Gabriel Roeder Smith & Company
Consultants & Actuaries

THE GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT

ANNUAL ACTUARIAL VALUATION OF COMPONENT I AS OF JUNE 30, 2016

GRS
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June 22, 2017

Board of Trustees
The General Retirement System of the City of Detroit

Re: The General Retirement System of the City of Detroit Actuarial Valuation of Component I as of June 30, 2016

Dear Board Members:

The results of the June 30, 2016 Annual Actuarial Valuation of Component I of the General Retirement System of the City of Detroit (DGRS) are presented in this report.

Based on our understanding, the required contribution rates shown on page 1 are in compliance with the Component I Plan and the City's Plan of Adjustment (POA) as approved by the Bankruptcy Court. The amount shown should not be considered a recommendation by the actuary. While a recommended level of contributions is outside the scope of the engagement, it is likely that the actuary would have recommended higher contributions than shown. Users of this report should be aware that contributions made at the POA and Plan required rate do not guarantee benefit security. Given the importance of benefit security to any retirement system, we suggest that contributions to the System in excess of those presented in this report be considered.

The funding level and estimated costs of the Plan shown in this report are based on the actuarial assumptions disclosed in Section F. This report includes some risk metrics, but does not include a robust assessment of the risks of future experience not meeting the actuarial assumptions. Additional assessment of risks was outside the scope of this assignment. We encourage a review and assessment of investment and other significant risks that may have a material effect on the Plan's financial condition.

This report was prepared at the request of the Board and is intended for use by the Retirement System and those designated or approved by the Board. This report may be provided to other parties only in its entirety and only with the permission of the Board. Authorized or unauthorized use of this report by other parties does not create a liability between Gabriel, Roeder, Smith & Company and the other party.

The purpose of the valuation is to measure the System's funding progress and to provide a five-year funding projection. The five-year projection is to assist the Board with its duties related to Section 9.5 of the Combined GRS Plan. This report should not be relied on for any purpose other than the purposes described herein. Determinations of financial results, associated with the benefits described in this report, for purposes other than those identified above may be significantly different.

The findings in this report are based on data and other information through June 30, 2016. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

This valuation assumed the continuing ability of the plan sponsor to make the contributions necessary to fund this Plan. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise and was not performed.

The valuation was based upon information furnished by the Retirement System staff, concerning Retirement System benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal reasonability and year-to-year consistency, but did not audit the information. We are not responsible for the accuracy or completeness of the information provided by the Retirement System staff. The data supplied by the Retirement System was contained in one file this year. However, the reported pays in that file were determined under Component II rules while benefit service was total service (Component I benefit service plus Component II benefit service). We, therefore, collected additional Component I pays and performed several manual adjustments (after confirming with System staff) to create data that could be used for this valuation. More details are provided in the data section of this report.

This report was prepared using certain assumptions as described in the section of this report entitled Methods and Assumptions. The actuarial cost method is the Entry Age Actuarial Cost Method as prescribed by Section 9.3(1) of the Combined GRS Plan. The assumed rate of return is 6.75% for valuations through June 30, 2023 as prescribed by Section 1.16(3) of the Combined GRS Plan. Except for the assumed rate of investment return, the actuarial assumptions used for the valuation are set by the Board based upon advice of the actuary and other parties. The actuarial cost method and assumed rate of investment return of 6.75% are, therefore, prescribed methods and assumptions set by another party as discussed in Actuarial Standard of Practice No. 4. In our judgment, all of the actuarial assumptions used for the valuation are reasonable for purposes of the measurement contained herein.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of Component I of the General Retirement System of the City of Detroit as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

David T. Kausch and Judith A. Kermans are Members of the American Academy of Actuaries (MAAA). These actuaries meet the Academy's Qualification Standards to render the actuarial opinions contained herein.

The signing individuals are independent of the plan sponsor. Gabriel, Roeder, Smith & Company will be pleased to review this valuation and report with the Board of Trustees and to answer any questions pertaining to the valuation.

Respectfully submitted,

GABRIEL, ROEDER, SMITH & COMPANY

David T Kausch

David T. Kausch, FSA, EA, FCA, MAAA

Judith A. Kermans

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Kenneth G. Alberts

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TABLE OF CONTENTS

SECTION A

INTRODUCTION

EXECUTIVE SUMMARY
($ IN MILLIONS)

The executive summary provides an overview of the valuation report. It cannot be used as a substitute for a thorough reading of the full report.

Valuation Date	June 30, 2016	June 30, 2015
For Fiscal Year Ending	June 30, 2018	June 30, 2017
Employer Contributions		
• Mandated Percentage of Covered Payroll	5.00 %	5.00 %
• Estimated Annual Amount (Prior to one time special employer contribution)	$ 8.8	$ 10.4
Membership		
• Number of:		
• Active Members	4,235	4,981
• Retirees and Beneficiaries	125	212
• Inactive, Nonretired Members	1,073	149
• Total	5,433	5,342
• Valuation Payroll	$ 169.0	$ 199.1
Assets		
• Market Value	$ 36.3	$ 20.1
• Return on Market Value	(10.63)%	(13.55)%
Actuarial Information		
• Total Normal Cost % (2% VPIF)	8.25 %	7.98 %
• Member Contribution Rate	4.00 %	4.00 %
• Employer Normal Cost % (2% VPIF)	4.25 %	3.98 %
• Actuarial Accrued Liability (0.5% VPIF)	$ 77.5	$ 66.5
• Unfunded Actuarial Accrued Liability (0.5% VPIF)	41.2	46.4
• Funded Ratio (0.5% VPIF)	46.80 %	30.25 %
• Equivalent Single Amortization Period (based on 0.5% VPIF - Mandated ER Rate)	21	18
• ER Rate with 15-Year Amortization to fund assumed 0.5% VPIF	5.41%	5.18%
• Equivalent Single Amortization Period (based on 2% VPIF - Mandated ER Rate)	Over 100 Years	Over 100 Years
• ER Rate with 15-Year Amortization to fund full 2% VPIF	6.78%	6.46%
Risk Metrics		
• AAL/Payroll	45.84 %	33.42 %
• AVA/Payroll	21.45 %	10.09 %

Notes: *AVA (Actuarial Value of Assets) is equal to MVA (Market Value of Assets). VPIF is the Variable Pension Improvement Factor or ad hoc COLA.*
Equivalent single amortization period for FY 2018 is after reflection of a special employer contribution of $3.1 million as of June 30, 2018.

Please see pages 5-7 of the report for important comments regarding valuation results.

An estimate of the probability of future contributions being made was outside the scope of this project, not required by actuarial standards, and, therefore, was not made.

NORMAL COST AND EMPLOYER RATES

Contributions for	Contributions Expressed as a Percent of Payroll				
	General City	D.O.T.	DWSD	Library	System Total
Normal Cost for 0.5% VPIF (COLA):					
Age & Service Pensions	5.88 %	5.29 %	5.81 %	5.67 %	5.76 %
Disability Pensions	0.64 %	0.97 %	0.64 %	0.59 %	0.69 %
Death-in-Service Pensions	0.29 %	0.29 %	0.33 %	0.25 %	0.29 %
Future Refunds	0.69 %	0.71 %	0.69 %	0.71 %	0.69 %
Administrative Expenses	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Total	7.50 %	7.26 %	7.47 %	7.22 %	7.43 %
Members Current Contributions#	4.00 %	4.00 %	4.00 %	4.00 %	4.00 %
Employer Normal Cost (0.5% VPIF)	**3.50 %**	**3.26 %**	**3.47 %**	**3.22 %**	**3.43 %**
Additional Normal Cost for Full 2.0% VPIF##	0.83 %	0.80 %	0.83 %	0.79 %	0.82 %
Employer Normal Cost (2.0% VPIF)	**4.33 %**	**4.06 %**	**4.30 %**	**4.01 %**	**4.25 %**
Fixed Employer Rate#	**5.00 %**	**5.00 %**	**5.00 %**	**5.00 %**	**5.00 %**
Amount Available for UAAL % (0.5% VPIF)	**1.50 %**	**1.74 %**	**1.53 %**	**1.78 %**	**1.57 %**
Amount Available for UAAL % (2.0% VPIF)	**0.67 %**	**0.94 %**	**0.70 %**	**0.99 %**	**0.75 %**
Equivalent Single Amortization Period in Years@					
0.5% VPIF*	15	29	64	20	21
2.0% VPIF*	Over 100	Over 100	Over 100	Over 100	Over 100

\# *Employer contributions are set at 5% of covered compensation per year through plan year 2023, regardless of the funded status of the Plan. Member contributions were initially set at 4.0% of payroll.*

\## *Benefits include a discretionary 2% simple Cost-of-Living Adjustment (COLA) beginning in the July 1, 2018 plan year. Plan provisions provide criteria for when a COLA can be paid. The current assumption is that on average, over a members retirement years, they will receive the equivalent of a 0.5% COLA (or VPIF). See comments on pages 5-7 for additional details.*

* *Assumes none of the employer contribution is allocated to the Rate Stabilization Fund.*

@ *After reflection of a one-time special employer contribution of $3.1 million as of June 30, 2018. The entire special contribution was allocated to the General City division. If a different allocation is made when the contribution is deposited, results will be adjusted accordingly.*

DEVELOPMENT OF LIABILITIES AS OF JUNE 30, 2016
RETIREMENT SYSTEM TOTALS

Valuation Assumptions (1/2% VPIF)

(1)	Present Value of Future Benefits	$	165,583,921
(2)	Present Value of Future Normal Costs		88,102,243
(3)	Actuarial Accrued Liability: (1) - (2)	$	77,481,678
(4)	Accrued Assets		36,253,555
(5)	Unfunded Actuarial Accrued Liability (UAAL): (3) - (4)	$	41,228,123
(6)	**Additional Amount for 2% VPIF**		**8,671,771**
(7)	**UAAL for 2% VPIF: (5) + (6)**	**$**	**49,899,894**

COLA Assumption

The COLA or VPIF provided in the Plan is a 2.0% simple post-retirement increase at the beginning of each plan year starting the later of: 1) July 1, 2018; 2) one year after retirement; or 3) age 62. However, Section 9.5 of the Plan imposes several limitations on when the COLA can be paid (or clawed back). Based on this section of the Plan, it is reasonable to assume that the average COLA a retired member will receive over their lifetime will be less than 2%. For purposes of this report we have assumed that the average COLA is equivalent to 0.5% (unless specified otherwise). Future Plan experience, Board policy, and Plan interpretation regarding the administration of Section 9.5 may result in changes to this assumption. If the full 2% VPIF were assumed, the present value of benefits would be $184.2 million and the actuarial accrued liability would be $86.2 million rather than $77.5 million.

