Police and Fire Retirement System of the City of Detroit

Financial Report with Supplemental Information

June 30, 2015

Police and Fire Retirement System of the City of Detroit

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Independent Auditor's Report

To the Board of Trustees
Police and Fire Retirement System
of the City of Detroit

Report on the Financial Statements

We have audited the accompanying financial statements of the Police and Fire Retirement System of the City of Detroit (the "System") as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the System'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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
Police and Fire 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 Police and Fire Retirement System of the City of Detroit as of June 30, 2015 and the changes in its plan net position for the year 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 $892,000,000 (28 percent of net position) at June 30, 2015, 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.

As described in Note 1 and Note 9 to the financial statements, the City of Detroit had previously filed for Chapter 9 bankruptcy. The Eighth Amended Plan for Adjustment of Debts of the City of Detroit (the "POA") took effect on December 10, 2014. The System implemented the provisions made in the POA during fiscal year 2015. As a result of the the POA, effective July 1, 2014 the "Combined Plan for the Police and Fire Retirement System of the City of Detroit" (the "Combined Plan") was introduced. The Combined Plan consists of two components – Component I (new Hybrid plan) and Component II (legacy plan). Our opinion has not been modified with respect to this matter.

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.

To the Board of Trustees
Police and Fire Retirement System
of the City of Detroit

Report on Summarized Comparative Information

We have previously audited the Police and Fire Retirement System of the City of Detroit's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 5, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

March 14, 2016

Using this Annual Report

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplemental information. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below compares key financial information in a condensed format between the current year and the prior year:

	Fiscal Year Ended	
	June 30, 2015	June 30, 2014
Total assets	$ 3,624,690,233	$ 3,470,811,764
Total liabilities	408,007,132	194,608,465
Fiduciary net position restricted for pensions	**$ 3,216,683,101**	**$ 3,276,203,299**
Net investment income	$ 122,763,092	$ 566,238,678
Contributions:		
Employee	7,997,997	7,144,468
Employer	15,229,511	-
State and Foundations	114,300,000	-
Total contributions	137,527,508	7,144,468
Other income	2,368,638	3,160,788
Benefits paid to members and retirees:		
Retirees' pension and annuity benefits	289,382,210	285,512,629
Member annuity refunds and withdrawals	24,480,857	38,027,844
Total benefits paid	313,863,067	323,540,473
Benefits paid in excess of contributions	(176,335,559)	(316,396,005)
Ratio of contributions to benefits paid	43.82%	2.21%
Changes in estimate related to prior year contribution	-	-
Other expenses	8,316,369	11,373,226
Net (decrease) increase in fiduciary net position restricted for pensions	**$ (59,520,198)**	**$ 241,630,235**

Fund Overview, Membership, and Governance

The Police and Fire Retirement System of the City of Detroit (DPFRS, or the "System") is a defined benefit pension plan with a defined contribution element which, as discussed in greater detail below, was frozen by the City of Detroit (the "City") at the conclusion of the 2014 fiscal year. This existing plan, the legacy plan (the "Legacy Plan"), is also referred to as "Component II". A new pension plan (the "Hybrid Plan," also referred to as "Component I") was created by the City for its uniformed employees on July 1, 2014. Both the Legacy Plan and Hybrid Plan are being reported in these financial statements.

DPFRS exists to pay benefits to its active members, retirees, and beneficiaries. Active members earn service credit that entitles them to receive benefits in the future. Both the employer and municipal plan sponsor for the System, the City, and active members have historically contributed to the System. Retirees, beneficiaries, and disabled members are those currently receiving benefits.

DPFRS is a relatively mature plan in that there are more retirees and beneficiaries receiving current benefits than active members. Membership of the System at June 30, 2015 consisted of 3,233 active members, with 8,392 inactive members receiving benefits and 272 terminated plan members entitled to, but not yet receiving benefits. On June 30, 2014, the Emergency Manager of the City of Detroit issued Order No. 29, 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 the Hybrid Plan.

On July 1, 2014, the City first published a document entitled *The Combined Plan for The Police and Fire Retirement System of the City of Detroit* (the "Combined Plan"). On October 19, 2014, the Emergency Manager issued Order No. 43, which amended and restated the Combined Plan. Before leaving office, the Emergency Manager on December 8, 2014 issued Order No. 44, which again amended and restated the Combined Plan. According to Order No. 44, the latest amendments and restatements to the Combined Plan made changes related to collective bargaining agreements, conformed the Combined Plan terms to the requirements of the City of Detroit's bankruptcy plan, and made clarifying modifications. The Combined Plan is available at DPFRS's website, www.pfrsdetroit.org.

DPFRS governance was modified in December 2014 as part of the City of Detroit's bankruptcy plan. DPFRS is governed by a board of trustees comprised of 17 seats, though as of June 30, 2015, there were 16 seats occupied (the "Board"), and while DPFRS's investment management is now the ultimate responsibility of a 9-member investment committee (the "Investment Committee"), the Board maintains a role working to provide the Investment Committee with input.

The Board is comprised of six members elected by the active membership to serve three-year terms. Expirations of terms of elected trustees are staggered. Two retired members are elected by the retired membership and serve three-year terms. Eight members serve ex-officio, these members being the mayor of the City of Detroit (or designee), the city treasurer (or deputy treasurer), one representative from the Detroit City Council, the Corporation Counsel (or designee), the finance director (or designee), the budget director (or designee), and two ex-officio trustees to be appointed by the mayor. A 17^{th} trustee, who is not a participant of the plan and is not employed by the City, may be selected to serve two years by the board of trustees.

The Investment Committee has five independent members appointed to initial terms with staggered expiration, which terms will all eventually become six-years. Four additional members, two active members and two retired members, serve on the Investment Committee based on appointment by the Board. The Investment Committee will be in place through at least December 2034.

The City of Detroit's Chapter 9 Bankruptcy Case, the Plan of Adjustment, and Implementation

In March 2013, after the City had endured years of financial difficulty, the Governor appointed an Emergency Manager for the City pursuant to Michigan Public Act 436 of 2012, which is a law that includes the ability for an emergency manager to file a bankruptcy proceeding. In anticipation of that possibility, DPFRS 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"). DPFRS, one of the City's largest creditors because of its duty to collect employer contributions from the City, 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 cutting 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 cut in bankruptcy despite the language of the Michigan Constitution. DPFRS immediately filed an appeal with the United States Court of Appeals for the Sixth Circuit.

The Bankruptcy Court also ordered DPFRS and other creditors to mediate their disputes with the City, a process which gained momentum in early 2014. As a result of Court-ordered mediation, DPFRS supported a proposed settlement of DPFRS member pension claims, which was initially memorialized in the 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"). On May 12, 2014, the City issued ballots to all DPFRS members as claim holders in Class 10 under the City's classification system for its creditors, seeking their approval of the Pension Settlement. On June 19, 2014, the Board adopted a resolution supporting treatment of the PFRS Class 10 claim holders as part of the Pension Settlement. DPFRS thereafter issued correspondence to its membership in support of the treatment of Class 10 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 DPFRS and the General System of the City of Detroit, to the resolution of the Chapter 9 Case.

The Pension Settlement's terms were carried forward to the Eighth Amended Plan for Adjustment of Debts of the City of Detroit (the "Plan of Adjustment"), filed with the Bankruptcy Court on October 22, 2014. In November 2014, after a confirmation hearing lasting several weeks, the Bankruptcy Court confirmed the Plan of Adjustment, which became effective December 10, 2014.

