present value of which was determined to be $194.8 million, allocated respectively between DGRS and DPFRS in the amount of $98.8 million and $96.0 million. The Michigan Legislature allocated the necessary funds as part of a package of legislation adopted and executed by the Governor in June 2014 (the "Plan Legislation"). The State's funding obligations were fulfilled by wire transfers from the Michigan Treasury to DGRS and DPFRS on February 9, 2015.

As set forth in the Principal Terms of the DIA Settlement, Exhibit I.A.126 to the Plan, the DIA and its funders are obligated to contribute $100 million over time, which the DIA has guaranteed. The foundations contributing to the settlement are required to fund a commitment of $366 million over time. On December 10, 2014, DGRS received its first $5 million installment payment from the DIA Settlement.

Actuarial Assumption, Governance, and Income Stabilization Funds

The requirements of the Plan, the State Contribution Agreement, and the Plan Legislation also include a fixing of the Systems assumed investment rate of return and discount rate; certain governance changes to the Systems, including creation of nvestment ommittees and additional reporting obligations; and creation of the income stabilization funds or programs within each Retirement System ("ISFs").

First, the Plan requires that the investment return assumption and discount rate adopted by the Board of Trustees for purposes of determining the value of each Retirement System's assets and liabilities be fixed at 6.75 percent through the period ending June 30, 2023. The Plan does not purport to establish an investment return assumption or a discount rate for purposes of, or in accordance with, Generally Accepted Accounting Principles.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

Second, DGRS established an Investment Committee, as required by the Plan, the State Contribution Agreement - particularly, Exhibit A to the State Contribution Agreement, the term sheets for DGRS Investment Committee Governance – and the Plan Legislation, as of the effective date of the Plan, December 10, 2014. The DGRS Investment Committee is comprised of seven members, who are appointed independent of the Retirement System trustee members. The Investment Committee has fiduciary responsibility for guiding investment decisions, monitoring and assisting the Board of Trustees with administration of the DGRS plan benefit provisions, supporting annual certifications related to the same, and meeting certain other obligations as required by the State Contribution Agreement, the DGRS Governance Term Sheets, and the DIA Settlement. The Investment Committee also bears responsibility for making recommendations to the DGRS Board of Trustees regarding matters of "Investment Management," which is a term defined in the DGRS Governance Term Sheets incorporated in the State Contribution Agreement. For the System, "Investment Management" with respect to assets means:

1. Developing an investment policy statement with sound and consistent investment goals, objectives and performance measurement standards which are consistent with the needs of the Plan.

2. Within 120 days after the effective date of the Plan of Adjustment, all of the plan assets not already under qualified management, if any, must be managed by qualified managers selected by the Investment Committee.

3. Evaluating, retaining, terminating, and selecting qualified managers to invest and manage the plan assets.

4. Reviewing and affirming or rejecting the correctness of any and all calculations, actuarial assumptions and/or assessments used by the Retirement System actuary including, but not limited to, (i) those underlying the restoration of pension benefits, funding levels and amortization thereof, all in accordance with the pension restoration program attached to the City's Plan of Adjustment, (ii) those underlying the determination of annual funding levels and amortization thereof, and (iii) on or after fiscal year 2024 the recommended annual contributions to GRS in accordance with applicable law.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

