



**GENERAL RETIREMENT SYSTEM OF
THE CITY OF DETROIT
COMPONENT I and
COMPONENT II**

SUMMARY ANNUAL REPORT

For the Fiscal Year Ended
June 30, 2018

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

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GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

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GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter from the Executive Director and Chairperson	Page 5 - 6
Summary of Component I Provisions	Page 7 - 8
Summary of Component II Provisions	Page 9

INVESTMENT SECTION

Historical Financial Performance	Page 10
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ACTUARIAL & STATISTICAL SECTION

Assumptions, Methods and Additional Information	Page 11 - 14
Membership by the Numbers	Page 14
Schedule of Contributions	Page 15
Contribution Requirements	Page 15

FINANCIAL SECTION

Financial Statements and Supplementary Reports	Page 16 -23
Budget	Page 24

OTHER INFORMATION SECTION

Service Providers	Page 25
Member Loan Program	Page 26
Travel Summary Report	Page 27

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

INTRODUCTORY SECTION

LETTER FROM THE EXECUTIVE DIRECTOR AND CHAIRPERSON

Active and Retired Members and Interested Individuals:

We are pleased to submit the annual report for Component I and Component II of the General Retirement System of the City of Detroit for the fiscal year ended June 30, 2018.

The General Retirement System of the City of Detroit (“System”) consists of defined pension plans and defined contribution plans for the non-uniformed employees of the City of Detroit, comprised of Component I and Component II. These plans are memorialized in a document entitled *The Combined Plan for the General Retirement System of the City of Detroit* (“Plan of Adjustment”), effective July 1, 2014, as amended and restated December 8, 2014. The System exists to pay benefits to its members.

As a result of the bankruptcy filed by the City of Detroit and the resulting Plan of Adjustment (“POA”), in the fiscal year 2014-2015 there were significant economic and non-economic changes to the retirement plans of the General Retirement System.

In addition to the economic changes discussed below, the POA established a seven member Investment Committee to assume responsibility for the investment of the Plan's assets. The committee is comprised of two General Retirement System Trustees and five financial professionals selected by the State of Michigan, the City of Detroit and the General Retirement System Board of Trustees, in consultation with the Foundation for Detroit’s Future.

As a part of the Plan of Adjustment, the original defined benefit plan, now known as Component II or the Legacy Plan, was frozen on June 30, 2014. All Component II benefits were frozen as of June 30, 2014, based on service and average final compensation accrued as of that date and the provisions of the General Retirement System as of June 30, 2014. Frozen benefits were reduced by 4.5% and all future cost-of-living adjustments were eliminated. Benefits resulting from the Annuity Savings Fund and benefits paid from the Annuity Reserve Fund were subject to a separate reduction described as a “Claw-back”.

Component I (Hybrid Plan) was created during the bankruptcy proceedings for active non-uniformed employees of the City of Detroit for benefits earned on and after July 1, 2014. Active members employed with the City on and after July 1, 2014, will earn service credit that entitles them to receive benefits under the Component I plan. Pursuant to the Plan of Adjustment, the benefit terms presently in force under the Component I plan will remain unchanged through June 30, 2023.

Accounting System and Reports

The financial statements of the System are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are subject to external review. The financial statements have been audited by the independent accounting firm of Plante & Moran, PLLC. The June 30, 2018, financial statements contain more detailed information and is available for review on the System’s web site: www.rscd.org. Copies of the report can also be obtained by a written request to the System’s office.

Funding and Reserves

The funds of the System consist of contributions and earnings that are accumulated by the System in order to fund current and future benefit obligations to the retirees and their beneficiaries. Contribution requirements for both Component plans are detailed in the actuarial and statistical sections of this report. Continuous improvement in the funding of the System is a primary objective of the Board of Trustees.

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

Investments

The System invests available funds in order to maximize income. The primary objective of the System's investment policies are to ensure that the System meets their obligation to provide retirement benefits. The System's portfolio of investments is diversified to provide the highest possible total return on assets with the least exposure to risk. The system's net investment income for the year ended June 30, 2018, totaled \$164,656,382 with a rate of return of 6.70 percent.

Closing

The Board of Trustees and the Retirement System staff continually strive to provide the members of the System with quality customer service. The Board and staff welcome your suggestions regarding the System and encourage you to inform us how we might better serve you.

Respectfully Submitted

Tasha L. Cowan

Tasha L. Cowan
Chair
Board of Trustees

David Cetlinski

David Cetlinski
Executive Director

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

INTRODUCTORY SECTION

SUMMARY OF COMPONENT I PROVISIONS (Hybrid Plan)

Component I (Hybrid Plan) was created during the bankruptcy proceedings for active non-uniformed employees of the City of Detroit to earn pension benefits on and after July 1, 2014. Active members employed with the City on and after July 1, 2014, will earn service credit that entitles them to receive future benefits under the Component I plan. Pursuant to the Plan of Adjustment, the benefit terms presently in force will remain unchanged through June 30, 2023.

Funding requirements of Component I are:

- Mandatory Member Contributions of 4% of base pay
- City Contributions of 5% of employee base pay, not including overtime

Voluntary Employee Contributions – Employees may make voluntary contributions of 3%, 5% or 7% of annual compensation at the election of the member. Each year, accounts are credited with earnings at a rate equal to the net investment rate of return of Retirement System Assets for the second plan year immediately preceding the plan year in which earnings are to be credited. The earnings rate may not be less than 0% and may not exceed 5.25%.