Transition Costs

The Transition Cost is defined in Section E-16 of the Combined Plan as the accrued liability at plan inception due to vesting and eligibility service earned prior to the Component I effective date (July 1, 2014). While Transition Costs are not used in the main valuation, they are used in the projections performed for Section 9.5 of the Plan. The Board has adopted a VPIF assumption of 0.0% for determining the Transition Costs. The Transition Costs have a potential source of funding separate from employer and employee contributions (see comments on page 5). However, to the extent that the potential separate source of funding does not materialize (or is not sufficient) then the transition costs will have to be funded by future employer and employee contributions to the Component I Plan. As of June 30, 2016, the remaining transition cost is $31.9 million. This means that of the $41.2 million UAAL shown above (under current valuation assumptions), $9.3 million (at least) will need to be funded by future contributions ($41.2-$31.9).

CONTRIBUTIONS COMPARATIVE SCHEDULE

		Employer Contributions for						
Valuation Date June 30	Mandatory Employee Contributions	Normal Cost for 0.5% VPIF (COLA)	Additional Normal Cost for Full 2.0% VPIF (COLA)	Employer Contribution in Excess of Normal Cost[&]	Amount for UAAL	Amount for Rate Stabilization*	Contributions Effective Plan Year	Employer Contribution Type#
2014	4.00%	3.22%	0.81%	0.97%	0.97%	0.00%	2014/15	Mandated
2014	4.00%	3.22%	0.81%	0.97%	0.97%	0.00%	2015/16	Mandated
2015	4.00%	3.17%	0.81%	1.02%	1.02%	0.00%	2016/17	Mandated
2016	4.00%	3.43%	0.82%	0.75%	TBD	TBD	2017/18	Mandated[@]

& *Employer Contributions are set at 5.0% of covered compensation per year until 2024.*
# *"Mandated" (Chapter 9.3(2)) if specified by Plan document and POA; "Actuarially Determined" if determined by a valuation based on Board's funding policy.*
* *Rate Stabilization Contributions, if any, are determined by the City through 2024.*
@ *The City has elected to pay an additional contribution of $3.1 million by June 30, 2018 in an effort to improve the funding position of the System.*

COMMENTS

COMMENT 1 – Fiscal Responsibility Test

The five-year projections required under Section 9.5 of the plan (Titled Fiscal Responsibility) are shown in Section C of this report, which starts on page 12. The projections are based on the assumptions and methods adopted by the Board, as detailed on page 12. The results of the projections are shown on page 14 and indicate that the plan is projected to be 96% funded in five years. Since the projected funded status is below 100% in five years, we believe Board actions may be required as detailed under Section 9.5 (1) of the plan. Specifically, member mandatory contributions may need to be increased to 5% of payroll in accordance with Section 9.5 (1)(c). Since the projected funded status is above 80% in five years, we believe Board action described under Section 9.5 (2) of the plan may not be required. We recommend that the Board consult with legal counsel to determine which Board actions are required by the Plan. Section 9.5 is reproduced in this report on pages 15-16, for convenience. The two major factors resulting in the projections falling below 100% are: 1) an asset transfer to fund Transition Cost did not occur in 2016 (due to the low level of investment return – see Comment 3); and 2) an investment loss occurred in 2016 (the market rate of return was -10.63% compared with an assumed rate of return of 6.75%).

COMMENT 2 - Actuarial Assumptions

The assumed rate of return prescribed by the POA is 6.75%, net of investment and administrative expenses. We have reviewed the reasonableness of this assumption based on the Plan's investment policy and the capital market assumptions of eight nationally recognized investment consulting firms using our Capital Market Assumption Modeler. The analysis depends on the underlying price inflation and the rate of administrative expenses. Based on our analysis, the prescribed 6.75% rate of return is reasonable for the purpose of the measurement being taken. If the Board would like, we can prepare a separate report of our analysis.

COMMENT 3 – Plan Experience

Plan experience was favorable in the year ending June 30, 2016. The plan experienced a net gain of $3.9 million. Liability gains of $9.1 million were offset by asset losses of $5.2 million. The liability gains were driven in large part by significantly more turnover than expected (1,477 terminations vs. 249 expected). Additional information about gains and losses is shown on page 11.

As described above, there was a significant amount of turnover (well above expectations) in all divisions except Library. New hires entering the plan were older than new hires in previous years, resulting in an increase in the average entry age of each division (except Library). As a result, the employer normal cost increased by 0.26% of payroll. While this may not seem like a large change, it has a leveraging effect on the amortization period and the 5-year projection results because the total employer contribution rate is fixed until FY 2024.

COMMENT 4 - Funding

Mandatory Employee contributions are initially set to 4.0% of compensation but can be increased if necessary to maintain funding levels at 100%. Employer contributions are set at 5.0% of payroll through June 30, 2023. Employer contributions are actuarially determined beginning in 2024 to be the amount necessary to fund the Plan on an actuarial basis. The 5% of payroll employer contribution rate exceeds the normal cost rate of 3.43% of payroll by 1.57% of payroll (when the normal cost rate is based on the valuation assumption of 0.5% VPIF).

	(1) Employer Normal Cost Rate	(2) Employer Rate	(3) Excess (2)-(1)	(4) UAAL	(5) Amortization Period
Valuation Assumptions (0.5% VPIF)	3.43%	5.00%	1.57%	$ 41.2 mill.	21
Full 2% VPIF	4.25%	5.00%	0.75%	$ 49.9 mill.	Over 100 Years

The Plan anticipates another funding source for the Transition Cost portion of the UAAL. In the event that the rate of interest credited to the Annuity Savings Fund (ASF) of the Component II (Legacy) Plan is less than the rate earned by the Component II trust, a transfer of the difference in rates (applied to the Component II ASF balance) to the Component I trust may occur to help fund transition liabilities. Transfers cease after June 30, 2023. As of June 30, 2016, no such transfers have been made. For purposes of this valuation, future transfers were assumed not to occur.

Employer contributions after June 30, 2023 will be actuarially determined. The Board may wish to adopt a Funding Policy for Component I separately or in conjunction with a funding policy for the Legacy Component II plan.

COMMENT 5 – Administrative Expenses

The results in this report assume an investment return rate of 6.75%, net of administrative expenses. We understand that the administrative expenses of the General Retirement System are being split evenly between Component I and Component II. As a result, administrative expenses may put downward pressure on the Component I funded status in the short term. As an indication of the magnitude, the FY 2016 Component I administrative expenses were approximately 8.5% of the FY 2016 Component I market value of assets.

The computation of the rate of return net of administrative expenses will, therefore, be significantly lower than the gross rate of return and may differ from investment performance measures. This effect is expected to decline over time as the trust builds up assets. The total administrative expenses as a percent of the Combined Plan (Component I and Component II) assets was approximately 30 basis points.

COMMENT 6 – ASF Transfers

A simple estimate of the future ASF transfers that could be made follows. As of June 30, 2016, the ASF balance totaled $146 million. A deterministic approach would be to assume that future excess transfers of 1.50% (6.75% rate of return minus 5.25% maximum interest crediting) of ASF balances are made each year. We understand that the System has determined that no excess ASF interest was to be transferred in the year ending June 30, 2017, so we assume the first transfer occurs the next year. We also assume that Component II plan members will draw down their ASF balances over the next ten years so future transfers will decline as the ASF balance does. **Based on these assumptions, the expected present value of transfers from the ASF totals $8.1 million, well short of the $31.9 million remaining Transition Cost.**

We recommend that the Board set up an alternate plan for funding the Transition Cost in case future transfers are not sufficient to fund the remaining Transition Cost.

COMMENT 7

The determination of the Normal Cost is dependent on the ultimate normal cost Entry Age Normal Cost method. Our understanding of the Plan's and City's objectives is to have a level total normal cost and a separately funded transition cost consistent with this method. The ultimate normal cost method is currently under review by the Actuarial Standards Board and alternate calculations may be required in the future.

COMMENT 8 - RSF

It is our understanding of the Plan that the amount of employer contributions credited to the Rate Stabilization Reserve (RSF) is at the discretion of the Employer. We have been informed that the Employer has directed that none of the Employer contributions for FY 2015 and FY 2016 be credited to the RSF.

COMMENT 9 – Additional Employer Contribution

The City has elected to make an additional contribution (above what is required by the Plan) of $3.1 million on or before June 30, 2018 to improve the Plans funding status. We commend the City's decision. This anticipated contribution has been taken into account in determining the current amortization periods and 5-year projection. It is not reflected in the assets or UAAL as of June 30, 2016, since it will be contributed after the valuation date.

