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

Financial Report with Supplemental Information

June 30, 2013

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

Contents

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Pension Plan of the General Retirement System of the City of Detroit (the "Plan") as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the net position of the Pension Plan of the General Retirement System of the City of Detroit as of June 30, 2013 and 2012 and the changes in its net position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the City of Detroit has filed for bankrupcy, calling into question the collectibility of the approximately $36,000,000 of contributions receivable due from the City to the Plan. As a result of the considerable uncertainty related to the receipt of these receivables, as of June 30, 2013 these amounts have not been recorded within these financial statements. Our opinion is not modified with respect to this matter.

As explained in Note 1, the financial statements include investments valued at approximately $702,000,000 (33 percent of net position) at June 30, 2013 and at approximately $690,000,000 (32 percent of net position) at June 30, 2012, 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 in 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 the pension system schedules of funding progress and employer contributions 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
Pension Plan of the General Retirement
System of the City of Detroit

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pension Plan of the General Retirement System of the City of Detroit's basic financial statements. The 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 other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

December 20, 2013

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 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, 2013	June 30, 2012	June 30, 2011
Total assets	$ 2,244,235,124	$ 2,319,275,903	$ 2,589,637,043
Total liabilities	145,213,170	160,438,055	168,070,087
Assets held in trust for pension benefits	**$ 2,099,021,954**	**$ 2,158,837,848**	**$ 2,421,566,956**
Net investment income	$ 270,348,063	$ 49,023,470	$ 438,954,196
Contributions:			
Employee	13,395,701	16,585,232	18,104,402
Employer	26,515,782	64,218,880	55,138,044
Total contributions	39,911,483	80,804,112	73,242,446
Other inccome	11,861,477	1,604,294	1,914,465
Benefits paid to members and retirees:			
Retirees' pension and annuity benefits	246,617,947	230,915,545	220,437,216
Member annuity refunds and withdrawals	126,498,794	156,865,860	113,789,871
Total benefits paid	373,116,741	387,781,405	334,227,087
Benefits paid in excess of contributions	(333,205,258)	(306,977,293)	(260,984,641)
Ratio of benefits paid to contributions	9.3	4.8	4.6
Other expenses	(8,820,176)	(6,379,579)	(4,829,753)
Net (decrease) increase in net assets	**$ (59,815,894)**	**$ (262,729,108)**	**$ 175,054,267**

Overall Fund Structure and Objectives

The Pension Plan of the General Retirement System of the City of Detroit (DGRS or the "Plan") is a defined benefit pension plan and defined contribution plan. DGRS exists to pay benefits to its members. Members of the Plan 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, 2013, there were 5,658 active members, 12,118 members receiving benefits, and 2,214 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 Plan

The City of Detroit (employer), until fiscal year 2013, made regular contributions to the Plan. The required contributions are determined by the Plan'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. During fiscal year 2013, the City suspended employer contributions pending the City's bankruptcy. As a result, only about half of the required contribution due from the City was actually paid into the Plan. The remaining receivable, totaling approximately $36,000,000, was written down by an allowance against the receivable balance.

Active employees may voluntarily contribute 0 percent, 3 percent, 5 percent, or 7 percent of gross pay to the Plan. 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 of his or her annuity savings fund balance, resulting in a greater monthly retirement benefit. Any portion of an employee's annuity savings fund balance which is not annuitized upon retirement is refunded in a lump sum.

Benefit Payments

Benefits are paid monthly. DGRS paid out $373 million in benefits during the year consisting of $247 million in benefits to retirees and beneficiaries plus $126 million in refunds of annuity savings fund balances. This represents approximately 18 percent of the net assets of the Plan at year end. Employer and employee contributions were $40 million or 1.9 percent of the net assets of the Plan. The excess of benefits over contributions ($333 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 Plan 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 Plan 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 Plan 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 Plan 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 Plan. The following is a summary of the DGRS asset allocation policy as of June 30, 2013 :

Equities	45%
Tactical asset allocation	12%
Fixed income	18%
Real assets	5%
Real estate	8%
Alternative investments	11%
Cash	1%

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 11.7 percent. Market returns across a broad set of asset classes were strong with global public equity and particularly domestic (U.S.) equity as the top-performing assets segments. The DGRS global equity portfolio returned 19 percent for the fiscal year. The reversal of equity market declines from the previous year drove the average DGRS portfolio return upward.

