General Retirement System of the City of Detroit

Financial Report with Supplemental Information

June 30, 2009

General Retirement System of the City of Detroit

Contents

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Independent Auditor's Report

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

We have audited the accompanying statement of plan net assets of the General Retirement System of the City of Detroit (the "System") as of June 30, 2009 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's 2008 financial statements and, in our report dated December 10, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the General Retirement System of the City of Detroit as of June 30, 2009 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

As explained in Note 1, the financial statements include investments valued at approximately $827,000,000 (33 percent of net assets), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the investment managers, periodic appraisal, real estate advisors, general partners, or other means.

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

Plante & Moran, PLLC

December 21, 2009

Using this Annual Report

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

Condensed Financial Information

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

	Fiscal Year Ended		
	June 30, 2009	June 30, 2008	June 30, 2007
Total assets	$ 2,713,519,544	$ 3,974,699,052	$ 4,525,950,316
Total liabilities	326,383,009	557,931,326	679,938,257
Assets held in trust for pension benefits	**$ 2,387,136,535**	**$ 3,416,767,726**	**$ 3,846,012,059**
Net investment (loss) income	$ (794,692,915)	$ 614,322,130	$ 377,184,751
Contributions:			
Employee	21,135,924	20,358,640	19,438,360
Employer	41,395,719	43,168,448	41,444,808
Total contributions	62,531,643	63,527,088	60,883,168
Benefits paid to members and retirees:			
Retirees' pension and annuity benefits	205,136,206	196,775,146	206,185,678
Member annuity refunds and withdrawals	86,979,096	74,217,378	73,588,557
Total benefits paid	292,115,302	270,992,524	279,774,235
Benefits paid in excess of contributions	(229,583,659)	(207,465,436)	(218,891,067)
Ratio of benefits paid to contributions	4.7	4.3	4.6
Other expenses	5,354,617	4,723,783	4,498,224
Net (decrease) increase in net assets	**$ (1,029,631,191)**	**$ 402,132,911**	**$ 153,795,460**

Overall Fund Structure and Objectives

The General Retirement System of the City of Detroit (DGRS or the "System") is a defined benefit pension plan and defined contribution plan. DGRS exists to pay benefits to its members. Members of the System include active employees, retirees, and beneficiaries. Active members earn service credit that entitles them to receive benefits in the future. Retirees and beneficiaries are those members currently receiving benefits.

DGRS is a relatively mature plan in that there are more members receiving current benefits than active members. As of June 30, 2009, there were 9,128 active members, 11,385 members receiving benefits, and 2,114 terminated plan members entitled to, but not yet receiving, benefits.

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

Contributions to the System

The City of Detroit (employer) makes regular contributions to the System. The required contributions are determined by the System's actuaries using the entry age normal cost method. Basic pension and disability benefits are funded through employer contributions plus investment earnings on those contributions.

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

Benefit Payments

Benefits are paid monthly. DGRS paid out $292 million in benefits during the year consisting of $205 million in benefits to retirees and beneficiaries plus $87 million in refunds of annuity savings fund balances. This represents approximately 12 percent of the net assets of the System at year end. Employer and employee contributions were $63 million or 3 percent of the net assets of the System. The excess of benefits over contributions ($230 million) is funded through investment income. The public capital markets represent the primary source of opportunities to earn investment income.

Asset Allocation

The Board believes that the principal determinant of total fund investment performance over long periods of time is asset allocation. The DGRS asset allocation is built upon the foundation that the obligations of the System to pay the benefits promised to its members are very long-term obligations. Accordingly, the Board must make investment decisions that it believes will be the most beneficial to the System over many years, not just one or two years. The Board must also balance the desire to achieve long-term gains with the requirements of having to raise the cash to fund significant benefit payments every month.