SECTION B

FUNDING RESULTS

ACTUARIAL LIABILITIES AS OF JUNE 30, 2016

Actuarial Present Value of	Total Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities (1) – (2)
Age and service allowances based on total service likely to be rendered by present active members	$ 108,633,860	$ 51,874,261	$ 56,759,599
Disability benefits likely to be paid to present active members	10,109,628	8,472,836	1,636,792
Death-in-service benefits likely to be paid on behalf of present active members	4,757,639	3,367,912	1,389,727
Separation benefits (refunds of contributions and deferred allowances) likely to be paid to present active members	20,063,663	24,387,234	(4,323,571)
Benefits attributed to voluntary member contributions	10,198,653	0	10,198,653
Reserve for Refunds Due	1,292,464	0	1,292,464
Benefits likely to be paid to vested inactive members	9,348,071	0	9,348,071
Benefits to be paid to current retirees, beneficiaries, and future beneficiaries of current retirees	1,179,943	0	1,179,943
Total (0.5% VPIF)	$ 165,583,921	$ 88,102,243	$ 77,481,678
Actuarial Value of Assets	$ 36,253,555	$ 0	$ 36,253,555
Liabilities to be covered by Future Contributions	$ 129,330,366	$ 88,102,243	$ 41,228,123
Additional Amount for Full (2.0%) VPIF	18,575,831	9,904,060	8,671,771
Liabilities to be covered by Future Contributions for Full VPIF	$ 147,906,197	$ 98,006,303	$ 49,899,894

ACTUARIAL BALANCE SHEET
(0.5% VPIF)

Assets and Present Value of Expected Future Contributons

Valuation Date (June 30):	2016
A. Present Actuarial Value of Assets	
1. Net assets from System financial statements	$ 36,253,555
2. Adjustment for Valuation Assets	0
3. Actuarial Value of Assets	36,253,555
B. Actuarial Present Value of Expected Future Employer Contributions	
1. For Normal Costs	40,125,146
2. For Unfunded Actuarial Accrued Liability	41,228,123
3. Total	81,353,269
C. Actuarial Present Value of Expected Future Member Contributions	47,977,097
D. Total Present and Expected Future Resources	$ 165,583,921

Present Value of Expected Future Benefit Payments

A. To Retirees and Beneficiaries	$ 1,179,943
B. To Vested Terminated Members	9,348,071
C. To Present Active Members	
1. Allocated to Service Rendered Prior to Valuation Date – Actuarial Accrued Liability	56,755,011
2. Allocated to service likely to be rendered after valuation date	88,102,243
3. Total	144,857,254
D. Voluntary Member Contributions	10,198,653
E. Total Actuarial Present Value of Expected Future Benefit Payments	$ 165,583,921

LIABILITY BY DIVISION
($ IN THOUSANDS)

Present Value, June 30 of	General	D.O.T.	DWSD	Library	Totals
Accrued Pension Liabilities					
Retirees and beneficiaries	$ 330	$ 39	$ 738	$ 73	$ 1,180
Inactive members future deferred pensions	3,578	985	4,699	86	9,348
Active members	32,913	10,361	9,157	4,324	56,755
Total accrued pension liabilities	36,821	11,385	14,594	4,483	67,283
Pension fund balances	15,322	3,219	5,798	1,716	26,055
Additional Amount for Full VPIF	4,783	1,510	1,790	589	8,672
Full VPIF accrued liability	41,604	12,895	16,384	5,072	75,955
Accrued Annuity Liabilities (Due to Voluntary Member Contributions)					
Retirees and beneficiaries	$ 0	$ 0	$ 0	$ 0	$ 0
Members annuities & future refunds	4,888	3,433	1,858	20	10,199
Total accrued annuity liabilities	4,888	3,433	1,858	20	10,199
Annuity fund balances	4,888	3,433	1,858	20	10,199
Unfunded accrued annuity liabilities	0	0	0	0	0
Totals					
Actuarial Accrued Liabilities	$ 41,709	$ 14,818	$ 16,452	$ 4,503	$ 77,482
Accrued Assets	20,210	6,652	7,656	1,736	36,254
Funded Ratio	48.5%	44.9%	46.5%	38.6%	46.8%
Unfunded Actuarial Accrued Liabilities (0.5% VPIF)	**$ 21,499**	**$ 8,166**	**$ 8,796**	**$ 2,767**	**$ 41,228**
Additional Amount for Full (2.0%) VPIF	**4,783**	**1,510**	**1,790**	**589**	**8,672**
UAAL at Full VPIF	**$ 26,282**	**$ 9,676**	**$ 10,586**	**$ 3,356**	**$ 49,900**

DEVELOPMENT OF ACTUARIAL GAIN OR LOSS (1/2% VPIF)

	Actuarial Accrued Liability (AAL) (A)	Actuarial Value of Assets (B)	Unfunded Actuarial Accrued Liability (C) = (A) - (B)
(1) Beginning of Year (BOY)	$ 66,544,225	$ 20,096,899	$ 46,447,326
(2) Total Normal Cost*	17,332,077	N/A	17,332,077
(3) Total Contributions	N/A	21,608,090	(21,608,090)
(4) Benefit Payments and Refunds	(2,287,214)	(2,287,214)	-
(5) Interest 6.75% x (1) + 6.75% x [(2) + (3) + (4)] / 2	4,999,499	2,008,620	2,990,879
(6) Expected End of Year (1)+(2)+(3)+(4)+(5)	$ 86,588,588	$ 41,426,395	$ 45,162,192
(7) Actual End of Year	77,481,678	36,253,555	41,228,123
(8) Gain or Loss (6)-(7)	$ 9,106,910	$ 5,172,840	$ 3,934,069
	Gain	Loss	Gain
(9) Percent of BOY AAL (9)/(1A)	13.69%	7.77%	5.91%

** Normal Cost includes current year voluntary member contributions.*

The main source of the liability gain was more terminations than expected.

Other liability experience was mostly offsetting.

SECTION C

FIVE-YEAR FUNDED STATUS PROJECTIONS

Section 9.5, Fiscal Responsibility, of the Combined GRS Plan contains several provisions for adjusting contributions and or benefits to be determined based on a 5-year projection of the funded status of the plan. This section calls for two different funded status projection tests:

- Section 9.5(1) test for the funded status falling below 100%
- Section 9.5(2) test for the funded status falling below 80%

Section 9.5(2) specifically states that actions taken under Section 9.5(1)(a) should be reflected in the projections but that actions taken under Section 9.5(1)(b) and 9.5(1)(c) should be excluded in the projections. Section 9.5(3) specifies the interest rate to be used in the projections. Other assumptions used in the projections were adopted by the Board based on the recommendation of the Investment Committee and are summarized below:

- The five-year projections are based on the general valuation assumptions as previously adopted by the Board (e.g., inflation, mortality, retirement, withdrawal, etc.).
- The VPIF is assumed to be 0% and the transition cost should assume 0% VPIF and should be excluded from the projected liabilities based upon a 9-year level dollar amortization.
- Component II ASF balances are assumed to be withdrawn as a level dollar amount over the next 10 years, however voluntary employee contributions into the Component I Annuity Savings Fund shall be assumed to continue at the historical levels as previously contributed to the Component II ASF. For Transition Funding purposes, an appropriate arbitrage of the difference between the assumed rate of investment return of 6.75% and the maximum interest rate that can be credited to the ASF Accounts of 5.25% should be used for both the Component I and Component II ASF Accounts.
- The Component I assets shall include the Rate Stabilization Fund to the extent the plan is less than 100% funded.
- The Annual Actuarial Valuation for the fiscal year ending June 30, 2015 shall generate the first five-year projection. Upon receipt of the June 30, 2015 valuation, a determination shall be made whether any remedial action is required. In the event remedial action is required, such remedial action shall be effective July 1, 2017.
- The funding value of plan assets for purposes of Section 9.5 testing of the Component I plan funding level shall be based upon the market value of assets on the valuation date and projected based on an assumed 6.75% rate of return for each of the 5 years in the projection period.
- Methods and assumptions are the same for both tests.
- 5% of payroll employer contributions
- 4% of payroll member contributions
- Voluntary employee contributions are included in both the assets and the liabilities.

Transition Cost

Under the current actuarial cost method, members with past vesting service generate an initial liability as of June 30, 2014. This is the "Transition Cost" described in Section E-16 of the Combined GRS Plan. A separate funding source was established for the Transition Cost through 2023. The projections net the Transition Cost out of the Actuarial Accrued Liability to determine projected funded status. As directed by the Board, Projected Transition Cost is based on the 9-year level dollar amortization of the initial Transition Cost amount and the initial Transition Cost amount is based on a 0.0% VPIF. An amortization schedule of the Transition Cost follows. Note, under this method any future gains or losses related to the Transition Cost would be accounted for in the Actuarial Accrued Liability net of Transition Cost as they occur.

Transition Cost Amortization Schedule

Calculated Using a Level Dollar Amortization (mid-year payments) and an Investment Return Assumption of 6.75% Compounded Annually 9-Year Closed Amortization (based on 0.0% VPIF)

Valuation Date June 30	Fiscal Year June 30	Transition Cost at Beginning of Year	Annual Contributions During Fiscal Year Dollars	Transition Cost at End of Year
2014	2015	$ 38,679,331	$ 5,685,036	$ 35,416,412
2015	2016	35,416,412	5,685,036	31,933,247
2016	**2017**	**31,933,247**	**5,685,036**	**28,214,968**
2017	2018	28,214,968	5,685,036	24,245,704
2018	2019	24,245,704	5,685,036	20,008,516
2019	2020	20,008,516	5,685,036	15,485,318
2020	2021	15,485,318	5,685,036	10,656,803
2021	2022	10,656,803	5,685,036	5,502,364
2022	2023	5,502,364	5,685,036	0

To the extent that actual funding of the Transition Cost differs from this schedule, gains and losses will accumulate in the Plan's unfunded actuarial accrued liability.