5. In accordance with approved actuarial work as provided in the immediate preceding paragraph and based on the annual actuarial valuation reports and any other projections or reports as applicable from the Retirement System actuary or other professional advisors, the determination of the extent of restoration of pension benefits, including but not limited to the payment of a portion of the 4.5 percent reduction in base monthly pension amounts and the payment of lost COLA payments, all in conformance to the pension restoration program between the City and the Board attached to the Plan of Adjustment.
6. Communicating the investment goals, objectives, and standards to the investment managers; including any material changes that may subsequently occur.
7. Determining and approving the Retirement System's investment and asset allocation guidelines, taking into account the appropriate liquidity needs of the Retirement System.
8. Any interpretation of Retirement System documents, existing law, the Plan of Adjustment or other financial determination that could affect funding or benefit levels.
9. Taking whatever corrective action is deemed prudent and appropriate when an investment manager fails to perform as expected.
10. Complying with the provisions of pertinent federal, state, and local laws and regulations, specifically Public Act 314 and plan investment guidelines.
11. Reviewing and approving, prior to final issuance, the annual audit and all financial reports prepared on behalf of the Retirement System and meet and confer with the Retirement System's outside auditor or other professional advisors as necessary prior to approving the annual audit or other financial reports.
12. Causing an asset/liability valuation study to be performed for the Retirement System every three years, or as requested by the Investment Committee or Board.

The special reporting obligations of the Investment Committee include:

- Assisting the Board of Trustees with annual certification to the State Treasurer that eligibility and payment of benefits with respect to eligible pensioners has been properly administered.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

- Providing semi-annual compliance reports and at such times as the Treasurer may request that certifies that the Investment Committee is not aware of any defaults, or if the Investment Committee is aware of a default, specifically identifying the facts of such default. If the Investment Committee receives a notice of default from the Treasurer, the Investment Committee is responsible for remedying the default and certifying its cure to the Treasurer.
- Providing to the City evidence reasonably necessary to show that the internal controls governing the investment of the respective Retirement System are in compliance with the applicable provisions of the Plan.
- Beginning in 2015, no later than December 31, providing the DIA "Supporting Organization, defined in the Omnibus Transaction Agreement, Exhibit I.A.127 to the Plan, as the Foundation for Detroit's Future (the "FDF"), with a copy of the audited annual financial statement of its Retirement System and the corresponding management letter, for the fiscal period ending June 30 of that year containing a non-qualified opinion of an independent external auditor.
- Providing certification to the FDF as of the date of the Annual Report by the Chair of the Investment Committee that the City is current in its obligation to support the Legacy Plans consistent with the Plan, the operation of the Investment Committee is consistent with the applicable Governance Terms, and the City is complying with the covenants in section 5.2(a) of the Omnibus Transaction Agreement, Exhibit I.A.127 to the Plan.
- Providing to the FDF copies of documentation provided to the State Treasurer under paragraph 6 of the State Contribution Agreement, including any compliance report, certificate of compliance, notice of default, cure certification.
- Beginning in 2016, before May 15 each year, providing the Chief Financial Officer of the City with a copy of information required of DGRS in paragraph 2.4(c) of the Omnibus Transaction Agreement, which is Ex. I.A.127 to the Plan.
- Beginning in 2016, by May 15 each year, confirmation to the Chief Financial Officer of the City that as of the date of the Chief Financial Officer's interim reaffirmation required in paragraph 2.4(c) of the Omnibus Transaction Agreement, which is Ex. I.A.127 to the Plan, there has been no impairment or modification of the information in the most recent pension certificates provided to the FDF by the Investment Committees since the date of the pension certificates, as well as copies of the most recent unaudited financial statements for DGRS.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

- Providing the FDF with any additional information that may be reasonably requested by the DIA "Supporting Organization" from time to time.

