

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

---

**Financial Report  
with Supplemental Information  
June 30, 2013**

# **Police and Fire Retirement System of the City of Detroit**

---

## **Contents**

<b>Report Letter</b>	1-3
<b>Management's Discussion and Analysis</b>	4-7
<b>Basic Financial Statements</b>	
Statement of Fiduciary Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Notes to Financial Statements	10-24
<b>Required Supplemental Information</b>	25
Schedule of Analysis of Funding Progress	26
Schedule of Employer Contributions	27
<b>Other Supplemental Information</b>	28
Description of Funds	29
Statement of Changes in Plan Net Position by Fund	30-31

## Independent Auditor's Report

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

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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  
Police and Fire Retirement System  
of the City of Detroit

### **Opinion**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the net position of the Police and Fire Retirement System of the City of Detroit as of June 30, 2013 and the changes in its net position for the year 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 bankruptcy, calling into question the collectibility of the approximately \$71,000,000 of contributions receivable due from the City to the System. As a result of the considerable unknown related to the receipt of these receivables, as of June 30, 2013, these amounts have not been recorded within these financial statements. Approximately \$29,000,000 of that amount relates to contributions due from the prior year ended June 30, 2012, which was previously recognized as revenue by the System. Our opinion is not modified with respect to this matter.

As explained in Note 1, the financial statements include investments valued at approximately \$722,000,000 (24 percent of net position) at June 30, 2013 and at approximately \$750,000,000 (25 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 with respect to this matter.

### **Other Matters**

#### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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  
Police and Fire 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 Police and Fire 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 & Morse, PLLC*

December 19, 2013

# Police and Fire Retirement System 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 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	\$ 3,386,191,753	\$ 3,328,847,402	\$ 3,717,411,629
Total liabilities	351,618,689	354,385,769	337,320,028
Assets held in trust for pension benefits	<b>\$ 3,034,573,064</b>	<b>\$ 2,974,461,633</b>	<b>\$ 3,380,091,601</b>
Net investment income (loss)	\$ 381,460,272	\$ (140,449,682)	\$ 614,066,737
Contributions:			
Employee	7,799,790	9,538,384	10,453,905
Employer	-	49,760,229	81,642,112
Total contributions	7,799,790	59,298,613	92,096,017
Other income	21,741,155	2,108,976	768,132
Benefits paid to members and retirees:			
Retirees' pension and annuity benefits	279,885,732	278,104,785	263,432,423
Member annuity refunds and withdrawals	35,652,101	43,182,711	75,869,417
Total benefits paid	315,537,833	321,287,496	339,301,840
Benefits paid in excess of contributions	(307,738,043)	(261,988,883)	(247,205,823)
Ratio of benefits paid to contributions	40.5	5.4	3.7
Changes in estimate related to prior year contribution	29,026,800	-	-
Other expenses	6,325,153	5,300,379	5,486,680
Net increase (decrease) in net assets	<b>\$ 60,111,431</b>	<b>\$ (405,629,968)</b>	<b>\$ 362,142,366</b>

# **Police and Fire Retirement System of the City of Detroit**

---

## **Management's Discussion and Analysis (Continued)**

### **Fund Overview, Membership, Governance**

The Police and Fire Retirement System of the City of Detroit (DPFRS or the "System") is a defined benefit pension plan and defined contribution plan. DPFRS exists to pay benefits to its active members, retirees, and beneficiaries. Active members earn service credit that entitles them to receive benefits in the future. Both the employer (the City of Detroit) and active members contribute to the System.

DPFRS is a relatively mature plan in that there are more retirees and beneficiaries receiving current benefits than active members. As of June 30, 2013, membership of the System consisted of 3,272 active members, 9,054 members receiving benefits, and 111 terminated plan members entitled to, but not yet receiving, benefits.

DPFRS is currently governed by a 16-member board of trustees (the "Board"). Six members of the Board are elected by the active membership to serve three-year terms. Expirations of terms of elected trustees are staggered. Two retired members are elected by the retired membership and serve three-year terms. Eight members serve ex-officio, these members being the mayor of the City of Detroit (or designee), the city treasurer (or deputy treasurer), one representative from the Detroit City Council, the Corporation Counsel (or designee), the finance director (or designee), and the budget director (or designee) and two ex-officio trustees to be appointed by the mayor. A 17<sup>th</sup> trustee may be selected to serve two years by the board of trustees who is not a participant of the plan and is not employed by the City.

