

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

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**Financial Report  
with Supplemental Information  
June 30, 2004**

# 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, 2004 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 prior year summarized comparative information has been derived from the Systems' 2003 financial statements and, in our report dated October 3, 2003, 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 above present fairly, in all material respects, the financial position of the Retirement Systems of the City of Detroit as of June 30, 2004 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 a required part 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.

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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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Retirement Systems 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*

October 8, 2004

# Retirement Systems of the City of Detroit

## 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, 2004	June 30, 2003
Total assets	\$ 2,894,485,068	\$ 2,545,116,149
Total liabilities	<u>372,988,054</u>	<u>221,291,935</u>
Assets held in trust for pension benefits	<b><u>\$ 2,521,497,014</u></b>	<b><u>\$ 2,323,824,214</u></b>
Net investment income	\$ 336,583,041	\$ 81,733,380
Contributions:		
Employee	24,290,278	25,046,453
Employer	<u>95,876,076</u>	<u>72,859,246</u>
Total contributions	120,166,354	97,905,699
Benefits paid to members and retirees:		
Retiree pension and annuity benefits	156,921,199	151,158,815
Member annuity refunds and withdrawals	<u>98,292,960</u>	<u>90,883,100</u>
Total benefits paid	<u>255,214,159</u>	<u>242,041,915</u>
Benefits paid in excess of contributions	135,047,805	144,136,216
Ratio of benefits paid to contributions	2.1	2.5
Other expenses	<u>3,862,436</u>	<u>3,769,641</u>
Net increase (decrease) in net assets	<b><u>\$ 197,672,800</u></b>	<b><u>\$ (66,172,477)</u></b>

# Retirement Systems of the City of Detroit

## Management's Discussion and Analysis (Continued)

### Policemen and Firemen Retirement System

	Fiscal Year Ended	
	June 30, 2004	June 30, 2003
Total assets	\$ 3,818,936,551	\$ 2,972,014,380
Total liabilities	696,416,534	93,749,435
Assets held in trust for pension benefits	<b>\$ 3,122,520,017</b>	<b>\$ 2,878,264,945</b>
Net investment income	\$ 415,701,183	\$ 78,568,683
Contributions:		
Employee	10,318,299	10,143,949
Employer	69,475,202	66,843,029
Total contributions	79,793,501	76,986,978
Benefits paid to members and retirees:		
Retiree pension and annuity benefits	200,381,990	190,516,952
Member annuity refunds and withdrawals	47,129,942	72,193,984
Total benefits paid	247,511,932	262,710,936
Benefits paid in excess of contributions	167,718,431	185,723,958
Ratio of benefits paid to contributions	3.1	3.4
Other expenses	3,727,680	3,486,770
Net increase (decrease) in net assets	<b>\$ 244,255,072</b>	<b>\$ (110,642,045)</b>

### 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 investment income.

# Retirement Systems of the City of Detroit

## Management's Discussion and Analysis (Continued)

### 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 Retirement Systems of the City of Detroit (the "Systems"). The following is a summary of the asset allocation as of June 30, 2004:

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

### Investment Results

This past year saw a sharp reversal of the disappointing investment results of the prior three years. The stock market, as measured by the S&P 500 index, was up 19.1 percent versus returns of 0.3 percent, -18 percent and -14.8 percent, for 2003, 2002, and 2001, respectively. The fixed income markets, as measured by the Lehman Aggregate Bond Index, returned 0.3 percent after having posted strong gains in each of the prior three years. Performance of fixed income investments was negatively impacted by a series of interest rate hikes imposed by the Federal Reserve throughout the current year.

The overall portfolio returns achieved by the GRS and PFRS were well above the actuarially assumed rate for each of the systems during the current year, owing primarily to the strong returns from equities and a bias of the asset allocation of each of the systems toward equities. However, on a trailing three-and five-year basis, both of the systems earned an overall portfolio return below their actuarially assumed rate.