Average Final Compensation

The average of the compensation received during the 10 consecutive years of credited service (including prior service) immediately preceding the date of the members last termination with the City. If the member has less than ten years of credited service (including prior service), the average final compensation is the average of the compensation received during all years of credited service.

Normal Retirement

Normal Retirement Age – The normal retirement age is 62. For individuals who were active employees and who had 10 or more years of vesting service as of June 30, 2014, the normal retirement age, solely for purposes of Component I, is reduced as follows:

<u>Age as of July 1, 2014</u>	<u>Normal Retirement Age</u>
52 years or younger	62 years
53 years	61 years and 9 months
54 years	61 years and 6 months
55 years	61 years and 3 months
56 years	61 years
57 years	60 years and 9 months
58 years	60 years and 6 months
59 years	60 years and 3 months
60 years	60 years
61 years	60 years

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

INTRODUCTORY SECTION

SUMMARY OF COMPONENT I PROVISIONS (Hybrid Plan)

Normal Retirement Amount – 1.5% times average final compensation times credited service (after June 30, 2014) measured to the nearest month.

Early Retirement

Eligibility – Age 55 with 30 or more years of credited service plus prior service.

Early Retirement Amount – The same as normal retirement but actuarially **reduced**.

Deferred Retirement (Vested Benefits)

Eligibility – 10 years of vesting service.

Deferred Retirement Amount – The same as normal retirement but based on average final compensation and credited service at the time of termination, payable at age 62.

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

INTRODUCTORY SECTION

SUMMARY OF COMPONENT II PROVISIONS (Legacy Plan)

Component II (Legacy Plan), the original defined benefit plan, was frozen on June 30, 2014, because of the Plan of Adjustment that was created during the bankruptcy process. All Component II benefits were frozen as of June 30, 2014, based on service and average final compensation accrued as of that date and the provisions of the General Retirement System on June 30, 2014. Frozen benefits were reduced by 4.5% and all future cost-of-living adjustments were eliminated. Certain benefits provided by the Annuity Savings Fund and benefits paid from the Annuity Reserve Fund were subject to a separate reduction described as a “Claw-back”.

Employer contribution requirements for the fiscal years 2015 to 2023 were set according to the Plan of Adjustment. Beginning with Fiscal Year 2024, employer contributions will be actuarially determined.

Benefits are payable after separation from service, determined by the eligibility conditions of the plan as it existed on June 30, 2014, as detailed below:

Normal Retirement

Eligibility – Any age (minimum age 55 for non-EMS members hired after 1995) with 30 years of service (25 for EMS members), or age 60 with 10 years of service, or age 65 with 8 years of service.

Annual Amount

- **EMS Members** - Sum of a) a basic pension of \$12 for each of the first 10 years of service, plus b) a pension equal to 2.0% of average final compensation (“AFC”) multiplied by years of service. Maximum benefit is 90% of AFC
- **Other Members** – Sum of a) a basic pension of \$12 for each of the first 10 years of service, plus b) a pension equal to the first 10 years of service multiplied by 1.6% of AFC, plus 1.8% of AFC for each year of service greater than 10 years up to 20 years, plus 2.0% of AFC for each year of service greater than 20 years up to 25 years, plus 2.2% of AFC for each year of service greater than 25 years. Future benefit accruals for certain active members (depending on bargaining unit) were reduced to 1.5% of final average compensation per year of service

Calculation of Average Final Compensation (AFC)

- Pre-July 1, 1992 – Highest 5 consecutive years out of the last 10, excluding longevity
- July 1, 1992 to June 30, 1998 – Highest 4 consecutive years out of the last 10, including longevity
- July 1, 1998 or After – Highest 3 consecutive years out of the last 10, including longevity
- July 1, 1999 to June 30, 2014 – A one-time election to add the 25% of the value of the member’s unused sick leave to the earnings used in computing AFC

Early Retirement

- Eligibility – Any age with 25 or more years of service (minimum age 55 for members hired after 1995)
- Early Retirement Amount – The same as normal retirement but actuarially **reduced**

Deferred Retirement (Vested Benefits)

- Eligibility – Hired prior to 7-1-80, age 40 with 8 years of service **or** hired on or after 7-1-80, any age, with 10 years of service
- Deferred Retirement Amount – The same as normal retirement but based on average final compensation and credited service at the time of termination
- Eligible to collect based on the individual Union Contract at time of separation

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

INVESTMENT SECTION

The State of Michigan charges the Board of Trustees under the Public Employee Retirement System Investment Act with the responsibility of investing the Retirement System’s portfolio in a prudent manner. Specifically, the Public Employee Retirement System Investment Act requires the Board of Trustees and the other investment fiduciaries to discharge their duties solely in the interest of participants and beneficiaries and to act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims. The law also requires the Board of Trustees to prepare and maintain written objectives, policies, and strategies with clearly defined accountability and responsibility for implementing and executing the System’s investments as well as monitor the investments of the System’s assets with regard to the limitations of the law. The Act permits assets to be invested in a mix of fixed income, securities, real estate or other instruments in accordance with the percentages as detailed in the Act.