Third, the State Contribution Agreement and the Plan required DGRS and DPFRS to each create an Income Stabilization Fund ("ISF") as a segregated account within each Retirement System, using $20 million in funding to be received over a fourteen year period assigned by the City from its settlement involving the Unlimited Tax General Obligation Bonds, from which to fund certain supplemental benefit payments to certain Eligible Pensioners under the ISF programs. The ISF program benefit payments are intended to reduce the impact of the pension reductions on the most financially vulnerable System retirees and beneficiaries. Eligibility for the ISF programs and benefit payments is based on age, 2013 adjusted gross income, and a formula derived by the State Treasury based on the terms of the State Contribution Agreement. Through 2028, the $20 million in assigned funding from the UTGO settlement to support the ISF program benefits is allocated to DGRS in the amount of $14,993,377.63 with the remainder allocated to DPFRS. Initial payments supporting the ISF program assigned by the City from UTGO proceeds were received by DGRS by wire on December 10, 2014, in the amount of $297,220.21. These amounts track the schedule of assigned "Aggregate Payments to Plan Assignees" allocated to DGRS for the first ISF payments after confirmation of the Plan, found attached to the Plan in Exhibit I.A.360, "Payments to Plan Assignees," Exhibit F, under "Aggregate Payments to Plan Assignees." The Systems, working with the State Treasury Department, successfully implemented the ISF program effective March 1, 2015, to coincide with the pension reductions required by the Plan.

Legacy Plan Freeze and New Hybrid Plan Creation - The Combined Plan Documents

Emergency Manager Order 30

Effective June 30, 2014, the Emergency Manager executed Emergency Manager ("EM") Order 30, which included certain ordinance and charter amendments affecting the pension benefits of DGRS members.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

Based on EM Order 30, effective June 30, 2014, the then-existing DGRS pension plan (the "Legacy Plan") was frozen such that no new benefit accruals were allowed and no new members could join. At the same time, the Emergency Manager adopted a "Combined Plan" document for each Retirement System which included a "Component II," intended to compile and document the terms and provisions of the Legacy Plan as they existed on June 30, 2014. This document was submitted to the City Clerk's office on July 1, 2014. By the same EM Order, effective July 1, 2014, the Emergency Manager created an entirely new active employee pension plan within the Retirement System, with a defined contribution and defined benefit plan (the "Hybrid Plan"), based on terms either negotiated through collective bargaining agreements with most of the City's unions, or imposed by the Emergency Manager. These financial statements purport to represent only the Legacy Plan, as it existed as of June 30, 2014.

Participation by active employees in the defined benefit provisions of the Hybrid Plan is mandatory. Another significant mandate is the requirement that employees contribute toward defined benefit pension accruals in the Hybrid Plan, which was not required of employees in the Legacy Plan. The new Hybrid Plan was memorialized in a document entitled "Component I" of the "Combined Plan" for each Retirement System, intended to reflect the terms of pension plans being offered to those active employees employed on or after July 1, 2014. The terms of the Combined Plans were effected well before the conclusion of the City's Chapter 9 Case, and in large measure did not rely on the power of the Bankruptcy Court to implement them.

The Combined Plan documents were later amended and restated in October 2014 and attached to the Plan before confirmation, incorporating and restating various provisions of other exhibits related to the Pension Settlement, including Governance Term Sheets, pension adjustments, and restoration terms. Also attached to the Plan were Exhibits: I.A.250.b, which set forth the Principal Terms of the DGRS Hybrid Plan (or "New GRS Active Pension Plan"); and I.A.254.b.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

DGRS Combined Plan Components I and II

Component I - Hybrid Plan

The new Hybrid Plan, for active employees only, requires mandatory contributions to support defined benefit pension obligations by employees as well as employer contributions by the City and related entities with employees participating in DGRS. The mandatory employee contribution feature is notable because Legacy Plan did not provide for employee contributions to support defined benefit obligations. Though the Hybrid Plan was published and made “effective” as of July 1, 2014, it was in effect the creation of a new pension plan, with both defined benefit and defined contribution-style offerings. As such, the City was not able to make the necessary technical payroll adjustments to transition immediately from the Legacy to the Hybrid Plan. Those adjustments took several weeks to complete, and required significant support from System administrative, accounting, and technical staff resources.

Membership in DGRS’s Hybrid Plan includes all City of Detroit employees except those who are members of DPFRS, and those who are members of any other public employee retirement system of the State of Michigan, other than the Michigan National Guard, or by any other political subdivision of the State. Liabilities shall be determined by the actuary using the entry-age normal cost method of actuarial valuation.