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

The Board has established asset allocation policies which are expected to deliver more than enough investment income over a very long period of time to satisfy the obligations to pay the benefits promised to the members of the System. The following is a summary of the DGRS asset allocation policy as of June 30, 2009:

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

Investment Results

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

Total Fund Composite

The total fund composite for the year was -18.8 percent. Although negative returns are disappointing, periods of negative returns are nevertheless inevitable in the context of the System's allocation to equities. Returns for the recent prior fiscal years ended June 30 are shown below:

2008	-4.3%
2007	18.9%
2006	11.3%
2005	8.3%
2004	15.6%

Since June 30, 2009, the financial markets have recovered. Management notes that the assets of the System have increased 9 percent for the quarter ended September 30, 2009.

Contacting the General Retirement System's Management

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

Statement of Plan Net Assets
June 30, 2009
(with comparative totals for June 30, 2008)

	2009	2008
Assets		
Cash (Note 3)	$ 7,577,603	$ 10,939,147
Investments - At fair value (Note 3):		
Short-term investments	74,281,010	93,461,283
Stocks	788,542,781	1,206,707,654
Commingled equity funds	516,423,588	725,001,574
Bonds	216,274,278	345,171,018
Mortgage-backed securities	10,871,606	71,436,082
Pooled investments	16,846,000	26,165,360
Equity interest in real estate	367,488,256	458,232,023
Private placements	293,222,698	369,270,586
Mortgage and construction loans	137,126,720	166,277,904
Accrued investment income	7,905,427	13,561,485
Contributions receivable	19,375,638	14,507,751
Receivables from investment sales	27,955,916	48,650,292
Other accounts receivable	674,866	541,847
Capital assets (Note 1)	1,343,458	433,197
Cash and investments held as collateral for securities lending (Note 3):		
Asset-backed securities	23,166,422	69,811,379
Bank notes	44,927,300	75,153,148
Certificates of deposit	5,000,000	-
Certificates of deposit floating rate	5,004,650	60,046,989
Commercial paper	57,452,387	-
Repurchase agreements	769,600	-
Money market	21,383,440	52,049,785
U.S. corporate floating rate	69,905,900	167,280,548
Total assets	2,713,519,544	3,974,699,052
Liabilities		
Payables for investment purchases	30,226,142	94,700,599
Claims payable to retirees and beneficiaries	2,503,729	2,857,635
Due to City of Detroit	2,215,132	2,393,223
Other liabilities	28,504,486	33,638,020
Amounts due broker under securities lending agreement	262,933,520	424,341,849
Total liabilities	326,383,009	557,931,326
Net Assets Held in Trust for Pension Benefits (a schedule of analysis of funding progress is presented in the required supplemental information)	**$ 2,387,136,535**	**$ 3,416,767,726**

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

General Retirement System of the City of Detroit

Statement of Changes in Plan Net Assets
Year Ended June 30, 2009
(with comparative totals for the year ended June 30, 2008)

	2009	2008
Additions		
Investment income (loss):		
Interest and dividend income	$ 48,668,750	$ 71,736,482
Net depreciation in fair value	(803,184,935)	(276,937,035)
Investment expense	(11,419,048)	(15,306,262)
Securities lending income	2,015,970	2,535,736
Net loss on collateralized securities	(35,323,821)	-
Other income	4,550,169	915,965
Net investment loss	(794,692,915)	(217,055,114)
Contributions:		
Employee	21,135,924	20,358,640
Employer	41,395,719	43,168,448
Total additions - Net	(732,161,272)	(153,528,026)
Deductions		
Retirees' pension and annuity benefits	205,136,206	196,775,146
Member refunds and withdrawals	86,979,096	74,217,378
General and administrative expenses	5,264,343	4,620,015
Depreciation expense	90,274	103,768
Total deductions	297,469,919	275,716,307
Net Decrease in Net Assets Held in Trust for Pension Benefits	(1,029,631,191)	(429,244,333)
Net Assets Held in Trust for Pension Benefits - Beginning of year	3,416,767,726	3,846,012,059
Net Assets Held in Trust for Pension Benefits - End of year	**$ 2,387,136,535**	**$ 3,416,767,726**

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

Note 1 - Summary of Significant Accounting Policies

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

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

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

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

Methods Used to Value Investments - Investments are reported at fair value 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. Approximately 33 percent of the System's assets are not publicly traded and, therefore, do not always have a readily determinable market value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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.

