



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

**SUMMARY ANNUAL REPORT**

For the Fiscal Year Ended

June 30, 2019

# GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

## GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

ALLY DETROIT CENTER

500 WOODARD AVENUE, SUITE 3000

DETROIT, MICHIGAN 48226

313-224-3362

800-339-8344

Web address [www.rscd.org](http://www.rscd.org)

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### **Real Estate Consultant**

The Townsend Group

### **Valuation Consultant**

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# GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

## Investment Managers

Aberdeen Asset Management, Inc.  
AQR Capital Management  
Barrow, Hanley, Mewhinney & Strauss, LLC  
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Churchill  
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Deroy & Devereaux  
Earnest Partners, LLC  
Edgewood Management, LLC  
GAM  
Grantham, Mayo, Van Otterloo & Co, LLC  
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MacKay Shields, LLC  
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North Pointe Capital, LLC  
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Piedmont Investment Advisors, LLC  
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## Direct Investments/Fund Investments

AEW Capital Management  
Alcentra NY LLC  
America Realty Advisors  
AQR Capital Management  
Ares Management  
Banyan  
BlackEagle Partners  
Bloomfield Capital  
Capital Point Partners  
Constellation Growth Capital  
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Deutsche Asset Management  
Hines Securities  
Insight Technology Capital Partners  
JP Morgan Investment Management, Inc.  
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MHR Fund Management, LLC  
MMA Capital Management  
PGIM Real Estate  
Seminole Financial Services, LLC  
Smith Whiley & Company  
Standard Pacific Capital, LLC  
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The Lightstone Group  
The Praedium Group, LLC  
Tricadia Capital Management  
UBS  
Valstone Partners, LLC  
Walker & Dunlop Capital, LLC  
Walton Street Capital  
Wind Point Partners

# GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

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# 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, 2019.

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, 2019, financial statements contain more detailed information and is available for review on the System’s web site: [www.rscd.org](http://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, 2019, totaled \$50,262,545 with a rate of return of 3.28 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

*June Nickleberry*

June Nickleberry  
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	20%
Real Estate/Real assets	15%
Private Equity	8%
Hedge Funds	5%
Diversifying strategies	8%
Cash	1%

### Historical Asset Class Performance By Calendar Year, As of 12/31/18 (Net of Fees)

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>
Total GRS Plan	-7.3%	5.1%	4.2%	6.9%	6.7%
Domestic Equity	-6.8%	7.9%	6.8%	11.6%	12.8%
International Equity	-14.2%	5.4%	1.4%	4.6%	6.5%
Fixed Income	-1.0%	3.9%	1.7%	2.9%	3.6%
Hedges Funds	-6.4%	0.3%	0.7%	5.3%	7.1%
Private Equity	-15.3%	-1.4%	1.2%	4.4%	NA
Diversifying Strategies	NA	NA	NA	NA	NA
Real Estate	-1.3%	5.4%	7.2%	6.9%	0.8%

# 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](http://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, 2018
Pension Plan’s Fiscal Year Ending Date	June 30, 2019
Single Discount Rate	7.38%
Long-term Expected Rate of Return	7.38%
Net Pension Liability	\$4,139,943
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	Current Single	1% Increase
	<u>6.38%</u>	<u>7.38%</u>	<u>8.38%</u>
Net Pension Liability	<u>\$ 22,662,194</u>	<u>\$ 4,139,943</u>	<u>\$ (10,876,114)</u>

# GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

## ACTUARIAL & STATISTICAL SECTION

### COMPONENT I

#### Membership by the Numbers as of June 30, 2018

Inactive plan members or beneficiaries currently receiving benefits	247
Inactive plan members - Legacy Disabled Members	122
Inactive plan members entitled to but not receiving benefits	899
Active Members	<u>5,629</u>
Total Plan Members	<u>6,897</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	\$246,173,916	5.96%
2019	N/A	\$12,205,699	N/A	\$224,726,503	5.43%

**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](http://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, 2018
Pension Plan's Fiscal Year Ending Date	June 30, 2019
Single Discount Rate	7.38%
Long-term Expected Rate of Return	7.38%
Net Pension Liability	\$934,695,854
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>
Net Pension Liability	<u>\$ 1,170,300,202</u>	<u>\$ 934,695,854</u>	<u>\$ 732,845,325</u>