The Retirement System’s portfolio distribution is continually monitored to ensure that it complies with the State of Michigan Public Employee Retirement System Investment Act. A summary of the System’s asset allocation policy is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Global Equity	43%
Global Fixed Income	19%
Real Estate/Real assets	15%
Private Equity	8%
Hedge Funds	5%
Risk parity	5%
Diversifying strategies	4%
Cash	1%

Historical Asset Class Performance By Calendar Year, As of 12/31/17 (Net of Fees)

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
Total GRS Plan	15.4%	8.2%	8.8%
Domestic Equity	21.3%	10.5%	14.8%
International Equity	28.7%	8.2%	5.8%
Hedge Funds	6.9%	3.5%	5.2%
Fixed Income	6.3%	2.8%	1.7%
Global Asset Allocation	8.7%	3.2%	4.8%
Risk Parity	11.5%	3.5%	n/a
Private Equity	-1.6%	5.6%	6.2%
Real Estate	6.7%	10.6%	9.1%

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

ACTUARIAL & STATISTICAL SECTION

COMPONENT I

The actuarial valuations are conducted and reported by Gabriel Roeder Smith & Company. Copies of the valuations are available on the Retirement System's website: www.rscd.org or at the Retirement System Office at 500 Woodward Avenue, Suite 3000, Detroit, MI 48226.

Assumptions, Methods and Additional Information

Actuarial Valuation Date	June 30, 2017
Pension Plan's Fiscal Year Ending Date	June 30, 2018
Single Discount Rate	7.38%
Long-term Expected Rate of Return	7.38%
Net Pension Liability	\$1,246,785
Mortality Table Used	RP-2014 Blue Collar Annuitant Table
Service Credit Accruals	A member is credited with one month of Credited Service for each calendar month in which the individual performs 140 hours or more of service for the employer as an employee. Credited Service is recorded from the later of July 1, 2014, or the date of hire, whichever is later.
Unfunded Actuarial Accrued Liabilities	Actual employer contributions through June 30, 2023, are set by the Plan of Adjustment at 5% of pay. The amortization period and method after 2023 has not yet been established by the Board.

Sensitivity of Net Position Liability to the Single Discount Rate Assumption

The following presents the net pension liability of the City, calculated using the discount rate of 7.38 percent as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percent lower and 1 percentage point higher than the current rate:

	1% Decrease <u>6.38%</u>	Current Single <u>7.38%</u>	1% Increase <u>8.38%</u>
Total Pension Liability	\$ 109,894,702	\$ 96,879,111	\$ 86,309,820
Net Position Restricted for Pension	<u>95,632,326</u>	<u>95,632,326</u>	<u>95,632,326</u>
Net Pension Liability	<u>\$ 14,262,376</u>	<u>\$ 1,246,785</u>	<u>\$ (9,322,506)</u>

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

ACTUARIAL & STATISTICAL SECTION

COMPONENT I

Membership by the Numbers as of June 30, 2017

Inactive plan members or beneficiaries currently receiving benefits	200
Inactive plan members entitled to but not receiving benefits	933
Active Members	<u>5,117</u>
Total Plan Members	<u><u>6,250</u></u>

Schedule of Contributions

Fiscal Year Ending	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	N/A	\$8,811,369	N/A	\$180,069,852	4.89%
2016	N/A	\$9,048,831	N/A	\$185,147,364	4.89%
2017	N/A	\$9,484,993	N/A	\$199,307,987	4.76%
2018	N/A	\$14,673,644	N/A	\$229,954,351	6.38%

Note: The Actuarial Determined Contribution does not apply at this time due to the Plan of Adjustment dictated by the bankruptcy.

Contribution Requirements

The employer contributions for Fiscal Years 2015 to 2023 were set by the Plan of Adjustment as follows:

- 5% of compensation commencing July 1, 2014, and ending June 30, 2023

Beginning with Fiscal Year 2024, the employer contributions will be actuarially determined.

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

ACTUARIAL & STATISTICAL SECTION

COMPONENT II

The actuarial valuations are conducted and reported by Gabriel Roeder Smith & Company. Copies of the valuations are available on the Retirement System’s website: rscd.org or at the Retirement System Office at 500 Woodward Avenue, Suite 3000, Detroit, MI 48226.

Assumptions, Methods and Additional Information

Actuarial Valuation Date	June 30, 2017
Pension Plan’s Fiscal Year Ending Date	June 30, 2018
Single Discount Rate	7.38%
Long-term Expected Rate of Return	7.38%
Net Pension Liability	\$832,682,511
Mortality Table Used	RP-2014 Blue Collar Annuitant Table
Service Credit Accruals	Service accruals stopped as of June 30, 2014 - Due to the freezing of the plan, pay was not assumed to increase in the future and no inflation assumption was utilized.
Unfunded Actuarial Accrued Liabilities	Actual employer contributions through June 30, 2023, are set by the Plan of Adjustment. The amortization period and method after 2023 has not yet been established by the Board.

The Actuarial Assumed rate of return is 6.75%.