This year's total fund investment return is particularly encouraging, as is the outlook for future investment returns. Returns achieved in the public capital markets are highly dependent upon the health of the economy, both in the United States as well as in other countries. Management believes that the outlook for continued global economic growth is good in both the short and long run.

The asset allocation of each fund is built upon the foundation that the obligations of the 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. For the trailing ten (10) and fifteen (15) year periods, each of the Systems has achieved a total portfolio return in excess of its actuarially assumed investment return.

# Retirement Systems of the City of Detroit

	General Retirement System	
	2004	2003
<b>Assets</b>		
Cash (Note 3)	\$ 8,051,609	\$ -
Investments - At fair value (Note 3)	2,554,004,072	2,336,018,795
Accrued investment income	8,411,293	8,326,932
Contributions receivable	7,651,467	8,447,812
Receivables from investment sales	76,350,780	50,147,570
Other accounts receivable	688,729	1,077,197
Capital assets (Note 1)	569,142	598,933
Cash and investments held as collateral for securities lending (Note 3)	238,757,976	140,498,910
Total assets	2,894,485,068	2,545,116,149
<b>Liabilities</b>		
Bank overdraft (Note 3)	-	1,665,263
Payables for investment purchases	99,488,967	44,738,382
Claims payable to retirees and beneficiaries	6,473,803	4,551,486
Due to City of Detroit	1,672,755	1,608,667
Other liabilities	26,594,553	28,229,227
Amounts due broker under securities lending agreement (Note 3)	238,757,976	140,498,910
Total liabilities	372,988,054	221,291,935
<b>Net Assets Held in Trust for Pension Benefits</b> (a schedule of analysis of funding progress is presented in the additional information)	<b><u>\$ 2,521,497,014</u></b>	<b><u>\$ 2,323,824,214</u></b>

**Statement of Plan Net Assets**  
**June 30, 2004**  
(with comparative totals for June 30, 2003)

Policemen and Firemen Retirement System	
2004	2003
\$ 1,259,681	\$ 1,625,974
3,055,424,485	2,814,323,022
17,039,456	17,326,211
69,475,202	66,843,029
23,507,318	70,707,206
614,796	590,005
569,142	598,933
651,046,471	-
3,818,936,551	2,972,014,380
-	-
33,788,157	85,533,471
5,669,853	4,245,327
19,000	19,000
5,893,053	3,951,637
651,046,471	-
696,416,534	93,749,435
<b><u>\$ 3,122,520,017</u></b>	<b><u>\$ 2,878,264,945</u></b>

# Retirement Systems of the City of Detroit

	General Retirement System	
	2004	2003
<b>Additions</b>		
Investment income (loss):		
Interest and dividend income	\$ 108,803,078	\$ 105,272,178
Net appreciation (depreciation) in fair value	237,895,378	(17,140,820)
Investment expense	(11,496,468)	(8,345,720)
Other income	1,381,053	1,947,742
	<u>336,583,041</u>	<u>81,733,380</u>
Net investment income		
	336,583,041	81,733,380
Contributions:		
Employee	24,290,278	25,046,453
Employer	95,876,076	72,859,246
	<u>119,166,354</u>	<u>97,905,700</u>
Total additions	456,749,395	179,639,079
<b>Deductions</b>		
Retirees' pension and annuity benefits	156,921,199	151,158,815
Member refunds and withdrawals	98,292,960	90,883,100
General and administrative expenses	3,763,356	3,487,593
Loss on disposal of capital assets	-	162,015
Depreciation expense	99,080	120,033
	<u>259,076,595</u>	<u>245,811,556</u>
Total deductions	259,076,595	245,811,556
<b>Net Increase (Decrease) in Net Assets Held in Trust for Pension Benefits</b>	197,672,800	(66,172,477)
<b>Net Assets Held in Trust for Pension Benefits - Beginning of year</b>	<u>2,323,824,214</u>	<u>2,389,996,691</u>
<b>Net Assets Held in Trust for Pension Benefits - End of year</b>	<u>\$ 2,521,497,014</u>	<u>\$ 2,323,824,214</u>