## ACTUARIAL & STATISTICAL SECTION

# GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

## COMPONENT II

### Membership by the Numbers at June 30, 2018

Retirees and Beneficiaries	11,684
Inactive, Nonretired Members	3,236
Active plan members	3,018
Total	17,938

### 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	\$141,454,717	64.50%
2018	N/A	\$ 68,275,000	N/A	\$149,373,313	45.71%
2019	N/A	\$ 68,275,000	N/A	\$141,646,750	48.20%

**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 \$2,099.45 and the average annual allowance from the Legacy Plan is \$20,177.40.

The total annual retirement allowance paid from the Hybrid Plan is \$518,565 and the annual total allowance from the Legacy Plan is \$235,752,819.

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
<b>Total</b>	<b>\$272,400,000</b>	<b>(\$15,000,000)</b>	<b>\$2,400,000</b>	<b>\$55,000,000</b>	<b>\$15,000,000</b>	<b>\$329,800,000</b>

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>2019</u>	<u>2018</u>
Assets		
Cash and Cash Equivalents	\$ 49,781,983	\$ 26,996,675
Investments - At Fair Value	76,816,318	65,971,457
Accrued Investment Income	32,051	29,126
Receivables from Investment Sales	528,911	4,503
Other accounts receivable	3,045,433	3,059,388
Cash & Investments Held as Collateral for securities lending	5,968,399	3,484,487
Restricted Assets	-	-
Total Assets	<u>\$ 136,173,095</u>	<u>\$ 99,545,636</u>
Liabilities		
Accrued Expenses	354,038	169,205
Payables for Investment Purchases	423,337	592,572
Amounts Due Brokers Under Securities Lending Arrangements	5,131,808	3,146,224
Due to City of Detroit	-	-
Other Liabilities	-	5,309
Total Liabilities	<u>5,909,183</u>	<u>3,913,310</u>
Net Position - Restricted for Pensions	<u>\$ 130,263,912</u>	<u>\$ 95,632,326</u>



# GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

## FINANCIAL SECTION

### STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

#### COMPONENT I

	2019	2018
<b>Additions</b>		
Investment Income		
Interest and Dividends	\$ 1,835,031	\$ 1,068,680
Net Increase (Decrease) in Fair Value of Investments	2,044,111	7,693,500
Less Investment Expense	(634,863)	(333,313)
Net Investment Income (Loss)	3,244,279	8,428,867
Securities Lending Income		
Interest and Dividends	25,740	11,753
Net Unrealized Gain On Collateralized Securities	843	4,969
Net Securities Lending Income	26,583	16,722
Contributions:		
Employer	12,205,699	14,673,644
Employee	15,570,185	14,140,618
Total Contributions	27,775,884	28,814,262
Transfer from Component II to Component I (Note 9)	9,015,677	
Other Income	50,611	12,436
Total Additions - Net	40,113,034	37,272,287
<b>Deductions</b>		
Retirees' Pension and Annuity Benefits	518,565	399,127
Member Refunds and Withdrawals	3,020,819	1,991,465
General and Administrative Expenses	1,942,064	2,171,693
Total Deductions	5,481,448	4,562,285
Net Increase in Net Position Held in Trust	34,631,586	32,710,002
Net Position Restricted for Pensions - Beginning of Year	95,632,326	62,922,324
Net Position Restricted for Pensions - End of Year	\$ 130,263,912	\$ 95,632,326

