Police and Fire Retirement System of the City of Detroit

Financial Report
with Supplementary Information
June 30, 2024

Contents

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Police and Fire Retirement System of the City of Detroit (the "System") as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the System's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of the Police and Fire Retirement System of the City of Detroit as of June 30, 2024 and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the Police and Fire Retirement System of the City of Detroit's June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

December 17, 2024

As management of the Police and Fire Retirement System of the City of Detroit (DPFRS or the "System"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2024.

Using This Annual Report

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) the required supplementary information. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information that further explain and support the information in the financial statements.

Financial Highlights

The U.S. economy has remained resilient this fiscal year, although there has been a small uptick in the unemployment rate and the housing market remains limited by the lack of available supply. The U.S. inflation rate was down to 2.6 percent in June 2024. That is not too far off the Fed's target of 2.0 percent. The U.S. stock market also saw healthy returns during the first half of the 2024 calendar year. We remain optimistic about the strength and long-term growth of the U.S. economy. The System's investment returns are a testament of that strength. The fiscal year 2024 investment return was 9.37 percent. That is up from last fiscal year's return of 8.69 percent.

This year the System saw an upward spike in investment income. This primarily resulted from the realization of gains related to the sale of investments and investment market value appreciation.

Also, this fiscal year the employer contributions for the Legacy Plan reverted back to the City being fully responsible for its funding. The funding requirement is calculated by our actuary. That calculation, known as the actuarially determined employer contribution resulted in an inflow of $70.8 million for the Legacy Plan. The combined legacy and hybrid employer contributions exceeded last year's combined total by $75.2 million.

The transfers to Component I from Component II in the prior fiscal year related to the Hybrid Plan's transition cost. The transfer guidelines were established by the bankruptcy's Plan of Adjustment. The purpose of the transfers was to assist in funding the obligations of the Hybrid Plan caused by legacy plan members who were active and fully vested at the time of the transition from the Legacy Plan to the Hybrid Plan. Those particular members were automatically vested in the new Hybrid Plan. The ability to make those transfers ceased last fiscal year.

This year our new ERP system is fully live. The new system is being used in every facet of the member services operations. We will continue to roll out system enhancements and make system adjustments throughout the year ahead. Servicing the members of the System while protecting and growing the System's assets is our top priority.

Condensed Financial Information

The tables below compare key financial information in a condensed format between the current year and the prior year:

	2024	2023
Assets	$ 2,840,756,664	$ 2,817,018,880
Liabilities	121,113,014	169,580,281
Fiduciary Net Position Restricted for Pensions	**$ 2,719,643,650**	**$ 2,647,438,599**

	2024	2023
Additions		
Net investment income	$ 242,870,096	$ 173,744,872
Securities lending income	582,955	822,992
Contributions:		
Employer	97,539,022	22,291,713
Employee	15,180,977	12,857,368
Foundation	18,300,000	18,300,000
Total contributions	131,019,999	53,449,081
Transfer from Component II to Component I	-	8,448,522
Other income	2,628,036	2,239,207
Total additions	377,101,086	238,704,674
Deductions		
Retirees' pension and annuity benefits	289,489,054	288,778,056
Member refunds and withdrawals	10,197,933	12,625,346
Transfer to Component I from Component II	-	8,448,522
General and administrative expenses	5,209,048	4,900,643
Total deductions	304,896,035	314,752,567
Net Increase (Decrease) in Net Position Held in Trust	**$ 72,205,051**	**$ (76,047,893)**

Fund Overview, Membership, and Governance

The Police and Fire Retirement System of the City of Detroit is a defined benefit pension plan with a defined contribution element, which, as discussed in greater detail below, was frozen by the City of Detroit, Michigan (the “City”) at the conclusion of the 2014 fiscal year. This existing plan, the legacy plan (the “Legacy Plan”), is also referred to as Component II. A new pension plan (the “Hybrid Plan,” also referred to as Component I) was created by the City for its uniformed employees on July 1, 2014. Both the Legacy Plan and the Hybrid Plan are being reported in these financial statements.

DPFRS exists to pay benefits to its active members, retirees, and beneficiaries. Active members earn service credit that entitles them to receive benefits in the future. Both the employer and municipal plan sponsor for the System, the City, and active members have historically contributed to the System. Retirees, beneficiaries, and disabled members are those currently receiving benefits.

Component I of DPFRS was created effective July 1, 2014, with more active members earning service credit than members eligible to receive or receiving benefits. As of June 30, 2023, there were 2,855 active members, with 395 retirees and 792 terminated plan members entitled to but not yet receiving benefits.

Component II of DPFRS is a relatively mature plan in that there are more retirees and beneficiaries receiving current benefits than active members. Membership of the System at June 30, 2023 consisted of 1,706 active members, with 7,710 inactive members receiving benefits and 384 terminated plan members entitled to but not yet receiving benefits. On June 30, 2014, the emergency manager of the City of Detroit, Michigan issued Order No. 29, which froze the existing pension plan, the Legacy Plan. As of June 30, 2014, no new employees were allowed to participate in the Legacy Plan, and benefit accruals for members with respect to service rendered prior to July 1, 2014 were frozen based on the members' years of service, average final compensation, and the pension multiplier formula as of the freeze date. Employees working after July 1, 2014 are now earning service credit in the Hybrid Plan.

On July 1, 2014, the City first published a document titled the Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan (the “Combined Plan”). On October 19, 2014, the emergency manager issued Order No. 43, which amended and restated the Combined Plan. Before leaving office on December 8, 2014, the emergency manager issued Order No. 44, which again amended and restated the Combined Plan. According to Order No. 44, the latest amendments and restatements to the Combined Plan made changes related to collective bargaining agreements; conformed the combined plan terms to the requirements of the City of Detroit, Michigan's bankruptcy plan; and made clarifying modifications. The Combined Plan is available at DPFRS' website, www.pfrsdetroit.org.

DPFRS governance was modified in December 2014 as part of the City of Detroit, Michigan's bankruptcy plan. DPFRS is governed by a board of trustees (the “Board”) composed of 17 seats. While DPFRS' investment management is now the ultimate responsibility of a nine-member investment committee (the “Investment Committee”), the Board maintains its role as the governing board vested with responsibility for the general administration, management, and operation of the System, with which the Investment Committee assists, pursuant to Michigan law.

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

The Investment Committee has five independent members appointed to initial terms with staggered expirations, which terms will all eventually become six years. Four additional members, two active and two retired, serve on the Investment Committee based on appointment by the Board. The Investment Committee will be in place through at least December 2034.

Contributions to the System

Historically, both the City and active employees have made regular contributions to the System. Basic pension and disability benefits have been funded through employer and employee contributions plus investment earnings on those contributions. The required employer contributions, previously to the bankruptcy, have been determined by the System's actuaries using the entry age normal cost method. Assumptions used by the actuaries are subject to experience testing every five years. Effective December 10, 2014, as part of the resolution of the Chapter 9 case, the investment return assumption and discount rate used by the System's actuary for the purpose of determining the System's assets and liabilities for funding purposes was fixed at 6.75 percent through the period ended June 30, 2023. The System's board decided to continue to use 6.75 percent for the 2024 fiscal year.

Subsequent to the City's bankruptcy, for the Legacy Plan, the obligations for contributions to the System through 2023 were determined as fixed amounts pursuant to the provisions in the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit (the "Plan of Adjustment"). Now that we are beyond the 2023 fiscal year, the City has resumed its responsibility for fully funding the obligations of the Retirement System.

The Plan of Adjustment allows for certain of the funding obligations to DPFRS through 2034 to be met by prepayment of the present value equivalent using a discount rate of 6.75 percent. In the fiscal year ended June 30, 2016, a portion of the Detroit Institute of Arts (DIA) obligation to make annual $5 million contributions over 10 years ending in 2034 was prepaid. DPFRS still expects to receive the equivalent or actual remaining $375,000 per year from the DIA for that 10-year period from 2025 to 2034.

Impact of City of Detroit, Michigan Collective Bargaining and Bankruptcy Pension Adjustments

As further noted below, depending on the bargaining unit, the following changes became effective with EM Order No. 29:

- The Legacy Plan's obligations, or the existing defined contribution plan and defined benefit plan, were frozen as of June 30, 2014, as referenced above.
- As of July 1, 2014, a new defined benefit plan commenced with mandatory contributions as part of the new Hybrid Plan. Members hired on or before June 30, 2014 contribute 6 percent of base compensation, and all employees hired on or after July 1, 2014 will contribute 8 percent of base compensation.
- As of July 1, 2014, a new defined contribution plan became optional for the annuity savings fund in the new Hybrid Plan. Employees may make voluntary annuity savings fund contributions up to 10 percent of total after-tax pay. Interest will be credited at the actual net investment rate of return of DPFRS, but in no event will it be lower than 0 percent or higher than 5.25 percent.

In the Legacy Plan, active employees historically made a mandatory contribution of 5 percent of pay toward their defined contribution benefits (annuity savings fund) until the date at which they are eligible for retirement. These employee contributions are maintained in separate accounts in the defined contribution plan solely for the benefit of the contributing employee. Before the Legacy Plan was frozen, employee annuity savings fund accounts were credited with investment earnings equal to the rate of return earned by the System subject to minimum earnings of 0 percent. An active employee is allowed in the Legacy Plan to withdraw his or her accumulated contributions in the annuity savings fund plus investment earnings once he or she is eligible for retirement or upon completion of 25 years of service (Detroit Police Officers Association (DPOA)) and fire equivalents may do so at 20 years, consistent with new collective bargaining agreements entered in 2014.