Now five years removed from the fiscal crisis, the DGRS portfolio has, for the most part, recovered to its pre-crisis portfolio values, having benefited from strong returns in 2010 and 2011, and the relatively flat fiscal year 2012. Total plan returns for the recent prior fiscal years ended June 30 are shown below:

2012	-0.4%
2011	18.7%
2010	8%
2009	-18.8%
2008	-4.3%
2007	18.9%
2006	11.3%

Contacting the Pension Plan of the General Retirement System's Management

This financial report is intended to provide a general overview of the Plan's finances and investment results in relation to actuarial projections. It shows the Plan'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 Plan's office.

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

Statement of Net Position

	June 30, 2013	June 30, 2012
Assets		
Cash and cash equivalents (Note 3)	$ 16,852,995	$ 7,972,442
Investments - At fair value (Note 3):		
Short-term investments	37,680,539	41,982,320
Stocks	1,054,606,782	1,076,798,650
Commingled equity funds and hedge funds	135,823,322	139,342,728
Bonds	144,296,396	162,079,138
Mortgage-backed securities	27,285,952	25,281,170
Pooled investments	7,839,000	7,240,000
Equity interest in real estate	223,433,016	224,725,424
Private placements	361,144,405	350,692,637
Mortgage and construction loans	109,134,461	106,609,727
Receivables:		
Accrued investment income	3,459,158	5,911,129
Contributions receivable	-	33,124,897
Receivables from investment sales	31,990,292	7,885,685
Other accounts receivable	41,610	72,841
Notes receivable from participants	11,877,740	14,657,689
Cash and investments held as collateral for securities lending (Note 3):		
Asset-backed securities	6,063,906	12,038,083
Repurchase agreements	69,623,876	57,698,059
Money market	-	169
Corporate floating rate	1,803,044	41,644,184
Agencies	-	2,200,211
Capital assets (Note 1)	1,278,630	1,318,720
Total assets	2,244,235,124	2,319,275,903
Liabilities		
Claims payable to retirees and beneficiaries	7,381,391	6,295,496
Payables for investment purchases	37,771,258	12,309,374
Due to the City of Detroit	1,394,434	1,401,458
Amounts due broker under securities lending arrangements	96,535,642	137,864,912
Other liabilities	2,130,445	2,566,815
Total liabilities	145,213,170	160,438,055
Net Position - Held in trust for pension benefits (a schedule of analysis of funding progress is presented in the required supplemental information)	**$ 2,099,021,954**	**$ 2,158,837,848**

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

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

Statement of Changes in Plan Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012
Additions		
Investment income:		
Interest and dividend income	$ 119,563,215	$ 35,285,799
Net appreciation in fair value	156,807,973	24,692,264
Less investment expense	(11,696,933)	(12,516,749)
Net investment income	264,674,255	47,461,314
Securities lending income:		
Interest and dividends	434,418	463,624
Net unrealized gain on collateralized securities	5,239,390	1,098,532
Net securities lending income	5,673,808	1,562,156
Contributions:		
Employer	26,515,782	64,218,880
Employee	13,395,701	16,585,232
Total contributions	39,911,483	80,804,112
Other income	11,861,477	1,604,294
Total additions	322,121,023	131,431,876
Deductions		
Retirees' pension and annuity benefits	246,617,947	230,915,545
Member refunds and withdrawals	126,498,794	156,865,860
General and administrative expenses	8,745,727	6,267,793
Depreciation expense	74,449	111,786
Total deductions	381,936,917	394,160,984
Net Decrease in Net Position Held in Trust	(59,815,894)	(262,729,108)
Net Position Held in Trust - Beginning of year	2,158,837,848	2,421,566,956
Net Position Held in Trust - End of year	**$ 2,099,021,954**	**$ 2,158,837,848**

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 Pension Plan of the General Retirement System of the City of Detroit (the "Plan"), which is a contributory single-employer retirement plan. The Plan, which is administered by the Plan's board of trustees, is 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 Pension Plan of 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 Plan 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.