The Pension Settlement, as part of the Plan of Adjustment, compromised pension claims and provided support for DPFRS legacy benefit obligations with funding support from the State of Michigan and certain charitable foundations in connection with the Detroit Institute of Arts, and included governance changes for DPFRS. Those governance changes included establishment of the Investment Committee effective December 10, 2014, which officially marked the beginning of implementation of the Plan of Adjustment, though DPFRS had for months already undertaken contingency planning for all of the pension adjustments.

For DPFRS, with respect to Chapter 9 Case benefit adjustments, the Pension Settlement (for which benefit levels were and are contingent on other factors, including receipt of outside contributions), did not reduce DPFRS Legacy Plan pension benefits, but provided for a 55 percent reduction in cost-of-living adjustments, or 'escalators' (COLAs) paid after June 30, 2014. The Plan of Adjustment also includes 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.

Other components of implementation of the Plan of Adjustment proceeded between December 2014 and March 2015, and included dismissal of related litigation proceedings, including DPFRS's appeal of the Bankruptcy Court's eligibility determination in the United States Court of Appeals for the Sixth Circuit. The process of implementing the Plan of Adjustment is expected to continue through 2016 and beyond, with monitoring, compliance, and other activity by DPFRS, its Board of Trustees, and its Investment Committee. On December 1, 2014, DPFRS provided its retirees and beneficiary members with applications for the Income Stabilization Program (the "ISF Program") established as part of the State Contribution Agreement, another facet 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.

As of March 1, 2015, less than three months after the effective date of the Plan of Adjustment, DPFRS successfully implemented the vast majority of benefit changes required by the Plan. DPFRS continues to implement the Plan of Adjustment, which includes ongoing compliance and additional reporting requirements by the Board and the Investment Committee, annual review of benefit levels, and essentially provides for a 40-year plan to close the DPFRS underfunded Legacy Plan liability.

Contributions to the System

Historically, both the City and active employees have made regular contributions to the System. Basic pension and disability benefits have been funded through employer and employee 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 stopped making payments related to unsecured funded debt and legacy liabilities, including payments to the System. 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 DPFRS members were determined by the Bankruptcy Court to be included as unsecured obligations. The City's last employer contribution before the Chapter 9 Case was made on December 28, 2012. During fiscal year 2014, the City did not make any contributions to the System. In the Chapter 9 Case, DPFRS filed a claim against the City for $72.6 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 pursuant to the provisions in the Plan of Adjustment. Pursuant to the Plan of Adjustment, the System is expected to receive contributions totaling $260.7 million, including $96.0 million from the State of Michigan and $164.7 million from the DIA and its foundation donors, over a 10-year period covering fiscal year 2015 through fiscal year 2023. The City 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

As further noted below, depending on bargaining unit, the following changes became effective with EM Order No. 29:

- The Legacy Plan obligations, or the existing defined contribution plan and defined benefit plan, were frozen as of June 30, 2014, as referenced above;
- As of July 1, 2014, a new defined benefit plan commenced with mandatory contributions as part of the new Hybrid Plan. Members hired on June 30, 2014 or before contribute 6 percent of base compensation and all employees hired on or after July 1, 2014 will contribute 8 percent of base compensation; and
- As of July 1, 2014, a new defined contribution plan became optional for the annuity savings fund, in the new Hybrid Plan. Employees may make voluntary Annuity Savings Fund contributions up to 10 percent of total after-tax pay. Interest will be credited at the actual net investment rate of return of DPFRS, but will in no event be lower than 0 percent or higher than 5.25 percent.

In the Legacy Plan, active employees made a mandatory contribution of 5 percent of pay toward their defined contribution benefits (annuity savings fund) until the date at which they are eligible for retirement. These employee contributions are maintained in separate accounts in the defined contribution plan solely for the benefit of the contributing employee. Before the Legacy Plan was frozen, employee annuity savings fund accounts were credited with investment earnings equal to the rate of return earned by the System subject to minimum earnings of 0 percent. An active employee is allowed in the Legacy Plan to withdraw his or her accumulated contributions in the annuity savings fund plus investment earnings once he or she is eligible for retirement or upon completion of 25 years of service (DPOA and fire equivalents may do so at 20 years, consistent with new collective bargaining agreements entered in 2014).

Following the freeze of the Legacy Plan, no member was allowed to make contributions into the Annuity Savings Fund of the Legacy Plan with respect to payroll dates occurring on or after August 1, 2014. Mandatory employee contributions of 6 percent of pay after that date support the defined benefits allowed as part of the new Hybrid Plan.

In the new Hybrid Plan, effective July 1, 2014, and beginning with payroll on or after August 1, 2014, active employees were allowed to make voluntary contributions to a new annuity savings fund account of up to 10 percent of total after-tax pay. Interest will be credited to those accounts at the actual net investment rate of return for DPFRS, but will not be lower than 0 percent or more than 5.25 percent. No in-service withdrawals are permitted from the Hybrid Plan Annuity Savings Fund accounts.

In the Hybrid Plan, employer contributions by the City are allocated according to bargaining unit and the respective collective bargaining agreement (CBA). For Detroit Fire Fighter Association employees, the City will contribute 11.2 percent of base compensation prior to the effective date of the CBA and 12.25 percent after the effective date of the CBA. For Detroit Police Command Officers Association employees, the City will contribute 12.25 percent of base compensation. For Detroit Police Officers Association employees, the City will contribute 11.2 percent of base compensation prior to the effective date of the CBA and 12.25 percent after the effective date of the CBA. For Detroit Police Lieutenants and Sergeants Association employees, 12.25 percent of base compensation will be contributed by the City. For all of these employees, a portion of these contributions will be contributed to a rate stabilization fund.

Additionally, as noted above, as a result of the Chapter 9 Case, cost-of-living adjustments made to annual pension benefits to account for the effects of inflation (COLA) in the Legacy Plan from and after June 30, 2014 were reduced to 45 percent of the COLAs provided for in police and fire collective bargaining agreements, other contracts, or ordinances. These adjustments were implemented with pension payments made on and after March 1, 2015. Base benefits for DPFRS member benefits accrued through June 30, 2014 were not subject to any cuts in resolution of the Chapter 9 Case.

Beginning March 1, 2015, certain DPFRS members also 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 to the financial statements for the prior fiscal year, ended June 30, 2014, 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 going forward in the Legacy Plan and the new promises in the Hybrid Plan. Benefits are paid monthly. In fiscal year 2015, DPFRS paid out $313 million in benefits, consisting of $289 million in benefits to retirees and beneficiaries plus $24 million in refunds of annuity savings fund balances. This represents approximately 10.0 percent of the net position of the System as of June 30, 2015. Employee contributions were approximately $7.5 million or 10.0 percent of the net position of the System. The excess of benefits over contributions is funded through investment income. The public capital markets represent the primary source of opportunities to earn investment income.

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

Asset Allocation

The Board and Investment Committee believe that the principal determinant of total fund investment performance over long periods of time is asset allocation. The DPFRS asset allocation is built upon the foundation that the obligations of DPFRS to pay the benefits promised to its members are very-long-term obligations. Accordingly, the Investment Committee 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 Investment Committee 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.

DPFRS 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 System's target asset allocation policy as of June 30, 2015:

Asset Class	Target Allocation
U.S. equity	16.50%
Non U.S. equity	16.50%
Global low volatility	5.00%
Private equity	10.00%
U.S. core fixed income	13.50%
U.S. TIPA	1.00%
U.S. high yield	6.50%
Convertibles	2.00%
Private mortgages	0.00%
Opportunistic debt	5.00%
Cash	1.00%
Private real estate	10.00%
Global RETIs	3.00%
MLPs	5.00%
Hedge funds	5.00%

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. DPFRS's asset allocation policies comply with these limitations.