### **Contributions to the System**

Both the City of Detroit (employer) and active employees make regular contributions to the System. Basic pension and disability benefits are funded through employer and employee contributions plus investment earnings on those contributions.

The required employer contributions are determined by the System's actuaries using the entry age normal cost method. Assumptions used by the actuaries are subject to experience testing every five years. During 2013, the System wrote off \$71,000,000 in receivables due from the City of Detroit. Approximately \$29,000,000 of those receivables relates to contributions that were never paid from fiscal year 2012. As a result, employer contribution revenue for fiscal year 2013 is zero. In addition, \$29,000,000 of the 2012 receivable write-off is shown in the 2013 financial statements as a change in estimate within the income statement.

# Police and Fire Retirement System of the City of Detroit

---

## Management's Discussion and Analysis (Continued)

Active employees contribute 5 percent of pay up to the date at which they are eligible for retirement. Employee contributions are maintained in separate accounts in the defined contribution plan (annuity savings fund) solely for the benefit of the contributing employee. Employee annuity savings fund accounts are credited with investment earnings equal to the rate of return earned by the System subject to minimum earnings of 0 percent. An active employee may elect to withdraw his or her accumulated contributions plus investment earnings once he or she is eligible for retirement or upon completion of 25 years of service (DPOA and fire equivalents at 20 years).

### Benefits Paid

The System exists to pay the benefits which its members have earned. DPFRS paid out \$316 million in benefits during the year, consisting of \$280 million in benefits to retirees and beneficiaries plus \$36 million in refunds of annuity savings fund balances. This represents approximately 10 percent of the net assets of the System as of June 30, 2013. Employee contributions were \$7.8 million or 0.3 percent of the assets of the System. The excess of benefits over contributions is funded through investment income. The public capital markets represent the primary source of opportunities to earn investment income.

### Asset Allocation

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

DPFRS has established asset allocation policies which are expected to deliver more than enough investment income over a very long period of time to satisfy the obligations to pay the benefits promised to the members of the System. The following is a summary of the Board's asset allocation as of June 30, 2013:

Equities	43.0%
Fixed income	25.5%
Real estate	15.5%
Alternative investments	15.0%
Cash	1.0%

State statutes impose limitations on what fraction of the total assets of the System may be invested in assets other than government bonds, investment-grade bonds, and certain mortgages. The Board's asset allocation policies comply with these limitations.

# **Police and Fire Retirement System of the City of Detroit**

---

## **Management's Discussion and Analysis (Continued)**

### **Investment Results**

Effective with the fiscal year commencing July 1, 2003, DPFRS acquired the capability to calculate investment results on an AIMR-compliant, time-weighted, GIPS method basis. This capability is utilized to calculate investment results at the total fund composite, asset class composite, managed account, sector, and individual security levels. Investment results calculated for prior periods at the total fund composite level reflected dollar-weighted returns consistent with the methods utilized by the System's actuaries. Returns presented herein have been determined using the 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 DPFRS total fund composite return for the year was 9.74 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 DPFRS domestic and international equity portfolios returned 22 percent and 20 percent, respectively, for the fiscal year. The reversal of equity market declines from the previous year drove the average DPFRS portfolio return upward.

Now five years removed from the fiscal crisis, the DPFRS portfolio has, for the most part, recovered to its pre-crisis portfolio values, having benefited from double-digit returns in fiscal years 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	-1.5
2011	13.9
2010	16.9
2009	-14.8