**Statement of Changes in Plan Net Assets**  
**Year Ended June 30, 2004**  
(with comparative totals for the year ended June 30, 2003)

Policemen and Firemen Retirement System	
2004	2003
\$ 108,037,206	\$ 113,703,878
317,767,620	(28,227,412)
(12,379,319)	(10,424,790)
<u>2,275,676</u>	<u>3,517,007</u>
415,701,183	78,568,683
10,318,299	10,143,949
<u>69,475,202</u>	<u>66,843,029</u>
495,494,684	155,555,661
200,381,990	190,516,952
47,129,942	72,193,984
3,628,600	3,204,722
-	162,015
<u>99,080</u>	<u>120,033</u>
<u>251,239,612</u>	<u>266,197,706</u>
244,255,072	(110,642,045)
<u>2,878,264,945</u>	<u>2,988,906,990</u>
<b><u>\$ 3,122,520,017</u></b>	<b><u>\$ 2,878,264,945</u></b>

# Retirement Systems of the City of Detroit

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Notes to Financial Statements  
June 30, 2004

## 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 system's 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.

The General Retirement System and the Policemen and Firemen Retirement System are separate and independent trusts qualified under applicable provisions of the Internal Revenue Code, and are independent entities (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 plans have fiduciary obligations and legal liability for any violations of fiduciary duties as independent trustees.

**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.

**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.

As part of its overall investment strategy, the Systems occasionally invest in start-up ventures. In some instances, these ventures do not result in viable business enterprises, at which time the Systems will incur a loss. As of June 30, 2004, the Systems are involved in start-up ventures totaling approximately \$40,800,000.

# Retirement Systems of the City of Detroit

Notes to Financial Statements  
June 30, 2004

## Note 2 - Plan Description and Contribution Information

**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.

At June 30, 2004, the membership of the defined benefit plans and the defined contribution plans consisted of the following:

	Defined		Defined	
	Benefit Plans		Contribution Plans	
	GRS	PFRS	GRS	PFRS
Retirees and beneficiaries				
receiving pension benefits	11,332	8,695	1,562	1,419
Terminated plan members				
entitled to but not yet				
receiving benefits	1,547	33	165	5
Active plan members	12,312	5,177	11,025	4,760

**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 2003-2004 was .74 percent to 27.34 percent of active annual payroll for the GRS (depending on bargaining unit) and 27.68 percent of active annual payroll for the PFRS. Contributions from the employer for the year ended June 30, 2004 totaled \$95,876,076 and \$69,475,202 for the GRS and PFRS, respectively.

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, 2004

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

Contributions from employees during the year ended June 30, 2004 totaled \$24,290,278 and \$10,318,299 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 Boards of Trustees in accordance with the City Charter, union contracts, and plan provisions.

## Note 3 - Deposits and Investments

**Deposits** - At year end, total bank balances were comprised of \$8,051,609 and \$1,259,681 for the GRS and PFRS, respectively, without recognition of deposits in transit or outstanding checks. Of the bank balances, approximately \$113,000 and \$94,000 for the GRS and PFRS, respectively, 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, 2004.

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the Systems or their agents in the Systems' name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Systems' name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not 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, 2004

## 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	\$ 82,198,405	2
Stocks	1,553,816,583	1
Bonds	300,707,194	1
Mortgage-backed securities	59,636,979	1
Mortgage and construction loans	133,005,232	1
Equity interest in real estate	77,971,839	1
Pooled investments	93,010,892	N/A
Private placements	<u>253,656,948</u>	2
Total	<u>\$ 2,554,004,072</u>	
Policemen and Firemen System:		
Short-term investments	\$ 71,444,467	2
Stocks	1,670,466,391	1
Bonds	608,197,193	
Mortgage-backed securities	65,910,437	1
Mortgage and construction loans	110,140,189	1
Equity interest in real estate	88,390,272	1
Real estate investment trusts held by custodian	28,522,443	2
Pooled investments	363,858,019	N/A
Private placements	<u>48,495,074</u>	2
Total	<u>\$ 3,055,424,485</u>	

Included in the Systems' investments at June 30, 2004 are the following:

- Approximately \$956,000 (GRS) and \$14,700,000 (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, 2004

## Note 3 - Deposits and Investments (Continued)

- Approximately \$34,805,000 (GRS) and \$51,200,000 (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 this investment pool as of June 30, 2004 was 55 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, 2004, 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, 2004 were \$238,757,976 and \$232,701,006 for GRS, and \$651,046,471 and \$634,957,695 for PFRS, respectively.