Following the freeze of the Legacy Plan, no member was allowed to make contributions into the annuity savings fund of the Legacy Plan with respect to payroll dates occurring on or after August 1, 2014. Mandatory employee contributions of 6 percent of pay after that date support the defined benefits allowed as part of the new Hybrid Plan.

In the new Hybrid Plan, effective July 1, 2014 and beginning with payroll on or after August 1, 2014, active employees were allowed to make voluntary contributions to a new annuity savings fund account of up to 10 percent of total after-tax pay. Interest will be credited to those accounts at the actual net investment rate of return for DPFRS, but it will not be lower than 0 percent or more than 5.25 percent. No in-service withdrawals are permitted from the Hybrid Plan annuity savings fund accounts.

In the Hybrid Plan, employer contributions paid by the City are actuarially determined. For the fiscal year 2024, the City’s employer contribution was 12.55 percent of base pay for all Police and Fire Retirement System members.

Additionally, as noted above, as a result of the Chapter 9 case, cost of living adjustments (COLA) made to annual pension benefits to account for the effects of inflation in the Legacy Plan from and after June 30, 2014 were reduced to 45 percent of the COLAs provided for in police and fire collective bargaining agreements, other contracts, or ordinances. These adjustments were implemented with pension payments made on and after March 1, 2015. Base benefits for DPFRS member benefits accrued through June 30, 2014 were not subject to any cuts in resolution of the Chapter 9 case.

Beginning on March 1, 2015, certain DPFRS members also received benefit pension cut restoration under the Income Stabilization Fund program administered by DPFRS pursuant to the State Contribution Agreement based on eligibility and benefit payments calculated by the State of Michigan. Section K-3 of the Combined Plan, provides that COLA benefits eliminated as part of the POA may be restored if certain conditions are met. Those conditions surround the Plan’s funding status ratio. Beginning this fiscal year, the rules for restoration are based on Section K-3 (3).

Benefit Payments

The System exists to pay the benefits that its members have earned pursuant to benefits promised by the City, subject to the Chapter 9 case benefit adjustments going forward in the Legacy Plan and the new promises in the Hybrid Plan. Benefits are paid monthly. In fiscal year 2024, DPFRS paid out approximately $299,700,000 in benefits, consisting of approximately $289,500,000 in benefits to retirees and beneficiaries plus approximately $10,200,000 in refunds of annuity savings fund balances. This represents approximately 11 percent of the net position of the System as of June 30, 2024. Employer and employee contributions, including those from the foundation in accordance with the Plan of Adjustment, were approximately $131,000,000, or 4.8 percent of the net position of the System. The excess of benefits over contributions is funded through investment income. The public capital markets represent the primary source of opportunities to earn investment income.

As of June 30, 2014, due to the freeze for the Legacy Plan, no additional benefit accruals are being earned in the Legacy Plan.

Asset Allocation

The Board and the Investment Committee believe that the principal determinant of total fund investment performance over long periods of time is asset allocation. The DPFRS asset allocation is built upon the foundation that the obligations of DPFRS to pay the benefits promised to its members are very long-term obligations. Accordingly, the Board and the Investment Committee must make investment decisions that they believe will be the most beneficial to the System over many years, not just one or two years.

DPFRS has established asset allocation policies that are expected to deliver more than enough investment income over a very long period of time to satisfy the obligations to pay the benefits promised to the members of the System. The following is a summary of the System's target asset allocation policy as of June 30, 2024:

Asset Class	Target Allocation
U.S. equity	18.00 %
Non-U.S. equity	12.00
Private equity	10.00
Global minimum volatility	5.60
Private credit	7.00
High yield	10.00
Core fixed income	14.90
Cash	2.50
Midstream energy	5.00
Private real estate	10.00
Commodities	5.00

DPFRS asset allocation policies comply with Michigan law.

Investment Results

DPFRS calculates investment results on a time-weighted global investment performance standard (GIPS) basis unless explicitly stated otherwise. All returns for periods of one year or greater have been annualized.

Total Fund Composite

DPFRS' total fund composite return for the year was 9.37 percent, net of fees and expenses, using a time-weighted methodology. The 3-year, 5-year, and 10-year annualized total fund returns were 6.65 percent, 9.40 percent, and 6.45 percent, respectively, net of fees and expenses.

From June 30, 2023 to June 30, 2024, U.S. financial markets were largely influenced by the Federal Reserve's aggressive interest rate hikes, aimed at tackling persistent inflation. By mid-2024, rates had reached 5.25 percent, contributing to slower economic growth and dampening consumer spending. Despite these challenges, the stock market, particularly tech stocks, performed well, lifted by optimism around AI advancements. Inflation moderated somewhat but remained above the Fed's 2 percent target, keeping expectations for rate cuts subdued. Geopolitical tensions, particularly in the Middle East and the ongoing war in Ukraine, added to global market volatility, with energy prices and supply chains affected. U.S. political uncertainty, driven by the lead-up to the 2024 presidential election, also created additional market jitters, with investors wary of potential policy shifts. The U.S. dollar remained strong during these global risks, while bond markets saw fluctuations in response to the Fed's tightening. As of June 2024, markets were in a cautious holding pattern, awaiting further signals from the Fed while heightened geopolitical risks increase the likelihood of surprises for global markets going forward.

Total plan returns, net of fees and expenses, for the recent prior fiscal years ended June 30 are shown below:

2023	8.69 %
2022	(2.00)
2021	25.12
2020	1.60
2019	5.10
2018	8.20
2017	12.00
2016	2.60
2015	3.40
2014	18.40
2013	9.70

Requests for Further Information

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

Statement of Fiduciary Net Position

June 30, 2024

	Component II Plan (Legacy)		Component I Plan (Hybrid)	
	Defined Benefit Fund	Income Stabilization Fund	Defined Benefit Fund	Total Combined Plan
Assets				
Cash and cash equivalents (Note 3)	$ 88,023,815	$ 347,882	$ 23,497,831	$ 111,869,528
Investments: (Notes 3 and 4)				
Global equities	915,477,818	2,561,374	149,200,044	1,067,239,236
Global fixed income	546,567,264	1,565,284	92,173,134	640,305,682
Real assets	346,792,863	970,274	56,518,583	404,281,720
Private equity	420,001,932	1,175,106	68,449,835	489,626,873
Diversifying strategies	218,872	631	31,833	251,336
Receivables:				
Accrued interest receivable	6,907,862	19,327	1,125,809	8,052,998
Contributions	-	-	277	277
Other accounts receivable	14,289	-	1,078,433	1,092,722
Notes receivable from participants	3,042,590	-	272,904	3,315,494
Receivables from investment sales	14,733,742	41,213	2,396,780	17,171,735
Cash and investments held as collateral for securities lending: (Note 3)				
Commercial paper	6,225,918	17,419	1,014,669	7,258,006
Certificate of deposit	52,826,632	147,801	8,609,423	61,583,856
Asset-backed securities	4,918,071	13,760	801,523	5,733,354
Repurchase agreements	5,619,028	15,721	915,761	6,550,510
U.S. corporate floating rate	8,115,971	22,707	1,322,701	9,461,379
Capital assets - Net (Note 1)	3,968,316	-	2,993,642	6,961,958
Total assets	2,423,454,983	6,898,499	410,403,182	2,840,756,664
Liabilities				
Claims payable to retirees and beneficiaries	2,502,128	-	-	2,502,128
Payables for investment purchases	18,024,302	50,389	2,931,174	21,005,865
Due to City of Detroit, Michigan	383,621	-	-	383,621
Amounts due to broker under securities lending arrangements (Note 3)	77,643,377	217,235	12,653,933	90,514,545
Other liabilities	4,549,133	6,736	353,744	4,909,613
Lease liability	1,024,428	-	772,814	1,797,242
Total liabilities	104,126,989	274,360	16,711,665	121,113,014
Net Position - Restricted for pensions	**$ 2,319,327,994**	**$ 6,624,139**	**$ 393,691,517**	**$ 2,719,643,650**

See notes to financial statements.

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2024
(with comparative totals for the year ended June 30, 2023)

	Component II Plan (Legacy)		Component I Plan (Hybrid)		
	Defined Benefit Fund	Income Stabilization Fund	Defined Benefit Fund	Total Combined Plan	2023
Additions					
Investment income (loss):					
Interest, dividends, and other income	$ 80,381,627	$ 218,310	$ 11,947,622	$ 92,547,559	$ 86,426,088
Net increase in fair value of investments	144,462,562	397,893	21,960,228	166,820,683	101,500,893
Investment-related expenses	(14,250,059)	(39,227)	(2,208,860)	(16,498,146)	(14,182,109)
Net investment gain	210,594,130	576,976	31,698,990	242,870,096	173,744,872
Securities lending income (loss):					
Income	2,500,906	6,932	391,116	2,898,954	787,301
Net (loss) income on collateralized securities	(1,986,664)	(5,558)	(323,777)	(2,315,999)	35,691
Net securities lending income	514,242	1,374	67,339	582,955	822,992
Contributions: (Note 2)					
Employer	70,800,000	-	26,739,022	97,539,022	22,291,713
Employee	-	-	15,180,977	15,180,977	12,857,368
Foundation	18,300,000	-	-	18,300,000	18,300,000
Total contributions	89,100,000	-	41,919,999	131,019,999	53,449,081
Transfer from Component II to Component I (Note 9)	-	-	-	-	8,448,522
Other income	2,001,029	143	626,864	2,628,036	2,239,207
Total additions - Net	302,209,401	578,493	74,313,192	377,101,086	238,704,674
Deductions					
Retirees' pension and annuity benefits	282,395,014	58,515	7,035,525	289,489,054	288,778,056
Member refunds and withdrawals	9,252,267	-	945,666	10,197,933	12,625,346
Transfer to Component I from Component II (Note 9)	-	-	-	-	8,448,522
General and administrative expenses	2,969,158	-	2,239,890	5,209,048	4,900,643
Total deductions	294,616,439	58,515	10,221,081	304,896,035	314,752,567
Net Increase (Decrease) in Net Position	7,592,962	519,978	64,092,111	72,205,051	(76,047,893)
Net Position Restricted for Pensions - Beginning of year	2,311,735,032	6,104,161	329,599,406	2,647,438,599	2,723,486,492
Net Position Restricted for Pensions - End of year	**$ 2,319,327,994**	**$ 6,624,139**	**$ 393,691,517**	**$ 2,719,643,650**	**$ 2,647,438,599**

See notes to financial statements.