DGRS Retirement Allowance

For defined benefit retirement allowance under the Hybrid Plan, the City makes contributions of 5 percent of the member’s base compensation each plan year, with a portion credited to the newly-created Rate Stabilization Fund and the remainder credited to the Pension Accumulation Fund. The Rate Stabilization Fund is the Fund to which all City contributions in excess of the amount of the City’s required contribution, which is credited to the, Pension Accumulation Fund will be credited. Base compensation for purposes of the employer contribution means a member’s base salary or wages actually paid for services rendered, excluding bonuses, overtime, unused accrued sick leave, longevity pay, unused accrued vacation, cost or value of fringe benefits, termination or severance pay, reimbursement of expenses, or other pay of any kind. The Hybrid Plan requires that employees contribute a mandatory 4 percent of base compensation each plan year, beginning in August 2014 (because of the transition time required, as noted above).

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

The retirement allowance shall be calculated at one and one-half percent (1.5 percent) of the member's average final compensation over the last 10 consecutive years of employment multiplied by the members years of credited service earned after June 30, 2014. A month of credited service is accrued when a member works 140 or more hours of service in a month. A year of credited service is equal to twelve such months. For vesting purposes, a year is credited when a member performs 1,000 or more hours of service in each plan year after July 1, 2014, and their total vesting service shall be the sum of their prior service credit earned under the Legacy Plan governed by Component II.

Ten years of service is required in the Hybrid Plan for vesting. Deferred vested members may have benefits payable at age 62 with 10 years of service.

Normal retirement age in the Hybrid Plan is 62, with a transition period for active employees as of June 30, 2014:

Age as of July 1, 2014	Normal Retirement Age
61 years	60 years
60	60
59	60.3
58	60.6
57	60.9
56	61.0
55	61.3
54	61.6
53	61.9
52	62

Members are eligible for early retirement at age 55 with 30 years of service, with true actuarial reduction factors applied. No pension payments are allowed before 55 years of age, and terminated employees must wait until age 62 to receive pension payments.

Beginning July 1, 2018, and each plan year thereafter, the Board of Trustees may determine that if a retiree has reached age 62 and has been receiving a retirement allowance for not less than twelve months before the beginning of the plan year, the retiree's annual retirement allowance shall be increased by a factor of two percent (2.0 percent) based on the amount of their original retirement allowance (the "Variable Pension Improvement Factor," or 'escalator' (also known as a COLA)). The Variable Pension Improvement Factor shall not be compounded.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

DGRS Voluntary Contribution Account

In the Hybrid Plan, as in the Legacy defined contribution plan, or Annuity Savings Fund plan, DGRS active members may choose to contribute 3 percent, 5 percent, or 7 percent of their compensation for any plan year to an individual account. These amounts are 100 percent vested at all times. Earnings on voluntary employee contributions under the Hybrid Plan will be credited not less than zero (0 percent) or not greater than five and one-quarter percent (5.25 percent), at a rate equal to the actual net investment rate of return on DGRS assets for the second plan year immediately preceding the plan year in which the earnings are credited. As with the Legacy Plan, members who terminate may choose to take distributions of their accumulated voluntary contributions, members who retire may elect to have their contributions converted by actuarial equivalent value and added to their retirement allowance, and members may choose a beneficiary to receive their accumulated contributions if they decease while employed or before receiving their distribution. A loan program is included in the voluntary employee contribution program, though a member may not have more than two loans outstanding, one from the Hybrid Plan and one from the Legacy Plan.