Plan Sponsor Financial Condition - The City of Detroit (the plan sponsor) is experiencing significant financial difficulty. During the prior year, the City entered into a financial stability agreement with the State of Michigan which had put into place a financial advisory board, a chief financial officer, and a program management director to control the City's finances. The City had reported impending cash flow concerns. During FY 2013, the governor appointed an emergency manager under PA 72 of 1990. Subsequent to June 30, 2013, the City filed for bankruptcy, the eligibility for which was approved in December 2013 in federal court. As of June 30, 2013, the City of Detroit owes the Plan approximately $36,000,000 for the past due actuarially determined contributions receivable. Part of the federal court's ruling in December 2013 indicated that the bankruptcy status usurps whatever protections may be offered governmental pensions under the Michigan Constitution. Based on these facts, there is significant uncertainty regarding the City's ability to meet its future financial obligations, including its ability to pay the current receivable as well as its ability to continue making future contributions to the Plan. As such, at June 30, 2013, an allowance was established for the entire $36,000,000 in past due contributions receivable.

The Plan is currently pursuing an appeal in the Chapter 9 bankruptcy case challenging, among other things, the constitutionality of the City's eligibility for bankruptcy to the extent it diminishes or impairs the accrued pension benefits. If the Plan prevails on appeal and/or depending upon the terms of the bankruptcy settlement, the Plan may be entitled to payment of all or a portion of the delinquent City employer contributions.

Note 1 - Summary of Significant Accounting Policies (Continued)

As a result of the City's weak financial condition, the City may recommend implementing benefit, pay, or plan design changes going forward. Such changes could significantly impact the Plan's funded status and the calculation of the actuarial accrued liability on a go-forward basis.

Basis of Accounting - The Pension Plan of 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.

Assets, Liabilities, and Net Position

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 Plan's management.

Approximately $702,000,000 or 33 percent of the Plan's net position as of June 30, 2013 and approximately $690,000,000 or 32 percent of the Plan's net position as of June 30, 2012 are not publicly traded and therefore do not always have a readily determinable market value. Management's estimates of these values are based on information provided by investment managers, general partners, real estate advisors, and other means. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

Note 1 - Summary of Significant Accounting Policies (Continued)

Notes Receivable from Participants - Any active general employee who is or has been a participant in the 1973 defined contribution plan (annuity savings fund) may be eligible for the employee loan program. The minimum amount of the loan was established at $1,000. The maximum loan is the lesser of 50 percent of the member's account balance in the annuity savings fund or $10,000. Members can borrow as either a general purpose loan payable in one to five years or a residential loan payable in 1 to 15 years. A member can have only one outstanding loan. The balance of these loans for the years ended June 30, 2013 and 2012 was $11,877,740 and $14,657,689, respectively, measured at the unpaid principal balance plus any accrued but unpaid interest. Participant notes receivable are written off when deemed uncollectible.

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

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

Comparative Data/Reclassifications - Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Reporting Change - During the year, the Plan adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. The statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. For the Plan, GASB No. 63's impact is limited to changing the terminology "net assets" to "net position."

Note 2 - Plan Description and Contribution Information

At June 30, 2013, 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	12,118	1,600
Terminated plan members entitled to but not yet receiving benefits	2,214	333
Active plan members	5,658	4,954

Plan Description - The Plan 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 Plan was established by City Charter and negotiation with the employees' collective bargaining units. However, given the bankruptcy filing, the obligation to make future contributions is uncertain.

Contributions - The City's policy, prior to the bankrupcy filing, was to fund normal costs and the amortization of prior service costs. The City previously contributed at an actuarially determined rate. Administrative costs are financed through investment earnings.

The average contribution rate calculated by the actuary for fiscal year 2012-2013 and fiscal year 2011-2012 was 25.40 percent and 21.86 percent, respectively. This results in an actuarially required employer contribution of $62,297,432 and $64,065,215 for the two years, respectively. As discussed in Note 1, as of June 30, 2013, the City still owed the Plan approximately $36,000,000 of employer contributions. The Plan has established a 100 percent reserve for these amounts due to the uncertainties surrounding collection pending the results of the City's bankruptcy proceedings.

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, 2013 and 2012 totaled $13,395,701 and $16,585,232, 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.

Note 2 - Plan Description and Contribution Information (Continued)

Annual Pension Costs - The annual pension cost and annual required contribution for the year ended June 30, 2013 was $62,297,432. Of this amount, only approximately $26,500,000 was paid during the year. The remaining amounts unpaid at June 30, 2013 will be recognized as revenue by the Plan if and when paid by the City.

The annual contribution was determined as part of an actuarial valuation at June 30, 2011, 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 4.9 percent per year based on merit and/or longevity, and (d) cost-of-living adjustments of 2.25 percent per year, although COLA has been eliminated for future service accruals. (A) was determined using techniques that smooth the effects of short-term volatility over a seven-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.