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

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

# Police and Fire Retirement System of the City of Detroit

## Statement of Fiduciary Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 39,561,392	\$ 8,470,026
Investments - At fair value (Note 3):		
Short-term investments	25,726,502	52,915,384
Stocks	1,546,808,302	1,369,740,351
Bonds	621,018,160	642,880,961
Mortgage-backed securities	76,038,940	79,033,706
Mortgage and construction loans	107,017,607	123,530,241
Equity interest in real estate	290,194,931	293,622,367
Real estate investment trusts held by custodian	23,523,860	41,072,094
Pooled investments	232,149,159	237,657,224
Private placements	85,647,423	84,185,928
Receivables:		
Accrued investment income	18,392,975	15,119,515
Contributions receivable	-	49,760,229
Other accounts receivable	353,595	1,065,750
Restricted assets - Amounts held in escrow	18,750,000	18,750,000
Cash and investments held as collateral for securities lending (Note 3):		
Asset-backed securities	11,932,958	26,316,561
Repurchase agreements	282,732,847	184,026,107
Money market	-	68,134
U.S. corporate floating rate	5,108,695	94,357,830
Agencies	-	5,000,497
Capital assets (Note 1)	1,234,407	1,274,497
Total assets	<u>3,386,191,753</u>	<u>3,328,847,402</u>
<b>Liabilities</b>		
Claims payable to retirees and beneficiaries	4,914,340	4,881,881
Payables for investment purchases	5,173,191	6,235,211
Amounts due broker under securities lending arrangements (Note 3)	320,998,625	336,556,836
Other liabilities	20,532,533	6,711,841
Total liabilities	<u>351,618,689</u>	<u>354,385,769</u>
<b>Net Position</b> - Held in trust for pension benefits (a schedule of analysis of funding progress is presented in the required supplemental information)	<u>\$ 3,034,573,064</u>	<u>\$ 2,974,461,633</u>

# Police and Fire Retirement System of the City of Detroit

## Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended	
	June 30, 2013	June 30, 2012
<b>Additions</b>		
Investment income (loss):		
Interest and dividend income	\$ 96,336,483	\$ 105,065,300
Net appreciation (depreciation) in fair value	312,649,568	(228,705,779)
Less investment expense	(34,898,051)	(18,812,380)
Net investment income (loss)	374,088,000	(142,452,859)
Securities lending income:		
Income	1,808,690	1,788,635
Net gain on collateral pool	5,563,582	214,542
Net securities lending income	7,372,272	2,003,177
Contributions:		
Employer	-	49,760,229
Employee	7,799,790	9,538,384
Total contributions	7,799,790	59,298,613
Other income	21,741,155	2,108,976
Total additions - Net	411,001,217	(79,042,093)
<b>Deductions</b>		
Retirees' pension and annuity benefits	279,885,732	278,104,785
Member refunds and withdrawals	35,652,101	43,182,711
Changes in estimate related to prior year contribution	29,026,800	-
General and administrative expenses	6,250,704	5,188,593
Depreciation expense	74,449	111,786
Total deductions	350,889,786	326,587,875
<b>Net Increase (Decrease) in Net Position Held in Trust</b>	60,111,431	(405,629,968)
<b>Net Position Held in Trust - Beginning of year</b>	2,974,461,633	3,380,091,601
<b>Net Position Held in Trust - End of year</b>	<b>\$ 3,034,573,064</b>	<b>\$ 2,974,461,633</b>

# Police and Fire Retirement System of the City of Detroit

**Notes to Financial Statements**  
**June 30, 2013**

## **Note 1 - Summary of Significant Accounting Policies**

The City of Detroit (the "City") sponsors the contributory single-employer retirement plan for the Police and Fire Retirement System of the City of Detroit (the "System"). The System, which is administered by the System's board of trustees, is composed of a defined benefit component and a defined contribution component. The plans provide retirement, disability, and survivor benefits to plan members and beneficiaries. The Police and Fire Retirement System of the City of Detroit is a separate and 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 a fiduciary obligation and legal liability for any violations of fiduciary duties as independent trustees.

**Reporting Entity** - The financial statements of the System are also included in the combined financial statements of the City of Detroit as pension trust funds. The assets of the pension trust funds 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 System \$71,031,973 for past due actuarially determined contributions receivable, including approximately \$29,000,000 for the 2012 fiscal year and approximately \$42,000,000 related to fiscal year 2013. 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 System. As such, at June 30, 2013, an allowance was established for the entire \$71,000,000 in contributions receivable.

The System 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 System prevails on appeal and/or depending upon the terms of the bankruptcy settlement, the System may be entitled to payment of all or a portion of the delinquent 2012 and 2013 City employer contributions.

# Police and Fire Retirement System of the City of Detroit

---

## Notes to Financial Statements June 30, 2013

### 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 Police and Fire 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, legally enforceable 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 System's management.

Approximately \$722,000,000 or 24 percent of the System's net position as of June 30, 2013 and approximately \$750,000,000 or 25 percent of the System'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.

**Restricted Assets** - As part of one of its credit enhancement agreements (see Note 6), the City is required to set aside \$18,750,000 in a separate account in case of a borrower default. At June 30, 2013 and 2012, this amount has been shown as restricted assets - amounts placed in escrow.