Projected Funded Status

5-Year Projection Assuming 6.75% Investment Return in all Future Years - No (0%) VPIF (COLA)

		A	B	C = (A - B)	D	E = (D/C)
Valuation Date June 30,	**Fiscal Year June 30,**	**Total AAL**	**Transition Cost**	**Net AAL**	**Assets**	**Net Funded Ratio**
2016	2017	$ 74,591,812	$ 31,933,247	$ 42,658,565	$ 36,253,555	85%
2017	2018	94,832,908	28,214,968	66,617,940	59,610,808	89%
2018	2019	117,497,415	24,245,704	93,251,711	88,669,684	95%
2019	2020	141,425,915	20,008,516	121,417,399	116,286,346	96%
2020	2021	166,704,979	15,485,318	151,219,661	145,458,810	96%
2021	2022	193,490,827	10,656,803	182,834,024	176,368,734	**96%**

Comment 1: Based on this projection, the Funded Status falls below 100% by the end of the 5-year projection. **We believe this result requires Board action under Section 9.5(1)(a), 9.5(1)(b), and 9.5(1)(c).** We recommend the Board consult with legal counsel regarding the specific actions.

Comment 2: Based on this projection, the Funded Status is at or above 80% by the end of the 5-year projection. **We believe this result means the Board actions under Section 9.5(2) are not required.** We recommend the Board consult with legal counsel to confirm.

Comment 3: The projection above includes an additional employer contribution of $3.1 million on June 30, 2018. For the June 30, 2016 valuation, outstanding refunds were unusually high at $1.3 million. These outstanding refunds were included in the accrued liability as of June 30, 2016 and were assumed to be paid in the first year of the projection.

Section 9.5 in its entirety is shown below:

Sec. 9.5. Fiscal Responsibility: Increased Funding Obligations and Benefit Reductions

(1) To safeguard the long-term actuarial and financial integrity of the Retirement System, in the event the funding level of Component I of the Retirement System projected over a five-year period falls below one hundred percent (100%), the following remedial action shall be required in the order set forth below, beginning with the Plan Year following the Plan Year in which such determination is made and continuing until the funding level is restored to not less than one hundred percent (100%):

(a) the Trustee may not award the variable pension improvement factor (escalator) described in Section 6.2 to any Retiree;
(b) all amounts credited to the Rate Stabilization Fund shall be transferred to the Pension Accumulation Fund for the purposes of funding benefits payable under Component I of the Retirement System; and
(c) Member Mandatory Employee Contributions shall be increased from four percent (4%) of Compensation to five percent (5%) of Compensation for up to the next following five Plan Years.

(2) In the event the funding level of Component I of the Retirement System determined as provided in Section 9.5(1) is projected to fall below eighty percent (80%), the following remedial action shall be required in the order set forth below, beginning with the Plan Year following the Plan Year in which such determination is made and continuing until the funding level is projected to be not less than eighty percent (80%) on a market value basis within the next five years:

(a) the remedial action required in Section 9.5(1) shall be implemented or continued;
(b) the Retirement Allowance payable to a Retiree shall not include the variable pension improvement factor (escalator) that was most recently added to the Retiree's Retirement Allowance for a Plan Year;
(c) Member Mandatory Employee Contributions shall be increased from five percent (5%) of Compensation to six percent (6%) of Compensation for up to the next following five Plan Years;
(d) the Retirement Allowance payable to a Retiree shall not include the variable pension improvement factor (escalator) that was most recently added to the Retiree's Retirement Allowance for the Plan Year preceding the Plan Year referenced in paragraph (b) above; and
(e) the Retirement Allowance accrued by Members for up to the next five Plan-Year period shall be determined as provided in Section 6.1, except that one percent (1 %) shall be substituted for one and one-half percent (1.5%) wherever it appears in said Section 6.1.

In determining whether the eighty percent (80%) funding level under this Section 9.5(2) has been achieved, the Plan's Actuary shall calculate the funding percentage of the Retirement System after taking into account the elimination of the variable pension improvement factor (escalator) pursuant to Section 9.5(1)(a) but prior to taking into account the remedial steps provided in Sections 9.5(1)(b) and (c).

(3) For purposes of this Section 9.5, the "funding level" of Component I of the Retirement System shall mean the ratio of the market value of the assets of Component I of the Retirement System to the actuarial accrued liability of Component I of the Retirement System. The actuarial accrued liability shall be calculated by the Plan's Actuary utilizing an interest rate assumption of six and three-quarters percent (6.75%) and other reasonable assumptions as directed by the Board upon the recommendation of the Investment Committee. The market value of assets shall be determined on the basis of a three-year look back period of smoothed investment returns.

SECTION D

FUND ASSETS

STATEMENT OF PLAN ASSETS
(ASSETS AT MARKET OR FAIR VALUE)

Item	June 30, 2016	June 30, 2015
A. Cash and Cash Equivalents (Operating Cash)	$ 12,813,262	$ 63,989,223
B. Receivables:		
1. Member Contributions	0	N/A
2. Employer Contributions	0	N/A
3. State Contributions	0	N/A
4. Investment Income and Other Receivables	165,342	3,598
5. Total Receivables	$ 165,342	$ 3,598
C. Investments		
1. Global equities	$ 12,263,170	N/A
2. Global fixed income	1,432,912	N/A
3. Real assets	6,042,403	N/A
4. Private equity	1,479,190	N/A
5. Diversifying strategies	3,607,571	N/A
6. Total Investments	$ 24,825,246	N/A
D. Other Assets	$ 1,596,118	N/A
E. Liabilities		
1. Benefits Payable	$ 0	N/A
2. Accrued Expenses and Other Payables	3,146,413	43,895,922
3. Total Liabilities	$ 3,146,413	$ 43,895,922
F. Total Market Value of Assets Available for Benefits	$ 36,253,555	$ 20,096,899
G. Reserves		
1. State Contribution Reserve	$ 0	$ 0
2. Voluntary Member Contributions	10,198,653	5,775,885
3. Total Reserves	$ 10,198,653	$ 5,775,885
H. Market Value Net of Reserves	$ 26,054,902	$ 14,321,014
I. Allocation of Investments		
1. Short-Term Investments	34.05 %	N/A
2. Global Equities	32.58 %	N/A
3. Global Fixed Income	3.81 %	N/A
4. Real Estate	16.05 %	N/A
5. Private Equity	3.93 %	N/A
6. Other	9.58 %	N/A
7. Total Investments	100.00 %	N/A

RECONCILIATION OF PLAN ASSETS

Item		June 30, 2016		June 30, 2015
A. Market Value of Assets at Beginning of Year	$	20,096,898	$	0
B. Revenues and Expenditures				
1. Contributions				
a. Member Contributions	$	12,559,259	$	12,757,032
b. Employer Contributions		9,048,831		8,811,369
c. State Contributions		0		0
d. Purchased Service Credit		0		0
e. Total	$	21,608,090	$	21,568,401
2. Investment Income				
a. Interest, Dividends, and Other Income	$	454,901	$	20,690
b. Net Realized and Unrealized Gains/(Losses)		(392,150)		0
c. Investment Expenses		(132,773)		0
d. Net Investment Income	$	(70,022)	$	20,690
3. Benefits and Refunds				
a. Refunds	$	2,247,052	$	10,603
b. Regular Monthly Benefits		40,162		0
c. Partial Lump-Sum Benefits Paid		0		0
d. Other		0		0
e. Total	$	2,287,214	$	10,603
4. Administrative and Miscellaneous Expenses	$	3,094,197	$	1,481,589
5. Transfers	$	0	$	0
C. Market Value of Assets at End of Year	$	36,253,555	$	20,096,899

SECTION E

PARTICIPANT DATA

Active Members

A)	Number reported in GC_Benefits table:	6,025
B)	Excluded due to inactive status:	(619)
C)	Records for 36th District Court Judges:	(29)
D)	Non Benefit Class Code:#	(2)
E)	Active members hired after June 30, 2016:	-
F)	Adjustments per data questions:	(1,140)
G)	Number of records to value:	4,235

 # We understand that records with certain class codes are not eligible to participate in the Plan.

Inactive Vested Members

A)	Number of records reported on data file:	3,275
B)	Records with service less than 10 years:	(126)
C)	Listed with P/F revenue group:	(12)
D)	Reported terminated date before 6/30/2014:	(2,720)
D)	Adjustments per data questions:*	656
E)	Number of records to value:	1,073

* *Most of these are records for members who retired from Component II (Legacy) but have not yet reached commencement age in Component I (Hybrid). They were identified through our initial reconciliation. Service provided in the data file is benefit service. Since benefit service was frozen as of June 30, 2014, vesting service was determined by adding service accrued after June 30, 2014 to the benefit service in the data file.*

Retired Members and Beneficiaries

A)	Number of records reported on data file:	41,701
B)	Number of records in P/F Plan:	(15,447)
C)	Records not currently in receipt of benefits:	(14,203)
D)	Component II (Legacy) records:	(11,926)
E)	Number of records valued:	125

Data Adjustments

The active data reported for Component I (Hybrid) came from a table titled GC_Benefits and another file titled Benefits2016_hybrid_data. The salary used for Component I was provided in the Benefits2016_hybrid_data file and was adjusted in the following ways:

- Prior year's salary was used if the current year's salary in the Benefits2016_hybrid_data was less than 80% of last year's salary;
- Salary in Benefits2016_hybrid_data for new hires was annualized;
- For new hires, in cases where the annualized salary in the Benefits2016_hybrid_data was not within 20% of the salary provided in the GC_Benefits file, the salary in the GC_Benefits file was used.