# 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>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total Pension Liability</b>			
Service Cost	\$ 20,171,596	\$ 17,056,732	\$ 18,417,036
Interest	7,531,400	5,438,061	4,084,390
Difference Between Expected And Actual Experience	7,556,858	4,546,865	(4,667,487)
Assumption Changes	-	(5,758,189)	2,780,462
Voluntary Employee Contributions	5,804,274	5,302,650	5,043,347
Benefits Payments, Including Refunds	<u>(3,539,384)</u>	<u>(2,390,592)</u>	<u>(2,134,809)</u>
<b>Net Change in Total Pension Liability</b>	37,524,744	24,195,527	23,522,939
<b>Total Pension Liability- Beginning of Year</b>	<u>96,879,111</u>	<u>72,683,584</u>	<u>49,160,645</u>
<b>Total Pension Liability- End of Year</b>	<u><b>\$ 134,403,855</b></u>	<u><b>\$ 96,879,111</b></u>	<u><b>\$ 72,683,584</b></u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 12,205,699	\$ 14,673,644	\$ 9,484,992
Contributions - Employee	9,765,911	8,837,967	7,752,058
Net Investment Income (Loss)	3,270,862	8,445,590	9,109,732
Administrative Expenses	(1,942,064)	(2,171,693)	(2,648,385)
Voluntary Contributions	5,804,274	5,302,650	5,043,347
Other	9,066,288		
Benefit Payments, Including Refunds of Mandatory Contributions	(1,920,550)	(1,308,550)	(1,021,847)
Benefit Payments, Including Refunds of Voluntary Contributions	(1,618,834)	(1,082,042)	(1,112,962)
Benefit Payments, Including Refunds of Voluntary Contributions	<u>-</u>	<u>12,436</u>	<u>61,834</u>
<b>Net Change in Plan Fiduciary Net Position</b>	34,631,586	32,710,002	26,668,769
<b>Plan Fiduciary Net Position - Beginning of Year</b>	<u>95,632,326</u>	<u>62,922,324</u>	<u>36,253,555</u>
<b>Plan Fiduciary Net Position - End of Year</b>	<u><b>\$ 130,263,912</b></u>	<u><b>\$ 95,632,326</b></u>	<u><b>\$ 62,922,324</b></u>
<b>Net Pension Liability</b>	<u><b>\$ 4,139,943</b></u>	<u><b>\$ 1,246,785</b></u>	<u><b>\$ 9,761,260</b></u>
<b>Plan Fiduciary Net Position as a Percent of Total Pension Liability</b>	96.92%	98.71%	86.57%
<b>Covered Employee Payroll</b>	\$ 224,726,503	\$ 246,173,916	\$ 199,307,987
<b>Net Pension Liability as a Percent of Covered Employee Payroll</b>	1.84%	0.51%	4.90%

# GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

## FINANCIAL SECTION

### GENERAL AND ADMINISTRATIVE EXPENDITURES

#### COMPONENT I

PROFESSIONAL SERVICES	\$	202,072
WAGES & BENEFITS		506,875
INSURANCE PREMIUMS		253,985
LEGAL FEES		168,929
IT CONTRACTUAL FEES		105,271
AUDIT		82,179
RENT EXPENSE		119,993
DUES & SUBSCRIPTIONS		1,190
COMPUTER SUPPLIES, EQUIPMENT & SERVICE		57,018
REPAIR & MAINTENANCE		47,840
ADP FEES		149,365
ACTUARIAL		91,877
TRAVEL & TRAINING		23,759
STORAGE		25,072
MEDIA CONSULTING/PUBLIC RELATIONS		8,209
UTILITIES		9,610
TRUSTEE EXPENSES		6,795
POSTAGE AND MAILING		12,540
TRUSTEE STIPENDS		26,611
PRINTING		4,967
IMAGING		-
TRUSTEE ELECTION EXPENSE		-
OFFICE SUPPLIES		3,438
MEDICAL / DISABILITY EXAMS		1,456
INTERNET SERVICE PROVIDER		5,955
PARKING EXPENSE		4,834
BANK SERVICE CHARGES		73
OTHER EXPENSES		371
OFFICE EQUIPMENT		21,780