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

# Police and Fire Retirement System of the City of Detroit

## Notes to Financial Statements June 30, 2013

### Note 1 - Summary of Significant Accounting Policies (Continued)

**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. Actual results could differ from those estimates.

**Reclassifications** - Comparative data for the prior year has been reclassified in order to be consistent with the current year's presentation.

**Reporting Change** - During the year, the System 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 System, GASB 63's impact is limited to changing the terminology "net assets" to "net position".

### Note 2 - Pension 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	9,054	655
Terminated plan members entitled to, but not yet receiving, benefits	111	24
Active plan members	3,272	2,998

**Plan Description** - The System provides retirement benefits as well as survivor and disability benefits. Employees may receive cost-of-living adjustments as a percentage of their base amounts, 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 the City Charter and negotiation with the employees' collective bargaining unit. However, given the bankruptcy filing, the obligation to make future contributions is uncertain.

# Police and Fire Retirement System of the City of Detroit

## Notes to Financial Statements June 30, 2013

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

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

The contribution rate calculated by the actuary for 2012-2013 fiscal year and 2011-2012 fiscal year was 23.14 and 23.02 percent, respectively, of active member annual covered payroll. This results in an actuarially required contribution of \$42,005,173 and \$49,760,229 for the two years, respectively. As discussed in Note 1, as of June 30, 2013, the City still owed the System approximately \$29,000,000 of the fiscal year 2011-2012 employer contributions outstanding and all of the fiscal year 2012-2013 employer contributions. The System 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 are required to make contributions toward annuity savings in the amount of 5 percent of base compensation until eligibility for retirement is reached. Contributions from employees totaled \$7,799,790 and \$9,538,384 for the years ended June 30, 2013 and 2012, respectively. The contribution requirements of plan members and the City of Detroit are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions.

**Annual Pension Cost** - The annual pension cost and annual required contribution for the year ended June 30, 2013 was \$42,005,173. This amount remains unpaid at June 30, 2013 and will be recognized as revenue by the System if and when it is paid by the City.

The annual contribution was determined as part of an actuarial valuation at June 30, 2011, using the entry age cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 0.0 percent to 4.0 percent per year, due to inflation, (c) additional salary increases of 1.0 percent to 5.2 percent per year based on merit and/or longevity, and (d) cost-of-living adjustments for certain members of 2.25 percent per year. The 8.0 percent investment rate of return is determined using techniques that smooth the effects of short-term volatility over a seven-year period and include an inflation component of 4.0 percent. The unfunded actuarial liability is being amortized as a level dollar of payroll. The remaining amortization period is 29 years.

# Police and Fire Retirement System of the City of Detroit

---

## Notes to Financial Statements June 30, 2013

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

Related to the June 30, 2012 valuation, all assumptions were consistent with those used for the June 30, 2011 valuation. 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 System 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 96.1 percent funded on an actuarial basis. The actuarial accrued liability for benefits was \$3,822,676,002 and the actuarial value of assets was \$3,675,459,604, resulting in underfunding of \$147,216,398. The covered payroll (annual payroll for active employees covered by the plan) was \$205,800,278. On a market value basis, the plan was approximately 78 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 8 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 assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### Note 3 - Deposits and Investments

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

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

The System invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and 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.

# Police and Fire Retirement System of the City of Detroit

## Notes to Financial Statements June 30, 2013

### Note 3 - Deposits and Investments (Continued)

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk. Approximately \$21.0 million of the System's checking account balances was uninsured and uncollateralized at June 30, 2013. The System had no bank deposits (certificates of deposit, checking, and savings accounts) at June 30, 2012 that were uninsured and uncollateralized. The System believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the System evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

At June 30, 2013, the average maturities of debt investments are as follows:

Investment Type	Fair Value (in thousands)	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
U.S. government	\$ 152,847	\$ 13,522	\$ 42,441	\$ 9,164	\$ 87,720
Government assets and mortgage backed	48,743	-	2,524	4,362	41,857
Treasuries, including futures	1,572	1,369	(49)	391	(139)
Corporate**	346,879	13,668	124,144	170,236	38,831
Private placement	132,171	4,421	44,024	70,850	12,876
Convertible bonds	25,772	3,479	10,197	5,093	7,003
State and local obligations	5,772	-	-	5,772	-
Convertible preferred stock	9,698	9,130	-	-	568
Construction loans	1	-	1	-	-
Mortgages	106,392	-	106,392	-	-
Total	<u>\$ 829,847</u>	<u>\$ 45,589</u>	<u>\$ 329,674</u>	<u>\$ 265,868</u>	<u>\$ 188,716</u>