Note 2 - Plan Description and Contribution Information

At June 30, 2009, the membership of the defined benefit plan and the defined contribution plan consisted of the following:

	Defined Benefit Plan	Defined Contribution Plan
Retirees and beneficiaries receiving pension benefits	11,385	1,374
Terminated plan members entitled to but not yet receiving benefits	2,114	873
Active plan members	9,128	7,941

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

Contributions - The City's policy is to fund normal costs and amortization of prior service costs. The City is required to contribute at an actuarially determined rate. Administrative costs are financed through investment earnings. The weighted average contribution rate for 2008-2009 and 2007-2008 was 9.96 percent and 10.21 percent, respectively, of active annual payroll, after the application of funding from the use of pension obligation certificate proceeds received during 2005. The City of Detroit computes the portion of the total required contribution that is funded through the certificate proceeds. This amount of $39,688,411 is transferred from the Accrued Liability Reserve Fund to the Pension Reserve Fund. Contributions from the employer for the years ended June 30, 2009 and 2008 totaled $41,395,719 and $43,168,448, respectively, after transfers from the certificate proceeds.

Note 2 - Plan Description and Contribution Information (Continued)

Employees may also elect to contribute (a) 0 percent, (b) 3 percent of annual compensation up to the Social Security wage base and 5 percent of any excess over that, (c) 5 percent, or (d) 7 percent toward annuity savings. Contributions from employees during the years ended June 30, 2009 and 2008 totaled $21,135,924 and $20,358,640, respectively.

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

Annual Pension Costs - The annual contribution for the year ended June 30, 2009 was $41,395,719. The annual contribution was determined as part of an actuarial valuation at June 30, 2007, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.9 percent investment rate of return, (b) projected salary increases of 4.0 percent per year, (c) additional salary increases of 0 percent to 5.5 percent per year based on merit and/or longevity, and (d) cost of living adjustments of 2.25 percent per year. Both (a) and (b) are determined to be using techniques that smooth the effects of short-term volatility over a three-year period. The unfunded actuarial liability is being amortized as a level of percent of payroll on an open basis. The remaining amortization period is 30 years.

Per the actuarial report dated June 30, 2008, all assumptions have remained consistent except for the projected salary increases. The projected salary increases changed to 4.0 percent to 8.9 percent as of that valuation.

Funded Status and Funding Progress - As of June 30, 2008, the most recent actuarial valuation date, the plan was 100.9 percent funded. The actuarial accrued liability for benefits was $3,609,558,628 and the actuarial value of assets was $3,641,197,523, resulting in actuarial accrued asset of $31,638,895. The covered payroll (annual payroll for active employees covered by the plan) was $368,470,990 and the ratio for the unfunded AAL to the covered payroll was (8.6) percent.

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan net assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 2 - Plan Description and Contribution Information (Continued)

Three-year trend information as of June 30 is as follows:

	Fiscal Year Ended June 30		
	2007	2008	2009
Annual pension costs (APC)	$ 41,444,808	$ 43,168,448	$ 41,395,719
Percentage of APC contributed	100%	100%	100%
Net pension obligation	$ -	$ -	$ -

See Note 4 for disclosure of required reserves.

Note 3 - Deposits and Investments

The System is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The investment policy adopted by the board is in accordance with Public Act 196 of 1997 and has authorized the investments according to Michigan Public Act 314. The System's deposits and investment policies are in accordance with statutory authority other than real estate asset balances under Section 19, being in excess of statutory limits by approximately 5 percent.