Related to the June 30, 2012 valuation, all assumptions were consistent with those used for the June 30, 2011 valuation other than the elimination of COLA for future service accruals. The 2012 valuation assumes that the plan sponsor will make all required contributions when due. The actuarial valuation would not have taken into consideration the ability of the plan sponsor to make contributions when due. Assumptions and methods that will be used in future valuations are contingent on the future status of the Plan which is unusually uncertain due to the bankruptcy filing.

Funded Status and Funding Progress - As of June 30, 2012, the most recent actuarial valuation date, the Plan was 77.0 percent funded on an actuarial basis. The actuarial accrued liability for benefits was $3,644,172,577 and the actuarial value of assets was $2,806,489,202, resulting in an unfunded actuarial accrued liability of $837,683,375. The covered payroll (annual payroll for active employees covered by the Plan) was $257,992,420 and the ratio for the unfunded AAL to the covered payroll was 324.7 percent. On a market value basis, the Plan was 59 percent funded as of June 30, 2012.

The actuarial accrued liability is extremely sensitive to the underlying investment rate of return assumption, which is set at 7.9 percent. Any downward movement in that estimate will have the impact of increasing the actuarial accrued liability and therefore also lowering the funded status of the Plan.

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 position are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 3 - Deposits and Investments

The Plan is authorized by Michigan Public Act 347 of 2012 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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

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

The Plan's cash and investments are subject to various risks, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan does not have a deposit policy for custodial credit risk. Approximately $15.0 million of the Plan's checking account balances were uninsured and uncollateralized at June 30, 2013. At June 30, 2012, the Plan did not have any bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Plan believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Plan evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

Note 3 - Deposits and Investments (Continued)

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

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

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

At June 30, 2012, the average maturities of debt investments broken down by years are as follows:

Investment Type	Fair Value (in thousands)	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Government	$ 28,571	$ 3,633	$ 6,709	$ 6,291	$ 11,938
Mortgage backed	9,598	3,236	2,665	244	3,453
Treasuries*	19,274	1	12,153	929	6,191
Corporate	52,199	1,324	14,192	28,418	8,265
Other fixed income	(33)	-	(33)	-	-
Convertible stocks	512	-	512	-	-
Convertible bonds	43	-	-	-	43
Private placement	50,274	3,276	13,581	21,608	11,809
State and local obligations	772	-	-	-	772
Commingled bond funds*	17,908	17,908	-	-	-
Commercial mortgages	71,273	60,633	11	-	10,629
Mortgages	97,824	71,171	26,653	-	-
Construction loans	8,786	8,184	602	-	-
Term loans	7,640	-	5,341	2,299	-
Total	$ 364,641	$ 169,366	$ 82,386	$ 59,789	$ 53,100

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

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 Plan has no investment policy that would further limit its investment choices.

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

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

As of June 30, 2012, the credit quality ratings of debt securities (other than those guaranteed by the U.S. government) as rated by S&P are as follows:

Investment Type and Fair Value ($000)	AAA	AA	A	BAA	BA	B	CAA	NR
U.S. government	$ -	$ 29,322	$ 772	$ -	$ -	$ -	$ -	$ -
Corporate	7,232	3,698	14,396	9,583	10,483	19,505	4,315	108,787
Other fixed income	2,069	1,937	4,418	4,408	6,447	16,207	6,871	7,273
Convertible stocks	-	-	-	-	-	-	-	512
Convertible bonds	-	-	-	-	43	-	-	-
Mortgages	-	-	-	-	-	-	-	97,824
Commingled bond funds	-	1,250	-	-	-	-	-	55,256
Preferred securities	-	-	-	348	-	-	555	2,360
Construction loans	-	-	-	-	-	-	-	8,786
Total	$ 9,301	$ 36,207	$ 19,586	$ 14,339	$ 16,973	$ 35,712	$ 11,741	$ 280,798

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The Plan does not restrict the amount of investments in foreign currency.