Investment Results

DPFRS calculates investment results on a time weighted Global Investment Performance Standard (GIPS) basis. This method is utilized to calculate investment results at the total fund composite, asset class composite, managed account, sector, and individual security levels. Investment results calculated for periods prior to 2003 at the total fund composite level reflected dollar weighted returns consistent with the methods utilized by the System's actuaries. Returns presented herein have been determined using the GIPS method unless explicitly stated to the contrary. All returns for periods of one year or greater have been annualized.

Total Fund Composite

DPFRS' total fund composite return for the year was 3.40 percent, net of fees and expenses using a time-weighted methodology. The three-year and five-year annualized total fund returns were 10.21 percent and 8.47 percent, respectively, net of fees and expenses. After multiple years of strong global equity market returns, performance across all asset classes was more subdued this year. Global equity and fixed income markets experienced low to mid-single digit returns for the year, heavily influencing the overall fund's return. Global equities and fixed income holdings represented approximately 70 percent of total plan assets as of June 30, 2015. Moderating the fund's overall return for the year was a slowdown in emerging markets and energy/MLP sectors that resulted in negative returns for those sectors for the year. Those sectors represented less than 10 percent of the total plan assets as of June 30, 2015.

As part of the resolution of city of Detroit's Chapter 9 Bankruptcy Case, the discount rate assumption used to meet current and future benefit obligations was set at 6.75 percent through the period ending June 30, 2023. This discount rate assumption provided in the Chapter 9 Case does not purport to establish an investment return assumption or discount rate for purposes of, or in accordance with, generally accepted accounting principles. Although the Fund's return for this year fell below this assumption, the Fund's longer term returns, which this assumption is intended to characterize, still exceeded this assumption.

Total plan returns for the recent prior fiscal years ended June 30 are shown below:

2014	18.4%
2013	9.7%
2012	-1.5%
2011	13.8%
2010	11.8%

Money Weighted Rate of Return

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 an "IRR"). This return is calculated net of expenses and uses cash flows determined on a monthly basis. The DPFRS money weighted rate of return for the year using end-of-the-month cash flows was 3.8 percent.

Contacting the Police and Fire Retirement System of the City of Detroit

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 its website at www.pfrsdetroit.org or www.rscd.org.

Statement of Fiduciary Net Position

	June 30, 2015			
	Component II Plan			
	Defined Benefit Fund	Income Stabilization Fund	Component I Plan	Total
Assets				
Cash and cash equivalents (Note 3)	$ 7,862,010	$ 601,196	$ 14,609,372	$ 23,072,578
Investments - At fair value (Note 3):				
Short-term investments	127,134,983	-	7,428,186	134,563,169
Stocks	1,282,540,094	-	-	1,282,540,094
Bonds	602,441,654	-	-	602,441,654
Mortgage-backed securities	92,429,159	-	-	92,429,159
Mortgage and construction loans	104,527,596	-	-	104,527,596
Equity interest in real estate	261,131,448	-	-	261,131,448
Real estate investment trusts held by custodian	182,384,634	-	-	182,384,634
Pooled investments	456,408,701	-	-	456,408,701
Private placements	69,538,193	-	-	69,538,193
Receivables:				
Accrued interest income	12,545,899	-	-	12,545,899
Receivables from investment sales	85,114,310	-	-	85,114,310
Other accounts receivable	434,435	-	-	434,435
Notes receivable from participants	15,053,631	-	-	15,053,631
Due from other funds	688,078	-	-	688,078
Cash and investments held as collateral for securities lending (Note 3):				
Asset-backed securities	72,540,104	-	-	72,540,104
Repurchase agreements	20,804,846	-	-	20,804,846
U.S. corporate floating rate	207,185,187	-	-	207,185,187
Capital assets (Note 1)	1,286,517	-	-	1,286,517
Total assets	3,602,051,479	601,196	22,037,558	3,624,690,233
Liabilities				
Claims payable to retirees and beneficiaries	168,737	-	19,554	188,291
Payables for investment purchases	98,755,550	-	-	98,755,550
Due to other funds	-	-	688,078	688,078
Amounts due broker under securities lending arrangements (Note 3)	303,831,129	-	-	303,831,129
Other liabilities	4,541,622	-	2,462	4,544,084
Total liabilities	407,297,038	-	710,094	408,007,132
Net Position - Restricted for pensions	**$ 3,194,754,441**	**$ 601,196**	**$ 21,327,464**	**$ 3,216,683,101**

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

Police and Fire Retirement System of the City of Detroit

Statement of Changes in Fiduciary Net Position

	Year Ending				
	June 30, 2015				June 30, 2014
	Component II Plan				
	Defined Benefit Fund	Income Stabilization Fund	Component I Plan	Total	Total
Additions					
Investment income:					
Interest and dividends	$ 101,494,421	$ 5,253	$ 21,019	$ 101,520,693	$ 101,041,852
Net increase in fair value of investments	32,851,015	-	-	32,851,015	477,575,447
Less investment expense	(14,083,396)	-	-	(14,083,396)	(14,983,143)
Net investment income	120,262,040	5,253	21,019	120,288,312	563,634,156
Securities lending income:					
Income	1,649,855	-	-	1,649,855	498,646
Net gain on collateral pool	824,925	-	-	824,925	2,105,876
Net securities lending income	2,474,780	-	-	2,474,780	2,604,522
Contributions:					
Employer	-	622,540	14,606,971	15,229,511	-
Employee	593,292	-	7,404,705	7,997,997	7,144,468
State and Foundations (Note 2)	114,300,000	-	-	114,300,000	-
Total contributions	114,893,292	622,540	22,011,676	137,527,508	7,144,468
Other income	2,368,638	-	-	2,368,638	3,160,788
Total additions - Net	239,998,750	627,793	22,032,695	262,659,238	576,543,934
Deductions					
Retirees' pension and annuity benefits	289,336,059	26,597	19,554	289,382,210	285,512,629
Member refunds and withdrawals	24,480,857	-	-	24,480,857	38,027,844
General and administrative expenses	7,516,022	-	685,677	8,201,699	11,266,535
Depreciation expense	114,670	-	-	114,670	106,691
Total deductions	321,447,608	26,597	705,231	322,179,436	334,913,699
Net (Decrease) Increase in Net Position Held in Trust	(81,448,858)	601,196	21,327,464	(59,520,198)	241,630,235
Net Position Restricted for Pensions - Beginning of year	3,276,203,299	-	-	3,276,203,299	3,034,573,064
Net Position Restricted for Pensions - End of year	**$ 3,194,754,441**	**$ 601,196**	**$ 21,327,464**	**$ 3,216,683,101**	**$ 3,276,203,299**

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 Police and Fire Retirement System of the City of Detroit:

Reporting Entity

The City of Detroit (the "City") sponsors the Combined Plan for the Police and Fire Retirement System of the City of Detroit (the "System"), which consists of two contributory single-employer retirement plans, as described below.

Component II - This is the legacy plan which is the original defined benefit plan,which includes a defined benefit component and a defined contribution component. Component II generally applies to benefits accrued by Members prior to July 1, 2014. On June 30, 2014, as a result of negotiations between the City and the 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 #29 (Police and Fire Retirement System of the City of Detroit) on June 30, 2014 which put these changes into effect. Except as specifically provided in Combined Plan, benefits provided under Component II are frozen effective June 30, 2014.

Component I - As of July 1, 2014, all current and future employees now participate in the new hybrid pension plan, or Component I. This hybrid plan includes a defined benefit component and a defined contribution component. Component I of the plan document applies to benefits accrued by Members on or after July 1, 2014.