Note 1 - Significant Accounting Policies

Reporting Entity

The City of Detroit, Michigan (the "City") sponsors the Police and Fire Retirement System of the City of Detroit (the "System" or DPFRS), which consists of two single-employer retirement plans (the "Combined Plan"), as described below.

Component II

This is the legacy plan (the "Legacy Plan"), which represents the original defined benefit plan and includes a defined benefit component and a defined contribution component. Component II generally applies to benefits accrued by members prior to July 1, 2014. On June 30, 2014, as a result of negotiations between the City and the public employee unions, the existing plan benefit formulas were frozen, and no new employees were allowed to earn benefits under the existing plan. The emergency manager issued Order No. 29 (Police and Fire Retirement System of the City of Detroit) on June 30, 2014, which put these changes into effect. Except as specifically provided in the Combined Plan, benefits provided under Component II are frozen effective June 30, 2014.

Component I

As of July 1, 2014, all current and future employees participate in the new hybrid pension plan (the "Hybrid Plan"), or Component I. This hybrid plan includes a defined benefit component and a defined contribution component. Component I of the plan document applies to benefits accrued by members on or after July 1, 2014.

Active city employees who participate in the legacy plan will receive the benefits they have earned under the System through June 30, 2014 plus an additional benefit under the new hybrid plan formula, assuming all vesting requirements are met.

The Combined Plan is a separate and independent trust qualified under applicable provisions of the Internal Revenue Code; it is an independent entity (separate and distinct from the employer/plan sponsor), as required by (1) state law and (2) Internal Revenue Code provisions setting forth qualified plan status. The trustees of the plan have a fiduciary obligation and legal liability for any violations of fiduciary duties as independent trustees. The Combined Plan provides retirement, disability, and survivor benefits to plan members and beneficiaries.

The financial statements for fiscal year 2024 represent the Legacy Plan, or Component II, and the new Hybrid Plan, or Component I. Component II also includes the Income Stabilization Fund. The fund, which is part of Component II only and established as a special plan of adjustment provision, was established for the sole purpose of paying the Income Stabilization Benefits and Income Stabilization Benefits Plus to eligible pensioners. Any funds received by the System that are designated by the City as UTGO Bond Tax Proceeds or a contribution to the Income Stabilization Fund are credited to the Income Stabilization Fund, as defined in the State Contribution Agreement, which is an exhibit to the Plan of Adjustment. Beginning in 2022, the investment committee of DPFRS (the "Investment Committee") may recommend to the board of trustees (the "Board") that a portion or all of the assets that exceed Income Stabilization Benefits (including Income Stabilization Benefits Plus) to be paid in the future be used to fund regular pension payments. As of June 30, 2024, no decisions have been made to transfer any income stabilization funds.

The assets of the pension trust funds include no securities of or loans to the City or other related parties.

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Note 1 - Significant Accounting Policies (Continued)

Plan Sponsor Financial Condition - Impact on the System

In the past, the City of Detroit, Michigan (the "plan sponsor") had experienced significant financial difficulty and liquidity concerns. As of June 2013, the City had defaulted on approximately $71 million of pension contributions due to the System. During fiscal year 2014, the City did not pay any employer contributions into the System, despite the fact that there were actuarially required contributions.

In February 2013, the governor appointed a financial review team, which determined that a local government financial emergency existed in the City. This culminated in bankruptcy proceedings, which the City initiated in July 2013. Part of the federal court's ruling in December 2013 indicated that the bankruptcy status usurped whatever protections may be offered to governmental pensions under the Michigan Constitution. On December 10, 2014, the City exited from bankruptcy through confirmation of the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit (the "POA" or the "Plan of Adjustment"). The POA specifies certain provisions pertinent to the Legacy and Hybrid plans, including contributions and benefits.

From 2015 through 2023, the contributions received by the System were made in accordance with the provisions of the POA. Beginning in 2024, the contributions received by the System are made in accordance with actuarially determined amounts. See Note 10 for significant changes that were implemented by the System under the POA.

Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the Police and Fire Retirement System of the City of Detroit.

Accounting and Reporting Principles

The System follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Basis of Accounting

The System uses the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Specific Balances and Transactions

Cash and Cash Equivalents

The System considers cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sale price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments. The fair value of real estate investments is based on periodic appraisals, as well as the judgment of independent real estate advisors and management. Investments that do not have an established market value are reported at estimated fair value determined by the System's management.

Note 1 - Significant Accounting Policies (Continued)

Approximately $1,190,000,000, or 44 percent, of the System's net position as of June 30, 2024 does not have a readily determinable market value. Of this balance, approximately $10,200,000 has been estimated by management. The remaining $1,179,800,000 is based on valuations performed by the investee company management as of June 30, 2024, which are also subject to annual audits that are generally performed as of December 31.

Investments for which market quotations are readily available are generally priced by the custodian using nationally recognized pricing services and practices. For investments that do not have readily observable market prices, including, but not limited to, private equity, public and private real estate, alternatives, and direct loans, management's estimate of their fair value is based on information provided by investment managers, general partners, real estate advisors, and other means. However, due to the inherent uncertainty and the degree of judgment involved in determining fair value for such investments, the values reflected in the financial statements may differ significantly from values that would have been used had a readily determinable market value for the investments existed, and the difference could be material.

Receivable/Payable from Investment Sales/Purchases

The System liquidated investments prior to year end and reported a receivable from investment sales at June 30, 2024 in the amount of $17,171,735. The proceeds from the sales were received subsequent to year end. In addition, the System purchased investments prior to year end and reported a payable from investment purchases at June 30, 2024 in the amount of $21,005,865. This amount was paid subsequent to year end.

Notes Receivable from Participants

In Component II (Legacy) and Component I (Hybrid), any active, terminated, duty-disabled, or retired police and fire employee who is or has been a participant in the Annuity Savings Plan may be eligible for the employee loan program. The minimum amount of the loan was established at $1,000. The maximum loan is the lesser of 50 percent of the member's account balance in the annuity saving fund or $10,000. Members can borrow as either a general purpose loan payable in 1 to 5 years or a residential loan payable in 1 to 15 years. A member can have only two outstanding loans. The balance of these loans for the year ended June 30, 2024 was $3,042,590 and $272,904 for Legacy and Hybrid, respectively. The balance is measured at the unpaid principal balance plus any accrued but unpaid interest. Participant notes receivable are written off when deemed uncollectible.

Capital Assets

Capital assets for the System include software, office equipment, leased assets, and furniture. Depreciation and amortization expense is calculated by allocating the net cost of the assets over their estimated useful lives.

Leases

The System is a lessee for its office building. The System recognizes a lease liability and an intangible right-to-use lease asset in the statement of fiduciary net position.

At the commencement of a lease, the System initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Note 1 - Significant Accounting Policies (Continued)

Key estimates and judgments related to leases include how the System determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The System uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the System generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the System is reasonably certain to exercise.

The System monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets (reported with other capital assets) and lease liabilities are reported on the statement of fiduciary net position.

<u>Use of Estimates</u>

The preparation of financial statements in conformity with accounting principles generally accepted in the Unites States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the System's financial statements for the year ending June 30, 2025. This standard is not expected to have a significant impact on the System's financial statements.

In December 2023, the Governmental Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the System's financial statements for the year ending June 30, 2025. The System is evaluating the impact this will have when effective.

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements. For the System, the impact of this new pronouncement, when implemented, will primarily be limited to the management's discussion and analysis. The provisions of this statement are effective for the System's financial statements for the year ending June 30, 2026.

Note 1 - Significant Accounting Policies (Continued)

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-to-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. The statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the System's financial statements for the year ending June 30, 2026. This standard is not expected to have a significant impact on the System's financial statements.

Note 2 - Pension Plan Description

Component II (Legacy Plan) and Component I (Hybrid Plan)

Plan Administration

The System's governance was modified in December 2014 as part of the City's bankruptcy plan. The System's board of trustees and Investment Committee administer the Police and Fire Retirement System of the City of Detroit Pension Plan, a single-employer defined benefit and defined contribution plan that provides retirement benefits, as well as survivor and disability benefits, for plan members and beneficiaries. Plan members include active employees, retirees, and beneficiaries from various departments within the City of Detroit, Michigan. Benefit terms have been established by contractual agreements between the City and the employees' collective bargaining unit, as modified by the POA. Future amendments are subject to the same process. However, pursuant to the POA, calculation of pension benefits presently expressed in the System was not subject to amendment before June 30, 2023, unless an amendment was required to maintain the tax-qualified status of the System. The obligation to contribute to and maintain the System was established by the city charter and negotiations with the employees' collective bargaining units.