Note 3 - Deposits and Investments (Continued)

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

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

Note 3 - Deposits and Investments (Continued)

At June 30, 2012, the following deposits and securities are subject to foreign currency risk (in thousands):

	Fixed Income	Equity	Cash	Forward Contracts (Including Payable/ Receivable)	Net Other Investment Receivable/ (Payable)
Australian dollar	$ 2,567	$ 3,428	$ 236	$ (1,453)	$ 10
Brazilian real	1,502	517	13	(148)	-
British pound sterling	3,659	23,860	431	743	249
Bulgarian lev	-	212	-	-	-
Canadian dollar	516	3,628	53	(4)	-
Chilean peso	-	-	-	781	-
Czech koruna	-	186	23	(23)	-
Danish krone	-	3,030	72	(1,139)	(112)
Euro currency	7,653	30,494	5,009	(17,630)	(219)
Ghanain cedi	92	-	7	-	-
Hong Kong Dollar	-	6,872	661	(647)	100
Hungarian forint	1,011	-	-	-	-
Indonesian rupiah	504	-	3	-	-
Israeli shekel	-	-	14	365	-
Japanese yen	-	24,605	296	(4,347)	(253)
Malaysian ringgit	1,039	-	-	(3)	3
Mexican nuevo peso	3,064	-	19	-	-
New Taiwan dollar	-	772	-	-	-
New Zealand dollar	768	-	1	(635)	-
Norwegian krone	-	266	9	12	-
New Turkish lira	-	-	-	1,039	-
Polish zloty	1,477	-	13	-	-
Russian new ruble	-	803	-	-	-
Singapore dollar	-	401	22	1,168	-
South African rand	1,001	-	-	-	-
South Korean won	1,077	1,167	38	-	-
Swedish krona	-	710	57	1,905	-
Swiss franc	290	11,681	240	(958)	71
Ukraine hryvnia	-	15	-	-	-
Total	$ 26,220	$ 112,647	$ 7,217	$ (20,974)	$ (151)

Note 3 - Deposits and Investments (Continued)

As permitted by state statutes and under the provisions of a securities lending authorization agreement, the Plan lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Plan's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. The custodial bank does not have the ability to pledge or sell collateral securities unless the borrower defaults. Borrowers are required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned securities. At June 30, 2013, the collateral provided was 103 percent of the market value of the loaned securities.

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

The Plan and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in a separate account with the cash collateral of other lenders in an investment pool. The average duration of this investment pool as of June 30, 2013 was 46 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, 2013, the Plan had no credit risk exposure to borrowers. The collateral received (at cost) and the fair market value of the underlying securities on loan for the Plan as of June 30, 2013 were $96,535,642 and $93,336,968, respectively.

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

Note 3 - Deposits and Investments (Continued)

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

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

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

At June 30, 2012, the collateral received (at cost) and the fair market value of the underlying securities on loan for the Plan were $137,864,912 and $136,803,241, respectively.

Securities Lent		Underlying Securities
U.S. governments		$ 4,287,428
U.S. corporates		4,615,879
U.S. equities		124,411,582
Non - U.S. equities		3,488,352
	Total	$ 136,803,241

The fair market value of collateral of the securities lending at June 30, 2012 was $113,580,706. The investments were in asset-backed securities, repurchase agreements, U.S. agencies, and U.S. corporate securities (floating rate). Approximately 90 percent of these securities had a duration less than a year, 3 percent had a duration from one to three years, and 7 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, 2012 as rated by S&P are as follows:

Ratings		Amount
AAA		$ 8,831,770
AA		21,825,026
A		13,506,460
BBB		1,297,163
CCC		3,467,205
D		1,043,087
NR		63,609,995
	Total	$ 113,580,706

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, 2013 and 2012, these reserves were more than the net position of the Plan.

	2013	2012
Reserved for employee contributions	$ 401,592,576	$ 484,575,009
Reserved for retired employees	2,413,853,602	2,305,749,323

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

Note 6 - Credit Enhancement Agreements and Funding Commitments

The Plan had credit enhancement agreements totaling $2,850,000 and $7,248,000 during 2013 and 2012, respectively. In exchange for the credit enhancement, the Plan receives fees from the companies to which the enhancement agreements have been given.

When the Plan enters into various investments, it may not completely fund the entire investment at the beginning. Rather, it enters into commitments to fund remaining capital amounts at certain points in time. At June 30, 2013 and 2012, the remaining capital funding commitment for the Plan is approximately $24 million and $25 million, respectively.

Note 7 - Upcoming Accounting Pronouncements

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the Plan as of June 30, 2014.