DGRS Fiscal Responsibility

To protect the long-term actuarial and financial integrity of DGRS, in the event the funding level of Component I projected over a five-year period drops below the 100 percent or 80 percent funding thresholds (using a 3-year smoothed look-back for investment returns), there are a series of mandatory risk-shifting levers that the Board will implement in the order provided for in Component I. Those measures include elimination of previous or future Variable Pension Improvement Factors, transfer of moneys from the Rate Stabilization Fund to the Pension Accumulation Fund, increasing mandatory member contributions by one percent (1 percent) increments to as much as six percent (6 percent), and reduction of the retirement allowance multiplier to one percent (1 percent) from one and one-half percent (1.5 percent).

Segregated Funds

The Combined Plan requires that the Board of Trustees maintain separate funds between the Component I Hybrid Plan and the Component II Legacy Plan, and shall not commingle those funds for purposes of funding benefits accrued by members under one Component using funds contributed for benefits in the other Component. However, the assets of Component I and II may be commingled for investment purposes. In addition to fund the transition liability of the Hybrid Plan under Component I, the plans allow certain transfers from the legacy plan to the new Hybrid Plan in accordance with Component II, section E-16(c).

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

Required Reserves and Hybrid Plan Transition Financing

The Pension Accumulation Fund is the fund that accumulates reserves for retirement allowances and other benefits payable from that portion of the Employer's annual contribution that is not credited to the Rate Stabilization Fund and amounts transferred to Component I as provided in Section E-16(c) of Component II, and from which shall be paid Retirement Allowances and other benefits on account of Members.

As described in Section E-16(c) of Component II, in any plan year during the period beginning on or after July 1, 2014 and ending June 30, 2023, in which the annual rate of return credited to the accounts of members investing in the Annuity Savings Fund is less than the actual rate of return net of expenses of DGRS's invested assets for the second plan year immediately preceding the year in which the annual rate of return is credited ("ASF Return Excess"), an amount equal to the value of the ASF Return Excess shall be transferred to the Pension Accumulation Fund maintained under Component I of the Combined Plan and shall be used to fund the transition, or start-up, cost relating to Component I.

Retiree Medical Account

In Article 16, Component I establishes a medical benefits account from which the Board shall pay the cost, otherwise borne by the employer(s) of DGRS retirees, for certain medical and related benefits provided under plans maintained by the employers. This account is intended to comply with the provisions of Section 401(h) of the Internal Revenue Service Code. The City intends to make contributions to this account from time to time.

<u>Component II - Legacy Plan</u>

As noted above, the Component II document, first published July 1, 2014, was intended to capture the terms of the DGRS pension plan as they existed when benefit accruals were frozen on June 30, 2014. An express statement to this effect appeared on the cover page of that first publishing by the City.

This Component II of the Combined Plan For the General Retirement System of the City of Detroit, Michigan is intended to memorialize the documentation for the General Retirement System of the City of Detroit as it existed on June 30, 2014.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

It was later amended and restated in October 2014 when the Emergency Manager executed EM Order No. 43, again effective July 1, 2014, though there were significant differences in the amended and restated Component II owing mostly to inclusion of provisions intended to reflect the terms of the "Grand Bargain" which were anticipated to take effect if the Plan were confirmed by the Bankruptcy Court. In addition to the benefit changes in Component II due to the Chapter 9 Case, which are described elsewhere above and below in this footnote, a notable change was that Component II eliminated the 1998 Defined Contribution Plan of DGRS, which was never implemented by the City of Detroit.

Legacy Plan Freeze, Funding, and Governance

Benefit accruals in the Legacy Plan ceased as of June 30, 2014. After the transition period that ended with pay periods beginning before August 1, 2014, no further employer or employee contributions were made to the DGRS Legacy Plan, other than those associated with the Plan, the "Grand Bargain," and the Pension Settlement.

The anticipated sources of funding required by the Plan for contributions toward DGRS Legacy Plan obligations through 2023 include fixed contributions from the General Fund of the City of Detroit as well as City-related employer constituents such as DWSD, the Detroit Library Commission, and the COBO Authority. After 2023, the General Fund and other City-related employer constituents with participants in DGRS will retain their responsibility for funding employer contributions to meet DGRS Legacy Plan defined benefit plan obligations, including any UAAL, consistent with Michigan law.