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

The Investment Committee has five independent members appointed to initial terms with staggered expirations, which terms will all eventually become six years. Four additional members, two active and two retired, serve on the Investment Committee based on appointment by the Board. The Investment Committee will be in place through at least December 2034.

Benefits Provided

The System provides retirement, disability, and death benefits. Benefit terms had been established by negotiations between the City Council and the employees' collective bargaining unit and subject to amendment by the City Council. Further changes to benefits were provided for under the POA.

Note 2 - Pension Plan Description (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Component II (Legacy Plan)	Component I (Hybrid Plan)
Date of member count	June 30, 2023	June 30, 2023
Inactive plan members or beneficiaries currently receiving benefits	7,710	395
Inactive plan members entitled to but not yet receiving benefits	384	792
Active plan members (includes DROP members of 609 for Component II and 123 for Component I)	1,706	2,855
Total employees covered by the plan	9,800	4,042

As of June 30, 2014, Component II has been frozen. As of that date, no new participants were allowed to enter the plan, and no new benefit accruals were allowed for existing participants.

After July 1, 2014, active members will retain existing service credit in the Legacy Plan but will only earn additional service credit in the new Hybrid Plan.

Contributions

Article 9, Section 24 of the State of Michigan Constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, in the past, the System had retained an independent actuary to determine the annual contribution. The actuarially determined rate was the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. However, from 2015 through 2023, contributions were based on specific provisions in accordance with the Plan of Adjustment. Beginning in 2024, the contributions are based on the actuarially determined rate.

Employer Contributions

Component II

For Component II, during fiscal year 2024, employer contributions were actuarially determined based on the amount necessary to fund the plan on an actuarial basis. For fiscal year 2024, total employer contributions were $89.1 million, which includes $18.3 million from the Foundation for Detroit's Future (the "Foundation").

Component I

For Component I, during fiscal year 2024, employer contributions were actuarially determined based on the amount necessary to fund the plan on an actuarial basis. The City was required to contribute 12.55 percent of base compensation of active members. During fiscal year 2024, the City contributed $26,739,022 into the Hybrid Plan.

Employee Contributions

Component II

Contribution requirements of plan members historically were established and amended by the board of trustees in accordance with the city charter, union contracts, and plan provisions. For the year ended June 30, 2024, there were no employee contributions into Component II, as the plan was frozen as of June 30, 2014.

Note 2 - Pension Plan Description (Continued)

Component I

Contribution requirements of plan members are established by the Combined Plan. For the year ended June 30, 2024, the active member contribution rate for employees hired before July 1, 2014 was 6 percent of annual pay and was 8 percent of annual pay for employees hired after July 1, 2014. During fiscal year 2024, the plan received mandatory and voluntary employee contributions of $15,180,977.

Deferred Retirement Option Program (DROP)

The contribution and benefits provisions of Component I plan were not to be amended by the City prior to July 1, 2023 other than as required to comply with (i) applicable federal law or (ii) the Plan of Adjustment. However, on September 13, 2018, the City filed a Motion for Authority to Modify the Confirmed Plan of Adjustment to revise the Deferred Retirement Option Program for certain Component I plan members. The motion was filed pursuant to recently negotiated collective bargaining agreements and sought to extend the DROP from a maximum period of 5 years to 10 years for eligible command officers, lieutenants, and sergeants. Under the DROP, eligible Component I plan members may defer the receipt of their full retirement benefit and instead continue active service while collecting 75 percent of their monthly retirement benefit into a third-party account. DROP participants no longer accrue additional service credit in the Component I plan during their remaining active service. The DROP allocations continue if the member continues to be actively employed as a police officer or a firefighter with the City. The member is eligible to withdraw the amounts deposited with the third-party administrator upon retirement. In addition, upon retirement, the retiree receives 100 percent of his or her retirement benefits. On October 31, 2018, the bankruptcy court granted the City's motion to extend the DROP for command officers, lieutenants, and sergeants. On April 19, 2019, the City filed a similar motion to extend the DROP for all other police officers pursuant to a similar provision in a negotiated collective bargaining agreement approved in October 2018. This motion was also granted by the bankruptcy court on May 9, 2019. On August 31, 2021, the City filed a motion to extend the DROP from a maximum period of 10 years for lieutenants and sergeants whose retirement would result in a hardship on department needs or operations determined by the chief of police. After mutual agreement with the member, an extension of the retirement date may be granted in 1-year increments, not to exceed an additional 5 years, for a total of 15 total years in the DROP. This motion was granted by the bankruptcy court on September 21, 2021.

Note 3 - Deposits and Investments

The System is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The investment policy adopted by the Board is in accordance with Public Act 196 of 1997 and has authorized investments according to Michigan Public Act 314 of 1965, as amended. The System's deposits and investment policies are in accordance with statutory authority.

The System invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, credit risks, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported on the statement of changes in fiduciary net position.

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the System's deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk. Approximately $5.1 million of the System's checking account balances was uninsured and uncollateralized at June 30, 2024. The System believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Interest Rate Risk

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

At year end, the System had the following investments and maturities:

Investment (in Thousands)	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
U.S. government	$ 130,851	$ 31,217	$ 26,678	$ 32,150	$ 40,806
U.S. government mortgage-backed securities	104,947	4	1,260	4,800	98,883
Government securities	7,511	29	1,494	3,281	2,707
Corporate bonds	292,235	16,198	141,399	69,549	65,089
Asset-backed securities	12,544	24	9,761	2,759	-
Commercial paper	660	660	-	-	-
Total	$ 548,748	$ 48,132	$ 180,592	$ 112,539	$ 207,485

Not all fixed-income securities are subject to interest rate risk.

Credit Risk

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

At June 30, 2024, the credit quality ratings of debt securities (other than those guaranteed by the U.S. government), as rated by Standard & Poor's, are as follows:

Investment (in Thousands)	AAA	AA	A	BBB	BB	B	C and Lower	NR
Corporate bonds	$ 6,593	$ 8,846	$ 50,318	$ 105,199	$ 30,811	$ 23,393	$ 6,044	$ 61,031
U.S. government mortgage-backed securities	1,486	102,762	699	-	-	-	-	-
Government securities	1,780	2,916	35	1,997	184	-	-	599
Asset-backed securities	12,294	-	-	-	-	-	-	250
Commercial paper	-	-	-	-	-	-	660	-
Total	$ 22,153	$ 114,524	$ 51,052	$ 107,196	$ 30,995	$ 23,393	$ 6,704	$ 61,880

Foreign Currency Risk

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

Note 3 - Deposits and Investments (Continued)

The following securities are subject to foreign currency risk:

Currency (in Thousands)	Equity	Fixed Income	Cash	Forward Contracts, including Receivable (Payable)	Net Investment Receivable
Australian dollar	$ 5,919	$ -	$ -	$ (58)	$ 69
Brazil real	521	981	-	-	69
Canadian dollar	7,859	-	9	(3)	179
Chinese yuan renminbi	-	-	-	-	27
Danish krone	8,610	-	-	-	63
Eurocurrency unit	78,049	-	5	(427)	1,047
Hong Kong dollar	8,489	-	5	(4)	51
Indian rupee	9,115	-	-	-	13
Indonesian rupiah	161	-	-	-	-
Japanese yen	28,937	-	24	(18)	264
Mexican peso	214	918	12	-	10
New Taiwan dollar	10,488	-	-	-	25
Norwegian krone	4,964	-	-	-	14
Pound sterling	23,370	-	36	(18)	415
South African rand	614	-	-	-	26
South Korean won	4,065	-	6	-	10
Swedish krona	1,105	-	2	-	92
Swiss franc	2,316	-	2	-	139
Thailand baht	164	-	-	-	-
Uruguayan peso	182	1,369	-	-	-
Total	$ 195,142	$ 3,268	$ 101	$ (528)	$ 2,513

Securities Lending

As permitted by state statutes and under the provisions of a securities lending authorization agreement, the System lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. The custodial bank does not have the ability to pledge or sell collateral securities unless the borrower defaults. Borrowers are required to deliver collateral for each loan equal to no less than 102 percent of the market value of the loaned securities.

As of June 30, 2024, the collateral provided was 102.70 percent of the market value of the loaned securities, which is more than the required 102 percent.

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

The System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of June 30, 2024 was 15 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2024, the System had no credit risk exposure to borrowers. The collateral held (at cost) and the fair market value of the underlying securities on loans for the System as of June 30, 2024 were $90,514,545 and $88,131,749, respectively.

Note 3 - Deposits and Investments (Continued)

The following represents the balances relating to the securities lending transactions as of June 30, 2024; investments are reported at fair value:

Securities Lent	Underlying Securities
U.S. corporate fixed income	$ 22,001,257
U.S. equities	27,101,743
Non-U.S. equities	5,054,646
U.S. governments	33,974,103
Total	$ 88,131,749

The fair market value of the collateral pool related to securities lending at June 30, 2024 was $90,587,105. The investments were in asset-backed securities, corporate bonds, commercial paper, certificate of deposits, and repurchase agreements. Approximately 85.5 percent of these securities had a duration of less than one year and 14.5 percent had a duration between one and three years.