Active City employees who participate in the current plan will receive the benefits they have earned under the System through June 30, 2014 plus an additional benefit under the new hybrid plan formula, assuming all vesting requirements are met.

The Combined Plan is a separate and independent trust qualified under applicable provisions of the Internal Revenue Code; it 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 Combined Plan provides retirement, disability, and survivor benefits to plan members and beneficiaries.

Note 1 - Summary of Significant Accounting Policies (Continued)

The financial statements for fiscal year 2015 represent the legacy plan or "Component II" as well as the new hybrid plan or "Component I". Component II also includes the Income Stabilization Fund. The fund, which is part of Component II only and established as a special plan of adjustment provision, was established for the sole purpose of paying the Income Stabilization Benefits and Income Stabilization Benefits Plus to Eligible Pensioners,. Any funds received by the System that is designated by the City as UTGO Bond Tax Proceeds or a contribution to the Income Stabilization Fund are credited to the Income Stabilization Fund as defined in the State Contribution Agreement which is an exhibit to the Plan of Adjustment. After 2022, the Investment Committee may recommend to the Board that a portion or all of the assets that exceed income stabilization benefits (including Income Stabilization Benefits Plus) to be paid in the future be used to fund regular pension payments.

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

These financial statements include comparative columns for 2014. Such information is not meant to be a complete presentation in conformity with accounting principles generally accepted in the United States of America. According, such information should be read in conjunction with the Plan's financial statements for the year ended June 30, 2014.

Plan Sponsor Financial Condition - Impact on System

In the past, the City of Detroit (the "plan sponsor") had experienced significant financial difficulty and liquidity concerns. In February 2013, a financial revenue 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 and re-appointed the emergency manager under PA 436 of 2012. 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 $71 million of pension contributions due to the System. 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 did not pay any employer contributions into the System, despite the fact that there were actuarially required contributions.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 "POA"). The effective date of the Plan occurred on December 10, 2014. The emergency manager was then released from his role at the City.

In fiscal year 2015 the contributions that were received by the System were made in accordance with the provisions of the POA. See Note 9 for significant changes that were implemented by the System under the POA.

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 Governmental Accounting Standards Board.

Basis of Accounting

The System 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 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.

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 investments 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Approximately $892,000,000 or 28 percent of System's net position as of June 30, 2015 are not publicly traded and therefore, do not always have a readily determinable market value. Of the alternatives held at June 30, 2015, the System classifies approximately 29 percent as real estate related investments, 12 percent as mortgage and construction loans, and the remainder is classified as either private placements or pooled investments.

Investments for which market quotations are readily available are generally priced by the custodian using nationally recognized pricing services and practices. For investments that do not have readily observable market prices, including but not limited to private placements, private equity, public and private real estate, alternatives and direct loans, management's estimate of their fair value is based on information provided by investment managers, general partners, real estate advisors, and other means. These sources are held to a standard of reasonable care in verifying that the valuations presented reasonably reflect the underlying fair value of the investments. A variety of factors are considered in the valuation process, including the nature of the investment, local market conditions, trading values on public exchanges for comparable investments, and current and projected operating performance. However, due to the inherent uncertainty and the degree of judgment involved in determining fair value for such investments, the values reflected in the financial statements may differ significantly from values that would have been used had a readily determinable market value for the investments existed, and the difference could be material.

Receivable from Investment Sales - The System liquidated investments prior to year end and reported a receivable from investment sales at June 30, 2015 in the amount of $85,114,310. The proceeds from the sales were received subsequent to year end.

Notes Receivable from Participants - In Component II, any active, terminated, or retired police and fire 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 $15,000. Members can borrow as either a general purpose loan payable in one to five years or a residential loan payable in 1 to 15 years. A member can have only two outstanding loans. The balance of these loans for the year ended June 30, 2015 was $15,053,631. The balance is measured at the unpaid principal balance plus any accrued but unpaid interest. Participant notes receivable are written off when deemed uncollectible.

Although Component I allows participant loans, there are none outstanding at June 30, 2015.

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets for the System 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.

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

Component II (Legacy Plan) and Component I (Hybrid Plan)

Plan Administration -The System's governance was modified in December 2014 as part of the City's bankruptcy plan. The System's board of trustees and Investment Committee administer the Police and Fire Retirement System of the City of Detroit Pension Plan - a single-employer defined benefit and defined contribution 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 the police and fire departments of the City of Detroit. Benefit terms have been established by contractual agreements between the System and the employees' collective bargaining unit, as modified by the POA. Future amendments are subject to the same process. The obligation to contribute to and maintain the System was established by the City Charter and negotiations with the employees' collective bargaining unit.

Note 2 - Pension Plan Description (Continued)

The board of trustees is comprised of 17 seats, occupied by 16 members as of June 30, 2015. Six members of the Board are elected by the active membership to serve three-year terms. Expirations of terms of elected trustees are staggered. Two retired members are elected by the retired membership and serve three-year terms. Eight members serve ex-officio, these members being the mayor of the City of Detroit (or designee), the city treasurer (or deputy treasurer), one representative from the Detroit City Council, the Corporation Counsel (or designee), the finance director (or designee), the budget director (or designee), and two ex-officio trustees to be appointed by the mayor.

The Investment Committee consists of nine members. Five are independent members appointed to initial terms with staggered expiration, which terms will all eventually become six-years. Four additional members, two active members and two retired members, serve on the Investment Committee based on appointment by the Board. The Investment Committee will be in place through at least December 2034.

Plan Membership - At June 30, 2014, the membership in Component II consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	8,395
Inactive plan members entitled to but not yet receiving benefits	272
Active plan members (includes 565 DROP Members)	3,233
Total	11,900

As of June 30, 2014, Component II 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.

After July 1, 2014, active members will retain existing service credit in the Legacy Plan, but will only earn existing service credit in the new Hybrid Plan. Employees retiring during FY 2015 only earned approximately $19,000 in benefits from the Hybrid Plan. As of June 30, 2014 there were 4,881 active members enrolled in the Hybrid Plan.

Benefits Provided - The System provides retirement, disability, and death benefits. Benefit terms had been established by negotiations between the City Council and the employees' collective bargaining unit and subject to amendment by the City Council. Further changes to benefits were provided for under the POA.

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, in the past, the System had retained an independent actuary to determine the annual contribution. The actuarially determined rate was 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. However, until 2024, contributions are based on specific provisions in accordance with the Plan of Adjustment.

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. Please read Note 9 for further information.

Employer Contributions:

For Component I, during fiscal year 2015, employer contributions are not actuarially determined but determined by the provisions of the Combined Plan. For Component II, during fiscal year 2015, employer contributions are not actuarially determined but are detailed under Exhibit II.B.3.q.ii.A of the POA. Included within contributions in Component II are contributions from the Foundation for Detroit's Future (the "Foundation") in the amount of $18,300,000 and contributions from the State of Michigan in the amount of $96,000,000. Employer contributions were also made into the Income Stabilization fund for $622,540 from the Unlimited Tax General Obligation bonds ("UTGO") proceeds. Going forward, aside from the proceeds of the UTGO which will be allocated to the Income Stabilization Fund, no more employer contributions will be made towards Component II, until 2024 other than those that will continue to be made from proceeds from the Foundation contributions as specified in the POA, assuming all requirements are met.

Contributions from the City into Component I range from 11.2 percent - 12.25 percent of base compensation for eligible employees. These contribution rates are fixed through June 30, 2023 and may be increased if required according to the fiscal responsibility provision in the Plan.

Because there are no actuarially determined contributions for Component I, there is no Required Schedule of Contributions for Component I included within these financial statements.