Note 7 - Upcoming Accounting Pronouncements (Continued)

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer(s) and certain nonemployer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For the Pension Plan of the General Retirement System of the City of Detroit, this standard will be adopted for the year ending June 30, 2014.

Required Supplemental Information

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

Required Supplemental Information
Schedule of Analysis of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/07	$ 3,586,550,485	$ 3,629,217,059	$ 42,666,574	98.8 %	$ 361,701,481	11.8 %
6/30/08	3,641,197,523	3,609,558,628	(31,638,895)	100.9	368,470,990	(8.6)
6/30/09	3,412,411,183	3,689,065,726	276,654,543	92.5	357,072,833	77.5
6/30/10	3,238,130,553	3,719,586,762	481,456,209	87.1	334,343,506	144.0
6/30/11	3,080,295,734	3,720,167,178	639,871,444	82.8	303,379,482	210.9
6/30/12	2,806,489,202	3,644,172,577	837,683,375	77.0	257,992,420	324.7

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

Required Supplemental Information
Schedule of Employer Contributions

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Contribution Made	Percentage Contributed	Transfer from Accrued Liability Reserve Fund*
6/30/08	6/30/06	$ 43,168,448	$ 43,168,448	100 %	$ 40,430,886
6/30/09	6/30/07	41,395,719	41,395,719	100	39,688,411
6/30/10	6/30/08	37,338,960	37,338,960	100	48,542,194
6/30/11	6/30/09	55,138,044	55,138,044	100	52,306,723
6/30/12**	6/30/10	64,065,214	64,065,214	100	54,756,213
6/30/13**	6/30/11	62,297,432	26,515,782	43	57,461,792

* In accordance with the pension obligation certificate requirements, annual transfers are made from the Accrued Liability Reserve 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.

** As of June 30, 2013, the employer annual required contribution has not been paid nor has it been recognized as revenue given the City's bankruptcy.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2012, the latest actuarial valuation date, follows:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	7-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% of original pension

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 of Detroit (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 Plan 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 plan 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.

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

	Annuity Reserves			
	Annuity Savings Fund	Annuity Reserve Fund	Market Stabilization Fund	Accrued Liability Reserve Fund
Additions				
Net investment income	$ 31,254,720	$ 7,443,951	$ 172,747,254	$ 63,803,807
Contributions:				
Employer	-	-	-	-
Employee	13,395,701	-	-	-
Total additions - Net	44,650,421	7,443,951	172,747,254	63,803,807
Deductions				
Retirees' pension and annuity benefits	-	-	-	-
Member refunds and withdrawals	126,498,794	-	-	-
Depreciation expense	-	-	-	-
General and administrative expenses	-	-	-	-
Total deductions	126,498,794	-	-	-
Net (Deductions) Additions - Before transfers	(81,848,373)	7,443,951	172,747,254	63,803,807
Transfers - Net	(1,134,060)	1,134,060	-	(57,461,792)
Net (Decrease) Increase in Net Position Held in Trust for Pension Benefits	(82,982,433)	8,578,011	172,747,254	6,342,015
Net Position Held in Trust for Pension Benefits - Beginning of year	484,575,009	92,108,331	(686,028,576)	807,643,124
Net Position Held in Trust for Pension Benefits - End of year	**$ 401,592,576**	**$ 100,686,342**	**$ (513,281,322)**	**$ 813,985,139**

Other Supplemental Information
Statement of Changes in Plan Net Position by Fund
Year Ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

Pension Reserves		Total	
Pension Accumulation Fund	Pension Reserve Fund	2013	2012
$ (158,612,900)	$ 165,572,708	$ 282,209,540	$ 50,627,764
26,515,782	-	26,515,782	64,218,880
-	-	13,395,701	16,585,232
(132,097,118)	165,572,708	322,121,023	131,431,876
-	246,617,947	246,617,947	230,915,545
-	-	126,498,794	156,865,860
74,449	-	74,449	111,786
8,745,727	-	8,745,727	6,267,793
8,820,176	246,617,947	381,936,917	394,160,984
(140,917,294)	(81,045,239)	(59,815,894)	(262,729,108)
(123,109,715)	180,571,507	-	-
(264,027,009)	99,526,268	(59,815,894)	(262,729,108)
(753,101,032)	2,213,640,992	2,158,837,848	2,421,566,956
$ (1,017,128,041)	**$ 2,313,167,260**	**$ 2,099,021,954**	**$ 2,158,837,848**