The credit ratings of the securities lending collateral pool held at June 30, 2024, as rated by S&P, are as follows:

Ratings	Amount
AAA	$ 5,642,838
AA	14,049,902
A	53,990,998
A-1	10,199,943
NR	6,703,424
Total	$ 90,587,105

Note 4 - Fair Value Measurements

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the notes to the financial statements now include enhanced disclosures about fair value measurement, the level of fair value hierarchy, and valuation techniques.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 4 - Fair Value Measurements (Continued)

The System has the following recurring fair value measurements as of June 30, 2024:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2024
Fixed income:				
Government securities (U.S. and other)	$ 130,850,943	$ 7,510,690	$ -	$ 138,361,633
U.S. government mortgage-backed securities	-	104,947,397	-	104,947,397
Corporate bonds	-	292,235,132	-	292,235,132
U.S. corporate floating rate notes	-	9,461,379	-	9,461,379
Asset-backed securities	-	18,277,332	-	18,277,332
Certificate of deposit (negotiable)	-	61,583,856	-	61,583,856
Commercial paper	-	7,258,006	-	7,258,006
Total debt securities	130,850,943	501,273,792	-	632,124,735
Equity:				
Common stock	845,532,540	-	-	845,532,540
Preferred stock	10,624,765	7,496,333	-	18,121,098
Total equity	856,157,305	7,496,333	-	863,653,638
Real estate private equity funds	-	-	10,178,580	10,178,580
Real estate-related investments	-	-	50,000	50,000
Total	$ 987,008,248	$ 508,770,125	$ 10,228,580	1,506,006,953
Investments measured at NAV:				
International equity fund				88,851,003
Fixed-income funds				73,082,881
Global equity funds				152,715,094
Hedge funds				50,000
Real estate funds				375,408,634
Private equity funds				489,626,877
Total investments measured at NAV				1,179,734,489
Total investments measured at fair value				$ 2,685,741,442

A total of $6,550,510 of repurchase agreements recorded at amortized cost is not included in the fair value table above.

Fixed-income and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of preferred stock and fixed-income securities at June 30, 2024 was determined primarily based on Level 2 inputs. The System estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals for identical or similar assets.

Note 4 - Fair Value Measurements (Continued)

The fair value of the remaining investments at June 30, 2024 was determined primarily based on Level 3 inputs. The System estimates the fair value of these investments using the System's own pricing estimate methodology, pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

The valuation method for investments measured at net asset value per share (or its equivalent) is presented in the table below.

Investments in Entities that Calculate Net Asset Value per Share

The System holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

As of June 30, 2024, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
International equity funds	$ 88,851,003	$ -	Monthly	Up to 30 days
Fixed-income funds	73,082,881	-	Monthly	Up to 30 days
Global equity funds	152,715,094	-	Monthly	Up to 30 days
Hedge funds	50,000	-	Annually	Up to 100 days
Real estate funds	375,408,634	26,124,410	Quarterly	Up to 90 days
Private equity funds	489,626,877	145,514,176	N/A	N/A
Total investments measured at NAV	$ 1,179,734,489	$ 171,638,586		

Multiple funds are held in each category. For reporting purposes, the redemption frequency and redemption notice period provided are the most restrictive of any of the funds in the category.

The international equity funds class includes investments in funds that invest predominantly in equity securities of non-U.S. companies. The funds invest in developed and emerging market countries and utilize investments across the capitalization spectrum from large to small companies. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

The fixed-income funds class includes investments in funds that invest predominantly in equity securities of non-U.S. companies. The funds invest in developed and emerging market countries and utilize investments across the capitalization spectrum from large to small companies. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

The global equity funds include investments in funds that are designed to achieve a return volatility considerably less than the global equity market while providing market-like or above-market returns over a full market cycle. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

The hedge funds class includes investments in funds that achieve capital appreciation through multimanager and/or multistrategy investments. Within this group of funds, there is exposure to investment strategies, including, but not limited to, credit, event-driven, equity, and relative value. The funds have the ability to invest across all markets and across all asset classes to implement their various strategies. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

Note 4 - Fair Value Measurements (Continued)

The real estate funds class include investments in funds whose objective is to operate a core portfolio of real estate investments predominantly located in the U.S. The funds acquire ownership in underlying investments either through direct real estate ownership or ownership in real estate companies or the equity of real estate investment trusts. The funds predominantly target purchases in office, industrial, retail, or multifamily real estate classes. The fair values of the investments in this class have been estimated using net asset value per share of the investments (or its equivalents).

The private equity class is an alternative investment class and consists of investments in companies that are not listed on a public exchange. The Police and Fire Retirement System of the City of Detroit maintains a diversified portfolio of private equity investments by both style (buyout, turnaround, venture capital, etc.) and vintage year exposure. With its private equity allocation, the Police and Fire Retirement System of the City of Detroit seeks to take advantage of the illiquidity premium associated with these private equity investments. The fair values of the investments in this class have been estimated using net asset value per share of the investments (or its equivalent).

Note 5 - Pension Plan Investments - Policy and Rate of Return

Component II (Legacy Plan) and Component I (Hybrid Plan)

Investment Policy

The assets of Components II and I are commingled and invested together, as allowed by the POA. The System's policy in regard to the allocation of invested assets is established and may be amended by governance by a majority vote of its members. It is the policy of the governance to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The System's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the governance's adopted asset allocation policy as of June 30, 2024:

Asset Class	Target Allocation
U.S. equity	18.00 %
Non-U.S. equity	12.00
Private equity	10.00
Global minimum volatility	5.60
Private credit	7.00
High yield	10.00
Core fixed income	14.90
Cash	2.50
Midstream energy	5.00
Private real estate	10.00
Commodities	5.00

Rate of Return

For the year ended June 30, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.86 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 6 - Pension Plan Reserves

Component II (Legacy Plan)

In accordance with the Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan and state law, the following reserves are required to be set aside within the Component II (Legacy) pension plan:

The annuity reserve fund is an accumulation of transfers that is made from the Annuity Savings Fund when an employee retires or becomes disabled or if a surviving spouse elects an annuity rather than a lump-sum payout of accumulated employee contributions, net of the annuities paid.

The survivor's benefit fund accumulates the reserves for survivors' benefits, net of the related benefits; benefits will be paid only to the extent sufficient assets are credited to the fund at the time a claim for benefits is made. In the event there are insufficient assets credited to the survivor's benefit fund to pay the benefits, then the benefits will be payable from the pension reserve fund. At June 30, 2024, this fund did not have sufficient assets to pay survivor benefits, and, therefore, those benefits are being paid from the pension reserve fund.

The employee reserve (the "Annuity Savings Fund" or ASF) is credited as employee contributions are received throughout the year; the System maintains a record of the amount contributed by each employee and credits interest annually. Eligible active members may elect to withdraw their accumulated (annuity) contributions plus investment earnings. Upon retirement, a member can elect to annuitize or receive a lump sum of his or her accumulated contribution and interest earnings. When an employee retires or becomes disabled or if a surviving spouse elects an annuity rather than a lump-sum payout of accumulated employee contributions, the balance is transferred to the annuity reserve fund.

The pension accumulation fund is the fund that will accumulate reserves for the pensions and other benefits payable from the contributions made by the City, including various departments thereof, and certain third parties pursuant to the POA and from which pensions and other benefits will be paid on account of members with prior service credit. Contributions to the pension accumulation fund from the effective date of the POA through fiscal year 2023 shall be made only in the amounts and from the sources identified in the POA.

The pension reserve fund represents funded pension benefits available for retired members and is funded by actuarially determined transfers from the pension accumulation fund. The transfers from the pension accumulation fund to the pension reserve fund for fiscal year 2024 retirements have not yet been determined.

The expense fund is the fund that will be credited with all money provided by the City to pay the administrative expenses of the System and from which all the expenses necessary in connection with the administration and operation of the System will be paid. At year end, this reserve balance is zero, as all employer contributions were credited to the pension accumulation fund.

Section K-3 of the Combined Plan provides for restoring the pension improvement factor (COLA) that was reduced as part of the POA under certain circumstances (see Note 10 for further information). As part of the terms of the restoration, a Restoration Reserve Account is established based on an actuary analysis. In 2022, the Restoration Reserve Account was established based on an actuarial calculation as of June 30, 2021, with an initial balance of $26.5 million. As of June 30, 2024, this amount is zero based on actuarial calculation. The Restoration Reserve Account will be credited with interest in an amount equal to the net return on plan investments but capped at the actuarially assumed rate of investment return. In the event of net losses, the credited asset value of the restoration reserve account will be diminished to reflect such losses and any required transfer the PFRS pension reserve account, as provided in the POA.

The balances of the reserve accounts for Component II (excluding the Income Stabilization Fund) as of June 30, 2024 are included in the table below. The reserve balances as of June 30, 2024 shown below do not include the current year transfer amount related to fiscal year 2024 retirements for amounts that are transferred from the pension accumulation fund to the pension reserve fund.

Note 6 - Pension Plan Reserves (Continued)

The balances of the reserve accounts at June 30, 2024 are as follows:

	Required Reserve	Amount Funded
Annuity savings fund	$ 78,671,706	$ 78,671,706
Pension reserve fund	2,707,993,272	2,210,888,843
Annuity reserve fund	29,767,445	29,767,445
Survivor's benefit fund	N/A	-
Pension accumulation fund	N/A	-
Restoration reserve account	-	-

Component I (Hybrid Plan)

In accordance with the Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan and state law, the following reserves are required to be set aside within the Component I (Hybrid) pension plan:

The accumulated mandatory employee contribution fund shall be the fund in which shall be accumulated the contributions of members to provide their retirement allowances. Upon the retirement, termination, or death of a member with a vested retirement allowance, the member's accumulated mandatory employee contributions shall be deemed to be part of the pension reserve that shall be used to pay the member's retirement allowance.