As of the Effective Date of the Plan, governance, investment management, and actuarial assumptions of the Legacy Plan are shared with the Hybrid Plan. The Component II document reflects these changes by incorporating those and related provisions into the Legacy Plan by reference in a "Common Provisions" section. The segregation of funds required by the Component I Hybrid Plan explicitly applies to Component II Legacy Plan.

Legacy Plan Membership and Benefits

Membership in the DGRS Legacy Plan consists of all full-time employees of the City or any of its related entities that participate in DGRS, except for DPFRS members, any employees of the City or its related entities that are hired or rehired after July 1, 2014, and those who are members of any other public employee retirement system of the State of Michigan, other than the Michigan National Guard, or by any other political subdivision of the State. There are no new members in the Legacy Plan after June 30, 2014.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

Other than the benefits adjustments and other changes required of DGRS by the Plan, the "Grand Bargain," and the Pension Settlement, the accrued financial benefit provisions of the DGRS Legacy Plan as of June 30, 2014, are frozen and intended to continue as they did effective that date. Whether a member is a retiree, beneficiary, terminated vested, or active member with service credit accrued in the Legacy Plan, that individual's benefits accrued as of June 30, 2014 have been fixed, or will be calculated as of that date when they apply for retirement benefits, subject to the Plan. As such, most of the benefit provisions outlined here have not changed since the date of the freeze, June 30, 2014, other than affected as described elsewhere by the Plan, the "Grand Bargain," and the Pension Settlement.

DGRS ASF Interest Credits and Hybrid Plan Transition Liability Financing

Beginning after July 1, 2013, the annual rate of return credited to ASF accounts shall be no less than zero and no greater than the lesser of (i) 5.25 percent or (ii) the actual investment return net of expenses of DGRS's invested reserves for the second plan year immediately preceding the plan year in which the annual return is credited. As noted above, the transition liability for the Component I Hybrid Plan will be funded from excess returns earned over and above the 5.25 percent maximum that can be credited to ASF individual member accounts.

Special Unused Sick Leave Election

Following the freeze of the Legacy Plan, the City allowed a special election period for any member who, as of June 30, 2014, would have been eligible to elect to use a portion of the unused accrued sick leave that he could have been received in cash upon retirement to increase his average final compensation if the member had been eligible to retire and had elected to retire as of June 30, 2014. This one-time election allowed a member to choose to have the value of twenty-five percent (25 percent) of the member's cashable sick leave as of June 30, 2014 included in the computation of their average final compensation.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

Benefit Restoration

Restoration tied to future actuarial funding targets

Restoration of adjusted pension benefits outside the ISF program is governed by a term sheet attached as Exhibit to the Plan, the "Terms of GRS Pension Restoration," Exhibit II.B.3.r.ii.C. The pension restoration process provides for the possibility that cuts to accrued pension benefits in the Chapter 9 case might be restored, including COLAs, during the thirty (30) year period following entry of the order confirming the Plan. The DGRS Investment Committees shall respectively supervise and undertake restoration decisions in accordance with the pension governance provisions in the State Contribution Agreement.

The restoration program operates under certain time periods and is subject to target actuarial funding levels of the System. The time periods are: (i) through June 30, 2023; (ii) July 1, 2023 through June 30, 2033; and (iii) July 1, 2033 through June 30, 2043. If projected funding levels are above targets, assets are transferred to the restoration reserve. If the assets in the reserve are sufficient to fund a restoration increment for the actuarial life expectancy to a Waterfall Class, restoration is provided in increments in accordance with a schedule. If projected funding levels fall below the applicable funding target, assets are transferred from the restoration reserve account to the pension plan, and future restoration benefits may be suspended, diminished, or terminated. Restored benefits might also be permanently restored if certain funding target levels are achieved over time. For restoration, each Retirement System's membership is divided into three 'waterfall' classes:

