

# **Retirement Systems of the City of Detroit**

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**Financial Report  
with Additional Information  
June 30, 2002**

# Retirement Systems of the City of Detroit

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## Independent Auditor's Report

To the Board of Trustees  
General Retirement System  
of the City of Detroit and  
The Board of Trustees  
Policemen and Firemen Retirement  
System of the City of Detroit

We have audited the accompanying statement of plan net assets of the Retirement Systems of the City of Detroit as of June 30, 2002 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Systems' management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Retirement Systems of the City of Detroit for the year ended June 30, 2001 were audited by other auditors, whose report dated December 5, 2001 expressed an unqualified opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Retirement Systems of the City of Detroit as of June 30, 2002 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2002, the Retirement Systems of the City of Detroit adopted Governmental Accounting Standards Board Statement No. 34. As a result, the Systems have included a Management's Discussion and Analysis section with these financial statements.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is 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.

*Plante & Moran, PLLC*

October 15, 2002



A worldwide association of independent accounting firms

## Management's Discussion and Analysis

### 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 additional information*. The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required additional information* that further explains and supports the information in the financial statements.

### Condensed Financial Information

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

#### General Retirement System

	Fiscal Year Ended June 30, 2002	Fiscal Year Ended June 30, 2001
Total assets	\$ 2,719,951,225	\$ 3,145,635,285
Total liabilities	<u>329,954,534</u>	<u>454,629,203</u>
Assets held in trust for pension benefits	2,389,996,691	2,691,006,082
Net investment loss	(155,570,805)	(128,078,532)
Contributions:		
Employee	25,482,285	25,478,661
Employer	67,791,488	68,139,535
Benefits paid to members and retirees:		
Retiree pension and annuity benefits	145,101,406	136,003,903
Member annuity refunds and withdrawals	<u>90,070,711</u>	<u>83,171,058</u>
Total benefits paid	235,172,117	219,174,961
Benefits paid in excess of contributions	141,898,344	122,556,765
Ratio of benefits paid to contributions	2.5	2.3
General and administrative expenses	3,406,964	3,149,697

## Policemen and Firemen Retirement System

	Fiscal Year Ended June 30, 2002	Fiscal Year Ended June 30, 2001
Total assets	\$ 3,379,676,538	\$ 4,257,583,066
Total liabilities	<u>390,769,548</u>	<u>773,957,846</u>
Assets held in trust for pension benefits	2,988,906,990	3,483,625,220
Net investment loss	(289,217,131)	(464,665,754)
Contributions:		
Employee	10,301,296	10,300,781
Employer	8,449,645	14,443,382
Benefits paid to members and retirees:		
Retiree pension and annuity benefits	186,683,099	288,585,755
Member annuity refunds and withdrawals	<u>34,174,745</u>	<u>17,766,305</u>
Total benefits paid	220,857,844	306,352,060
Benefits paid in excess of contributions	202,106,903	281,607,897
Ratio of benefits paid to contributions	11.8	12.4
General and administrative expenses	3,260,918	3,147,697

### Overall Fund Structure and Objectives

Both the General Retirement System (GRS) and the Policemen and Firemen Retirement System (PFRS) exist to pay benefits to their members and retirees. Active members earn service credit that entitles them to receive benefits in the future. Benefits currently being paid are significantly greater than contributions currently being received. The excess of benefits over contributions must be funded through investment income. The public capital markets represent the primary source of investments.

## **Asset Allocation**

Both the GRS and PFRS have 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 Systems. The following is a summary of the asset allocation as of June 30, 2002:

	<u>GRS</u>	<u>PFRS</u>
Equities	56%	60%
Fixed income	27%	28%
Real estate	10%	7%
Alternative investments	7%	5%

## **Investment Results**

The past year was, for the third year in a row, another highly challenging and demanding period in the capital markets. The stock market, as measured by the S&P 500 index, declined 18 percent, an even greater decline than last year's 14.8 percent decline. Both the GRS and PFRS experienced sizeable losses on their investment portfolios owing primarily to declines in the market value of stocks. Returns from fixed income investments were positive, but declined steadily throughout the year as the Federal Reserve continued to lower interest rates. The returns from the asset allocations to bonds and real estate offset the decline in the allocations to stocks.