Note 2 - Pension Plan Description (Continued)

Employee Contributions:

Component II - Contribution requirements of plan members were historically established and amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2015, there were minimal employee contributions into Component II, as the plan was frozen as of June 30, 2014. Effectively, employee contributions were allowed only until August 1, 2014.

Component I - Contribution requirements of plan members are established by the Combined Plan. For the year ended June 30, 2015, the average active member contribution rate for employees hired before July 1, 2014 was 6.0 percent of annual pay and for employees hired after July 1, 2014 was 8.0 percent of annual pay.

Deferred Retirement Option Program (DROP)

In lieu of terminating employment and accepting a retirement allowance under the plan, any member of the System who is eligible for the DROP program may defer the receipt of his or her retirement allowance, continue services, and be paid compensation. At the time of the DROP election, the member no longer accrues a benefit. The program credits the employee for benefit payments that would have been paid had they retired normally by depositing 75 percent of the monthly payment with a third-party administrator in the member's name. The remaining 25 percent of the monthly payments are retained by the System for general purposes. The DROP allocations continue if the member continues to be actively employed as a police officer or a firefighter with the City. The member is eligible to withdraw the amounts deposited with the third-party administrator upon retirement. In addition, upon retirement, the retiree receives 100 percent of his or her retirement benefits. There are no amounts held by the System at June 30, 2015, as all amounts due to the members pursuant to the DROP election are held by a third-party administrator.

Note 3 - Deposits and Investments

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

Note 3 - Deposits and Investments (Continued)

The System invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, 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 fiduciary net position.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk. Approximately $5.3 million System's checking account balances were uninsured and uncollateralized at June 30, 2015. The System believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the System evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Hybrid Plan (Component I) is invested in cash and cash equivalents and short term investments as of June 30, 2015, with no FDIC coverage.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The System's investment policy does not restrict investment maturities.

At June 30, 2015, the average maturities of debt investments as follows:

Investment Type	Fair Value (in thousands)	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
U.S. government	$ 162,645	$ 12,123	$ 45,171	$ 13,121	$ 92,230
Government assets and mortgage backed	52,265	1,614	10,374	4,865	35,412
Corporate**	196,616	2,848	50,505	111,924	31,339
Private placement	144,079	5,117	35,405	88,789	14,768
Convertible bonds	40,257	5,984	16,480	6,914	10,879
State and local obligations	10,526	-	2,008	5,048	3,470
Convertible preferred stock	1,118	-	531	-	587
Construction loans	5,383	4,695	688	-	-
Mortgages	99,145	97,690	1,455	-	-
Total	$ 712,034	$ 130,071	$ 162,617	$ 230,661	$ 188,685

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

The short term investments in the Hybrid Plan (Component I) have an average maturity of .08 years.

Note 3 - Deposits and Investments (Continued)

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

As of June 30, 2015, the credit quality ratings of debt securities (other than the U.S. government) as rated by Moody's are as follows:

Investment Type and Fair Value (in thousands)	AAA	AA	A	BAA	BA	B	CAA and Below	NR
Corporate fixed income	$ 1,863	$ 3,622	$ 27,014	$ 49,985	$ 45,082	$ 51,783	$ 9,704	$ 9,279
Government fixed income	62,546	7,408	3,246	692	-	-	-	11,690
Private placements	6,870	700	3,570	17,914	32,425	52,927	14,600	15,634
Convertible bonds	-	-	6,758	11,977	2,037	827	-	18,657
Mortgage backed securities	34,436	2,918	263	-	-	-	-	14,648
Convertible preferred stock	-	-	587	-	-	-	-	13,188
Mortgages	-	-	-	-	-	-	-	103,294
Construction loans	-	-	-	-	-	-	-	5,383
Total	$ 105,715	$ 14,648	$ 41,438	$ 80,568	$ 79,544	$ 105,537	$ 24,304	$ 191,773

Custodial credit risk for the short term investments in the Hybrid Plan (Component I) is not rated.

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

Note 3 - Deposits and Investments (Continued)

	Equity	Forward Contracts (Including Payable/ Receivable)	Cash	Net Investment Receivable/ (Payable)
Australian dollar	$ 4,939	$ 7,392	$ 52	$ (358)
Brazilian real	539	-	3	-
British pound sterling	42,781	8,092	621	(198)
Canadian dollar	10,157	3,214	54	-
Danish krone	1,768	1,715	17	-
Euro currency	82,233	(13,738)	2,350	(413)
Hong Kong dollar	13,189	(1,212)	33	(203)
Indian rupee	1,158	-	-	-
Israeli shekel	-	601	3	-
Japanese yen	65,600	(19,084)	465	-
Malaysian ringgit	300	-	-	-
New Taiwan dollar	546	-	-	-
New Turkish lira	307	-	-	-
Norwegian krone	7,092	(480)	51	47
Philippines peso	-	-	8	-
Russian new ruble	658	-	46	-
Singapore dollar	269	1,704	14	-
South African rand	1,054	-	9	-
South Korean won	3,455	-	11	-
Swedish krona	2,877	3,620	17	-
Swiss franc	26,782	(3,267)	276	142
Total	$ 265,704	$ (11,443)	$ 4,030	$ (983)

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

As of June 30, 2015, the collateral provided was 103.19 percent of the market value of the loaned securities.

Note 3 - Deposits and Investments (Continued)

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

The System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested together with the cash collateral of other lenders in an investment pool. The average duration of this investment pool as of June 30, 2015 was 33 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, 2015, the System had no credit risk exposure to borrowers. The collateral held (at cost) and the fair market value of underlying securities on loan for the System as of June 30, 2015 were $303,831,129 and $294,436,012, respectively.

The following represents the balances relating to the securities lending transactions as of June 30, 2015; investments are reported at fair value:

Securities Lent	Underlying Securities
U.S. government and agencies	$ 8,720,494
U.S. corporate fixed income	49,889,175
U.S. equities	222,798,731
Non-U.S. equities	13,027,612
Total	$ 294,436,012

The fair market value of the collateral pool related to securities lending at June 30, 2015 was $300,530,138. The investments were in asset-backed securities, floating rate notes, and repurchase agreements. Approximately 60 percent of these securities had a duration of less than one year, 37 percent had a duration between 1 and 3 years and 3 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, 2015 as rated by S&P are as follows:

Ratings	Amount
AAA	$ 73,471,041
AA	109,077,995
A	88,002,656
CCC	9,126,746
NR	20,851,700
Total	$ 300,530,138

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

Component II (Legacy Plan) and Component I (Hybrid Plan)

Investment Policy - The Systems's policy in regard to the allocation of invested assets is established and may be amended by governance by a majority vote of its members. It is the policy of the governance to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The System'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. For Component II, the following was the governance's adopted asset allocation policy as of June 30, 2015. Although as of June 30, 2015 Component I assets were invested only in short-term instruments, going forward it is the intent of the System to commingle the assets of each Component using the target allocation below.

Asset Class	Target Allocation
U.S. stocks	16.50%
Non-U.S. stocks	16.50%
Global low volatility	5.0%
Private equity	10.00%
U.S. core fixed income	13.50%
U.S. TIPA	1.00%
U.S. high yield	6.50%
Convertibles	2.00%
Opportunistic debt	5.00%
Cash	1.00%
Private real estate	10.00%
Global REIT's	3.00%
MLPs	5.00%
Hedge funds	5.00%

Note 4 - Pension Plan Investments - Policy and Rate of Return (Continued)

Rate of Return - For the year ended June 30, 2015, the annual money weighted rate of return on Component II pension plan investments, net of pension plan investment expense, was 3.80 percent. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Component I money weighted rate of return was insignificant during fiscal year 2015 due to the newness of the plan combined with the highly liquid investments.