TOTAL GENERAL AND ADMINISTRATIVE EXPENSES **\$ 1,942,064**

**No soft dollar cost used.**

# GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

## FINANCIAL SECTION

### STATEMENT OF FIDUCIARY NET POSITION

#### COMPONENT II

	<u>Plan</u>	<u>Fund</u>	<u>Total</u>	<u>Total</u>
	<u>2019</u>	<u>2019</u>	<u>Total</u>	<u>2018</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 51,631,035	\$ 1,747,959	\$ 53,378,994	\$ 181,703,122
Investments - At Fair Value	1,643,478,101	10,620,049	1,654,098,150	1,679,305,249
Accrued Investment Income	900,819	5,579	906,398	741,415
Receivables from Investment Sales	8,458,421	57,766	8,516,187	1,985,597
ASF Recoupment Receivable	101,914,441	-	101,914,441	104,897,544
Other Accounts Receivable	73,872	-	73,872	203,295
Notes Receivable from Participants	3,948,146	-	3,948,146	4,065,350
Cash & Investments Held as Collateral for securities lending	81,947,608	561,284	82,508,892	81,049,972
Restricted Assets	-	-	-	-
Capital Assets	1,197,282	-	1,197,282	550,317
<b>Total Assets</b>	<u><u>\$ 1,893,549,725</u></u>	<u><u>\$ 12,992,637</u></u>	<u><u>\$ 1,906,542,362</u></u>	<u><u>\$ 2,054,501,861</u></u>
<b>Liabilities</b>				
Accrued Expenses	4,887,486	6,966	4,894,452	4,681,438
Payables for Investment Purchases	7,247,661	48,602	7,296,263	15,083,942
Amounts Due Brokers Under Securities Lending Arrangements	80,999,352	554,790	81,554,142	80,087,206
Due to City of Detroit	1,508,399	-	1,508,399	1,381,128
Other Liabilities	-	-	-	6,800
<b>Total Liabilities</b>	<u><u>94,642,898</u></u>	<u><u>610,358</u></u>	<u><u>95,253,256</u></u>	<u><u>101,240,514</u></u>
<b>Net Position - Restricted for Pensions</b>	<u><u>\$ 1,798,906,827</u></u>	<u><u>\$ 12,382,279</u></u>	<u><u>\$ 1,811,289,106</u></u>	<u><u>\$ 1,953,261,347</u></u>

# GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

## FINANCIAL SECTION

### STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

#### COMPONENT II

	Benefit Plan 2019	Stabilization Fund 2019	Total	Total 2018
<b>Additions</b>				
Investment Income				
Interest and Dividends	\$ 34,317,288	\$ 226,000	\$ 34,543,288	\$ 29,334,024
Net Increase (Decrease) in Fair Value of Investments	21,531,752	173,810	21,705,562	135,747,609
Less Investment Expense	(9,170,302)	(60,282)	(9,230,584)	(8,854,118)
Net Investment Income (Loss)	46,678,738	339,528	47,018,266	156,227,515
Securities Lending Income				
Interest and Dividends	477,959	3,152	481,111	331,719
Net Unrealized Gain On Collateralized Securities	13,307	91	13,398	126,474
Net Securities Lending Income	491,266	3,243	494,509	458,193
Contributions:				
Employer	67,900,000	-	67,900,000	67,988,494
Employee	-	-	-	-
Foundations	375,000	-	375,000	375,000
Total Contributions	68,275,000	-	68,275,000	68,363,494
ASF Recoupment Interest	6,437,967	-	6,437,967	6,622,392
Other Income	444,601	889	445,490	1,238,392
Total Additions - Net	122,327,572	343,660	122,671,232	232,909,986
<b>Deductions</b>				
Retirees' Pension and Annuity Benefits	235,153,733	599,086	235,752,819	239,929,697
Member Refunds and Withdrawals	13,636,284	-	13,636,284	14,140,693
Transfer to Component I from Component II (Note 9)	9,015,677	-	9,015,677	-
General and Administrative Expenses	3,023,939	-	3,023,939	3,313,415
ASF recoupment write-off	3,214,754	-	3,214,754	906,524
Total Deductions	264,044,387	599,086	264,643,473	258,290,329
Net Increase (Decrease) in Net Position Held in Trust	(141,716,815)	(255,426)	(141,972,241)	(25,380,343)
Net Position Restricted for Pensions - Beginning of Year	1,940,623,642	12,637,705	1,953,261,347	1,978,641,690
Net Position Restricted for Pensions - End of Year	\$ 1,798,906,827	\$ 12,382,279	\$ 1,811,289,106	\$ 1,953,261,347