While this year's total fund investment return is disappointing, it must be considered in a longer-term context. The asset allocation of each fund is built upon the foundation that the obligations of the Retirement Systems to pay the benefits promised to members and retirees are very long-term obligations. Accordingly, each Board of Trustees must make investment decisions that it believes will be the most beneficial to the retirement system over many years, not just one or two years.

# Retirement Systems of the City of Detroit

	General Retirement System	
	2002	2001
<b>Assets</b>		
Cash (Note 3)	\$ 8,450,617	\$ 2,819,153
Investments - At fair value (Note 3)	2,427,492,366	2,704,046,265
Accrued investment income	12,619,216	13,584,240
Contributions receivable	2,070,744	4,323,523
Receivables from investment sales	127,023,352	199,933,603
Other accounts receivable	96,854	422,874
Capital assets (Note 1)	822,110	-
Cash and investments held as collateral for securities lending (Note 3)	141,375,966	220,505,627
<b>Total assets</b>	<b>2,719,951,225</b>	<b>3,145,635,285</b>
<b>Liabilities</b>		
Payables for investment purchases	155,311,835	200,208,104
Claims payable to retirees and beneficiaries	2,471,860	2,332,160
Accrued pension benefits	-	-
Due to City of Detroit	1,677,019	1,515,915
Other liabilities	29,117,854	30,067,397
Amounts due broker under securities lending agreement (Note 3)	141,375,966	220,505,627
<b>Total liabilities</b>	<b>329,954,534</b>	<b>454,629,203</b>
<b>Net Assets Held in Trust for Pension Benefits</b> (a schedule of funding progress is presented in the additional information)	<b>\$ 2,389,996,691</b>	<b>\$ 2,691,006,082</b>



# Retirement Systems of the City of Detroit

	General Retirement System	
	2002	2001
<b>Additions</b>		
Investment income (loss):		
Interest and dividend income	\$ 97,039,748	\$ 80,778,502
Net depreciation in fair value	(245,061,380)	(204,207,246)
Investment expense	(11,011,467)	(4,649,788)
Other income	3,462,294	-
	<u>                    </u>	<u>                    </u>
Net investment loss	(155,570,805)	(128,078,532)
Contributions:		
Employee	25,482,285	25,478,661
Employer	67,791,488	68,139,535
	<u>                    </u>	<u>                    </u>
Total additions and investment loss	(62,297,032)	(34,460,336)
<b>Deductions</b>		
Retirees' pension and annuity benefits	145,101,406	136,003,903
Member refunds and withdrawals	90,070,711	83,171,058
General and administrative expenses	3,406,964	3,149,697
Depreciation expense	133,278	-
	<u>                    </u>	<u>                    </u>
Total deductions	238,712,359	222,324,658
<b>Net Decrease in Net Assets Held for Pension Benefits</b>	(301,009,391)	(256,784,994)
<b>Net Assets Held in Trust for Pension Benefits -</b>		
Beginning of year	<u>2,691,006,082</u>	<u>2,947,791,076</u>
<b>Net Assets Held in Trust for Pension Benefits -</b>		
End of year	<u><b>\$2,389,996,691</b></u>	<u><b>\$2,691,006,082</b></u>