# Retirement Systems of the City of Detroit

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Notes to Financial Statements  
June 30, 2004

## 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, 2004, the Systems' reserves have been fully funded as follows:

	GRS	PFRS
Reserved for employee contributions	\$ 693,216,709	\$ 318,731,017
Reserved for retired employees	1,438,173,394	2,313,734,450

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

## **Required Supplemental Information**

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# Retirement Systems 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 (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
General Retirement System:						
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
06/30/02	2,761,203,680	3,276,591,209	515,387,529	84.3	440,680,045	117.0
06/30/03	2,537,668,376	3,270,627,177	732,958,801	77.6	448,579,064	163.4
Policemen and Firemen Retirement System:						
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	-
06/30/02	3,635,106,581	3,523,446,635	(111,659,946)	103.2	248,663,133	-
06/30/03	3,205,516,657	3,721,593,210	516,076,553	86.1	248,681,461	207.5

# Retirement Systems of the City of Detroit

## Required Supplemental 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
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
2003	72,859,246	100	2003	66,843,029	100
2004	95,876,076 *	92	2004	69,475,202 *	-

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2003, the latest actuarial valuation, follows:

	General Retirement System	Policemen and Firemen Retirement System
Valuation date	June 30, 2003	June 30, 2003
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent	Level percent
Remaining amortization period	15 years	14 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%-9.5%	5.8%-10.8%
Includes inflation at	4.0%	4.8%
Cost of living adjustments	2.25%	2.25%

\* At June 30, 2004, \$7,651,467 and \$69,475,202 of the annual required contributions noted above were not received by the General Retirement System and the Policemen and Firemen Retirement System, respectively. Contributions receivable in the same amount have been recorded.

## **Other Supplemental Information**

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# 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 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.

**Survivor Benefits Fund** - This fund is used to accumulate the PFRS 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>		
Net investment income (loss)	\$ 47,520,167	\$ 2,559,171
Contributions:		
Employee	24,220,958	-
Employer	-	-
	71,741,125	2,559,171
Total additions - Net of investment loss		
<b>Deductions</b>		
Retirees' pension and annuity benefits	-	4,214,635
General and administrative expenses	-	-
Depreciation expense	-	-
Loss on disposal of capital asset	-	-
Member refunds and withdrawals	97,437,678	-
	97,437,678	4,214,635
Total deductions		
<b>Net Additions (Deductions) - Before transfers</b>	(25,696,553)	(1,655,464)
<b>Transfers - Net</b>	(4,528,397)	5,432,974
<b>Net Increase (Decrease) in Net Assets Held in Trust for Pension Benefits</b>	(30,224,950)	3,777,510
<b>Net Assets Held in Trust for Pension Benefits - Beginning of year</b>	688,573,496	31,090,653
<b>Net Assets Held in Trust for Pension Benefits - End of year</b>	\$ 658,348,546	\$ 34,868,163

**Statement of Changes in Plan Net Assets**  
**General Retirement System**  
**Year Ended June 30, 2004**  
(with comparative totals for the year ended June 30, 2003)