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

# Police and Fire Retirement System of the City of Detroit

## Notes to Financial Statements June 30, 2013

### Note 3 - Deposits and Investments (Continued)

At June 30, 2012, the average maturities of investments are as follows:

Investment Type	Fair Value (in thousands)	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
U.S. government	\$ 160,694	\$ 3,571	\$ 46,388	\$ 8,543	\$ 102,192
Government assets and mortgage backed	45,551	983	1,070	1,275	42,223
Treasuries	5,673	5,700	(3)	(36)	12
Corporate**	377,974	12,688	121,889	203,888	39,509
Private placement	127,175	5,325	46,021	66,449	9,380
Convertible bonds	27,922	2,707	14,744	2,132	8,339
State and local obligations	5,249	440	-	4,527	282
Convertible preferred stock	9,815	8,612	560	-	643
Construction loans	7,994	7,994	-	-	-
Mortgages	115,536	8,888	106,648	-	-
Total	\$ 883,583	\$ 56,908	\$ 337,317	\$ 286,778	\$ 202,580

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

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

As of June 30, 2013, the credit quality ratings of debt securities (other than the U.S. government) as rated by Moody's are as follows:

Investment Type and Fair Value (in Thousands)	AAA	AA	A	BAA	BA	B	CAA and Below	NR
Corporate fixed income	\$ 40,136	\$ 21,664	\$ 88,655	\$ 111,218	\$ 27,177	\$ 59,878	\$ 16,806	\$ 40,804
Government fixed income	146,357	1,381	-	-	-	-	-	-
Private placements	6,100	3,815	3,807	18,831	15,586	46,364	17,889	10,708
Convertible bonds	-	-	2,164	1,658	1,177	1,617	-	19,321
Future contracts	-	-	-	-	-	-	-	203
Mortgages	-	-	-	-	-	-	-	1,156
Preferred securities	-	-	-	2,085	427	727	-	7,158
Convertible preferred stock	-	-	-	533	114	-	-	2,890
Convertible private placements	-	-	-	-	226	557	-	7,588
Construction loans	-	-	-	-	-	-	-	1
Total	\$ 192,593	\$ 26,860	\$ 94,626	\$ 134,325	\$ 44,707	\$ 109,143	\$ 34,695	\$ 89,829

# Police and Fire Retirement System of the City of Detroit

## Notes to Financial Statements June 30, 2013

### Note 3 - Deposits and Investments (Continued)

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

Investment Type and Fair Value (in Thousands)	AAA	AA	A	BBB	BB	B	CCC and Below	NR
Corporate fixed income	\$ 31,343	\$ 21,105	\$ 99,595	\$ 103,900	\$ 36,783	\$ 73,249	\$ 12,588	\$ 45,021
Government fixed income	-	156,768	1,627	2,128	164	358	-	2,044
Private placements	2,839	4,323	7,392	18,254	22,904	42,538	11,695	6,448
Convertible bonds	-	-	6,853	8,387	4,575	3,625	-	4,482
Mortgages	-	-	-	-	-	-	-	115,536
Convertible preferred stock	-	-	-	6,384	643	-	-	2,789
Preferred stock	-	-	-	-	933	-	-	2,184
Convertible private placements	1,056	-	486	2,794	777	1,120	-	4,501
Construction loans	-	-	-	-	-	-	-	7,994
Total	<u>\$ 35,238</u>	<u>\$ 182,196</u>	<u>\$ 115,953</u>	<u>\$ 141,847</u>	<u>\$ 66,779</u>	<u>\$ 120,890</u>	<u>\$ 24,283</u>	<u>\$ 190,999</u>