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

Note 3 - Deposits and Investments (Continued)

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's failure, the System's deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk. At June 30, 2009 and 2008, the System had $7,577,603 and $10,939,147, respectively, of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The System believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the System evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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, 2009, the average maturities of investments broken down by years are as follows:

		Investment Maturities (in years)			
Investment Type	Fair Value ($000)	Less than 1	1-5	6-10	More than 10
U.S. government	$ 76,186	$ 29,402	$ 25,207	$ 9,904	$ 11,673
Mortgage backed	10,929	-	-	659	10,270
Treasuries**	26,136	15,639	-	-	-
Corporate	129,035	14,300	63,684	28,182	22,869
Other fixed income	10,725	160	7,300	1,499	1,766
Convertible bonds	2,055	-	244	1,080	731
Pooled and mutual funds**	79,565	10	-	-	-
Government agencies	1,000	1,000	-	-	-
State and local obligations	135	-	-	-	135
Commingled bond funds**	-	-	-	-	-
Mortgages	100,699	4,004	63,380	33,315	-
Construction loans	32,244	28,193	4,051	-	-
Total	$ 468,709	$ 92,708	$ 163,866	$ 74,639	$ 47,444

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

Note 3 - Deposits and Investments (Continued)

At June 30, 2008, the average maturities of investments broken down by years are as follows:

Investment Type	Fair Value ($000)	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10
U.S. government	$ 79,974	$ 7,997	$ 25,400	$ 23,201	$ 23,376
Mortgage backed	79,090	252	885	1,922	76,031
Corporate	227,477	4,352	83,441	78,460	61,224
Other fixed income	34,929	268	11,114	19,778	3,769
Convertible bonds	426	-	-	426	-
Pooled and mutual funds**	155,759	10	-	-	-
Government agencies	6,936	6,824	-	-	112
Commingled bond funds**	90	-	-	-	-
Mortgages	111,308	13,612	69,108	28,588	-
Construction loans	68,790	60,693	8,097	-	-
Total	$ 764,779	$ 94,008	$ 198,045	$ 152,375	$ 164,512

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

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The System has no investment policy that would further limit its investment choices. As of June 30, 2009, the credit quality ratings of debt securities (other than that guaranteed by the U.S. government) as rated by S&P are as follows:

Investment Type and Fair Value ($000)	AAA	AA	A	BBB	BB
U.S. government	$ 62,885	$ 923	$ 5,239	$ 1,610	$ 296
Mortgage backed	2,562	-	-	598	-
Treasuries	11,285	-	-	-	-
Corporate	20,497	11,484	35,593	23,864	10,601
Other fixed income	35	1,480	4,430	3,062	199
Convertible bonds	-	-	-	-	471
Pooled and mutual funds	3	-	-	-	-
Government agencies	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
State and local oblications	-	-	-	-	-
Commingled bond funds	-	-	-	-	-
Mortgages	-	-	-	-	-
Construction loans	-	-	-	-	-
Total	$ 97,267	$ 13,887	$ 45,262	$ 29,134	$ 11,567

Note 3 - Deposits and Investments (Continued)

Investment Type and Fair Value ($000)	B	CCC and Below	A-1	NR
U.S. government	$ -	$ -	$ -	$ 5,233
Mortgage backed	142	-	-	7,627
Treasuries	-	-	-	14,852
Corporate	7,967	5,871	-	13,160
Other fixed Income	506	938	-	76
Comvertible bonds	608	-	-	975
Pooled and mutual funds	-	-	-	79,562
Government agencies	-	-	-	1,000
Certificates of deposit	-	-	-	-
State and local oblications	-	-	-	135
Commingled bond funds	-	-	-	873
Mortgages	-	-	-	100,699
Construction loans	-	-	-	32,244
Total	$ 9,223	$ 6,809	$ -	$ 256,436

As of June 30, 2008, the credit quality ratings of debt securities (other than that guaranteed by the U.S. government) as rated by S&P are as follows:

Investment Type and Fair Value ($000)	AAA	AA	A	BBB	BB
U.S. government	$ 29,844	$ -	$ 13,216	$ 3,359	$ 801
Mortgage backed	3,554	392	-	-	-
Corporate	42,053	8,886	15,934	29,604	40,209
Other fixed income	963	2,340	1,779	44,710	8,150
Convertible bonds	-	-	-	-	426
Commingled bond funds	-	-	-	-	-
Government agencies	-	-	-	-	-
State and local obligations	-	-	-	112	-
Pooled and mutual funds	-	-	-	-	-
Mortgages	-	-	-	-	-
Construction loans	-	-	-	-	-
Total	$ 76,414	$ 11,618	$ 30,929	$ 77,785	$ 49,586