# 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Total Pension Liability</b>				
Service Cost	\$ -	\$ -	\$ -	\$ -
Interest	195,489,643	192,359,745	201,919,236	214,011,164
Changes in Benefit Terms	-	-	-	-
Difference Between Expected And Actual Experience	13,596,902	34,154,327	(27,508,380)	(43,719,112)
Assumption Changes	-	(110,274,515)	76,925,957	90,034,927
Benefit Payments, Including Refunds	(248,790,017)	(253,442,630)	(267,249,539)	(292,282,179)
<b>Net Change in Total Pension Liability</b>	<u>(39,703,472)</u>	<u>(137,203,073)</u>	<u>(15,912,726)</u>	<u>(31,955,200)</u>
<b>Total Pension Liability- Beginning of Year</b>	<u>2,773,306,153</u>	<u>2,910,509,226</u>	<u>2,926,421,952</u>	<u>2,958,377,152</u>
<b>Total Pension Liability- End of Year</b>	<u><b>\$ 2,733,602,681</b></u>	<u><b>\$ 2,773,306,153</b></u>	<u><b>\$ 2,910,509,226</b></u>	<u><b>\$ 2,926,421,952</b></u>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 68,275,000	\$ 68,275,000	\$ 91,238,402	\$ 104,792,657
Contributions - State and Foundation	-	-	-	-
Contributions - Employee	-	-	-	-
Net Investment Income (Loss)	47,170,004	155,423,193	206,896,568	(12,450,547)
Administrative Expenses	(3,023,939)	(3,313,418)	(6,021,837)	(3,742,618)
Benefit Payments, including refunds	(248,790,017)	(253,442,630)	(267,249,539)	(292,282,179)
Other Additions - Includes ASF Recoupment	(5,347,863)	6,952,522	8,324,074	5,945,783
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(141,716,815)</u>	<u>(26,105,333)</u>	<u>33,187,668</u>	<u>(197,736,904)</u>
<b>Plan Fiduciary Net Position - Beginning of Year</b>	<u>1,940,623,642</u>	<u>1,966,728,975</u>	<u>1,933,541,307</u>	<u>2,131,278,211</u>
<b>Plan Fiduciary Net Position - End of Year</b>	<u><b>\$ 1,798,906,827</b></u>	<u><b>\$ 1,940,623,642</b></u>	<u><b>\$ 1,966,728,975</b></u>	<u><b>\$ 1,933,541,307</b></u>
<b>Net Pension Liability</b>	<u><b>\$ 934,695,854</b></u>	<u><b>\$ 832,682,511</b></u>	<u><b>\$ 943,780,251</b></u>	<u><b>\$ 992,880,645</b></u>
<b>Plan Fiduciary Net Position as a Percent of Total Pension Liability</b>	65.81%	69.98%	67.57%	66.07%
<b>Covered Employee Payroll</b>	\$ 141,646,750	\$ 149,373,313	\$ 141,454,717	\$ 185,147,364
<b>Net Pension Liability as a Percent of Covered Employee Payroll</b>	659.88%	557.45%	667.20%	536.27%

# GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

## FINANCIAL SECTION

### GENERAL AND ADMINISTRATIVE EXPENDITURES

#### COMPONENT II

PROFESSIONAL SERVICES	\$	303,107
WAGES & BENEFITS		760,313
INSURANCE PREMIUMS		380,978
LEGAL FEES		259,648
IT CONTRACTUAL FEES		157,960
AUDIT		123,269
RENT EXPENSE		179,989
DUES & SUBSCRIPTIONS		1,785
COMPUTER SUPPLIES, EQUIPMENT & SERVICE		85,525
REPAIR & MAINTENANCE		71,759
PAYROLL PROCESSING FEES		249,896
ACTUARIAL		137,815
TRAVEL & TRAINING		35,638
STORAGE		37,608
MEDIA CONSULTING/PUBLIC RELATIONS		12,314
UTILITIES		14,415
TRUSTEE EXPENSES		10,192
POSTAGE AND MAILING		18,809
TRUSTEE STIPENDS		39,916
PRINTING		7,450
TRUSTEE ELECTION EXPENSE		0
OFFICE SUPPLIES		5,351
MEDICAL / DISABILITY EXAMS		2,184
INTERNET SERVICE PROVIDER		8,932
PARKING EXPENSE		7,198
BANK SERVICE CHARGES		450
OTHER EXPENSES		11,626
OFFICE EQUIPMENT & FURNITURE		32,670
DEPRECIATION		67,142
		<hr/>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$	<b>3,023,939</b>
		<hr/> <hr/>
<b>No soft dollar cost used.</b>		

# 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		40,000
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
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		<u>220,000</u>
Total General & Administrative Budget	\$	<u>7,009,800</u>
<b>Total Budgeted Expenses</b>	\$	<u><u>16,309,800</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, 2018 – June 30, 2019**

COMPONENT I - No member loan activity.