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

# Police and Fire Retirement System of the City of Detroit

## Notes to Financial Statements June 30, 2013

### Note 3 - Deposits and Investments (Continued)

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

	Equity	Forward Contracts (Including Payable/ Receivable)	Cash	Net Investment Receivable/ (Payable)
Australian dollar	\$ 11,439	\$ 3,557	\$ 62	\$ 144
Brazilian real	866	-	18	-
British pound sterling	66,701	3,841	132	120
Canadian dollar	20,256	2,142	713	(45)
Danish krone	4,889	(95)	78	(153)
Euro currency	97,886	(1,969)	5,073	(1,166)
Hong Kong dollar	13,840	1,080	241	90
Indian rupee	347	-	-	-
Indonesian rupiah	791	-	1	-
Israeli shekel	1,573	462	126	-
Japanese yen	88,128	(18,474)	922	(680)
Malaysian ringgit	344	-	-	-
New Taiwan dollar	2,191	-	600	-
New Turkish lira	187	-	2	-
New Zealand dollar	295	-	9	-
Norwegian krone	6,753	748	61	22
Philippines peso	-	-	9	-
Russian new ruble	1,349	-	-	-
Singapore dollar	2,717	600	15	9
South African rand	645	-	5	-
South Korean won	3,963	(161)	-	161
Swedish krona	4,304	2,814	23	17
Swiss franc	39,419	(5,289)	620	(307)
Thai baht	237	-	-	-
<b>Total</b>	<b>\$ 369,120</b>	<b>\$ (10,744)</b>	<b>\$ 8,710</b>	<b>\$ (1,788)</b>

# Police and Fire Retirement System of the City of Detroit

## Notes to Financial Statements June 30, 2013

### Note 3 - Deposits and Investments (Continued)

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

	Equity	Forward Contracts (Including Payable/ Receivable)	Cash	Fixed Income
Australian dollar	\$ 8,889	\$ 1,183	\$ 83	\$ 13
Brazilian real	1,132	-	15	-
British pound sterling	76,732	(68)	80	380
Canadian dollar	19,512	3,767	123	(32)
Danish krone	4,995	(1,282)	74	(140)
Euro currency	88,532	(7,819)	6,771	(283)
Hong Kong dollar	11,107	(225)	38	12
Indian rupee	190	-	-	-
Indonesian rupiah	565	-	-	-
Israeli shekel	833	415	58	-
Japanese yen	47,319	(6,166)	703	(661)
Malaysian ringgit	348	(4)	-	4
Mexican nuevo peso	163	-	-	-
New Taiwan dollar	445	-	601	-
New Zealand dollar	23	-	6	-
Norwegian krone	4,213	633	69	-
New Turkish lira	-	-	2	-
Philippines peso	380	-	-	-
Russian new ruble	546	-	-	-
Singapore dollar	2,717	1,321	48	-
South African rand	838	-	2	-
South Korean won	577	-	-	-
Swedish krona	6,205	2,201	36	-
Swiss franc	24,240	(897)	486	92
Thai baht	594	-	-	-
	<u>\$ 301,095</u>	<u>\$ (6,941)</u>	<u>\$ 9,195</u>	<u>\$ (615)</u>

# Police and Fire Retirement System of the City of Detroit

## Notes to Financial Statements June 30, 2013

### Note 3 - Deposits and Investments (Continued)

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

As of June 30, 2013, the collateral provided was 103.98 percent of the market value of the loaned securities.

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

The System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested together with the cash collateral of other lenders in an investment pool. The average duration of this investment pool as of June 30, 2013 and 2012 was two days and 15 days, respectively. 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 and 2012, the System had no credit risk exposure to borrowers. The collateral held (at cost) and the fair market value of underlying securities on loan for the System as of June 30, 2013 were \$320,998,625 and \$308,701,835, respectively.

The following represents the balances relating to the securities lending transactions as of June 30, 2013; investments are reported at fair value:

<u>Securities Lent</u>	<u>Underlying Securities</u>
U.S. government and agencies	\$ 17,999,415
U.S. corporate fixed income	34,803,200
U.S. equities	235,065,974
Non-U.S. equities	<u>20,833,246</u>
Total	<u>\$ 308,701,835</u>

# Police and Fire Retirement System of the City of Detroit

## Notes to Financial Statements June 30, 2013

### Note 3 - Deposits and Investments (Continued)

The fair market value of the collateral pool related to securities lending at June 30, 2013 was \$299,774,500. The investments were in agencies, asset-backed securities, notes (floating rate), money funds, and repurchase agreements. Approximately 97 percent of these securities had a duration of less than one year and 3 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:

<u>Ratings</u>	<u>Amount</u>
AAA	\$ 2,406,257
AA	4,008,616
A	1,100,079
B	702,907
CCC	8,834,424
NR	<u>282,722,217</u>
Total	<u>\$ 299,774,500</u>

The collateral held (at cost) and the fair market value of underlying securities on loan for the System as of June 30, 2012 were \$336,556,836 and \$336,533,472, respectively.