Inactive vested members for Component I (Hybrid) have not been processed by Detroit staff. These members were valued in the following ways:

- If available, Component II deferred vested data was used;
- If Component II deferred vested data was not available, active data from prior years was used. In this case, it was assumed that members terminated at the end of the fiscal year.
- Benefit service was calculated by the time elapsed from June 30, 2014 to the termination date.
- The AFC that was used to calculate the benefit is the Component II (Legacy) amount. If unavailable, $30,000 was used for the AFC.

In cases where the benefit is identified to be a joint and survivor benefit and a beneficiary is not listed in the data, it was assumed that male spouses were 3 years older than females. For non-equated members that elected a pop-up benefit, the pop-up amount is estimated based on the chosen option and benefit amounts provided in the data. Benefits for dependent children are assumed to cease at age 21.

Member contributions from the data files (active, inactive and retired) were summed and compared to reported reserves. The amount of the reserve in excess of amounts from the data file were added to the liabilities as outstanding refunds.

SUMMARY OF MEMBER DATA
JUNE 30, 2016

Active Members

	General	D.O.T.	DWSD	Library	Totals
Number	2,581	824	554	276	4,235
% Change in active members from prior year	(0.0)%	3.6 %	(57.7)%	(6.4)%	(15.0)%
Annual payroll ($ millions)*	$ 106.7	$ 27.2	$ 24.0	$ 11.1	$ 169.0
Average pay	$41,352	$32,971	$43,336	$40,252	$39,909
% Change in average pay from prior year	4.1 %	(2.3)%	(1.5)%	(2.1)%	(0.2)%
Average age	46.5	49.4	49.5	51.3	47.7
Average eligibility service	11.6	15.6	13.9	17.9	13.1

Retired Members

	General	D.O.T.	DWSD	Library	Totals
Number	33	7	76	9	125
Annual benefits including annuities as reported	$36,418	$4,833	$71,492	$6,971	$119,714
Average benefits as reported	$ 1,104	$ 690	$ 941	$ 775	$ 958
% Change in average benefit	N/A	N/A	N/A	N/A	N/A

*Inactive Members**

	General	D.O.T.	DWSD	Library	Totals
Number	418	110	528	17	1,073
Average FAC	$ 50,758	$ 52,338	$ 59,143	$45,385	$ 54,961
Average service	1.7	1.6	1.5	1.1	1.6
Annual benefits (estimated)	$553,247	$132,827	$713,011	$11,517	$1,410,602
Average benefits (estimated)	$ 1,324	$1,208	$1,350	$677	$1,315
% Change in average service	N/A	N/A	N/A	N/A	N/A
% Change in average FAC	N/A	N/A	N/A	N/A	N/A

** Benefits unavailable. Benefits were estimated using AFC and service.*

ACTIVE MEMBERS AS OF JUNE 30, 2016
BY ATTAINED AGE AND YEARS OF SERVICE
RETIREMENT SYSTEM TOTALS

	Years of Service to Valuation Date							Totals	
Attained Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30 Plus**	**No.**	**Valuation Payroll**
Under 20	2							2	$ 36,199
20-24	114	2						116	2,414,784
25-29	225	14	1					240	7,022,944
30-34	167	44	19	8				238	9,064,280
35-39	192	66	55	50	4			367	13,366,584
40-44	165	84	72	108	35	2		466	18,032,427
45-49	165	91	89	185	115	44	5	694	29,130,444
50-54	123	73	84	182	146	139	50	797	33,477,344
55-59	109	66	81	152	126	164	107	805	33,900,547
60-64	66	44	34	71	50	52	63	380	16,626,449
65-69	12	17	13	19	8	10	10	89	4,154,640
70-74	3	2	2	8	2	4	9	30	1,334,327
75-79	1	0	3	4	0	2	1	11	453,442
Totals	**1,344**	**503**	**453**	**787**	**486**	**417**	**245**	**4,235**	**$169,014,411**

Group Averages:

Age: 47.7 years
Benefit Service: 1.6 years
Eligibility Service: 13.1 years
Annual Pay: $39,909

HISTORICAL SUMMARY OF ACTIVE MEMBER DATA

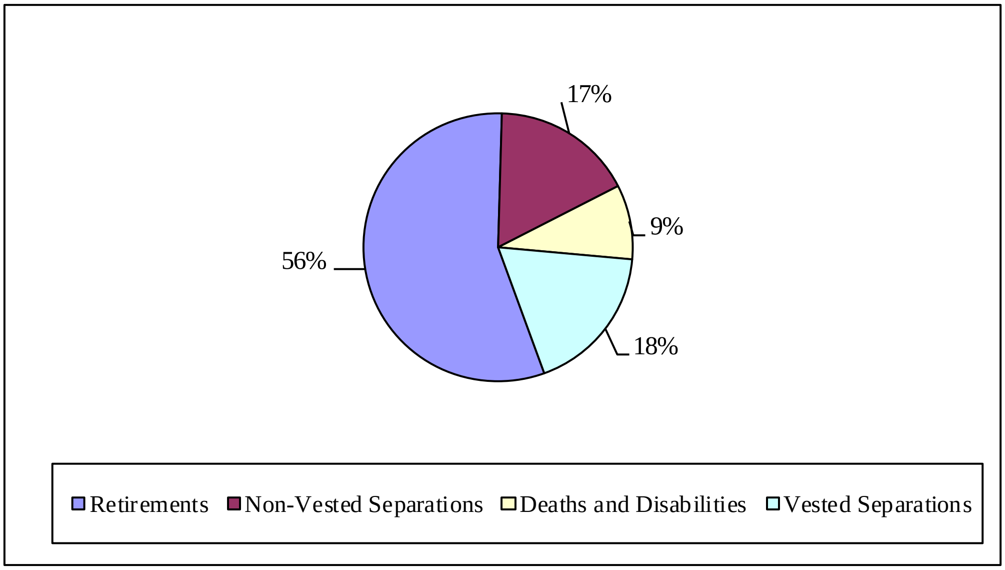
Valuation	Active Members		Covered Payroll		Average Salary		Average		
Date	No.	% Increase	$ Amount	% Increase	$ Amount	% Increase	Age	Service	Entry Age
2014#	4,881	N/A	$ 203,507,079	N/A	$ 41,694	N/A	49.2	16.0	33.2
2015	4,981	2.0%	$ 199,135,119	(2.1)%	$ 39,979	(4.1)%	48.6	15.3	33.3
2016	4,235	(15.0)%	$ 169,014,411	(15.1)%	$ 39,909	(0.2)%	47.7	13.1	34.6

\# *Payroll shown for 2014 is based on payroll reported for Component II (Legacy Plan). Covered Payroll information under Component I payroll definitions was not available. 2014 Valuation results were adjusted to estimate the difference between the Component I and Component II Covered Pay.*

SUMMARY OF MEMBERSHIP DATA BY CATEGORY

	June 30, 2016	June 30, 2015
Active Members		
Number	4,235	4,981
Average age (years)	47.7	48.6
Average service (years)	13.1	15.3
Average salary	$39,909	$39,979
Total payroll supplied, annualized	$169,014,411	$199,135,119
Vested Inactive Members		
Number	1073	149
Average age (years)	52.7	49.5
Total calculated deferred benefits ($ millions)	$1.4	N/A
Average annual deferred benefit (estimated)	$1,315	N/A
Service Retirees		
Number	123	212
Average age (years)	63.7	57.9
Total annual benefits ($ millions)	$0.12	N/A
Average annual benefit (estimated)	$954	N/A
Disability Retirees		
Number	0	0
Average age (years)	N/A	N/A
Total annual benefits ($ millions)	N/A	N/A
Average annual benefit	N/A	N/A
Beneficiaries (Including death-in-service)		
Number	2	0
Average age (years)	63.1	N/A
Total annual benefits ($ millions)	$0.0	N/A
Average annual benefit (estimated)	$1,102	N/A

EXPECTED TERMINATIONS FROM ACTIVE EMPLOYMENT FOR CURRENT ACTIVE MEMBERS



The chart above shows the expected future development of the present population in simplified terms. The Retirement System presently covers 4,235 active members. Eventually, 705 people are expected to terminate covered employment prior to retirement and forfeit eligibility for an employer provided benefit. 3,150 people are expected to receive monthly retirement benefits either by retiring directly from active service, or by retiring from vested deferred status. 380 people are expected to receive death-in-service or disability benefits.

SECTION F

METHODS AND ASSUMPTIONS

SUMMARY OF ASSUMPTIONS AND METHODS USED FOR ACTUARIAL VALUATIONS ADOPTED BY BOARD OF TRUSTEES

Funding Methods

The entry age actuarial cost method was used in determining liabilities and normal cost as prescribed by Section 9.3(1) of the Combined GRS Plan. Under this method, each individual's normal cost is determined as a level percent of pay based on a replacement life or "ultimate" normal cost. This method is based on the objective of the plan to separately fund Transition Cost and future accruals. The application of this method differs for funding and accounting.