The accumulated voluntary employee contribution fund shall be the fund in which shall be accumulated the voluntary after-tax contributions of members together with earnings thereon, net of any refunds or withdrawals.

The pension accumulation fund shall be the fund in which shall be accumulated reserves for the retirement allowances and other benefits payable from that portion of the employer's annual contribution that is not credited to the rate stabilization fund and amounts transferred to Component I and from which shall be paid retirement allowances and other benefits on account of members. During fiscal year 2024, all employer contributions were directed by the City into the pension accumulation fund, and no amounts were credited to the rate stabilization fund.

The rate stabilization fund shall be the fund that shall be credited with the employer's annual contributions in excess of the amount of the employer's contribution that is credited to the pension accumulation fund and amounts transferred to Component I, as provided in Section G-2(f) of Component II. See Note 9 for details on the transfer provisions related to transfers between Component II and Component I. During fiscal year 2024, $0 was credited to the rate stabilization fund.

The deferred retirement option plan fund shall accumulate the amounts credited to the DROP accounts of members who have elected to participate in that program pursuant to Article 12, together with earnings thereon, provided that the DROP accounts are held and invested within the System. At year end, the DROP reserve is zero because the System is not holding those assets.

The medical benefit fund shall be the fund that will be credited with contributions made for the purpose of funding medical benefits. During the year, no such contributions were made, and, therefore, this reserve balance is zero.

The expense fund shall be the fund to which will be credited any money provided by the employers to pay the administrative expenses of the System and from which certain expenses incurred in connection with the administration and operation of the System will be paid. At year end, this reserve balance is zero, as all employer contributions were credited to the pension accumulation fund.

Note 6 - Pension Plan Reserves (Continued)

The income fund shall be the fund to which all interest, dividends, and other income derived from the investments of Component I of the System will be credited. Transfers from the income fund will be made to credit earnings and losses to various reserves of the System in accordance with the provisions of Component I of the combined plan document. Amounts credited to the income fund in excess of amounts needed to credit earnings and losses of the System, as provided in Component I for any plan year, shall be transferred to the pension accumulation fund. During fiscal year 2024, investment income was transferred to other reserve funds, and, therefore, this reserve balance at June 30, 2024 remains unfunded.

The balances of the reserve accounts for Component I as of June 30, 2024 are included in the table below. As of June 30, 2024, not all transfers from the accumulated mandatory employee contribution fund to the pension accumulation fund for retirements have occurred.

The balances of the above reserves for Component I that were funded as of June 30, 2024 are as follows:

	Required Reserve	Amount Funded
Accumulated mandatory employee contribution fund	$ 95,491,729	$ 95,491,729
Accumulated voluntary employee contribution fund	5,454,201	5,454,201
Pension accumulation fund	N/A*	278,647,508
Rate stabilization fund	14,098,079	14,098,079

*Required reserve has not been calculated as of June 30, 2024.

Note 7 - Net Pension Liability of the City for Component II (Legacy Plan)

The net pension liability of the City has been measured as of June 30, 2024 and is composed of the following:

Total pension liability	$ 3,075,821,366
Plan fiduciary net position	2,319,327,994
City's net pension liability	$ 756,493,372
Plan fiduciary net position as a percentage of the total pension liability	75.41 %

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2023, which used update procedures to roll forward the estimated liability to June 30, 2024. The valuation used the following actuarial assumptions applied to all periods included in the measurement:

Inflation	N/A	
Salary increases	N/A	No inflation assumption or salary increases due to plan freeze as of June 30, 2014
Investment rate of return	6.75%	Net of pension plan investment expense, including inflation

Note that the long-term assumed rate of return used for the purpose of the GASB Statement No. 67 valuations was determined in accordance with generally accepted accounting principles. This rate will change annually based on capital market expectations in consideration of the System's most recently approved asset mix. Although in the current year the assumptions are identical, the investment return used for financial reporting purposes should not be confused with the provisions in the Plan of Adjustment, which established a 6.75 percent assumed rate of return that does not change annually, as it is set by the POA for the purpose of the various provisions within the plan; the Plan of Adjustment did not attempt to dictate the long-term rate of return to be used for accounting purposes.

Note 7 - Net Pension Liability of the City for Component II (Legacy Plan) (Continued)

The mortality table assumption was based on the PubS-2010 Public Safety Retiree Table for males and females. The tables are projected to be fully generational based on the two-dimensional, sex-distinct mortality scale MP-2021.

The actuarial assumptions, other than the investment rate of return, used in the June 30, 2023 valuation to calculate the total pension liability as of June 30, 2024 were based on the results of an actuarial experience study for the period from July 1, 2015 through June 30, 2020.

Cost of Living Adjustments (COLA)

For the calculation of the total pension liability, COLA generally has been limited in accordance with the Plan of Adjustment to 1.0125 percent.

Attribution Period

As addressed more fully in Note 10, as of June 30, 2014, the plan was frozen such that no new benefit accruals were allowed, and no new members could join. Starting on July 1, 2014, the participants in this Legacy Plan (Component II) will now be earning benefits under a newly created defined benefit plan (Component I). GASB Statement No. 67 requires that the service costs of all pensions be attributed through all assumed exit ages, through retirement. Neither GASB Statement No. 67 nor any other GASB standard has set forth guidance specifically related to frozen plans with successor plans in place. Absent any guidance to the contrary, due to the status as a frozen plan combined with the fact that individuals are now earning service in a new defined benefit pension plan, the retirement date for the purpose of attribution was assumed to be June 30, 2014 for all members. Therefore, the total pension liability at June 30, 2024 is equal to the present value of projected benefit payments.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2024 was 6.75 percent; however, 6.93 percent was the single discount rate used at the beginning of the year. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on the above assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate. Contributions to the System are projected based on actuarially determined amounts. On November 1, 2024, the System and the City agreed to a funding policy to utilize a 30-year level-principal amortization method. The projection of cash flows assumes full funding of the actuarially assumed contributions will be made at rates sufficient to fund the benefits by amortizing the unfunded liability over a closed 30-year period.

Note 7 - Net Pension Liability of the City for Component II (Legacy Plan) (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return as of June 30, 2024 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment note, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. equity	3.90 %
Non-U.S. equity	4.70
Private equity	6.85
Global minimum volatility	4.52
Private credit	6.10
High yield	4.43
Core fixed income	2.73
Midstream energy	5.55
Private real estate	4.80
Commodities	3.70
Cash	1.33

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75 percent) or 1 percentage point higher (7.75 percent) than the current rate:

	1 Percentage Point Decrease (5.75%)	Current Discount Rate (6.75%)	1 Percentage Point Increase (7.75%)
Net pension liability of the City	$ 1,036,872,717	$ 756,493,372	$ 517,092,142

Note 8 - Net Pension Asset of the City for Component I (Hybrid Plan)

The net pension asset of the City has been measured as of June 30, 2024 based on benefits in force as of that date and is composed of the following:

Total pension liability	$ 386,415,636
Plan fiduciary net position	393,691,517
City's net pension asset	$ (7,275,881)
Plan fiduciary net position as a percentage of the total pension liability	101.88 %

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2023, which used update procedures to roll forward the estimated liability to June 30, 2024. The following are the significant assumptions:

Wage inflation assumption was 3 percent per year.

Note 8 - Net Pension Asset of the City for Component I (Hybrid Plan) (Continued)

The investment rate of return (net of pension plan investment expense, including inflation) applied to the beginning of year total pension liability was 6.75 percent; However, 6.93 was the single discount rate used at the beginning of the year. The rates were determined in accordance with generally accepted accounting principles. This rate will change annually based on capital market expectations in consideration of the System's most recently approved asset mix. Although in the current year the assumptions are identical, the investment return used for financial reporting purposes should not be confused with the provisions in the Plan of Adjustment, which also established a 6.75 percent assumed rate of return that does not change annually, as it is set by the POA for the purpose of the various provisions within the plan; the Plan of Adjustment did not attempt to dictate the long-term rate of return to be used for accounting purposes.

The mortality table assumption was based on the PubS-2010 Public Safety Retiree Table. The tables are projected to be fully generational, based on the two-dimensional, sex-distinct mortality scale MP-2021.

The actuarial assumptions, other than the investment rate of return, used in the June 30, 2023 valuation to calculate the total pension liability as of June 30, 2024 were based on the results of an actuarial experience study for the period from July 1, 2015 through June 30, 2020.

Cost of living adjustments: This plan has a postretirement COLA feature known as the Variable Pension Improvement Factor (VPIF) of a 1 percent compound COLA. It can be granted beginning on July 1, 2015 only if the five-year projection shows the plan's funded status above 90 percent based upon 6.75 percent future investment return. For the purpose of the total pension liability, the actuary assumed the full 1.00 percent compound COLA to model the potential average COLA over time.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2024 was 6.75 percent; However, 6.93 was the single discount rate used at the beginning of the year. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees at both the beginning of the year and the end of the year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate. Contributions to the System are projected to be at the actuarially determined amounts. The projection of cash flows assumes full funding of the actuarially assumed contributions will be made at rates sufficient to fund the benefits by amortizing the unfunded liability over a closed 15-year period, based on the System's adopted funding policy.