The following represents the balances relating to the securities lending transactions as of June 30, 2012; investments are reported at fair value:

<u>Securities Lent</u>	<u>Underlying Securities</u>
U.S. government and agencies	\$ 11,563,082
U.S. corporate fixed income	40,892,376
U.S. equities	266,012,477
Non-U.S. equities	<u>18,065,537</u>
Total	<u>\$ 336,533,472</u>

The fair market value of collateral of the securities lending at June 30, 2012 was \$309,769,129. The investments were in agencies, asset-backed securities, notes (floating rate), money funds, and repurchase agreements. Approximately 93 percent of these securities had a duration of less than one year, 3 percent had a duration between 1-5 years, and 4 percent had a duration over 15 years.

# Police and Fire Retirement System of the City of Detroit

## Notes to Financial Statements June 30, 2013

### 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:

<u>Ratings</u>	<u>Amount</u>
AAA	\$ 19,028,459
AA	53,660,608
A	31,826,999
B	1,455,869
BBB	2,993,454
CCC	8,501,712
NR	<u>192,302,028</u>
Total	<u>\$ 309,769,129</u>

### Note 4 - Reserves

The plan requires that employee contributions 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 less than the net assets of the Plan.

	<u>2013</u>	<u>2012</u>
Reserved for employee contributions	\$ 178,231,705	\$ 198,566,556
Reserved for retired employees	2,934,019,383	2,822,235,617

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

# **Police and Fire Retirement System of the City of Detroit**

---

## **Notes to Financial Statements June 30, 2013**

### **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) which existed at June 30, 2003 in both the General Employees' Retirement System of the City of Detroit and the Police and Fire Retirement System of the City of Detroit. The understanding was that any future UAAL that may arise would 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 systems and are accounted for in the Accrued Liability Fund (pension obligation certificate reserve). Approximately \$740,000,000 was deposited into the General Employees' Retirement System of the City of Detroit and approximately \$630,000,000 was deposited into the Police and Fire Retirement System of the City of Detroit, net of issuance costs and premiums. On an annual basis, funds will be transferred from the Accrued Liability Fund reserve to the pension accumulation reserve based on a computation performed by the City of Detroit. The Accrued Liability Fund was credited with investment earnings commensurate with the overall earnings of the System.

### **Note 6 - Credit Enhancement Agreements and Funding Commitments**

The System had an outstanding credit enhancement agreement totaling \$15,000,000 during both 2013 and 2012. In exchange for the credit enhancement, the System receives fees from the company to which the enhancement agreements have been given. As a part of the credit enhancement agreement, the System was required to maintain a minimum balance with the lending agency and has restricted cash in the amount of \$18,750,000 as of June 30, 2013 and 2012.

During the fiscal year, the System determined that the original borrower under the credit enhancement agreement would be unable to make the payments to the lending agency; therefore, the System has now reported a liability for \$15,000,000 as of June 30, 2013 representing the underlying obligation that the System has guaranteed. This liability has been reflected in the financial statements within the other liability balances.

When the System enters into various investments, it may not completely fund the entire investment at the beginning. Rather, it enters into commitments to fund remaining capital amounts at certain points in time. At June 30, 2013 and 2012, the remaining capital funding commitment for the System is approximately \$25 million and \$29 million, respectively.

# Police and Fire Retirement System of the City of Detroit

---

**Notes to Financial Statements  
June 30, 2013**

## **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 System as of June 30, 2014.

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 Police and Fire Retirement System of the City of Detroit, this standard will be adopted for the year ending June 30, 2014.