Unfunded Actuarial Accrued Liabilities - Actual employer contributions through June 30, 2023 are set at 5.0% of pay. Additional funding for Transition Costs may occur as a result of Component II ASF transfers. Employer contributions after June 30, 2023 will be actuarially determined based on the Board's funding policy. The Board funding policy has not yet been established.

Present assets are set equal to the Market Value.

The data about persons now covered and about present assets were furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.

SUMMARY OF ASSUMPTIONS AND METHODS USED FOR ACTUARIAL VALUATIONS ADOPTED BY BOARD OF TRUSTEES

All demographic assumptions are estimates of future experience except as noted. The rationale for the assumptions is based on the 2002-2007 experience study of the Component II plan unless noted otherwise.

Economic Assumptions

Actuarial Assumptions
The assumptions and methods are those adopted by the Board with the exception of the discount rate. For purposes of plan funding, the discount rate is 6.75% as prescribed by Section 1.16(3) of the Combined GRS Plan.

The investment return rate used was 6.75% per year, compounded annually (net after investment and administrative expenses). This assumption is prescribed by the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit (POA).

Pay increase assumptions for individual active members are shown on page 28. Part of the assumption for each age is for a merit and/or seniority increase, and the other recognizes wage inflation (as of June 30, 2014 assumed to be 2.00% for five years, 2.50% for the next five years after that and 3.00% thereafter). The rationale for this assumption is that it is consistent with expectations by the employer used during the plan design.

Price inflation is not directly used in the valuation. For purposes of assessing the reasonableness of the assumed rate of return, we assumed a price inflation of 2.50% per year.

Non-Economic Assumptions

The mortality table used to measure retired life mortality was 100% of the RP-2014 Blue Collar Annuitant Table set-forward 1 year for males and 100% of the RP-2014 Blue Collar Annuitant Table set-forward 1 year for females. Tables were extended below age 50 with a cubic spline to the published Juvenile rates. Pre-retirement mortality is based on the corresponding Employee tables. The tables are projected to be fully generational, based on the 2-dimensional, sex distinct mortality improvement scale MP-2014 (which was published and intended to be used with RP-2014). For disabled members, the same tables are used. The rationale for the mortality assumption is provided in the 2008-2013 Mortality Experience Study issued February 4, 2015.

The probabilities of retirement for members eligible to retire are shown on pages 29 and 30. The rationale is based on the 2002-2007 Experience Study modified as necessary to account for the difference in eligibility of the Component I Plan.

The probabilities of separation from service (including *death-in-service* and *disability*) are shown for sample ages on page 32. The rationale is based on the 2002-2007 Experience Study for the Component II Plan.

SAMPLE SALARY ADJUSTMENT RATES

	Salary Increase Assumptions For an Individual Member		
Sample Ages	**Merit & Seniority**	**Wage* (Economic)**	**Increase Next Year**
20	4.9%	3.0%	7.9%
25	4.9%	3.0%	7.9%
30	4.1%	3.0%	7.1%
35	3.0%	3.0%	6.0%
40	2.3%	3.0%	5.3%
45	1.8%	3.0%	4.8%
50	1.3%	3.0%	4.3%
55	0.9%	3.0%	3.9%
60	0.5%	3.0%	3.5%
Ref	81		

* *Select and ultimate wage inflation rates as of June 30, 2014 are assumed to be 2.00% for five years, 2.50% for the next five years after that and 3.00% thereafter.*

SINGLE LIFE RETIREMENT VALUES

BASED ON RP-2014 BLUE COLLAR
100% OF MALE RATES SET-FORWARD 1 YEAR
100% OF FEMALE RATES SET-FORWARD 1 YEAR

Sample Attained Ages in 2016	Future Life Expectancy (years) Men	Future Life Expectancy (years) Women
45	38.40	41.76
50	33.45	36.71
55	28.69	31.82
60	24.17	27.08
65	19.88	22.51
70	15.91	18.21
75	12.29	14.26
80	9.12	10.76

PROBABILITIES OF AGE/SERVICE RETIREMENT FOR MEMBERS WITH MORE THAN 20 YEARS OF ELIGIBILITY SERVICE AND ELIGIBLE TO RETIRE IN COMPONENT II BEFORE AGE 60 ON JUNE 30, 2014

Retirement	Percent of Eligible Active Members Retiring Within Next Year with Unreduced Benefits		
Ages	E.M.S.	D.O.T.	Others
45	25%		
46	25%		
47	25%		
48	22%		
49	20%		
50	18%	55%	50%
51	15%	50%	50%
52	15%	50%	45%
53	15%	50%	45%
54	15%	55%	40%
55	15%	50%	30%
56	15%	50%	30%
57	15%	50%	30%
58	15%	50%	30%
59	15%	55%	40%
60	40%	40%	25%
61	30%	30%	25%
62	30%	30%	25%
63	30%	30%	25%
64	30%	30%	25%
65	30%	30%	35%
66	30%	30%	30%
67	30%	30%	25%
68	30%	50%	25%
69	30%	50%	25%
70	100%	100%	20%
71			20%
72			20%
73			20%
74			20%
75			20%
76			20%
77			20%
78			20%
79			20%
80			100%
Ref	537	1648	1647

Members eligible to retire under Component II as described above are assumed to defer any Component I vested benefits until normal retirement age.

Note that the groups detailed above have different eligibility conditions under Component II.

The rationale for the retirement probabilities is the 2002-2007 Experience Study modified to account for the different eligibility in Component I and split to estimate which eligibility (Component I or Component II) would influence members based on the relative service under each component.

PROBABILITIES OF AGE/SERVICE RETIREMENT FOR MEMBERS WITH LESS THAN 20 YEARS OF ELIGIBILITY SERVICE OR NOT ELIGIBLE TO RETIRE IN COMPONENT II BEFORE AGE 60 ON JUNE 30, 2014

Retirement	Percent of Eligible Active Members Retiring Within Next Year with Unreduced Benefits	
Ages	E.M.S. and D.O.T.	Others
62	40%	30%
63	40%	30%
64	40%	30%
65	40%	30%
66	40%	30%
67	40%	30%
68	40%	30%
69	40%	30%
70	100%	30%
71		30%
72		30%
73		30%
74		30%
75		30%
76		30%
77		30%
78		30%
79		30%
80		100%
Ref	851	1292

The rationale for the retirement probabilities is the 2002-2007 Experience Study modified to account for the different eligibility in Component I and split to estimate which eligibility (Component I or Component II) would influence members based on the relative service under each component.

PROBABILITIES OF EARLY RETIREMENT FOR MEMBERS ELIGIBLE FOR EARLY RETIREMENT

Retirement Ages	Percent of Eligible Active Members Retiring Within Next Year with Reduced Benefits
55	7%
56	8%
57	9%
58	10%
59	12%
60	12%
61	12%
62	12%
Ref	1649

SAMPLE RATES OF SEPARATION FROM ACTIVE EMPLOYMENT BEFORE RETIREMENT

		% of Active Members Separating Within Next Year			
		Withdrawal			
Sample	Years of			Others	
Ages	**Service**	**E.M.S.**	**D.O.T.**	**Men**	**Women**
ALL	0	11.00%	18.00%	18.00%	20.00%
	1	10.00%	16.00%	15.00%	16.00%
	2	8.00%	14.00%	13.00%	14.00%
	3	8.00%	11.00%	11.00%	12.00%
	4	7.00%	9.00%	10.00%	10.00%
25	5 & Over	6.70%	8.00%	7.60%	7.60%
30		5.90%	7.60%	7.22%	7.22%
35		5.20%	5.56%	5.28%	5.28%
40		4.40%	4.26%	4.05%	4.05%
45		3.40%	3.69%	3.51%	3.51%
50		2.40%	3.50%	3.33%	3.33%
55		2.00%	3.50%	3.33%	3.33%
60		0.00%	3.50%	3.33%	3.33%
Ref		338	143	584	188
		1068	212	212 x 0.95	212 x 0.95

	% of Active Members Becoming Disabled Within Next Year			
Sample	**D.O.T.**		**Others**	
Ages	**Ordinary**	**Duty**	**Ordinary**	**Duty**
25	0.02%	0.03%	0.01%	0.25%
30	0.05%	0.08%	0.04%	0.29%
35	0.14%	0.21%	0.11%	0.34%
40	0.27%	0.42%	0.21%	0.39%
45	0.51%	0.79%	0.40%	0.45%
50	0.66%	1.03%	0.51%	0.52%
55	0.76%	1.18%	0.59%	0.60%
60	0.86%	1.34%	0.67%	0.70%
Ref	23 x 0.45	23 x 0.70	23 x 0.35	423 x 0.90

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

Benefit Service	Exact Fractional service is used to determine the amount of benefit payable.
Decrement Operation	Disability and mortality decrements do not operate during the first 5 years of service. Disability and withdrawal also do not operate during retirement eligibility.
Decrement Timing	Decrements of all types are assumed to occur mid-year.
Eligibility Testing	Eligibility for benefits is determined based upon the age nearest birthday and rounded service on the date the decrement is assumed to occur.
Forfeitures	None.
Marriage Assumption	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.
Normal Form of Benefit	Straight life is the normal form of benefit.
Service Credit Accruals	Service accruals for calculating benefits begin as of June 30, 2014 for Component I liabilities. However, service in Component II may be used to satisfy benefit eligibility requirements in Component I.
Sick Leave	None.
Pay Increase Timing	Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
Disability Benefits	Duty Disability benefits were increased by 3.5% to account for the Death While Disabled provision. The 3.5% increase was determined by examining the effect of the Death While Disabled provision on several hypothetical test cases.
Workers Compensation	Workers compensation for duty death-in-service benefits was assumed to equally offset the 10% AFC minimum benefit.
Actuarial Equivalent	No adjustments have been made for actuarial equivalent benefits. The Board has not adopted a definition of actuarial equivalent.
IRC Section 415 Limit	No adjustments have been made for 415 limits. The limit is assumed to grow with wage inflation.
IRC Section 401(a)(17) Limit	All of the member salary provided falls below the 401(a)(17) limit. The limit is assumed to grow with wage inflation.
IRC Section 401(h) Limit	We did not test for the 401(h) limit on employer contributions for medical benefits. No employer contributions are anticipated in this valuation.
COLA (VPIF)	Unless stated otherwise, contributions determinations are based on the full VPIF (2% simple COLA). Transition Costs are based on the full VPIF. Other liabilities in this report are based on an assumed average ½% future VPIF.
Voluntary Contributions	For the valuation, future voluntary contributions will be reflected in future valuations as they occur. No adjustments have been made to reflect future interest crediting to voluntary contributions. For fiscal responsibility calculation, see Section C for assumptions.
Reserve for Refunds Due	A reserve of $1.3 million was included to account for terminated members that have not yet received their refunds of mandatory contributions.