Sensitivity of Net Position Liability to the Single Discount Rate Assumption

The following presents the net pension liability of the City, calculated using the discount rate of 7.38 percent as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1 percent lower and 1 percentage point higher than the current rate:

	1% Decrease <u>6.38%</u>	Current Single <u>7.38%</u>	1% Increase <u>8.38%</u>
Total Pension Liability	\$ 3,018,398,427	\$ 2,773,306,153	\$ 2,563,861,608
Net Position Restricted for Pension	1,940,623,342	1,940,623,342	1,940,623,342
Net Pension Liability	<u>\$ 1,077,775,085</u>	<u>\$ 832,682,511</u>	<u>\$ 623,238,266</u>

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

ACTUARIAL & STATISTICAL SECTION

COMPONENT II

Membership by the Numbers at June 30, 2017

Retirees and Beneficiaries	11,834
Inactive, Nonretired Members	3,355
Active plan members	<u>3,025</u>
Total	<u><u>18,214</u></u>

Schedule of Contributions

Fiscal Year Ending	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$72,643,307	\$25,126,131	\$47,517,176	\$238,669,871	10.53%
2015	N/A	\$189,282,094	N/A	\$188,210,536	100.57%
2016	N/A	\$104,792,657	N/A	\$185,147,364	56.60%
2017	N/A	\$ 91,238,402	N/A	\$199,307,987	45.78%
2018	N/A	\$ 68,275,000	N/A	\$141,454,717	48.27%

Note: The Actuarial Determined Contribution does not apply at this time due to the Plan of Adjustment dictated by the bankruptcy.

The average annual retirement allowance from the Hybrid Plan is \$1,995.64 and the average annual allowance from the Legacy Plan is \$20,221.56.

The total annual retirement allowance paid from the Hybrid Plan is \$399,127 and the annual total allowance from the Legacy Plan is \$239,301,939.

Long-term wage inflation as of 6/30/14 is assumed at 2% for the first five years, 2.5% for the next five years and 3% thereafter.

There is no smoothing utilized due to the bankruptcy.

The Hybrid Plan's amortization period and method after 2023 have not yet been established.

The Legacy Plan's amortization method for the period subsequent to the 10 year period ending 6/30/2023 has not been established.

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

Contribution Requirements

The employer contributions for Fiscal Years 2015 to 2023 were set by the Plan of Adjustment. Subsequent to the POA, the DIA entered into an agreement to pay part of its contribution requirement to the General Retirement Plan in a single lump sum payment in 2016. Further, in August, 2016 the City modified all of its outstanding UTGO Stub Bonds. The current contribution schedule is as follows:

For DWSD Liabilities

Fiscal Year	DWSD	Transfers	Foundation for Detroit's Future	Other	Transfers from DWSD	Total
2018	\$45,400,000	(\$2,500,000)	\$400,000	\$22,500,000	\$2,500,000	\$68,300,000
2019	\$45,400,000	(\$2,500,000)	\$400,000	\$22,500,000	\$2,500,000	\$68,300,000
2020	\$45,400,000	(\$2,500,000)	\$400,000	\$2,500,000	\$2,500,000	\$48,300,000
2021	\$45,400,000	(\$2,500,000)	\$400,000	\$2,500,000	\$2,500,000	\$48,300,000
2022	\$45,400,000	(\$2,500,000)	\$400,000	\$2,500,000	\$2,500,000	\$48,300,000
2023	\$45,400,000	(\$2,500,000)	\$400,000	\$2,500,000	\$2,500,000	\$48,300,000
Total	\$272,400,000	(\$15,000,000)	\$2,400,000	\$55,000,000	\$15,000,000	\$329,800,000

Beginning with Fiscal Year 2024, the employer contributions will be actuarially determined.

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

STATEMENT OF FIDUCIARY NET POSITON

COMPONENT I

	<u>2018</u>	<u>2017</u>
Assets		
Cash and Cash Equivalents	\$ 26,996,675	\$ 5,703,254
Investments - At Fair Value	65,971,457	55,047,301
Accrued Investment Income	29,126	52,054
Receivables from Investment Sales	4,503	216,258
Other accounts receivable	3,059,388	2,525,993
Cash & Investments Held as Collateral for securities lending	3,484,487	2,340,478
Restricted Assets	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 99,545,636</u>	<u>\$ 65,885,338</u>
Liabilities		
Accrued Expenses	169,205	203,716
Payables for Investment Purchases	592,572	264,260
Amounts Due Brokers Under Securities Lending Arrangements	3,146,224	2,314,143
Due to City of Detroit	-	-
Other Liabilities	<u>5,309</u>	<u>180,895</u>
Total Liabilities	<u>3,913,310</u>	<u>2,963,014</u>
Net Position - Restricted for Pensions	<u>\$ 95,632,326</u>	<u>\$ 62,922,324</u>

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

COMPONENT I

	2018	2017
Additions		
Investment Income		
Interest and Dividends	\$ 1,068,680	\$ 1,001,757
Net Increase (Decrease) in Fair Value of Investments	7,693,500	8,374,219
Less Investment Expense	(333,313)	(281,690)
Net Investment Income (Loss)	8,428,867	9,094,286
Securities Lending Income		
Interest and Dividends	11,753	13,551
Net Unrealized Gain On Collateralized Securities	4,969	1,895
Net Securities Lending Income	16,722	15,446
Contributions:		
Employer	14,673,644	9,484,992
Employee	14,140,618	12,795,405
Total Contributions	28,814,262	22,280,397
Other Income	12,436	61,834
Total Additions - Net	37,272,287	31,451,963
Deductions		
Retirees' Pension and Annuity Benefits	399,127	288,290
Member Refunds and Withdrawals	1,991,465	1,846,519
General and Administrative Expenses	2,171,693	2,648,385
Total Deductions	4,562,285	4,783,194
Net Increase in Net Position Held in Trust	32,710,002	26,668,769
Net Position Restricted for Pensions - Beginning of Year	62,922,324	36,253,555
Net Position Restricted for Pensions - End of Year	\$ 95,632,326	\$ 62,922,324