Note 5 - Pension Plan Reserves

Component II (Legacy Plan)

In accordance with state law, the following reserves are required to be set aside within the Component II (Legacy) pension plan:

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 survivors benefit fund accumulates regular interest on funds contributed by members prior to July 1, 2014 and from which benefits will be paid, but only to the extent sufficient assets are credited to the fund at the time a claim for benefits is made. In the event there are insufficient assets credited to the survivor's benefit fund to pay the benefits then the benefits will be payable from the pension reserve 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. 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.

The pension accumulation fund is the fund in which will accumulate reserves for the pensions and other benefits payable from the contributions made by the City including various departments thereof, and certain third parties pursuant to the POA and from which pensions and other benefits will be paid on account of members with prior service credit. Contributions to the pension accumulation fund from the effective date of the POA through Fiscal Year 2023, shall be made only in the amounts and from the sources identified in the POA.

Note 5 - Pension Plan Reserves (Continued)

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 transfers from the pension accumulation fund to the pension reserve fund for FY 2015 have not yet been determined.

The expense fund is the fund which will be credited with all money provided by the City to pay the administrative expenses of the System, and from which all the expenses necessary in connection with the administration and operation of the System will be paid. At year end, this reserve balance is zero as all employer contributions were credited to the pension accumulation fund.

The balances of the reserve accounts as of June 30, 2015 are included in the table below. The reserve balances as of June 30, 2015 shown below do not include the current year transfer amount related to fiscal year 2015 retirements for which amounts are transferred from the pension accumulation fund to the pension reserve fund.

Annuity Savings Fund	$ 114,632,702
Pension Reserve Fund	2,789,409,747
Annuity Reserve Fund	50,961,990
Survivor Benefit Fund	6,139,444
Pension Accumulation Fund	233,610,558

Component I (Hybrid Plan)

In accordance with the Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan, the following reserves are required to be set aside within the Component I (Hybrid) pension plan:

The accumulated mandatory employee contribution fund shall be the fund in which shall be accumulated the contributions of members to provide their retirement allowances. Upon the retirement, termination, or death of a member with a vested retirement allowance, the member's accumulated mandatory employee contributions shall be deemed to be part of the pension reserve which shall be used to pay the member's retirement Allowance.

The accumulated voluntary employee contribution fund shall be the fund in which shall be accumulated the voluntary after-tax contributions of members together with earnings thereon.

Note 5 - Pension Plan Reserves (Continued)

The pension accumulation fund shall be the fund in which shall be accumulated reserves for the 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 and from which shall be paid retirement allowances and other benefits on account of members. During fiscal year 2015, all employer contributions were directed by the City into the pension accumulation fund and no amounts were credited to the rate stailization fund.

The rate stabilization fund shall be the fund which shall be credited employer annual contributions in excess of the amount of the employer's contribution which is credited to the pension accumulation fund and amounts transferred to Component I as provided in Section G-2(f) of Component II. See Note 8 for details on the transfer provisions related to transfers between Component II and Component I. During fiscal year 2015, no amounts were credited to the rate stabilization fund. Therefore, this reserve balance is zero.

The deferred retirement option plan fund shall accumulate the amounts credited to the DROP accounts of members who have elected to participate in the DROP Program pursuant to Article 12, together with earnings thereon, provided that the DROP accounts are held and invested within the System. At year end, the DROP reserve is zero because the System is not holding those assets.

The medical benefit fund shall be the fund which will be credited with contributions made for the purpose of funding medical benefits. During the year, no such contributions were made and therefore this reserve balance is zero.

The expense fund shall be the fund to which will be credited any money provided by the employers to pay the administrative expenses of the System, and from which certain expenses incurred in connection with the administration and operation of the System will be paid. At year end, this reserve balance is zero as all employer contributions were credited to the pension accumulation fund.

The income fund shall be the fund to which all interest, dividends, and other income derived from the investments of Component I of the System will be credited. Transfers from the income fund will be made to credit earnings and losses to various reserves of the System in accordance with the provisions of Component I of the Combined Plan Document. Amounts credited to the income fund in excess of amounts needed to credit earnings and losses of the System as provided in Component I for any plan year shall be transferred to the pension accumulation fund. During fiscal year 2015, investment income was minimal and therefore this reserve balance at June 30 2015 remains unfunded.

Note 5 - Pension Plan Reserves (Continued)

The balances of the above reserves which were funded as of June 30, 2015 are as follows:

	Amount funded
Accumulated Mandatory Employee Contribution Fund	$ 7,259,538
Accumulated Voluntary Employee Contribution Fund	14,370
Pension Accumulation Fund	14,053,556

Note 6 - Net Pension Liability of the City for Component II (Legacy Plan)

The net pension liability of the System has been measured as of June 30, 2015 based on benefits in force as of that date and is comprised of the following:

Total pension liability	$ 3,689,500,271
Plan fiduciary net position	3,194,754,441
City's net pension liability	$ 494,745,830
Plan fiduciary net position as a percentage of the total pension liability	86.59 %

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2014, which used update procedures to roll forward the estimated liability to June 30, 2015. The valuation used the following actuarial assumptions, which were different between the beginning of year (July 1, 2014) and the end of the year (June 30, 2015) due to changing assumptions:

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

Inflation	N/A	
Salary increases	4.0 - 8.2	No inflation assumption or salary increases due to plan freeze as of 6/30/14
Investment rate of return	7.2%	Net of pension plan investment expense, including inflation

Mortality rates were based RP-2014 Blue Collar Annuitant Table for males and females.

Note 6 - Net Pension Liability of the City for Component II (Legacy Plan) (Continued)

To calculate the end of year 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 7.47 percent.

To calculate the total pension liability as of June 30, 2015, the mortality assumption was based RP-2014 Blue Collar Annuitant Table for males and females.

The actuarial assumptions used in the June 30, 2014 valuation to calculate the total pension liability as of June 30, 2015 were based on the results of an actuarial experience study for the period from July 1, 2008 to June 30, 2013.

Cost-of-living adjustments: For the beginning of year calculation 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. For the end of year calculation of the total pension liability, COLA has been limited in accordance with the Plan of Adjustment to 1.0125 percent.

Attribution period: 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 (Component II) will now be earning benefits under a newly created defined benefit plan (Component I). GASB Statement No. 67 requires that the service costs of all pensions be attributed through all assumed exit ages, through retirement. Neither GASB Statement No. 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, 2015 is equal to the present value of projected benefit payments.

Note that the long term assumed rates of return used for purpose of the GASB 67 valuations were determined in accordance with generally accepted accounting principles. This should not be confused with the provisions in the plan of adjustment which established a 6.75 percent assumed rate of return for purposes of the various provisions within the plan; the Plan of Adjustment did not attempt to dictate the long term rate of return to be used for accounting purposes.