**Statement of Changes in Plan Net Assets  
Year Ended June 30, 2002**

Policemen and Firemen Retirement System	
2002	2001
\$ 122,896,130 (406,157,986) (12,118,598) <u>6,163,323</u>	\$ 140,629,294 (591,172,213) (14,122,835) <u>-</u>
(289,217,131)	(464,665,754)
10,301,296 <u>8,449,645</u>	10,300,781 <u>14,443,382</u>
(270,466,190)	(439,921,591)
186,683,099 34,174,745 3,260,918 <u>133,278</u>	288,585,755 17,766,305 3,147,697 <u>-</u>
<u>224,252,040</u>	<u>309,499,757</u>
(494,718,230)	(749,421,348)
<u>3,483,625,220</u>	<u>4,233,046,568</u>
<b><u>\$2,988,906,990</u></b>	<b><u>\$3,483,625,220</u></b>

# Retirement Systems of the City of Detroit

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Notes to Financial Statements  
June 30, 2002

## Note I - Summary of Significant Accounting Policies

The City of Detroit (the "City") sponsors the Retirement Systems of the City of Detroit (the "Systems") (contributory single employer retirement plans), which consist of the General Retirement System (GRS) and the Policemen and Firemen Retirement System (PFRS). Each system, which is administered by the respective Retirement Systems' Board of Trustees, is composed of a defined benefit plan and a defined contribution plan. The plans provide retirement, disability, and survivor benefits to plan members and beneficiaries.

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

**Basis of Accounting** - The Retirement Systems 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.

During the year, the Systems adopted Governmental Accounting Standards Board (GASB) Statement No. 34. As a result, the Systems have included a management's discussion and analysis section with these financial statements.

**Methods Used to Value Investments** - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

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

# Retirement Systems of the City of Detroit

**Notes to Financial Statements  
June 30, 2002**

## Note 2 - Plan Description and Contribution Information

At June 30, 2002, the membership of the defined benefit plan and the defined contribution plan consisted of the following:

	Defined Benefit Plans		Defined Contribution Plans	
	GRS	PFRS	GRS	PFRS
Retirees and beneficiaries receiving pension benefits	11,403	8,564	1,665	1,594
Terminated plan members entitled to but not yet receiving benefits	1,547	37	393	8
Active plan members	12,410	5,488	11,791	5,219

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

**Contributions** - The City's policy is to fund normal costs and amortization of prior service costs. The City is required to contribute at an actuarially determined rate. Administrative costs are financed through investment earnings. The contribution rate for 2001-2002 was 13.37 percent of active annual payroll for the GRS and 27.25 percent of active annual payroll for the PFRS. Contributions from employer for the year ended June 30, 2002 amounted to \$67,791,488 and \$8,449,645 for the GRS and PFRS, respectively. The PFRS normal cost contribution as calculated was \$68,064,034. The contribution was reduced by \$59,614,389 to \$8,449,645 as a result of a release and settlement agreement dated April 26, 2001.

Employee contributions for annuity savings are as follows:

- *General Retirement System:* 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.
- *Policemen and Firemen Retirement System:* Mandatory contributions are 5 percent of base compensation until eligibility for retirement is reached.

# Retirement Systems of the City of Detroit

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Notes to Financial Statements  
June 30, 2002

## Note 2 - Plan Description and Contribution Information (Continued)

Contributions from employees during the year ended June 30, 2002 amounted to \$25,482,285 and \$10,301,296 for the GRS and PFRS, 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 3 - Deposits and Investments

**Deposits** - At year end, total deposits per bank were comprised of \$8,450,617 for GRS and \$10,602,991 for PFRS without recognition of deposits in transit or outstanding checks, of which \$200,000 for each system was covered by federal depository insurance.

**Investments** - The Systems are authorized by Michigan Public Acts to invest in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles, certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 3, the Systems' investments are categorized to give an indication of the level of custodial risk assumed by the Systems at June 30, 2002. Category 2 includes investments that are uninsured, unregistered, and held by a trust department or agent in the Systems' name.

All of the Systems' investment securities are either insured, registered, or are held by the Systems or their agents in the Systems' name. Management believes that the investments of the Systems comply with the investment authority noted above.