COMPONENT II - For the year ended June 30, 2019, the program made 315 loans totaling \$1,676,032. The cost of administering the loan program is approximately \$5,000 for the year.

Payments received during the fiscal year including interest total \$870,975.52. The value of the outstanding loans at June 30, 2019, is reported at \$3,948,146.45.

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, 2018 –June 30, 2019

GENERAL RETIREMENT SYSTEM														
Travel Summary July 01, 2018 - June 30, 2019														
NAME	REASON/CONFERENCE	LOCATION	DATE	COST										
				REGISTRATION	TRANSPORTATION	LODGING	VEHICLE RENTAL	MEALS	MISC	TOTAL	HOTEL	LEASE AGENT	AUTO TYPE	AIRLINE
Benson, Scott	IFEBP 64th Annual Conference	New Orleans, LA	10/12/18-10/17/18	3,050.00	636.40	1,630.00	142.28	384.00	90.00	5,932.68	Omni Royal Orleans	Uber		Delta
Cowan, Tasha L.	IFEBP 64th Annual Conference	New Orleans, LA	10/13/18-10/18/18	1,565.00	625.98	1,766.80	36.00	384.00	194.00	4,571.78	Windsor Court	Uber		Delta
Cowan, Tasha L.	IFEBP New Trustees Institute	Orlando, FL	2/15/19-2/21/19	3,030.00	700.92	3,106.09		448.00	175.35	7,460.36	Walt Disney World			
Nickleberry Armella J.	IFEBP 64th Annual Conference	New Orleans, LA	10/14/18-10/17/18	1,565.00	467.08	681.24	40.00	256.00	96.00	3,105.32	Crowne Plaza	Shuttle to Hotel		Spirit
Nickleberry Armella J.	IFEBP New Trustees Institute	Lake Buena Vista, FL	2/15/19-2/18/19	1,815.00	312.47	892.59	227.50	256.00	60.00	3,563.56	Cabana Bay	Payless	Nissan Versa	Spirit
Nickleberry Armella J.	NCPERS Annual Conference & Exhibition	Austin, TX	5/17/19-5/20/19	1,020.00	274.60	844.11		256.00	216.00	2,610.71	Hilton Austin			Spirit
Nickleberry Armella J.	NASP Pension & Financial Services Conference	Baltimore, MD	6/23/19-6/26-19	150.00	212.29	828.14	34.40	256.00	128.00	1,608.83		Shuttle		Spirit
Perkins, Crystal	IFEBP 64th Annual Conference	New Orleans, LA	10/13/18-10/17/18	2,460.00	457.00	1,274.60	44.00	320.00	75.00	4,630.60	Sheraton	Shuttle to Hotel		Delta
Perkins, Crystal	NASP Pension & Financial Services Conference	Baltimore, MD	6/23/19-6/27/19	150.00	298.56	1,105.82	27.03	320.00	75.00	1,976.41	Baltimore Marriott Waterfront	Lyft		
Sheehan, Thomas	IFEBP 64th Annual Conference	New Orleans, LA	10/13/18-10/17/19	1,565.00	471.40	1,067.22	40.00	320.00	107.50	3,571.12	Marriott	Shuttle		Delta
Sheehan, Thomas	Klausner Kaufman Jensen & Levinson Conference	Ft. Lauderdale, FL	6/9/19-6/11/19		252.60	506.24	54.55	192.00	84.00	1,089.39	W Hotels	Taxi		Delta
Sowerby, David	Corbin Investment Meeting	New York, NY	10/10/18-10/12/18		751.40	888.99	115.13	225.00	117.00	2,097.52	The Maxwell	Uber		Delta
Sowerby, David	NEPC Investor Conference	Boston, MA	5/7/19-5/8/19		606.60	182.54	56.76	150.00	119.76	1,115.66	Boston Park Plaza	Taxi/Uber		Delta
<b>Total</b>										<u>\$43,333.94</u>				