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

STATEMENT OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

COMPONENT I

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Pension Liability			
Service Cost	\$ 17,056,732	\$ 18,417,036	\$ 18,302,706
Interest	5,438,061	4,084,390	2,495,896
Difference Between Expected And Actual Experience	4,546,865	(4,667,487)	(1,263,760)
Assumption Changes	(5,758,189)	2,780,462	2,111,451
Voluntary Employee Contributions	5,302,650	5,043,347	5,213,744
Benefits Payments, Including Refunds	<u>(2,390,592)</u>	<u>(2,134,809)</u>	<u>(2,287,214)</u>
Net Change in Total Pension Liability	24,195,527	23,522,939	24,572,823
Total Pension Liability- Beginning of Year	<u>72,683,584</u>	<u>49,160,645</u>	<u>24,587,822</u>
Total Pension Liability- End of Year	<u>\$ 96,879,111</u>	<u>\$ 72,683,584</u>	<u>\$ 49,160,645</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 14,673,644	\$ 9,484,992	\$ 9,048,831
Contributions - Employee	8,837,967	7,752,058	7,345,515
Net Investment Income (Loss)	8,445,590	9,109,732	(76,608)
Administrative Expenses	(2,171,693)	(2,648,385)	(3,094,197)
Voluntary Contributions	5,302,650	5,043,347	5,213,744
Benefit Payments, Including Refunds of Mandatory Contributions	(1,308,550)	(1,021,847)	(1,031,060)
Benefit Payments, Including Refunds of Voluntary Contributions	(1,082,042)	(1,112,962)	(1,256,154)
Benefit Payments, Including Refunds of Voluntary Contributions	<u>12,436</u>	<u>61,834</u>	<u>6,586</u>
Net Change in Plan Fiduciary Net Position	32,710,002	26,668,769	16,156,657
Plan Fiduciary Net Position - Beginning of Year	<u>62,922,324</u>	<u>36,253,555</u>	<u>20,096,898</u>
Plan Fiduciary Net Position - End of Year	<u>\$ 95,632,326</u>	<u>\$ 62,922,324</u>	<u>\$ 36,253,555</u>
Net Pension Liability	<u>\$ 1,246,785</u>	<u>\$ 9,761,260</u>	<u>\$ 12,907,090</u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	98.71%	86.57%	73.75%
Covered Employee Payroll	\$ 246,173,916	\$ 199,307,987	\$ 185,147,364
Net Pension Liability as a Percent of Covered Employee Payroll	0.51%	4.90%	7.00%

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

GENERAL AND ADMINISTRATIVE EXPENDITURES

COMPONENT I

PROFESSIONAL SERVICES	\$	544,014
WAGES & BENEFITS		553,540
INSURANCE PREMIUMS		254,754
LEGAL FEES		141,932
IT CONTRACTUAL FEES		114,598
AUDIT		84,417
RENT EXPENSE		119,281
DUES & SUBSCRIPTIONS		21,764
COMPUTER SUPPLIES, EQUIPMENT & SERVICE		41,899
REPAIR & MAINTENANCE		36,811
ADP FEES		10,573
ACTUARIAL		82,458
TRAVEL & TRAINING		16,680
STORAGE		17,009
MEDIA CONSULTING/PUBLIC RELATIONS		46
UTILITIES		7,364
TRUSTEE EXPENSES		16,388
POSTAGE AND MAILING		10,012
TRUSTEE STIPENDS		24,726
PRINTING		40,587
IMAGING		42
TRUSTEE ELECTION EXPENSE		10,115
OFFICE SUPPLIES		3,935
MEDICAL / DISABILITY EXAMS		810
INTERNET SERVICE PROVIDER		2,732
PARKING EXPENSE		6,678
BANK SERVICE CHARGES		1,993
OTHER EXPENSES		4,258
OFFICE EQUIPMENT		2,277
		<hr/>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$	2,171,693
		<hr/> <hr/>

No soft dollar cost used.

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

STATEMENT OF FIDUCIARY NET POSITION

COMPONENT II

	Defined Benefit Plan <u>2018</u>	Income Stabilization Fund <u>2018</u>	<u>Total</u>	<u>Total</u> <u>2017</u>
Assets				
Cash and Cash Equivalents	\$ 179,460,708	\$ 2,242,414	\$ 181,703,122	\$ 106,194,926
Investments - At Fair Value	1,668,833,587	10,471,662	1,679,305,249	1,761,810,415
Accrued Investment Income	736,792	4,623	741,415	1,665,909
Receivables from Investment Sales	1,973,216	12,381	1,985,597	6,920,959
ASF Recoupment Receivable	104,897,544	-	104,897,544	105,619,901
Other Accounts Receivable	203,295	-	203,295	6,181,430
Notes Receivable from Participants	4,065,350	-	4,065,350	4,846,803
Cash & Investments Held as Collateral for securities lending	80,544,568	505,404	81,049,972	74,903,007
Restricted Assets	-	-	-	-
Capital Assets	<u>550,317</u>	<u>-</u>	<u>550,317</u>	<u>267,889</u>
Total Assets	<u><u>\$ 2,041,265,377</u></u>	<u><u>\$ 13,236,484</u></u>	<u><u>\$ 2,054,501,861</u></u>	<u><u>\$ 2,068,411,239</u></u>
Liabilities				
Accrued Expenses	4,676,119	5,319	4,681,438	4,844,383
Payables for Investment Purchases	14,989,883	94,059	15,083,942	7,817,063
Amounts Due Brokers Under Securities Lending Arrangements	79,587,805	499,401	80,087,206	74,060,198
Due to City of Detroit	1,381,128	-	1,381,128	1,190,533
Other Liabilities	<u>6,800</u>	<u>-</u>	<u>6,800</u>	<u>1,857,372</u>
Total Liabilities	<u>100,641,735</u>	<u>598,779</u>	<u>101,240,514</u>	<u>89,769,549</u>
Net Position - Restricted for Pensions	<u><u>\$ 1,940,623,642</u></u>	<u><u>\$ 12,637,705</u></u>	<u><u>\$ 1,953,261,347</u></u>	<u><u>\$ 1,978,641,690</u></u>