Waterfall Class 1: retirees in benefit pay status as of June 30, 2014, and their surviving spouses and beneficiaries;

Waterfall Class 2: retirees who enter benefit pay status after June 30, 2014, and their surviving spouses and beneficiaries, and who are in pay status as of the end of the Fiscal Year prior to the year in which the restoration decision is made; and

Waterfall Class 3: all other participants who as of June 30, 2014 are not in benefit pay status.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

For DGRS, the funding targets are as follows: The 2033 and 2043 funding targets shall be equal to the actual 2023 funded level rounded to the nearest 10th decimal. The restoration target shall be 3.0 percent higher than the funding target but not less than 73 percent. The permanent restoration targets shall be 75 percent in 2028, and 1 percent higher than the Restoration Targets in 2033 and 2024, but not less than 75 percent. The restoration reserve suspension trigger will be set 1 percent higher than the projected funding target for all time periods.

2023 Funded Level	2033 Projected Funding Target	Restoration Target 2043 Projected Funding Target/Restoration Target
75 percent	75 percent/78 percent	75 percent/78 percent
74 percent	74 percent/77 percent	74 percent/77 percent
73 percent	73 percent/76 percent	73 percent/76 percent
72 percent	72 percent/75 percent	72 percent/75 percent
71 percent	71 percent/74 percent	71 percent/74 percent
70	70 percent/73 percent	70 percent/73 percent
69 percent or lower	the percent = to 2023 Funded Level percent/73 percent	the percent = to 2023 Funded Level percent/73 percent
	2033 Permanent Restoration Target	2043 Permanent Restoration Target
	Same as 2033 Restoration Target	Same as 2043 Restoration Target

Special Restoration related to a future qualifying DWSD transaction

The Plan also establishes, pursuant to Exhibit I.A.292, a *City of Detroit Pension Restoration Trust* to hold a single series of contingent value right certificates, or "DWSD CVR" as defined in the Plan, representing the right to receive 50 percent of the Net DWSD Transaction Proceeds received by the City's General Fund as a result of a Qualifying DWSD Transaction within the first seven (7) years following the Effective Date of the Plan. (Capitalized terms are those defined in the Plan.) Any special restoration provided to DGRS or DPFRS members pursuant to this trust arrangement will follow the priorities set forth in the Waterfall Classes described above. If no such Qualifying DWSD transaction occurs within the proscribed time period, the trust will terminate and expire.

Note 9 - City of Detroit Bankruptcy and Significant Events Occurring Subsequent to June 30, 2014 (Continued)

Impact of Bankruptcy on the City's Total Pension Liability and the Net Pension Liability

Based on the terms of the agreement in the City of Detroit's Bankruptcy approved on December 10, 2014, as explained above, future cost of living adjustments were eliminated, pension benefits were reduced by 4.5 percent for members of the System and reductions were further reduced due to the Annuity Savings Fund clawbacks. The impact on the Total Pension Liability as of June 30, 2014 of these changes is a decrease of $786,592,176. As a result, on a post-bankruptcy basis, the City's total pension liability is estimated to be $3,015,056,895 and the net pension liability is estimated to be $999,849,016. The same assumptions utilized in the calculations of the total pension liability as of June 30, 2014 on a pre-bankruptcy basis as disclosed in Note 6 were utilized to determine these post-bankruptcy amounts. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments (7.2 percent) was applied to all periods of projected benefit payments to determine the total pension liability.