Note 3 - Deposits and Investments (Continued)

Investment Type and Fair Value ($000)	B	CCC and Below	A-1	NR
U.S. government	$ -	$ -	$ -	$ 4,528
Mortgage backed	-	-	-	2,311
Corporate	70,763	12,916	-	6,857
Other fixed income	12,557	3,361	-	593
Convertible bonds	-	-	-	-
Commingled bond funds	-	-	-	90
Government agencies	-	-	6,824	-
State and local obligations	-	-	6,593	-
Pooled and mutual funds	-	-	-	155,759
Mortgages	-	-	-	111,308
Construction loans	-	-	-	68,790
Total	$ 83,320	$ 16,277	$ 13,417	$ 350,236

Note 3 - Deposits and Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The System does not restrict the amount of investments in foreign currency. For the year ended June 30, 2009, the following deposits and securities are subject to foreign currency risk (in $000):

	Fixed Income	Equity	Cash Equivalent	Cash	Forward Contracts
Argentina peso	$ -	$ 200	$ -	$ -	$ -
Australian dollar	3,867	11,726	-	190	33,173
Brazillian real	1,610	754	-	(58)	-
British pound sterling	2,618	40,655	-	(78)	(1,070)
Bulgarian lev	-	389	-	104	-
Canadian dollar	1,051	6,656	-	105	(5,425)
Czech koruna	-	1,226	-	73	(1,167)
Danish krone	-	1,689	-	3	-
Euro currency	3,210	48,400	414	3,280	6,763
Hong Kong dollar	-	6,838	-	(174)	-
Hryvnia	-	538	-	4	-
Hungarian forint	-	1,037	-	-	(832)
Indonesian rupiah	1,109	-	-	37	-
Israeli shekel	-	-	-	-	-
Japanese yen	-	37,552	-	942	(5,984)
Kroon	-	-	-	-	-
Malaysian ringgit	1,925	-	-	1	-
Mexican nuevo peso	1,498	78	-	-	-
Ne Romanian leu	-	12	-	21	-
New Taiwan dollar	-	2	-	185	-
New Zealand dollar	1,352	156	-	1	(12,757)
Norwegian krone	-	2,066	-	203	5,149
New Turkish lira	-	-	-	-	411
Phillipines peso	-	-	-	1	-
Polish zloty	1,562	1	-	-	-
Renminbi yuan	-	87	-	-	-
Russian new ruble	-	155	-	21	-
Singapore dollar	-	1,217	-	182	-
South African rand	1,090	194	-	-	-
South Korean won	-	2,140	-	-	1,126
Swedish krona	852	1,965	-	58	8,995
Swiss franc	-	14,567	-	675	(17,213)
Thai baht	-	-	-	101	-
Total	$ 21,744	$ 180,300	$ 414	$ 5,877	$ 11,169

Note 3 - Deposits and Investments (Continued)

For the year ended June 30, 2008, the following deposits and securities are subject to foreign currency risk (in $000):