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

COMPONENT II

	Benefit Plan 2018	Stabilization Fund 2018	Total	Total 2017
Additions				
Investment Income				
Interest and Dividends	\$ 29,159,206	\$ 174,818	\$ 29,334,024	\$ 34,057,105
Net Increase (Decrease) in Fair Value of Investments	134,609,725	1,137,884	135,747,609	182,397,618
Less Investment Expense	(8,801,199)	(52,919)	(8,854,118)	(9,662,810)
Net Investment Income (Loss)	154,967,732	1,259,783	156,227,515	206,791,913
Securities Lending Income				
Interest and Dividends	329,774	1,945	331,719	468,693
Net Unrealized Gain On Collateralized Securities	125,685	789	126,474	60,652
Net Securities Lending Income	455,459	2,734	458,193	529,345
Contributions:				
Employer	67,900,000	88,494	67,988,494	100,403,276
Employee	-	-	-	-
Foundations	375,000	-	375,000	375,000
Total Contributions	68,275,000	88,494	68,363,494	100,778,276
ASF Recoupment Interest	6,622,392	-	6,622,392	7,374,918
Other Income	1,236,655	1,737	1,238,392	959,760
Total Additions - Net	231,557,238	1,352,748	232,909,986	316,434,212
Deductions				
Retirees' Pension and Annuity Benefits	239,301,939	627,758	239,929,697	243,607,013
Member Refunds and Withdrawals	14,140,693	-	14,140,693	24,311,533
General and Administrative Expenses	3,313,415	-	3,313,415	6,021,837
ASF recoupment write-off	906,524	-	906,524	-
Total Deductions	257,662,571	627,758	258,290,329	273,940,383
Net Increase (Decrease) in Net Position Held in Trust	(26,105,333)	724,990	(25,380,343)	42,493,829
Net Position Restricted for Pensions - Beginning of Year	1,966,728,975	11,912,715	1,978,641,690	1,936,147,861
Net Position Restricted for Pensions - End of Year	<u>\$ 1,940,623,642</u>	<u>\$ 12,637,705</u>	<u>\$ 1,953,261,347</u>	<u>\$ 1,978,641,690</u>

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

COMPONENT II

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service Cost	\$ -	\$ -	\$ -	\$ -
Interest	192,359,745	201,919,236	214,011,164	263,007,329
Changes in Benefit Terms	-	-	-	(731,824,895)
Difference Between Expected And Actual Experience	34,154,327	(27,508,380)	(43,719,112)	24,644,530
Assumption Changes	(110,274,515)	76,925,957	90,034,927	(101,559,893)
Benefit Payments, Including Refunds	(253,442,630)	(267,249,539)	(292,282,179)	(297,538,990)
Net Change in Total Pension Liability	<u>(137,203,073)</u>	<u>(15,912,726)</u>	<u>(31,955,200)</u>	<u>(843,271,919)</u>
Total Pension Liability- Beginning of Year	<u>2,910,509,226</u>	<u>2,926,421,952</u>	<u>2,958,377,152</u>	<u>3,801,649,071</u>
Total Pension Liability- End of Year	<u>\$ 2,773,306,153</u>	<u>\$ 2,910,509,226</u>	<u>\$ 2,926,421,952</u>	<u>\$ 2,958,377,152</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 68,275,000	\$ 91,238,402	\$ 104,792,657	\$ 85,482,094
Contributions - State and Foundation	-	-	-	103,800,000
Contributions - Employee	-	-	-	609,073
Net Investment Income (Loss)	155,423,193	206,896,568	(12,450,547)	93,054,981
Administrative Expenses	(3,313,418)	(6,021,837)	(3,742,618)	(4,617,194)
Benefit Payments, including refunds	(253,442,630)	(267,249,539)	(292,282,179)	(297,538,991)
Other Additions - Includes ASF Recoupment	6,952,522	8,324,074	5,945,783	135,280,369
Net Change in Plan Fiduciary Net Position	<u>(26,105,333)</u>	<u>33,187,668</u>	<u>(197,736,904)</u>	<u>116,070,332</u>
Plan Fiduciary Net Position - Beginning of Year	<u>1,966,728,975</u>	<u>1,933,541,307</u>	<u>2,131,278,211</u>	<u>2,015,207,879</u>
Plan Fiduciary Net Position - End of Year	<u>\$ 1,940,623,642</u>	<u>\$ 1,966,728,975</u>	<u>\$ 1,933,541,307</u>	<u>\$ 2,131,278,211</u>
Net Pension Liability	<u>\$ 832,682,511</u>	<u>\$ 943,780,251</u>	<u>\$ 992,880,645</u>	<u>\$ 827,098,941</u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	69.98%	67.57%	66.07%	72.04%
Covered Employee Payroll	\$ 246,173,916	\$ 199,307,987	\$ 185,147,364	\$ 188,210,536
Net Pension Liability as a Percent of Covered Employee Payroll	338.25%	473.50%	536.30%	439.50%