SECTION G

PLAN PROVISION SUMMARY

(as approved by staff)

CITY OF DETROIT GENERAL RETIREMENT SYSTEM SUMMARY OF COMPONENT I BENEFIT PROVISIONS EVALUATED

Plan Year

The Plan Year is the 12-month period commencing on July 1, and ending on June 30. The first plan year starts July 1, 2014.

Full Time Employees

Full Time Employees are individuals who are required to work 600 hours per year. Part time transit operators working 25 hours per week are not full time employees. Special Service Operators are required to work 1,440 hours per year. However, once a Special Service Operator meets the requirement in any year, he or she is deemed to meet it in all future years.

Plan Membership

The membership of the Retirement System shall consist of all persons who are full time employees of the City of Detroit except persons who are members of the Police and Fire Retirement System of the City of Detroit and those individuals who are active members in any other public employee pension plan adopted by either the State of Michigan (other than the Michigan National Guard), or any other political subdivision of the State of Michigan.

Service Credit

Credited Service: 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.

Prior Service: Refers to service credit awarded to a member prior to July 1, 2014 under the terms of the Retirement System in effect on June 30, 2014.

Vesting Service: A member is credited with a year of vesting service for each Plan Year commencing on or after July 1, 2014 during which the member performs 1,000 or more hours of work for the employer. Prior Service, as defined above, is also Vesting Service.

Military Service: A member who enters the military while employed by the City and returns to employment with the City following military service receives service credit in the Retirement System for the military service time as though there had been no interruption of employment. In order to receive such service credit, the individual must pay contributions to the Retirement System for the military service time upon return to employment.

CITY OF DETROIT GENERAL RETIREMENT SYSTEM SUMMARY OF COMPONENT I BENEFIT PROVISIONS EVALUATED

Average Final Compensation

Compensation: Compensation is base salary or wages, excluding bonuses, overtime pay, payment of unused accrued sick leave, longevity pay, payment for unused accrued vacation, the cost or value of fringe benefits, termination or severance pay, reimbursement of expenses or other extra payment of any kind. Compensation includes deferred compensation and “picked up” employee contributions to the Retirement System. Compensation is limited by IRC Section 401(a)(17).

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 employer. 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 is reduced as follows.

Age as of July 1, 2014	Normal Retirement Age
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

Normal Retirement Date: The later of 10 years of Vesting Service and attainment of Normal Retirement Age.

Normal Retirement Amount: The retirement allowance payable to a member who retires on or after the normal retirement date is 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 early retirement amount is the actuarial equivalent of the deferred retirement allowance that would be payable to the member on the Normal Retirement Date, assuming that the member terminated employment on the early retirement date.

CITY OF DETROIT GENERAL RETIREMENT SYSTEM
SUMMARY OF COMPONENT I BENEFIT PROVISIONS EVALUATED

Deferred Retirement (Vested Benefit)

Eligibility: 10 years of Vesting Service.

Benefit Commencement: *A*ge 62.

Annual Amount: Same as Normal Retirement but based on Average Final Compensation and Credited Service at the time of termination.

Disability Retirement

Eligibility: The individual must be eligible for long term disability benefits under a policy or plan of insurance or self-insurance maintained by the employer.

Amount: The Normal Retirement Allowance payable at Age 62. For members disabled in the line of duty, credited service accrues while a member is entitled to receive long term disability under the employer's plan or policy.

Accidental (Line of Duty) Death Before Retirement

Eligibility: Death resulting directly from performance of duty in the service of the employer or as a result of illness contracted or injuries received while in the service of the employer.

Amount: The surviving spouse is eligible to receive a monthly amount equal to the member's Retirement Allowance at time of death (minimum 10% of Average Final Compensation), unreduced for early payment, and payable until the surviving Spouse's death. Amounts payable from Worker's Comp or similar programs are offset against the amount payable to the spouse.

Ordinary (Other than Line of Duty) Death Before Retirement

Eligibility: 10 or more years of credited service (or death during disability, but prior to commencement of the retirement allowance). The individual must be employed by the employer at time of death.

Amount: The Surviving Spouse shall receive a retirement allowance computed as though the member had retired the day before death, notwithstanding that the death was prior to the Normal retirement Date, elected the Joint and 100% Option in favor of the spouse, and then died. Amounts payable from Worker's Comp or similar programs are offset against the amount payable to the spouse.

CITY OF DETROIT GENERAL RETIREMENT SYSTEM
SUMMARY OF COMPONENT I BENEFIT PROVISIONS EVALUATED

Refund of Mandatory Contributions

A member who ceases to be an employee for reasons other than retirement, death, or disability, may elect to receive a refund of mandatory Accumulated Contributions (without interest) in lieu of any other Component I benefit payable. In the case of a member who dies while employed by the City, or following termination of employment with the City, if no Surviving Spouse benefit is payable, the accumulated mandatory Employee Contributions (without interest) are paid to the member's estate.

Variable Pension Improvement Factor (VPIF Escalator)

Eligibility: Attainment of at least Age 62, and in receipt of a retirement allowance for at least 12 months as of the first day of the Plan Year.

Amount: Beginning July 1, 2018 and effective the first date of each Plan year thereafter, the Board may determine that a retiree's Component I Retirement Allowance shall be increased by 2% of the original retirement allowance. The VPIF Escalator may not be awarded in the event that the funding level of Component I of the Retirement System projected over a 5-year period falls below 100%. The VPIF escalator is not compounded.

Contributions

Members: 4% of Compensation. Member contributions are "picked up" in accordance with IRC 414(h).

Employers: 5% of Compensation commencing July 1, 2014 and ending June 30, 2023, to be split between the Pension Accumulation Fund and the Rate Stabilization reserve. For Plan years beginning July 1, 2023 and later, contributions shall be determined by an Actuary using reasonable and appropriate assumptions approved by the Board and the Investment Committee.

Voluntary Employee Contributions

Eligibility: Non-union member, or union member with Coverage by a collective bargaining agreement that permits the member to make Voluntary Employee Contributions to Component I.

Amount: 3%, 5%, or 7% of compensation at the election of the member. All voluntary employee contributions are made on an after tax basis.

Earnings Crediting: Each Plan 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%.

Distribution: Upon termination of employment, accounts may be distributed in a lump sum, in equal monthly installments for a period not exceeding three years, or, at the option of the member, in the form of an actuarially equivalent life annuity payable in the same form as and added to the member's Retirement Allowance. The determination of actuarial equivalent for this purpose is based upon market rates of investment return and other market related assumptions. In the case of a member who dies before receiving a distribution of his or her voluntary account, the value of the account is payable to the nominated beneficiary, or to the estate.

CITY OF DETROIT GENERAL RETIREMENT SYSTEM
SUMMARY OF COMPONENT I BENEFIT PROVISIONS EVALUATED

Forms of Payment

Normal Form of Payment: The normal form of payment is a straight life allowance with no death benefit, and, in particular, no residual refund of mandatory employee contributions. Until the date the first Retirement Allowance payment check is issued, any Member may elect to receive payment either in the Normal Form or in the Actuarial Equivalent of the Normal Form computed as of the effective date of retirement and payable in one of the forms described below.

Option One. Modified Cash Refund Annuity: If a Retiree who elected a Modified Cash Refund Annuity dies before payment has been received in an aggregate amount equal to, but not exceeding the Retiree's Accumulated Mandatory Employee Contributions at the time of retirement, the difference between said Accumulated Mandatory Employee Contributions and the aggregate amount of annuity payments already received, shall be paid in a single lump sum to a Beneficiary nominated by written designation duly executed by the Member and filed with the Board. If there are no such designated Beneficiaries surviving said Retiree, any such difference shall be paid to the Retiree's estate.

Option Two. Joint and One Hundred Percent Survivor Allowance: Upon the death of a Retiree who elected a Joint and One Hundred Percent Survivor Allowance, one hundred percent of the reduced Retirement Allowance shall be paid to and continued throughout the life of the Beneficiary nominated by written designation duly executed and filed with the Board prior to the date the first payment of the Retirement Allowance becomes due.

Option "A". Joint and Seventy-Five Percent Survivor Allowance: Upon the death of a Retiree who elected a Joint and Seventy-Five Percent Survivor Allowance, seventy-five percent of the reduced Retirement Allowance shall be continued throughout the life of and paid to the Beneficiary nominated by written designation duly executed by the Member and filed with the Board prior to the date the first payment of the Retirement Allowance becomes due.