	Fixed Income	Equity	Cash Equivalent	Cash
Australian dollar	$ 8,174	$ 16,900	$ 22,985	$ 1,014
Brazilian real	3,359	617	-	12
British pound sterling	4,777	60,757	60,921	(378)
Bulgarian lev	-	1,614	-	116
Canadian dollar	2,194	11,273	(7,393)	1,544
Czech koruna	-	3,069	(864)	-
Danish krone	-	3,828	-	(203)
Euro currency	-	94,466	(141,682)	4,901
Hong Kong dollar	-	5,154	-	797
Hryvnia	-	1,919	-	3
Hungarian forint	-	4,083	(733)	2
Iceland krona	1,550	-	-	-
Indonesian rupiah	1,641	79	-	40
Israeli shekel	-	6	-	-
Japanese yen	-	50,082	32,810	1,598
Kroon	-	17	-	-
Malaysian ringgit	5,030	-	-	1
Mexican nuevo peso	3,549	1,048	(768)	-
New Romanian leu	-	1,824	-	-
New Taiwan dollar	-	332	-	448
New Zealand dollar	3,013	223	(25,477)	-
Norwegian krone	954	9,053	49,557	514
New Turkish lira	-	27	1,186	(4)
Philippines peso	-	-	-	1
Polish zloty	4,220	5,192	(1,825)	1
Renminbi yuan	-	390	-	-
Russian new ruble	-	2,993	-	5
Singapore dollar	4,570	3,233	-	221
South African rand	2,815	-	-	1
South Korean won	-	344	-	-
Swedish krona	2,820	2,919	41,993	18
Swiss franc	-	20,190	6,947	(93)
Thai baht	-	-	-	103
Total	$ 48,666	$ 301,632	$ 37,657	$ 10,662

Note 3 - Deposits and Investments (Continued)

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.

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 in a separate account with the cash collateral of other lenders in an investment pool. The average duration of this investment pool as of June 30, 2009 was 28 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, 2009, the System had no credit risk exposure to borrowers. The collateral received (at cost) and the fair market value of the underlying securities on loan for the System as of June 30, 2009 was $262,933,520 and $252,865,293, respectively.

Securities Lent	Underlying Securities
U.S. government and agencies	$ 10,876,017
U.S. corporate fixed income	10,264,954
U.S. equities	220,778,692
Non-U.S. governments	2,385,964
Non-U.S. equities	8,559,666
Total	$ 252,865,293

Note 3 - Deposits and Investments (Continued)

The fair market value of collateral of the securities lending pool at June 30, 2009 was $227,609,699. The investments were in asset-backed securities, bank notes, certificate of deposits (floating rate), non-U.S. government, and U.S. corporate securities (floating rate).

The following represents the balances relating to the securities lending transactions as of June 30, 2008; investments are reported at fair value:

Securities Lent	Underlying Securities
U.S. government and agencies	$ 13,406,117
U.S. corporate fixed income	27,040,548
U.S. equities	352,233,542
Non-U.S. governments	3,429,189
Non-U.S. equities	13,045,261
Total	$ 409,154,657

The fair market value of collateral of the securities lending at June 30, 2009 was $424,341,849. The investments were in asset-backed securities, bank notes, certificate of deposits (floating rate), mutual funds, and U.S. corporate securities (floating rate).

Note 4 - Reserves

State law requires employee contributions to be segregated. In addition, amounts must be set aside as determined by the actuary to fund benefits to retirees currently approved to receive benefits. As of June 30, 2009, these reserves were more than the net assets of the System. However, at June 30, 2008, the System's reserves had been fully funded:

	2009	2008
Reserved for employee contributions	$ 702,959,255	$ 732,670,998
Reserved for retired employees	1,834,262,550	1,806,331,183

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

Note 5 - Pension Obligation Certificates

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

Note 6 - Credit Enhancement Agreements

During the year, the System had credit enhancement agreements totaling $99,000,000. In exchange for the credit enhancement, the System receives fees from the companies to whom the enhancement agreements have been given.

Required Supplemental Information

Required Supplemental Information
Schedule of Analysis of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/03	$ 2,537,668,376	$ 3,270,627,177	$ 732,958,801	77.6	$ 448,579,064	163.4
06/30/04	2,470,243,470	3,383,926,672	913,683,202	73.0	444,596,299	205.5
06/30/05	3,222,393,861	3,347,387,652	124,993,791	96.3	390,593,600	32.0
06/30/06	3,373,687,677	3,434,288,153	60,600,476	98.2	361,151,456	16.8
06/30/07	3,586,550,485	3,629,217,059	42,666,574	98.8	361,701,481	11.8
06/30/08	3,641,197,523	3,609,558,628	(31,638,895)	100.9	368,470,990	(8.6)