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

GENERAL AND ADMINISTRATIVE EXPENDITURES

COMPONENT II

PROFESSIONAL SERVICES	\$	717,365
WAGES & BENEFITS		928,965
INSURANCE PREMIUMS		381,725
LEGAL FEES		214,090
IT CONTRACTUAL FEES		171,896
AUDIT		204,805
RENT EXPENSE		178,921
DUES & SUBSCRIPTIONS		32,680
COMPUTER SUPPLIES, EQUIPMENT & SERVICE		62,848
REPAIR & MAINTENANCE		57,076
PAYROLL PROCESSING FEES		32,675
ACTUARIAL		123,688
TRAVEL & TRAINING		22,920
STORAGE		25,514
MEDIA CONSULTING/PUBLIC RELATIONS		68
UTILITIES		11,046
TRUSTEE EXPENSES		24,582
POSTAGE AND MAILING		15,018
TRUSTEE STIPENDS		37,089
PRINTING		60,881
IMAGING		62
TRUSTEE ELECTION EXPENSE		15,172
OFFICE SUPPLIES		5,903
MEDICAL / DISABILITY EXAMS		1,215
INTERNET SERVICE PROVIDER		4,048
PARKING EXPENSE		9,807
BANK SERVICE CHARGES		7,024
OTHER EXPENSES		-195,038
OFFICE EQUIPMENT & FURNITURE		1,514
DEPRECIATION		159,854

TOTAL GENERAL AND ADMINISTRATIVE EXPENSES **\$ 3,313,415**

No soft dollar cost used.

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

FINANCIAL SECTION

BUDGET

COMPONENT I AND COMPONENT II

Investment Consultant Fees	\$	9,300,000
Total Budgeted Investment Consulting Fees	\$	<u>9,300,000</u>
Professional Services	\$	1,550,000
Wages & Benefits		1,735,300
Insurance Premiums		800,000
Legal Non-Investment		500,000
Contract Services		300,000
Audit, Benefit & Annual Reports		300,000
Rental-Building		375,000
Dues & Subscription		35,000
Computer Supplies, Equipment & Serv		120,000
Office Repairs and Maintenance & Software		160,000
Payroll Processing Fee		204,000
Actuarial		250,000
Travel and Education		145,000
Storage		78,000
Media Consulting/Public Relations		50,000
Utilities		23,000
Trustee Expense		30,000
Postage & Mailing		25,000
Trustee Stipends		60,000
Printing		30,000
Imaging		-
Trustee Election Expense		17,000
Office Supplies		12,500
Medical		5,000
Internet Service Provider		15,000
Parking Expense		20,000
Bank Service Charge		10,000
Other Expense		10,000
Office Equipment & Furniture		50,000
Depreciation		220,000
Total General & Administrative Budget	\$	<u>7,129,800</u>
Total Budgeted Expenses	\$	<u><u>16,429,800</u></u>

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

OTHER INFORMATION SECTION

SERVICE PROVIDERS

COMPONENT I AND COMPONENT II

500 Webward, LLC
Accuity
Accusoft Pegasus
ADP
Allegra Marketing
American Arbitration Association
Astadia, Inc.
BAB Associates, LLC
Bassett & Bassett
Bloomberg Financial
Canon Solutions America, Inc.
Creative Breakthroughs, Inc.
Chrysalis Consulting
Cintas Corporation
Clark Hill, PLC
Comcast
Couzens, Lansky, Fealk, Ellis, PC
Crain's Detroit Business
Dalton Commercial Clearing
Datawatch
Direct TV
Electronic Security Systems, Inc.
Emerson Network Power Liebert Services
F. Logan Davidson, PC
Fedex
Forbes
Forms Trac Enterprises, Inc.
Gabriel, Roeder, Smith & Co.
Graphic Sciences, Inc.
Harland Technology Service
Hudson & Muma, Inc.

International Foundation of Employee Benefits
Iron Mountain Records Management
JRW Creative Ideology
MAPERS
Mercury Storage
MSCI, Inc.
Neopost
Office Depot
Open Text
Paylocity
Peernet, Inc.
Pepper Hamilton, LLP
Plante & Moran
Preferred Data Systems, LLC
Quill Corporation
Racine & Associates
Reginald E. O'Neal
Republic Underwriters
Richoh
Russell Investments
Schindler Elevator Corp.
Shred-It USA
Star Insurance Company
Stout Risius Ross, Inc.
Tape4backup.com
Telecomm Solutions, LLC
Ultimate Parking Management
Universal System Technologies, Inc.
UHY, Advisors
VanOverbeke, Michaud & Timmony, PC
Verizon Wireless
Xerox

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

OTHER INFORMATION SECTION

MEMBER LOAN PROGRAM

COMPONENT I AND COMPONENT II

July 1, 2017 – June 30, 2018

COMPONENT I - No member loan activity.