# Retirement Systems of the City of Detroit

**Notes to Financial Statements**  
**June 30, 2002**

## Note 3 - Deposits and Investments (Continued)

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

Investment	Amount	Category
General Retirement System:		
Short-term investments	\$ 138,177,010	2
Bonds and stocks	1,621,642,136	2
Mortgage-backed securities	80,586,347	2
Mortgage and construction loans	142,053,294	N/A
Equity interest in real estate	71,099,600	N/A
Pooled investments	154,057,982	N/A
Private placements	<u>219,875,997</u>	2
Total	<u>\$ 2,427,492,366</u>	
Policemen and Firemen System:		
Short-term investments	\$ 84,847,603	2
Bonds and stocks	2,124,118,065	2
Mortgage-backed securities	157,299,147	2
Mortgage and construction loans	72,099,038	N/A
Equity interest in real estate	81,230,804	N/A
Real estate investment trusts held by custodian	24,658,081	2
Pooled investments	375,665,418	N/A
Private placements	<u>33,751,875</u>	2
Total	<u>\$ 2,953,670,031</u>	

Included in the Systems' investments at June 30, 2002 are the following:

- Approximately \$5,198,000 (GRS) and \$21,633,000 (PFRS) of securities issued by the Government National Mortgage Association (GNMA). These investments are backed by the full faith and credit of the U.S. government. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

# Retirement Systems of the City of Detroit

Notes to Financial Statements  
June 30, 2002

## Note 3 - Deposits and Investments (Continued)

- Approximately \$44,697,000 (GRS) and \$146,221,000 (PFRS) of obligations of the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

As permitted by State statutes and under the provisions of a Securities Lending Authorization Agreement, the Systems lend securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Systems' custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. The custodial banks do not have the ability to pledge or sell collateral securities unless the borrower defaults. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities.

The Systems 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 Systems and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of June 30, 2002 was 64 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, 2002, the Systems had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the Systems as of June 30, 2002 were \$141,375,966 and \$137,865,048 (GRS), and \$258,413,127 and \$252,029,788 (PFRS), respectively.

# Retirement Systems of the City of Detroit

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Notes to Financial Statements  
June 30, 2002

## 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, 2002, the Systems' reserves have been fully funded as follows:

	<u>GRS</u>	<u>PFRS</u>
Reserved for employee contributions	\$ 705,617,753	\$ 390,637,734
Reserved for retired employees	1,341,025,861	2,284,727,012

A statement of changes in plan net assets by reserve is included in additional information.

## **Additional Information**

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To the Board of Trustees  
General Retirement System  
of the City of Detroit and  
The Board of Trustees  
Policemen and Firemen Retirement  
System of the City of Detroit

We have audited the financial statements of the Retirement Systems of the City of Detroit as of and for the year ended June 30, 2002. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 15, 2002

# Retirement Systems of the City of Detroit

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## 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 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 Board of Trustees authorized the creation of this fund, and the reserve amounts are calculated using a three-year-average method.

**Survivor Benefits Fund** - This fund is used to accumulate employee and City contributions for certain survivor benefits from which the related benefits are paid.

**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.

# Retirement Systems of the City of Detroit

	Annuity Reserves	
	Annuity Savings Fund	Annuity Reserve Fund
<b>Additions</b>		
Investment income (loss) - Net	\$ 51,962,374	\$ 1,945,907
Contributions:		
Employee	25,426,515	-
Employer	-	-
	<hr/>	<hr/>
Total additions (reductions)	77,388,889	1,945,907
<b>Deductions</b>		
Pension and annuity benefits	-	3,369,057
General and administrative expenses	-	-
Depreciation expense	-	-
Refunds	89,114,425	-
	<hr/>	<hr/>
Total deductions	89,114,425	3,369,057
<b>Net Deductions - Before transfers</b>	(11,725,536)	(1,423,150)
<b>Transfers - Net</b>	<u>(3,457,974)</u>	<u>3,689,827</u>
<b>Net Increase (Decrease) in Net Assets Held for Pension Benefits</b>	(15,183,510)	2,266,677
<b>Net Assets Held in Trust for Pension Benefits - Beginning of year</b>	<u>720,801,263</u>	<u>24,085,096</u>
<b>Net Assets Held in Trust for Pension Benefits - End of year</b>	<u><b>\$ 705,617,753</b></u>	<u><b>\$ 26,351,773</b></u>

