

April 22, 2009

Board of Trustees  
The Police and Fire Retirement System of the  
City of Detroit  
2 Woodward Avenue, Suite 908  
Detroit, MI 48226

**Re: Financial Position of the Retirement System**

Dear Board Members:

As of June 30, 2008, the ratio of recognized assets to accrued liabilities was 106% - a much higher funded ratio than is found in the vast majority of public sector retirement systems. Naturally, because of the difficult market environment since June 30, it is expected that we will see a lower funded ratio as of June 30, 2009 and contribution rate increases are very likely, as they will be in most other public sector plans as well.

With the expected decrease in the system's funded ratio, we have been asked to comment on the benefit security of both active and retired members. Benefits are fully secure provided that required city contributions are made to the system on a timely basis in future years. What is the assurance that such contributions will be made? Under Michigan Public Act 314 of 1965 as amended, public sector plan sponsors are required to annually contribute an amount at least equal to the employer normal cost plus a 30 year amortization of any unfunded accrued liabilities. Contributions to maintain financial strength are also required by Article 9, Section 24 of the state constitution. Public sector plans are working their way through the most challenging financial times in their history. However, there have been challenging times in the past and it is our understanding that the City has made necessary contributions in all such periods. Therefore, there is every expectation that they will do so in the future.

Sincerely,



Norman L. Jones, Actuary

NLJ:lr

cc: Walter Stampor, City of Detroit  
Cynthia Thomas, City of Detroit  
Judith Kermans, GRS  
Kenneth Alberts, GRS