Market Stabilization Fund	Pension Reserves		Total	
	Pension Accumulation Fund	Pension Reserve Fund	2004	2003
\$ 265,097,707	\$ (88,716,978)	\$ 110,122,974	\$ 336,583,041	\$ 81,733,380
-	69,320	-	24,290,278	25,046,453
-	95,876,076	-	95,876,076	72,859,246
265,097,707	7,228,418	110,122,974	456,749,395	179,639,079
-	-	152,706,564	156,921,199	151,158,815
-	3,763,356	-	3,763,356	3,487,593
-	99,080	-	99,080	120,033
-	-	-	-	162,015
-	855,282	-	98,292,960	90,883,100
-	4,717,718	152,706,564	259,076,595	245,811,556
265,097,707	2,510,700	(42,583,590)	197,672,800	(66,172,477)
-	(19,120,381)	18,215,804	-	-
265,097,707	(16,609,681)	(24,367,786)	197,672,800	(66,172,477)
(213,844,162)	355,463,047	1,462,541,180	2,323,824,214	2,389,996,691
<b>\$ 51,253,545</b>	<b>\$ 338,853,366</b>	<b>\$ 1,438,173,394</b>	<b>\$ 2,521,497,014</b>	<b>\$ 2,323,824,214</b>

# Retirement Systems of the City of Detroit

	Annuity Reserves		
	Annuity Savings Fund	Annuity Reserve Fund	Market Stabilization Fund
<b>Additions</b>			
Net investment income (loss)	\$ -	\$ 1,095,695	\$ 375,245,546
Contributions:			
Employee	10,329,195	-	-
Employer	-	-	-
<b>Total additions - Net of investment loss</b>	<b>10,329,195</b>	<b>1,095,695</b>	<b>375,245,546</b>
<b>Deductions</b>			
Retirees' pension and annuity benefits	-	945,420	-
General and administrative expenses	-	-	-
Depreciation expense	-	-	-
Loss on disposal of capital asset	-	-	-
Member refunds and withdrawals	47,129,942	-	-
<b>Total deductions</b>	<b>47,129,942</b>	<b>945,420</b>	<b>-</b>
<b>Net Additions (Deductions) - Before transfers</b>	<b>(36,800,747)</b>	<b>150,275</b>	<b>375,245,546</b>
<b>Transfers - Net</b>	<b>(1,191,839)</b>	<b>531,819</b>	<b>-</b>
<b>Net Increase (Decrease) in Net Assets Held in Trust for Pension Benefits</b>	<b>(37,992,586)</b>	<b>682,094</b>	<b>375,245,546</b>
<b>Net Assets Held in Trust for Pension Benefits - Beginning of year</b>	<b>341,313,264</b>	<b>14,728,245</b>	<b>(327,251,712)</b>
<b>Net Assets Held in Trust for Pension Benefits - End of year</b>	<b>\$303,320,678</b>	<b>\$15,410,339</b>	<b>\$ 47,993,834</b>

**Statement of Changes in Plan Net Assets  
Policemen and Firemen Retirement System  
Year Ended June 30, 2004**  
(with comparative totals for the year ended June 30, 2003)

Pension Reserves				
Survivor Benefits Fund	Pension Accumulation Fund	Pension Reserve Fund	Total	
			2004	2003
\$ 1,965,077	\$ (137,096,529)	\$ 174,491,394	\$ 415,701,183	\$ 78,568,683
-	(10,896)	-	10,318,299	10,143,949
-	69,475,202	-	69,475,202	66,843,029
1,965,077	(67,632,223)	174,491,394	495,494,684	155,555,661
3,784,357	-	195,652,213	200,381,990	190,516,952
-	3,628,600	-	3,628,600	3,204,722
-	99,080	-	99,080	120,033
-	-	-	-	162,015
-	-	-	47,129,942	72,193,984
3,784,357	3,727,680	195,652,213	251,239,612	266,197,706
(1,819,280)	(71,359,903)	(21,160,819)	244,255,072	(110,642,045)
-	660,020	-	-	-
(1,819,280)	(70,699,883)	(21,160,819)	244,255,072	(110,642,045)
27,085,474	487,494,405	2,334,895,269	2,878,264,945	2,988,906,990
<b><u>\$ 25,266,194</u></b>	<b><u>\$ 416,794,522</u></b>	<b><u>\$ 2,313,734,450</u></b>	<b><u>\$ 3,122,520,017</u></b>	<b><u>\$ 2,878,264,945</u></b>