**Statement of Changes in Plan Net Assets  
General Retirement System  
Year Ended June 30, 2002**

Market Stabilization Fund	Pension Reserves		Total 2002	Total 2001
	Pension Accumulation Fund	Pension Reserve Fund		
\$ (150,066,682)	\$ (150,954,623)	\$ 91,542,219	\$ (155,570,805)	\$ (128,078,532)
-	55,770	-	25,482,285	25,478,661
-	<u>67,791,488</u>	-	<u>67,791,488</u>	<u>68,139,535</u>
(150,066,682)	(83,107,365)	91,542,219	(62,297,032)	(34,460,336)
-	-	141,732,349	145,101,406	136,003,903
-	3,406,964	-	3,406,964	3,149,697
-	133,278	-	133,278	-
-	<u>956,286</u>	-	<u>90,070,711</u>	<u>83,171,058</u>
-	<u>4,496,528</u>	<u>141,732,349</u>	<u>238,712,359</u>	<u>222,324,658</u>
(150,066,682)	(87,603,893)	(50,190,130)	(301,009,391)	(256,784,994)
-	<u>(166,754,663)</u>	<u>166,522,810</u>	-	-
(150,066,682)	(254,358,556)	116,332,680	(301,009,391)	(256,784,994)
<u>(221,140,306)</u>	<u>942,566,848</u>	<u>1,224,693,181</u>	<u>2,691,006,082</u>	<u>2,947,791,076</u>
<b><u>\$(371,206,988)</u></b>	<b><u>\$ 688,208,292</u></b>	<b><u>\$ 1,341,025,861</u></b>	<b><u>\$ 2,389,996,691</u></b>	<b><u>\$ 2,691,006,082</u></b>

# Retirement Systems of the City of Detroit

	Annuity Reserves	
	Annuity Savings Fund	Annuity Reserve Fund
<b>Additions</b>		
Investment income (loss) - Net	\$ 49,930,588	\$ 1,055,861
Contributions:		
Employee	10,238,785	-
Employer	-	-
	<u>60,169,373</u>	<u>1,055,861</u>
<b>Total additions (reductions)</b>		
	60,169,373	1,055,861
<b>Deductions</b>		
Pension and annuity benefits	-	1,338,485
General and administrative expenses	-	-
Depreciation expense	-	-
Refunds	34,174,745	-
	<u>34,174,745</u>	<u>1,338,485</u>
<b>Total deductions</b>		
	34,174,745	1,338,485
<b>Net Additions (Deductions) - Before transfers</b>	25,994,628	(282,624)
<b>Transfers - Net</b>	<u>427,711</u>	<u>461,130</u>
<b>Net Increase (Decrease) in Net Assets Held for Pension Benefits</b>	26,422,339	178,506
<b>Net Assets Held in Trust for Pension Benefits - Beginning of year</b>	<u>364,215,395</u>	<u>13,975,359</u>
<b>Net Assets Held in Trust for Pension Benefits - End of year</b>	<u><b>\$390,637,734</b></u>	<u><b>\$ 14,153,865</b></u>