Note 6 - Net Pension Liability of the City for Component II (Legacy Plan) (Continued)

Discount Rate - The discount rate used to measure the total pension liability as of June 30, 2015 was 7.47 percent; however, the single discount rate used at the beginning of the year was 7.2 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 System contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows - Based on the above 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 both at the beginning of the year as well as at the end of the year. 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 geometric real rates of return as of June 30, 2015 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment note, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. equity	5.42%
Non U.S. equity	5.62%
Global low volatility	5.62%
Private equity	8.26%
U.S. core fixed income	2.25%
U.S. TIPA	2.34%
U.S. high yield	4.59%
Convertibles	4.89%
Opportunistic debt	5.08%
Cash	0.39%
Private real estate	4.98%
Global REITs	4.45%
MLPs	8.65%
Hedge funds	4.74%

Note 6 - Net Pension Liability of the City for Component II (Legacy Plan) (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the System, calculated using the discount rate of 7.47 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.47 percent) or 1 percentage point higher (8.47 percent) than the current rate:

	1% Decrease (6.47%)	Current Discount Rate (7.47%)	1% Increase (8.47%)
Net pension liability of the City	$ 870,962,204	$ 494,745,830	$ 178,917,674

Note 7 - Net Pension Liability of the City for Component I (Hybrid Plan)

The net pension liability of the System has been measured as of June 30, 2015 based on benefits in force as of that date and is comprised of the following:

Total pension liability	$ 24,736,154
Plan fiduciary net position	21,327,464
System's net pension liability	$ 3,408,690
Plan fiduciary net position as a percentage of the total pension liability	86.2 %

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2014, which used update procedures to roll forward the estimated liability to June 30, 2015.

Fiscal year 2015 was the first year of existence for the Hybrid (Component I) Plan. Therefore, the total pension liability was $0 at the beginning of the year. The following are the significant assumptions:

Wage inflation assumption was 2 percent for five years, 2.5 percent for the next five years, and 3 percent thereafter.

The investment rate of return (net of pension plan investment expense, including inflation) applied to the beginning of year total pension liability was 7.2 percent as compared to 7.47 percent which was the assumed long term rate of return as of the end of year. Note that the long term assumed rates of return used for purpose of the GASB 67 valuations were determined in accordance with generally accepted accounting principles. This should not be confused with the provisions in the plan of adjustment which established a 6.75 percent assumed rate of return for purposes of the various provisions within the plan; the Plan of Adjustment did not attempt to dictate the long term rate of return to be used for accounting purposes.

Note 7 - Net Pension Liability of the City for Component I (Hybrid Plan) (Continued)

Based on an experience study from 2008-2013 issued in February 2015, the mortality table assumption was based on RP-2014 Blue Collar Annuitant Table for males and females. The tables are projected to be fully generational, based on the 2-dimensional sex distinct mortality scale MP-2014.

Cost of living adjustments: This plan has a post retirement COLA feature known as the Variable Pension Improvement Factor ("VPIF") of a 1 percent compound COLA. It can be granted beginning July 1, 2015 only if the five-year projection shows the plan funded status above 90 percent based upon 6.75 percent future investment return. For purposes of the total pension liability, the actuary assumed a 0.50 percent compound COLA beginning July 1, 2015 to model the potential average COLA over time. Had no COLA been assumed, the net pension liability would have been $2,242,044. Had the full 1 percent COLA been assumed, the net pension liability would have been $4,686,445.

There were no changes in benefit provisions during the year affecting the Total Pension Liability.

Discount Rate - The discount rate used to measure the total pension liability as of June 30, 2015 was 7.47 percent; however, the single discount rate used at the beginning of the year was 7.2 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 System contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows - Based on those 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.

Note 7 - Net Pension Liability of the City for Component I (Hybrid Plan) (Continued)

Although at year end, the assets for Component I were invested in short-term investments, it is the intent of the System to commingle Component I and Component II assets going forward. Therefore, for purposes of determining the single discount rate for Component I, the System looked at the long-term expected rate of return on future pension plan investments which 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 geometric real rates of return as of June 30, 2015 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
U.S. equity	5.42 %
Non U.S. equity	5.62 %
Global low volatility	5.62 %
Private equity	8.26 %
U.S. core fixed income	2.25 %
U.S. TIPA	2.34 %
U.S. high yield	4.59 %
Convertibles	4.89 %
Opportunistic debt	5.08 %
Cash	0.39 %
Private real estate	4.98 %
Global REITs	4.45 %
MLPs	8.65 %
Hedge funds	4.74 %

Note 7 - Net Pension Liability of the City for Component I (Hybrid Plan) (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the System, calculated using the discount rate of 7.47 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.47 percent) or 1 percentage point higher (8.47 percent) than the current rate:

	1% Decrease (6.47%)	Current Discount Rate (7.47%)	1% Increase (8.47%)
Net pension liability of the System	$ 7,449,863	$ 3,408,690	$ 150,597

Note 8 - Commitments

When the System 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, 2015 the remaining capital funding commitment for the System is approximately $42 million.

In addition, the plan documents for the Legacy Pension Plan (Component II) contain a provision for the transfer of certain excess investment returns to the new Hybrid Plan (Component I). In any plan year during the period beginning on or after July 1, 2014 and ending June 30, 2023, if the annual rate of return credited to member annuity savings fund accounts is less than the actual rate of return net of expenses of the Plan's invested assets for the second plan year preceding the plan year in which the annual rate of return is credited, the excess earned shall be transferred to the pension accumulation fund maintained under Component I of the Combined Plan and will be used to fund transition costs related to Component I. The transition cost is a measure of the liability that Component I of the Retirement System has at its inception due to the fact that members in Component I receive vesting and eligibility credit under Component I for service that was earned prior to July 1, 2014 and is otherwise credited to members under Component II. Such transition costs will be calculated by the Plan's actuary. This transfer will be calculated and transferred in the following year; therefore, any transfers based on the plan year ended June 30, 2015 will be calculated and transferred during the year ended June 30, 2016.

Note 9 - City of Detroit's Chapter 9 Bankruptcy Plan of Adjustment and Continuing Impact on the Plan

In March 2013, after enduring years of financial difficulty, the City of Detroit filed for bankruptcy protection. The Eighth Amended Plan for Adjustment of Debts of the City of Detroit (the "Plan of Adjustment"), was filed with the Bankruptcy Court on October 22, 2014. In November 2014, after a confirmation hearing lasting several weeks, the Bankruptcy Court confirmed the Plan of Adjustment ("POA"), which became effective December 10, 2014.

In fiscal year 2015 the System implemented the provisions of the POA which resulted in the freeze of Legacy Plan (Component II) as of June 30, 2014 and the creation of a new Hybrid Plan (Component I).

The POA also required certain governance changes for DPFRS. Those governance changes included establishment of the Investment Committee effective December 10, 2014, which officially marked the beginning of implementation of the POA, though DPFRS had for months already undertaken contingency planning for all of the pension adjustments.

Legacy Plan (Component II)

The Pension Settlement, as part of the POA, compromised pension claims and provided funding support for legacy pension benefit obligations under the Police and Fire retirement System ("DPFRS") Component II from the State of Michigan and the Detroit Institute of Arts.

For DPFRS, with respect to Component II benefit adjustments, the Pension Settlement (for which benefit levels were and are contingent on other factors, including receipt of outside contributions), provided for:

- A 55 percent reduction in cost of living adjustments, or 'escalators' ("COLAs") paid after July 1, 2014;
- 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 Component II allowing restoration depending on the System's funding level over time.

Note 9 - City of Detroit's Chapter 9 Bankruptcy Plan of Adjustment and Continuing Impact on the Plan (Continued)

- An Income Stabilization Program (the "ISF Program"), which was established as part of the State Contribution Agreement, another facet 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. Beginning March 1, 2015, certain DPFRS members also 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.
- The POA also discusses a "Restoration Plan". Terms of the pension restoration are contained in "Exhibit II.B.3q.ii.C" of the POA and the terms govern how accrued pensions, including COLA benefits that were reduced as a part of the POA shall be restored over the 30 year period following the Confirmation Order. The Investment Committee will supervise the restoration process in accordance with the restoration process. The restoration plan shall be deemed a part of Component II. The funding levels have not been attained yet as of June 30, 2015 for the restoration process to initiate.