The long-term expected rate of return on future pension plan investments is the same as Component II given that the assets are commingled (see Note 7).

Note 8 - Net Pension Asset of the City for Component I (Hybrid Plan) (Continued)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the City, calculated using the discount rate of 6.75 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75 percent) or 1 percentage point higher (7.75 percent) than the current rate:

	1 Percentage Point Decrease (5.75%)	Current Discount Rate (6.75%)	1 Percentage Point Increase (7.75%)
Net pension liability (asset) of the City	$ 59,823,417	$ (7,275,881)	$ (60,847,463)

Note 9 - Commitments

The combined plan document setting forth the Legacy Plan (Component II) contains a provision for the transfer of certain excess investment returns to the new Hybrid Plan (Component I). In any plan year during the period beginning on or after July 1, 2014 and ending on June 30, 2023, if the annual rate of return credited to member annuity savings fund accounts is less than the actual rate of return net of expenses of the Plan's invested assets for the second plan year preceding the plan year in which the annual rate of return is credited, the excess earned shall be transferred to the pension accumulation fund maintained under Component I of the System and will be used to fund transition costs related to Component I. The transition cost is a measure of the liability that Component I has at its inception due to the fact that members in Component I receive vesting and eligibility credit under Component I for service that was earned prior to July 1, 2014 and is otherwise credited to members under Component II. Such transition costs have been calculated by the System's actuary. Yearly transfers to fund these costs are required in the second year following the year in which the return is earned based on a two-year look-back.

Based on these provisions, $0 and $8,448,522 was transferred from Component II to Component I toward the transition costs in fiscal years ended June 30, 2024 and 2023, respectively. The cumulative amount of transfers from prior fiscal years was $34,098,079. No more transfers will occur given the combined plan document only specified transfers to be made through June 30, 2023.

Note 10 - City of Detroit, Michigan's Chapter 9 Bankruptcy Plan of Adjustment and Continuing Impact on the Plan

In March 2013, after enduring years of financial difficulty, the City of Detroit, Michigan filed for bankruptcy protection. The Eighth Amended Plan for Adjustment of Debts of the City of Detroit, Michigan was filed with the Bankruptcy Court on October 22, 2014. In November 2014, after a confirmation hearing lasting several weeks, the Bankruptcy Court confirmed the Plan of Adjustment, which became effective on December 10, 2014.

In fiscal year 2015, the System began implementing the provisions of the POA, which included a 55 percent reduction in cost of living adjustments (or escalators) and a program for income stabilization for certain of the most vulnerable retirees. Separately, at the start of the 2015 fiscal year, the City, through the emergency manager, adopted ordinances that resulted in the freeze of the Legacy Plan (Component II) as of June 30, 2014 and creation of the new Hybrid Plan (Component I) effective July 1, 2014.

Note 10 - City of Detroit, Michigan's Chapter 9 Bankruptcy Plan of Adjustment and Continuing Impact on the Plan (Continued)

The POA also required certain governance changes for the System. Those governance changes included establishment of the Investment Committee effective December 10, 2014, which officially marked the beginning of implementation of the POA, though the System had for several months already undertaken contingency planning for all of the pension adjustments. In addition to governance changes, the POA requires of the System, through its board of trustees and the Investment Committee, certain periodic and interim reporting obligations to the City, the Foundation for Detroit's Future, and the State of Michigan. Though there were some delays in fiscal year 2017 in meeting certain obligations because of new actuarial reporting requirements for governmental systems, which in turn impacted the preparation of the System's audited financial statements, the System believes it has ultimately met its special reporting obligations in fiscal year 2017 and continued to do so in 2018 through 2024.

Legacy Plan (Component II)

The Fourth Amended Disclosure Statement (the "Pension Settlement"), as part of the POA, compromised pension claims and provided funding support for legacy pension benefit obligations under the Police and Fire Retirement System of the City of Detroit Component II from the State of Michigan and the Detroit Institute of Arts.

For DPFRS, with respect to Component II benefit adjustments, the Pension Settlement (for which benefit levels were and are contingent on other factors, including receipt of outside contributions) provided for the following:

- A 55 percent reduction in cost of living adjustments or escalators, paid after July 1, 2014
- The possibility of restoration of certain pension benefit cuts, based on a program for the most financially vulnerable pensioners and beneficiaries through the State of Michigan Treasury Department, as well as a new feature of Component II allowing restoration depending on the System's funding level over time
- An Income Stabilization Program (the “ISF Program”) was established as part of the State Contribution Agreement as another facet of the Pension Settlement. The ISF Program, supported by city funds arising from an unlimited tax general obligation bonds settlement, is intended to ensure that the most financially vulnerable retirees and beneficiaries do not fall below the poverty line as a result of bankruptcy-related pension changes. Beginning on March 1, 2015, certain DPFRS members also received benefit pension cut restoration under the Income Stabilization Program administered by DPFRS, pursuant to the State Contribution Agreement, based on eligibility and benefit payments calculated by the State of Michigan. Following the close of the fiscal year ended June 30, 2016 and pursuant to Component II of the Combined Plan and the State Contribution Agreement, the System implemented the first annual ISF Program benefit adjustments effective July 1, 2016.
- The POA also discusses a restoration plan. Terms of the pension restoration are contained in Exhibit II.B.3q.ii.C of the POA, and the terms govern how accrued pensions, including COLA benefits that were reduced as a part of the POA, may be restored over the 30-year period following the confirmation order. The Investment Committee will supervise the restoration process in accordance with the restoration plan. The restoration plan shall be deemed a part of Component II. As of June 30, 2024, no pension restorations have been approved.

As of March 1, 2015, less than three months after the effective date of the POA, DPFRS successfully implemented the vast majority of benefit changes required by the POA, including the ISF Program coordinated in conjunction with the Michigan Department of Treasury.

Note 10 - City of Detroit, Michigan's Chapter 9 Bankruptcy Plan of Adjustment and Continuing Impact on the Plan (Continued)

The obligations for contributions to support Component II of the System through 2023 was determined as fixed amounts by the provisions in the POA. Pursuant to the POA, the System was expected to receive contributions totaling $260.7 million through fiscal year 2023. The POA called for the System to receive $96 million from the State of Michigan and at least the present value of $164.7 million from foundation donors covering fiscal year 2015 through fiscal year 2023, as well as at least the present value of $50 million over a 10-year period ending in 2034. After 2023, the City will retain responsibility for the full funding obligations of Component II of the System, consistent with Michigan law.

In fiscal year 2024, DPFRS received all contributions required by the POA from the foundation donors.

Hybrid Plan (Component I)

In the new Hybrid Plan, effective July 1, 2014, the following provisions were in place:

- Active employees are allowed to make voluntary contributions up to 10 percent of total after-tax pay. Interest will be credited to those accounts at the actual net investment rate of return for DPFRS, but it will not be lower than 0 percent or more than 5.25 percent.
- Employer contributions by the City will be between 11.2 and 12.25 percent of base compensation until fiscal year 2024.
- A variable pension improvement factor of 1.0 percent, which operates similar to an escalator (or COLA), is available, subject to certain Hybrid Plan (Component I) funding level requirements being maintained.

DPFRS continues to implement the POA, which includes ongoing compliance and additional reporting requirements by the Board and the Investment Committee, annual review of benefit levels, and essentially provides for a 40-year plan to close the DPFRS Legacy Component II underfunded liability.

Note 11 - City of Detroit, Michigan Commitment to Future Funding

In anticipation of significant actuarially required contributions commencing in fiscal year 2024, the City, independent of the System, has established a Retiree Protection Trust Fund (the "Trust"). The Trust, a permanent irrevocable trust under Sections 115 and 414(d) of the Internal Revenue Code, is to receive, maintain, and invest city funds restricted for future deposits to the General Retirement System Plan and the Police and Fire Retirement System Plan as part of an effort to manage and stabilize future required city contributions to the plans. The City has set aside approximately $406 million for this Trust as of June 30, 2024 for future contributions to the General Retirement System Plan and the Police and Fire Retirement System Plan. Contributions to the System will be recognized as the City makes distributions from this independent trust to the System.