**Statement of Changes in Plan Net Assets  
Policemen and Firemen Retirement System  
Year Ended June 30, 2002**

Market Stabilization Fund	Pension Reserves			Total 2002	Total 2001
	Survivor Benefits Fund	Pension Accumulation Fund	Pension Reserve Fund		
\$ (229,804,110)	\$ 2,215,653	\$ (280,376,120)	\$ 167,760,997	\$ (289,217,131)	\$ (464,665,754)
-	-	62,511	-	10,301,296	10,300,781
-	-	8,449,645	-	8,449,645	14,443,382
(229,804,110)	2,215,653	(271,863,964)	167,760,997	(270,466,190)	(439,921,591)
-	3,749,643	-	181,594,971	186,683,099	288,585,755
-	-	3,260,918	-	3,260,918	3,147,697
-	-	133,278	-	133,278	-
-	-	-	-	34,174,745	17,766,305
-	3,749,643	3,394,196	181,594,971	224,252,040	309,499,757
(229,804,110)	(1,533,990)	(275,258,160)	(13,833,974)	(494,718,230)	(749,421,348)
-	-	(124,735,848)	123,847,007	-	-
(229,804,110)	(1,533,990)	(399,994,008)	110,013,033	(494,718,230)	(749,421,348)
(416,395,484)	30,280,626	1,316,835,345	2,174,713,979	3,483,625,220	4,233,046,568
<b><u>\$ (646,199,594)</u></b>	<b><u>\$ 28,746,636</u></b>	<b><u>\$ 916,841,337</u></b>	<b><u>\$ 2,284,727,012</u></b>	<b><u>\$2,988,906,990</u></b>	<b><u>\$3,483,625,220</u></b>

# Retirement Systems of the City of Detroit

## Required Supplementary 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
<i>General Retirement System</i>						
06/30/96	\$ 2,193,234,516	\$ 2,382,866,954	\$ 189,632,438	92.0	\$ 360,068,578	52.7
06/30/97	2,333,412,893	2,528,504,057	195,091,164	92.3	382,835,917	51.0
06/30/98	2,582,099,884	2,814,878,226	232,778,342	91.7	387,022,423	60.1
06/30/99	2,756,614,458	2,900,404,223	143,789,765	95.0	383,449,421	37.5
06/30/00	2,902,433,063	3,077,001,129	174,568,066	94.3	417,187,666	41.8
06/30/01	2,912,146,389	3,179,601,214	267,454,825	91.6	439,636,072	60.8
<i>Policemen and Firemen Retirement System</i>						
06/30/96	2,628,627,790	2,633,394,644	4,766,854	99.8	212,656,401	2.2
06/30/97	2,944,208,105	2,820,330,323	(123,877,782)	104.4	217,585,229	-
06/30/98	3,325,929,721	2,976,770,662	(349,159,059)	111.7	217,479,443	-
06/30/99	3,668,362,979	3,274,050,127	(394,312,852)	112.0	216,049,687	-
06/30/00	3,964,231,470	3,342,123,550	(622,107,920)	118.6	237,741,560	-
06/30/01	3,900,020,703	3,463,248,393	(436,772,310)	112.6	253,297,027	-

# Retirement Systems of the City of Detroit

## Required Supplementary Information Schedule of Employer Contributions

General Retirement System			Policemen and Firemen Retirement System		
Year Ended June 30	Annual Required Contribution	Percentage Contributed	Year Ended June 30	Annual Required Contribution	Percentage Contributed
1996	\$ 42,473,029	100	1996	\$ 55,010,539	100
1997	54,655,929	100	1997	54,572,561	100
1998	52,707,172	100	1998	48,120,578	100
1999	55,683,125	100	1999	15,709,799	100
2000	66,681,049	100	2000	19,972,058	100
2001	68,139,535	100	2001	14,443,382	100
2002	67,791,488	100	2002	8,449,645	100

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2001, the latest actuarial valuation, follows:

	General Retirement System	Policemen and Firemen Retirement System
Valuation date	June 30, 2001	June 30, 2001
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent closed	Level percent closed
Remaining amortization period	20 years	16 years
Asset valuation method	3-year smoothed market	3-year smoothed market
Actuarial assumptions:		
Investment rate of return	7.9%	7.8%
Projected salary increases	4.0%-10.0%	5.5%-9.0%
Includes inflation at	4.0%	4.8%
Cost of living adjustments	2.25%	2.25%