Option Three. Joint and Fifty Percent Survivor Allowance: Upon the death of a Retiree who elected a Joint and Fifty Percent Survivor Allowance, fifty percent of the reduced Retirement Allowance shall be continued throughout the life of and paid to the Beneficiary nominated by written designation duly executed by the Member and filed with the Board prior to the date the first payment of the Retirement Allowance becomes due.

Option "B". Joint and Twenty-Five Percent Survivor Allowance: Upon the death of a Retiree who elected a Joint and Twenty-Five Percent Survivor Allowance, twenty-five percent of the reduced Retirement Allowance shall be paid throughout the life of the Beneficiary nominated by written designation duly executed and filed with the Board prior to the date the first payment of the Retirement Allowance becomes due.

Joint and Survivor Optional Forms of Payment: The Joint and Survivor Optional Forms of Payment provided under the Retirement System shall be made available in either the standard form or the pop-up form, as follows:

> ***Standard Form:*** Under the Standard Form, the reduced Retirement Allowance shall be paid throughout the lifetime of the Retiree.

CITY OF DETROIT GENERAL RETIREMENT SYSTEM
SUMMARY OF COMPONENT I BENEFIT PROVISIONS EVALUATED

Pop-up Form: Under the Pop-up Form, the reduced Retirement Allowance shall be paid throughout the lifetime of the Retiree and the designated Beneficiary. In the event of the death of the designated Beneficiary during the lifetime of the Retiree, the amount of the Retirement Allowance shall be changed to the amount that would have been payable had the Retiree elected the Straight Life Retirement Allowance Form of Payment.

Coordination of Benefits: According to such rules and regulations as the Board shall adopt, until the first payment of a Retirement Allowance becomes due, but not thereafter, a Member under age sixty-five may elect to have the Member's Straight Life Retirement Allowance provided for under Component I equated on an Actuarial Equivalent basis to provide an increased Retirement Allowance payable to age sixty-two or age sixty-five, and to provide a decreased Retirement Allowance thereafter. The increased Retirement Allowance payable to such age shall approximate the total of the decreased Retirement Allowance payable thereafter and the estimated social security benefit. If a Member elects to receive increased and then decreased Retirement Allowance payments provided for in this paragraph, he or she may also elect to have such payments reduced by electing one of the optional forms of payment described above.

Disposition of Residue: If under a Joint and One Hundred Percent Survivor allowance, a Joint and Seventy-Five Percent Survivor allowance, a Joint and Fifty Percent Survivor allowance, or a Joint and Twenty-Five Percent Survivor allowance as provided above, both the Retiree and the Beneficiary die before they have received, in Retirement Allowance payments, an aggregate amount equal to the Retiree's Accumulated Mandatory Employee Contributions at the time of retirement, the difference between the said Accumulated Mandatory Employee Contributions and the aggregate amount of Retirement Allowances paid to the Retiree and Beneficiary, shall be paid in a single lump sum to such person or persons nominated by written designation of the Retiree duly executed and filed with the Board. If there are no such person or persons surviving the Retiree and the Beneficiary, any such difference shall be paid to the estate of the second to die of the Retiree or Beneficiary.

CITY OF DETROIT GENERAL RETIREMENT SYSTEM
SUMMARY OF COMPONENT I BENEFIT PROVISIONS EVALUATED

Rehire Before or After Retirement

A non-vested former member who is reemployed (except as a part time transit operator) within 6 years of termination may repay mandatory contributions. In such case, forfeited Credited Service and Vesting service are restored. If the member is reemployed more than 6 years following separation, mandatory contributions cannot be repaid. Vesting Service and Credited Service start over beginning with the date of reemployment.

A former member who is vested but has not yet begun to receive a Retirement Allowance and who is rehired **prior to being separated for six years** shall have the benefit pertaining to total Credited Service earned on and after July 1, 2014 calculated in accordance with the terms of Component I of the Retirement System in effect at the time of the last separation from service. If the former member has previously withdrawn mandatory accumulated contributions, and such withdrawn contributions are not repaid within two years of the rehire date, only the Credited Service earned on and after the rehire date shall be taken into consideration in determining the retirement allowance.

A former member who is vested but has not begun to receive a Retirement Allowance and **who is rehired after being separated for more than six years** shall be entitled to two separate and distinct pension benefits under Component I, each to be calculated in accordance with the provisions of Component I of the Retirement System in effect at the time of each separation from service. If the former member has previously withdrawn mandatory accumulated contributions, and such withdrawn contributions are not repaid within two years of the rehire date, only the Credited Service earned on and after the rehire date shall be taken into consideration in determining the retirement allowance.

Retirement benefits for a Retiree who returns to active full time employment with an Employer shall be subject to the following provisions:

- A Retiree who returns to work will have the Retirement Allowance suspended upon re-employment. The variable pension improvement factor (escalator) shall not be added to the amount of the original Retirement Allowance during the Retiree's re-employment period.
- A Retiree who returns to work will be entitled to receive a second Retirement Allowance in accordance with the provisions of the Retirement System in effect during the re-employment period.
- A Retiree's Average Final Compensation for purposes of determining the second Retirement Allowance will be based upon the Compensation earned by the Retiree after the return to work.
- An individual who retires for a second time will not be allowed to change the payment option selected with respect to the original Retirement Allowance. However, the individual may select a separate payment option with respect to the second Retirement Allowance.
- The Coordination of Benefits (Equated Social Security) option will not be available with respect to payment of the second Retirement Allowance.

SECTION H

GLOSSARY

GLOSSARY

Accrued Service	The service credited under the plan which was rendered before the date of the actuarial valuation.
Actuarial Accrued Liability (AAL)	The difference between the Actuarial Present Value of Future Benefits, and the Actuarial Present Value of Future Normal Costs.
Actuarial Assumptions	Assumptions about future plan experience that affect costs or liabilities, such as: mortality, withdrawal, disablement, and retirement; future increases in salary; future rates of investment earnings; future investment and administrative expenses; characteristics of members not specified in the data, such as marital status; characteristics of future members; future elections made by members; and other items.
Actuarial Cost Method	A procedure for allocating the Actuarial Present Value of Future Benefits between the Actuarial Present Value of future Normal Costs and the Actuarial Accrued Liability.
Actuarial Equivalent	Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.
Actuarial Present Value (APV)	The amount of funds required to provide a payment or series of payments in the future. It is determined by discounting the future payments with an assumed interest rate and with the assumed probability each payment will be made.
Actuarial Present Value of Future Benefits (APVFB)	The Actuarial Present Value of amounts which are expected to be paid at various future times to active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
Actuarial Valuation	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB No. 25, such as the Funded Ratio and the Annual Required Contribution (ARC).
Actuarial Value of Assets	The value of the assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets or a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the actuarially required contribution (ARC).

GLOSSARY

Actuarially Determined Employer Contribution	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under the Plan's actuarial funding policy.
AFC	Average Final Compensation.
Amortization Method	A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the rate at which total covered payroll of all active members is assumed to increase.
Amortization Payment	That portion of the plan contribution or actuarially determined employer contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
Amortization Period	The period used in calculating the Amortization Payment.
APTE	Association of Professional and Technical Employees.
ASF	Annuity Savings Fund of the Component II (Legacy) Plan.
Closed Amortization Period	A specific number of years that is reduced by one each year, and declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc.
COLA	Cost of Living Adjustment. Analogous to a VPIF (see VPIF below).
Contribution Budgeting Liability	An expected return-based measure of pension obligation.
D.O.T.	Department of Transportation.
Employer Normal Cost	The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.
E.M.S.	Emergency Medical Service.
Equivalent Single Amortization Period	For plans that do not establish separate amortization bases (separate components of the UAAL), this is the same as the Amortization Period. For plans that do establish separate amortization bases, this is the period over which the UAAL would be amortized if all amortization bases were combined upon the current UAAL payment.

GLOSSARY

Experience Gain/Loss	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two actuarial valuations. To the extent that actual experience differs from that assumed, Unfunded Actuarial Accrued Liabilities emerge which may be larger or smaller than projected. Gains are due to favorable experience, e.g., the assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, losses are the result of unfavorable experience, i.e., actual results that produce Unfunded Actuarial Accrued Liabilities which are larger than projected.
Funded Ratio	The ratio of the Actuarial Value of Assets to the Actuarial Accrued Liability.
GASB	Governmental Accounting Standards Board.
GASB No. 67 and GASB No. 68	These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 68 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 67 sets the rules for the systems themselves.
GLWA	Great Lakes Water Authority.
Normal Cost	The annual cost assigned, under the Actuarial Cost Method, to the current plan year.
Open Amortization Period	An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.
POA	The 8th Amended Plan for the Adjustment of the Debt of the City of Detroit.
POC	Pension Obligation Certificates.
Reserve Account	An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.
RSF	Rate Stabilization Fund.

GLOSSARY

SAAA	Senior Accountants, Analysts, and Appraisers Association.
Solvency Liability	A market-based measure of the present value of accrued benefits at a municipal bond discount rate unadjusted for the credit quality of the plan sponsor.
Transition Cost	Initial unfunded liability as described in Section E-16 of the Plan Document.
Unfunded Actuarial Accrued Liability	The difference between the Actuarial Accrued Liability and Actuarial Value of Assets.
Valuation Date	The date as of which the Actuarial Present Value of Future Benefits are determined. The benefits expected to be paid in the future are discounted to this date.
VPIF	Variable Pension Improvement Factor. Discussed in Section 6.2 of the Plan Document. This is analogous to a post-retirement Cost-of-Living Adjustment (COLA).