COMPONENT II - For the year ended June 30, 2018, the program made 328 loans totaling \$1,698,204. The cost of administering the loan program is approximately \$5,000 for the year.

Payments received during the fiscal year including interest total \$1,643,510. The value of the outstanding loans at June 30, 2018, is reported at \$4,065,350.

The General Retirement System of the City of Detroit believes the interest received is sufficient to cover the costs of administering the Loan Program.

GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

OTHER INFORMATION SECTION

TRAVEL SUMMARY REPORT

COMPONENT I AND COMPONENT II

July 1, 2017 – June 30, 2018

GENERAL RETIREMENT SYSTEM														
Travel Summary July 1, 2017 - June 30, 2018														
NAME	REASON/CONFERENCE	LOCATION	Dates	COST							HOTEL	LEASE AGENT	AUTO TYPE	AIRLINE
				REGISTRATION	TRANSPORTATION & RELATED COSTS	LODGING	VEHICLE RENTAL	MEALS	MISC	TOTAL				
Cheeks, Kamal	Velociteach Project Management Training	Atlanta, Georgia	08/14/17-8/18/17	\$ 857	\$ 114	\$ 303	\$ 275	\$ 192	\$ 45	\$ 1,786	Hyatt Place	Alamo	Rogue	Spirit
Benson, Scott	IFEBP - Wharton Investment Programs	Philadelphia, PA	09/24/17-9/28/17	\$ 5,530	\$ 393	\$ 1,126	\$ -	\$ 384	\$ 90	\$ 7,522	Club Quarters	-	-	Delta
Wagner-Hall, Kimberly	IFEBP 63rd Annual Employee Benefits Conference	Las Vegas, Nevada	10/21/17-10/25/17	\$ 3,470	\$ 752	\$ 1,378	\$ -	\$ 384	\$ 90	\$ 6,073	Delano	-	-	Delta
Oxendine, Gail	IFEBP 63rd Annual Employee Benefits Conference	Las Vegas, Nevada	10/21/17-10/25/17	\$ 2,870	\$ 825	\$ 1,581	\$ -	\$ 448	\$ 105	\$ 5,828	Delano	-	-	Delta
Nickleberry, June	IFEBP Certificate of Achievement in Pub. Plan Polic	Las Vegas, Nevada	10/21/17-10/22/17	\$ 1,095	\$ 458	\$ 803	\$ -	\$ 192	\$ 45	\$ 2,593	Cosmopolitan	-	-	Spirit
Bigelow, Ryan	Due Diligence/Monitoring Private Credit Search	Los Angeles, CA	04/8/18-4/13/18	\$ -	\$ 560	\$ -	\$ 211	\$ 225	\$ 45	\$ 1,041	-	Sixt	Pacifica	Delta
Kenneally, Kevin	DB REEF II Annual Conference/Monitoring	Chicago, IL	04/17/18-4/20/18	-	\$ 217	\$ 386	\$ -	\$ 150	\$ 30	\$ 784	Loews	-	-	-
Perkins, Crystal	NCPERS Conference	New York, New York	05/12/18-5/13/18	\$ 650	\$ 236	\$ 752	\$ 345	\$ 225	\$ 45	\$ 2,253	Sheraton	Alamo	Suburban	-
Cowan, Tasha L.	NASP 29th Annual Conference	Houston, Texas	06/4/18-6/6/18	\$ 125	\$ 651	\$ 1,072	\$ -	\$ 320	\$ 75	\$ 2,243	Marriott	-	-	Delta
Nickleberry, June	NASP 29th Annual Conference	Houston, Texas	06/4/18-6/6/18	\$ 125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125	-	-	-	-
Perkins, Crystal	NASP 29th Annual Conference	Houston, Texas	06/4/18-6/6/18	\$ 150	\$ 532	\$ 868	\$ -	\$ 256	\$ 60	\$ 1,867	Marriott	-	-	Delta
Cetlinski, David	IFEBP-Certificate of Achievement in Pub Plan Polic	Chicago, IL	06/12/18-6/15/18	\$ 1,125	\$ 170	\$ 539	-	\$ 188	\$ 38	\$ 2,060	W Hotels	-	-	-
Cetlinski, Lori	IFEBP-Certificate of Achievement in Pub Plan Polic	Chicago, IL	06/12/18-6/15/18	\$ 2,250	\$ -	\$ 1,079	\$ -	\$ 375	\$ 75	\$ 3,779	W Hotels	-	-	-
Cowan, Tasha L.	IFEBP-Certificate of Achievement in Pub Plan Polic	Chicago, IL	06/12/18-6/15/18	\$ 2,250	\$ 441	\$ 1,814	-	\$ 450	\$ 90	\$ 5,045	Sheraton	-	-	Delta
McLellan, Christa	IFEBP-Certificate of Achievement in Pub Plan Polic	Chicago, IL	06/12/18-6/15/18	\$ 1,138	\$ 171	\$ 728	\$ -	\$ 188	\$ 38	\$ 2,262	Sheraton	-	-	Delta
Kenneally, Kevin	Diversifying Strategies Search/Monitoring	New York, New York	06/24/18-6/26/18	\$ -	\$ 343	\$ 362	-	\$ 113	\$ 23	\$ 840	The Roosevelt	-	-	Delta
Total				\$ 21,635	\$ 5,864	\$ 12,789	\$ 832	\$ 4,089	\$ 893	\$ 46,100				