Going forward, the obligations for contributions to support Component II of the System through 2023 are determined as fixed amounts by the provisions in the POA. Pursuant to the POA, the System is expected to receive contributions of a total of $260.7 million through fiscal year 2023. The POA calls for the System to receive $96 million from the State of Michigan and $16.7million from the DIA and its foundation donors over a 10-year period covering fiscal year 2014 through fiscal year 2023. After 2023, the City will retain responsibility for the full funding obligations of Component I of the System, consistent with Michigan law.

In fiscal year 2015, DPFRS received from the State of Michigan, and the DIA and its foundation donors, all contributions required by the POA.

As of March 1, 2015, less than three months after the effective date of the POA, DPFRS successfully implemented the vast majority of benefit changes required by the Plan, including the ISF Program coordinated in conjunction with the Michigan Department of Treasury.

Note 9 - City of Detroit's Chapter 9 Bankruptcy Plan of Adjustment and Continuing Impact on the Plan (Continued)

Hybrid Plan (Component I)

In the new Hybrid Plan, effective July 1, 2014 the following provsions were in place:

- Active employees are allowed to make voluntary contributions up to 10 percent of total after-tax pay. Interest will be credited to those accounts at the actual net investment rate of return for DPFRS, but will not be lower than 0 percent or more than 5.25 percent;
- Employer contributions by the City will be between 11.2 percent and 12.25 percent of base compensation; and
- A 55 percent reduction in cost of living adjustments, or 'escalators' ("COLAs") paid after July 1, 2014.

DPFRS continues to implement the POA, which includes ongoing compliance and additional reporting requirements by the Board and the Investment Committee, annual review of benefit levels, and essentially provides for a 40-year plan to close the DPFRS legacy Component II underfunded liability.

Required Supplemental Information

Required Supplemental Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios (Legacy Plan)
Last Two Fiscal Years

(Schedule is built prospectively upon implementation of GASB Statement No. 67)

	2015	2014
Total Pension Liability		
Service cost	$ -	$ 34,967,708
Interest	306,063,330	304,737,369
Changes in benefit terms	(555,898,068)	(102,236,878)
Differences between expected and actual experience	(59,621,651)	-
Changes in assumptions	(95,014,469)	540,356,835
Benefit payments, including refunds	(313,816,916)	(323,540,473)
Net Change in Total Pension Liability	(718,287,774)	454,284,561
Total Pension Liability - Beginning of year	4,407,788,045	3,953,503,484
Total Pension Liability - End of the year	**$3,689,500,271**	**$4,407,788,045**
Plan Fiduciary Net Position		
Contributions - Employer, State and Foundation	$ 114,300,000	$ -
Contributions - Member	593,292	7,783,141
Net investment income	122,736,820	568,760,793
Administrative expenses	(7,630,692)	(11,373,226)
Benefit payments, including refunds	(313,816,916)	(323,540,473)
Other	2,368,638	-
Net Change in Plan Fiduciary Net Position	(81,448,858)	241,630,235
Plan Fiduciary Net Position - Beginning of year	3,276,203,299	3,034,573,064
Plan Fiduciary Net Position - End of year	**$3,194,754,441**	**$3,276,203,299**
System's Net Pension Liability - Ending	**$ 494,745,830**	**$1,131,584,746**
Plan Fiduciary Net Position as a Percent of Total Pension Liability	86.59 %	74.33 %
Covered Employee Payroll	$ 131,220,124	$ 157,622,578
System's Net Pension Liability as a Percent of Covered Employee Payroll	377.0 %	717.9 %

Required Supplemental Information
Schedule of Investment Returns (Legacy Plan)
Last Two Fiscal Years

	2015*	2014 *
Annual money weighted rate of return, net of investment expense	3.8 %	19.8 %

* 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.

Required Supplemental Information
Schedule of System Contributions (Legacy Plan)
Last Ten Fiscal Years

	2015***	2014**	2013**	2012**	2011	2010*	2009*	2008*	2007	2006
Actuarially determined contribution	N/A	$ 50,642,443	$ 42,005,173	$ 49,760,229	$ 81,642,112	$ 57,808,485	$ 61,151,057	$ 58,934,636	$ 57,423,366	$ 57,807,332
Contributions in relation to the actuarially determined contribution	N/A	-	-	20,733,429	81,642,112	32,808,485	36,151,057	41,113,934	57,423,366	57,807,332
Contribution Deficiency	**$ -**	**$ 50,642,443**	**$ 42,005,173**	**$ 29,026,800**	**$ -**	**$ 25,000,000**	**$ 25,000,000**	**$ 17,820,702**	**$ -**	**$ -**
Covered Payroll	$ -	$ 165,552,280	$ 186,694,166	$ 205,800,278	$ 220,461,691	$ 228,829,999	$ 231,795,528	$ 232,812,606	$ 230,173,964	$ 228,140,160
Contributions as a Percentage of Covered Payroll	- %	- %	- %	10.1 %	37.0 %	14.3 %	15.5 %	17.7 %	25.0 %	25.3 %

* For the years ended June 30, 2010, 2009, and 2008, the System gave various credits to the City that offset the required contributions.

** As of June 30, 2014, a portion of the 6/30/2012 annual required contribution and the entire 6/30/2013 and 6/30/2014 annual required contribution has not been paid and has not been recognized as revenue.

***The contributions starting with fiscal year 2015 were determined by the provisions of the POA; the contributions were not actuarially determined and therefore not subject to disclosure in accordance with GASB 67 within this schedule.

Notes to Schedule of System Contributions (Legacy and Hybrid Plans)

Actuarial valuation information relative to the determination of contributions:

Valuation date — N/A - Starting in FY 2015, contributions are not actuarially determined.

Methods and assumptions used to determine contribution rates:

Actuarial cost method

Schedule of Investment Returns

Remaining amortization period \

Asset valuation method

Inflation

Salary increases

Investment rate of return

Retirement age

Mortality

Other information

Police and Fire Retirement System of the City of Detroit

Required Supplemental Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios (Hybrid Plan - Component 1)
Last Fiscal Year

	2015
Total Pension Liability	
Service cost	$ 24,835,814
Interest	894,089
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(1,008,119)
Benefit payments, including refunds	-
Voluntary Employee Contributions	14,370
Net Change in Total Pension Liability	24,736,154
Total Pension Liability - Beginning of year	-
Total Pension Liability - End of year	**$ 24,736,154**
Plan Fiduciary Net Position	
Contributions - Employer	$ 14,606,971
Contributions - Member	7,404,705
Net investment income	21,019
Administrative expenses	(685,677)
Benefit payments, including refunds	(19,554)
Net Change in Plan Fiduciary Net Position	21,327,464
Plan Fiduciary Net Position - Beginning of year	-
Plan Fiduciary Net Position - End of year	**$ 21,327,464**
System's Net Pension Liability - Ending	**$ 3,408,690**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.22 %
Covered Employee Payroll	$ 121,627,871
System's Net Pension Liability as a Percentage of Covered Employee Payroll	2.8 %

Required Supplemental Information
Schedule of Investment Returns (Hybrid Plan - Component I)
Last Fiscal Year

	2015
Annual money-weighted rate of return, net of investment expense	N/A

Benefit Changes (Legacy Plan)

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. As of June 30, 2015, the cost of living adjustments decreased to 1.0125 percent.

Changes in Assumptions (Legacy Plan and Hybrid Plan)

The discount rate used to calculate the June 30, 2015 total pension liability was 7.47 percent. The discount rate used to calculate the total pension liability as of June 30, 2014 was 7.20 percent.