## **Required Supplemental Information**

---

# Police and Fire 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	\$ 4,307,183,758	\$ 3,896,814,229	\$ (410,369,529)	110.5 %	\$ 230,173,964	- %
6/30/08	4,316,263,291	4,071,053,752	(245,209,539)	106.0	232,812,606	-
6/30/09	3,945,205,453	4,221,291,045	276,085,592	93.5	231,795,528	119.1
6/30/10	3,853,279,381	3,767,364,201	(85,915,180)	102.3	228,829,999	-
6/30/11	3,804,759,868	3,808,642,533	3,882,665	99.9	220,461,691	1.8
6/30/12	3,675,459,604	3,822,676,002	147,216,398	96.1	205,800,278	71.5

# Police and Fire Retirement System of the City of Detroit

## Required Supplemental Information Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Contribution Made	Percentage Contributed	Transfer from Accrued Liability Reserve *
2008 **	\$ 58,934,636	\$ 41,113,934	70 %	\$ 34,074,039
2009 **	61,151,057	36,151,057	59	36,791,369
2010 **	57,808,485	32,808,485	57	41,403,282
2011	81,642,112	81,642,112	100	43,874,394
2012 ***	49,760,229	20,733,429	42	46,626,990
2013***	42,005,173	-	-	49,399,867

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 dollar, closed
Remaining amortization period	29 years
Asset valuation method	7-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases ****	5.0%-9.2%
**** Includes inflation at	0% for two years; 4% thereafter
Cost of living adjustments	2.25%

\* In accordance with the pension obligation certificate requirements, annual transfers are made from the Accrued Liability Fund to the pension accumulation reserve for the amortization of the unfunded liability that existed at the date the certificates were issued.

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

\*\*\* As of June 30, 2013, a portion of the 6/30/2012 annual required contribution and the entire 6/30/2013 annual required contribution has not been paid and has not been recognized as revenue given the City's bankruptcy.

## **Other Supplemental Information**

---

# Police and Fire Retirement System of the City of Detroit

---

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

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

**Survivor Benefits Fund** - This fund is used to accumulate the DPFERS 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 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.

# Police and Fire Retirement System of the City of Detroit

	Annuity Reserves		Market Stabilization Fund	Accrued Liability Reserve Fund
	Annuity Savings Fund	Annuity Reserve Fund		
<b>Additions</b>				
Net investment income (loss)	\$ 11,551,771	\$ 1,531,772	\$ 238,490,803	\$ 55,706,250
Contributions:				
Employer	-	-	-	-
Employee	7,799,790	-	-	-
Total additions - Net	19,351,561	1,531,772	238,490,803	55,706,250
<b>Deductions</b>				
Retirees' pension and annuity benefits	-	-	-	-
Member refunds and withdrawals	35,652,101	-	-	-
Depreciation expense	-	-	-	-
General and administrative expenses	-	-	-	-
Total deductions	35,652,101	-	-	-
<b>Net (Deductions) Additions - Before transfers</b>	(16,300,540)	1,531,772	238,490,803	55,706,250
<b>Transfers - Net</b>	(4,034,311)	3,945,811	-	(49,399,867)
<b>Net (Decrease) Increase in Net Position Held in Trust for Pension Benefits</b>	(20,334,851)	5,477,583	238,490,803	6,306,383
<b>Net Position Held in Trust for Pension Benefits - Beginning of year</b>	198,566,556	17,260,868	(696,328,119)	694,971,515
<b>Net Position Held in Trust for Pension Benefits - End of year</b>	<u>\$ 178,231,705</u>	<u>\$ 22,738,451</u>	<u>\$ (457,837,316)</u>	<u>\$ 701,277,898</u>

**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)**

Survivor Benefits Fund	Pension Reserves		Total	
	Pension Accumulation Fund	Pension Reserve Fund	2013	2012
\$ 223,875	\$ (126,334,770)	\$ 222,031,726	\$ 403,201,427	\$ (138,340,706)
-	(29,026,800)	-	(29,026,800)	49,760,229
-	-	-	7,799,790	9,538,384
223,875	(155,361,570)	222,031,726	381,974,417	(79,042,093)
-	-	279,885,732	279,885,732	278,104,785
-	-	-	35,652,101	43,182,711
-	74,449	-	74,449	111,786
-	6,250,704	-	6,250,704	5,188,593
-	6,325,153	279,885,732	321,862,986	326,587,875
223,875	(161,686,723)	(57,854,006)	60,111,431	(405,629,968)
-	(114,671,822)	164,160,189	-	-
223,875	(276,358,545)	106,306,183	60,111,431	(405,629,968)
5,596,867	(50,580,803)	2,804,974,749	2,974,461,633	3,380,091,601
<b>\$ 5,820,742</b>	<b>\$ (326,939,348)</b>	<b>\$ 2,911,280,932</b>	<b>\$ 3,034,573,064</b>	<b>\$ 2,974,461,633</b>