Required Supplemental Information

Required Supplemental Information
Schedule of Changes in the Plan Net Pension Liability and Related Ratios
Last Fiscal Year

(Schedule is built prospectively upon implementation of GASB 67)

	2014
Total pension liability	
Service cost	$ 32,736,019
Interest	242,611,073
Changes in benefit terms	(113,311,571)
Differences between expected and actual experience	-
Changes in assumptions	(271,190,194)
Benefit payments, including refunds	(397,733,807)
Net change in total pension liability	(506,888,480)
Total pension liability - Beginning of year	4,308,537,551
Total pension liability - End of year	**$ 3,801,649,071**
Plan fiduciary net position	
Contributions - Employer	$ 25,126,131
Contributions - Employee	10,241,761
Net investment income	299,534,236
Administrative expenses	(20,982,396)
Benefit payments, including refunds	(397,733,807)
Other	-
Net change in plan fiduciary net position	(83,814,075)
Plan fiduciary net position - Beginning of year	2,099,021,954
Plan fiduciary net position - End of year	**$ 2,015,207,879**
Plan's net pension liability - Ending	**$ 1,786,441,192**
Plan fiduciary net position as a % of total pension liability	53.01 %
Covered employee payroll	$ 238,669,871
Plan's net pension liability as a % of covered employee payroll	748.5 %

Pension Plan of the General Retirement System of the City of Detroit

Required Supplemental Information
Schedule of City Contributions
Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	$ 72,643,307	$ 62,297,432	$ 64,065,214	$ 55,138,044	$ 37,338,960	$ 41,395,719	$ 43,168,448	$ 41,444,808	$ 42,799,581	$ 41,689,528
Contributions in relation to the actuarially determined contribution	25,126,131	26,515,782	64,065,214	55,138,044	37,338,960	41,395,719	43,168,448	41,444,808	58,162,088	41,689,528
Contribution deficiency (excess)	**$ 47,517,176**	**$ 35,781,650**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (15,362,507)**	**$ -**
Covered employee payroll	$ 238,669,871	$ 213,291,083	$ 257,992,240	$ 303,379,482	$ 334,343,506	$ 357,072,833	$ 368,470,990	$ 361,701,481	$ 361,151,456	$ 390,593,600
Contributions as a percentage of covered employee payroll	10.5 %	12.4 %	24.8 %	18.2 %	11.1 %	11.6 %	11.7 %	11.5 %	16.1 %	10.7 %

Notes to Schedule of Plan Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the 2014 FY were determined based on the actuarial valuation as of 6/30/2012. The most recent actuarial valuation was 6/30/2013.
Methods and assumptions used to determine contribution rates	
Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	7-year smoothed market, 30% corridor
Inflation	4.0%
Salary increases	4.0% - 8.9%
Investment rate of return	7.9%
Retirement age	Experience-based table of rates are specific to the type of eligibility condition.
Mortality	110% of the RP-2000 Combined Table for males and 110% of the RP-2000 Combined Table set back 2 years for females
Other information	Cost of living adjustments are 2.25% of original pension amounts at retirement.

Pension Plan of the General Retirement System of the City of Detroit

Required Supplemental Information
Schedule of Investment Returns
Last Ten Fiscal Years

	2014
Annual money-weighted rate of return, net of investment expense	16.3 %

* GASB Statement No. 67 was implemented June 30, 2014 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.

Benefit Changes

As of June 30, 2014, the pension plan is frozen. No new employees are allowed to participate in the plan. All benefits for actives are frozen as of June 30, 2014 based on service and average final compensation accrued as of that date.

Changes in Assumptions

The discount rate used to calculate the June 30, 2014 Total Pension Liability was 7.2%. The discount rate used to calculate the Total Pension Liability as of June 30, 2013 was 5.88%.

For June 30, 2014, the mortality assumption was changed to RP-2014 Blue Collar Mortality Tables, Employees and Health Annuitants, set forward one year for males and one year for females with fully generational mortality projections using the 2-dimensional Mortality Improvement Scale MP-2014. For June 30, 2013, mortality rates were based on 110% of the RP-2000 Combined Table for males and 110% of the RP-2000 Combined Table set back two years for females.

As of June 30, 2014, adjustments for longevity, and unused sick leave were eliminated.