Required Supplemental Information
Schedule of Employer Contributions

Year Ended June 30	Date of Actuarial Valuation	Annual Required Contribution	Contribution Made	Percentage Contributed	Transfer from Accrued Liability Reserve*
2004	June 30, 2002	$ 95,876,076	$ 95,876,076	100	$ -
2005	June 30, 2003	41,689,528	41,689,528	100	64,807,084
2006	June 30, 2004	42,799,581	58,162,088	135	32,651,232
2007	June 30, 2005	41,444,808	41,444,808	100	39,840,591
2008	June 30, 2006	43,168,448	43,168,448	100	40,430,886
2009	June 30, 2007	41,395,719	41,395,719	100	39,688,411

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2008, the latest actuarial valuation, follows:

Valuation date	June 30, 2008
Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	Three-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.9%
Projected salary increases **	4.0%-8.9%
Includes inflation at	4.0%
Cost of living adjustments	2.25%

* In accordance with the pension obligation certificate requirements, annual transfers are made from the Accrued Liability Fund to the Pension Accumulation Reserve for the amortization of the unfunded liability that existed at the date the certificates were issued. The annual required contributions are stated net of the POC transfers.

** Per the actuarial report dated June 30, 2008, all assumptions have remained consistent except for the projected salary increases. The projected salary increases are 4.0 percent to 8.9 percent.

Other Supplemental Information

Other Supplemental Information
Description of Funds

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

Annuity Reserve Fund - Transfers are made from the Annuity Savings Fund into the Annuity Reserve Fund when an employee retires, becomes disabled, or if a surviving spouse elects an annuity rather than a lump-sum payout of accumulated employee contributions.

Both annuity funds are referred to as defined contribution plans.

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

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

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

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

	Annuity Reserves	
	Annuity Savings Fund	Annuity Reserve Fund
Additions		
Net investment income (loss)	$ 51,937,992	$ 3,338,084
Contributions:		
Employee	20,905,060	-
Employer	-	-
Total additions - Net	72,843,052	3,338,084
Deductions		
Retirees' pension and annuity benefits	-	11,496,019
General and administrative expenses	-	-
Depreciation expense	-	-
Member refunds and withdrawals	84,742,839	-
Total deductions	84,742,839	11,496,019
Net Additions (Deductions) - Before transfers	(11,899,787)	(8,157,935)
Transfers - Net	(17,811,956)	17,368,351
Net Increase (Decrease) in Net Assets Held in Trust for Pension Benefits	(29,711,743)	9,210,416
Net Assets Held in Trust for Pension Benefits - Beginning of year	732,670,998	45,973,766
Net Assets Held in Trust for Pension Benefits - End of year	**$ 702,959,255**	**$ 55,184,182**

		Pension Reserves			
Market Stabilization Fund	Accrued Liability Reserve Fund	Pension Accumulation Fund	Pension Reserve Fund	Total 2009	Total 2008
$ (649,954,140)	$ 56,115,591	$ (387,899,498)	$ 131,769,056	$ (794,692,915)	$ (217,055,114)
-	-	230,864	-	21,135,924	20,358,640
-	-	41,395,719	-	41,395,719	43,168,448
(649,954,140)	56,115,591	(346,272,915)	131,769,056	(732,161,272)	(153,528,026)
-	-	-	193,640,187	205,136,206	196,775,146
-	-	5,264,343	-	5,264,343	4,620,015
-	-	90,274	-	90,274	103,768
-	-	2,236,257	-	86,979,096	74,217,378
-	-	7,590,874	193,640,187	297,469,919	275,716,307
(649,954,140)	56,115,591	(353,863,789)	(61,871,131)	(1,029,631,191)	(429,244,333)
-	(39,688,483)	(40,459,996)	80,592,084	-	-
(649,954,140)	16,427,108	(394,323,785)	18,720,953	(1,029,631,191)	(429,244,333)
(232,276,997)	766,439,992	343,602,550	1,760,357,417	3,416,767,726	3,846,012,059
$ (882,231,137)	**$ 782,867,100**	**$ (50,721,235)**	**$1,779,078,370**	**$2,387,136,535**	**$3,416,767,726**