Required Supplementary Information

Required Supplementary Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios (Legacy Plan)

Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Interest	$ 204,037,131	$ 211,948,210	$ 237,148,881	$ 248,397,228	$ 253,048,801	$ 256,873,505	$ 257,841,119	$ 261,449,503	$ 264,233,821	$ 306,063,331
Changes in benefit terms	-	-	(2,370,648)	-	(4,490,368)	(3,111,623)	-	-	-	(555,898,068)
Differences between expected and actual experience	27,488,387	(32,733,157)	(51,650,288)	(57,047,219)	(13,062,993)	(3,862,962)	32,674,674	(10,648,606)	45,955,553	(59,621,651)
Changes in assumptions	45,860,741	-	(275,526,672)	87,209,168	13,171,037	-	(6,975,457)	(4,082,068)	114,463,362	(95,014,469)
Benefit payments, including refunds	(291,647,281)	(295,096,800)	(297,137,096)	(300,892,657)	(300,575,691)	(305,611,684)	(308,390,724)	(306,098,871)	(304,467,162)	(313,816,916)
Net Change in Total Pension Liability	(14,261,022)	(115,881,747)	(389,535,823)	(22,333,480)	(51,909,214)	(55,712,764)	(24,850,388)	(59,380,042)	120,185,574	(718,287,773)
Total Pension Liability - Beginning of year	3,090,082,388	3,205,964,135	3,595,499,958	3,617,833,438	3,669,742,652	3,725,455,416	3,750,305,804	3,809,685,846	3,689,500,272	4,407,788,045
Total Pension Liability - End of year	**$ 3,075,821,366**	**$ 3,090,082,388**	**$ 3,205,964,135**	**$ 3,595,499,958**	**$ 3,617,833,438**	**$ 3,669,742,652**	**$ 3,725,455,416**	**$ 3,750,305,804**	**$ 3,809,685,846**	**$ 3,689,500,272**
Plan Fiduciary Net Position										
Contributions - Employer, state, and foundation	$ 89,100,000	$ 18,300,000	$ 18,300,000	$ 18,300,000	$ 18,300,000	$ 18,300,000	$ 18,300,000	$ 18,300,000	$ 37,787,744	$ 114,300,000
Contributions - Employee	-	-	-	-	-	3,600	42,114	14,055	24,801	593,292
Net investment income (loss)	211,108,372	155,458,479	(26,673,664)	614,813,767	31,216,638	98,338,862	237,675,162	282,398,410	24,618,573	122,736,820
Administrative expenses	(2,969,158)	(2,793,367)	(2,482,715)	(1,970,846)	(2,449,246)	(2,956,754)	(4,933,926)	(4,433,656)	(3,103,689)	(7,630,692)
Benefit payments, including refunds	(291,647,281)	(295,096,799)	(297,137,096)	(300,892,657)	(300,575,691)	(305,611,684)	(308,390,724)	(306,098,871)	(304,467,163)	(313,816,916)
Other	2,001,029	(6,247,535)	1,034,190	1,575,135	(86,917)	(3,534,473)	1,469,201	(18,508,410)	855,743	2,368,638
Net Change in Plan Fiduciary Net Position	7,592,962	(130,379,222)	(306,959,285)	331,825,399	(253,595,216)	(195,460,449)	(55,838,173)	(28,328,472)	(244,283,991)	(81,448,858)
Plan Fiduciary Net Position - Beginning of year	2,311,735,032	2,442,114,254	2,749,073,539	2,417,248,140	2,670,843,356	2,866,303,805	2,922,141,978	2,950,470,450	3,194,754,441	3,276,203,299
Plan Fiduciary Net Position - End of year	**$ 2,319,327,994**	**$ 2,311,735,032**	**$ 2,442,114,254**	**$ 2,749,073,539**	**$ 2,417,248,140**	**$ 2,670,843,356**	**$ 2,866,303,805**	**$ 2,922,141,978**	**$ 2,950,470,450**	**$ 3,194,754,441**
Net Pension Liability - Ending	**$ 756,493,372**	**$ 778,347,356**	**$ 763,849,881**	**$ 846,426,419**	**$ 1,200,585,298**	**$ 998,899,296**	**$ 859,151,611**	**$ 828,163,826**	**$ 859,215,396**	**$ 494,745,831**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.41 %	74.81 %	76.17 %	76.46 %	66.81 %	72.78 %	76.94 %	77.92 %	77.45 %	86.59 %
Covered Payroll	$ -	$ 62,310,581	$ 65,659,238	$ 64,314,961	$ 71,842,120	$ 105,233,078	$ 111,407,220	$ 116,288,356	$ 126,865,176	$ 134,758,956
Net Pension Liability as a Percentage of Covered Payroll	- %	1,249.14 %	1,163.35 %	1,316.06 %	1,671.14 %	949.23 %	771.18 %	712.16 %	677.27 %	367.13 %

GASB Statement No. 67, as amended, requires covered payroll to be presented, as well as the net pension liability as a percentage of covered payroll. Covered payroll for 2024 is not available.

Required Supplementary Information
Schedule of Investment Returns (Legacy and Hybrid Plans)

Last Ten Fiscal Years

Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return - Net of investment expense	9.86 %	8.62 %	(2.00)%	25.40 %	1.97 %	4.95 %	8.20 %	11.30 %	1.30 %	3.80 %

Fiscal year 2015 does not include information related to the Hybrid Plan. The Hybrid Plan was effective July 1, 2014 and for the first year (fiscal year 2015) did not invest in anything other than cash and cash equivalents.

Required Supplementary Information
Schedule of City Contributions (Legacy Plan)

Last Ten Fiscal Years

Years Ended June 30

	2024	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
Actuarially determined contribution	$ 89,100,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	89,100,000	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered Payroll	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a Percentage of Covered Payroll	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %

*The contributions starting with fiscal year 2015 through 2023 were determined by the provisions of the POA; the contributions were not actuarially determined and, therefore, not subject to disclosure in accordance with GASB Statement No. 67 within this schedule.

Notes to Schedule of City Contributions (Legacy Plan)

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Unit credit
Amortization method	Level principal, closed
Remaining amortization period	30 years (Beginning with fiscal year 2024 contribution)
Asset valuation method	3-year smoothed market
Inflation	N/A
Salary increase	N/A
Investment rate of return	6.75 percent
Mortality	PubS-2010 Public Safety Retiree Table

Required Supplementary Information

Schedule of Changes in the City's Net Pension (Asset) Liability and Related Ratios (Hybrid Plan)

Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	$ 32,970,409	$ 30,897,667	$ 31,313,616	$ 29,728,185	$ 28,748,296	$ 26,663,624	$ 24,811,302	$ 25,414,182	$ 24,068,808	$ 24,835,814
Interest	21,731,369	17,741,101	13,848,191	12,024,767	9,617,240	7,633,137	5,787,404	4,474,574	2,743,066	894,089
Changes in benefit terms	-	-	(879,115)	-	(748,011)	(518,835)	-	-	-	-
Differences between expected and actual experience	27,136,940	15,257,828	26,669,076	(11,056,157)	(62,923)	(3,122,804)	(3,622,053)	(10,708,737)	(4,077,124)	-
Changes in assumptions	10,488,779	-	(8,591,674)	8,358,707	1,037,498	-	(305,021)	(221,533)	2,424,058	(1,008,119)
Voluntary employee contributions	-	116,424	379,146	387,694	439,745	278,811	96,205	34,134	15,459	14,370
Benefit payments, including refunds	(7,981,191)	(6,247,360)	(8,690,005)	(5,218,373)	(4,707,048)	(4,013,358)	(561,561)	(223,826)	(101,251)	-
Net Change in Total Pension Liability	84,346,306	57,765,660	54,049,235	34,224,823	34,324,797	26,920,575	26,206,276	18,768,794	25,073,016	24,736,154
Total Pension Liability - Beginning of year	302,069,330	244,303,670	190,254,435	156,029,612	121,704,815	94,784,240	68,577,964	49,809,170	24,736,154	-
Total Pension Liability - End of year	**$ 386,415,636**	**$ 302,069,330**	**$ 244,303,670**	**$ 190,254,435**	**$ 156,029,612**	**$ 121,704,815**	**$ 94,784,240**	**$ 68,577,964**	**$ 49,809,170**	**$ 24,736,154**
Plan Fiduciary Net Position										
Contributions - Employer	$ 26,739,022	$ 22,291,713	$ 20,055,026	$ 19,209,594	$ 18,028,236	$ 17,832,015	$ 19,244,806	$ 16,448,246	$ 15,831,763	$ 14,606,971
Mandatory employee contributions	15,180,977	12,740,944	11,314,603	10,691,537	9,926,428	9,489,473	9,074,671	8,554,893	7,958,271	7,390,335
Net investment income (loss)	31,766,329	18,728,395	(4,133,415)	50,626,671	1,389,177	5,235,528	8,634,505	8,897,786	252,426	21,019
Administrative expenses	(2,239,890)	(2,107,276)	(1,850,168)	(1,305,317)	(1,619,042)	(1,868,784)	(1,928,614)	(2,648,034)	(3,000,369)	(685,677)
Voluntary employee contributions	-	116,424	379,146	387,694	439,745	278,811	96,205	34,134	15,459	14,370
Benefit payments	(7,035,525)	(4,046,935)	(7,175,873)	(4,530,674)	(4,361,603)	(3,617,625)	(345,297)	(137,325)	(63,882)	(19,554)
Refunds	(945,666)	(2,200,425)	(1,514,132)	(687,699)	(345,445)	(395,733)	(216,264)	(86,501)	(37,369)	-
Other	626,864	8,486,143	21,133	48,759	1,628,497	4,042,474	55,354	20,009,058	-	-
Net Change in Plan Fiduciary Net Position	64,092,111	54,008,983	17,096,320	74,440,565	25,085,993	30,996,159	34,615,366	51,072,257	20,956,299	21,327,464
Plan Fiduciary Net Position - Beginning of year	329,599,406	275,590,423	258,494,103	184,053,538	158,967,545	127,971,386	93,356,020	42,283,763	21,327,464	-
Plan Fiduciary Net Position - End of year	**$ 393,691,517**	**$ 329,599,406**	**$ 275,590,423**	**$ 258,494,103**	**$ 184,053,538**	**$ 158,967,545**	**$ 127,971,386**	**$ 93,356,020**	**$ 42,283,763**	**$ 21,327,464**
City's Net Pension (Asset) Liability - Ending	**$ (7,275,881)**	**$ (27,530,076)**	**$ (31,286,753)**	**$ (68,239,668)**	**$ (28,023,926)**	**$ (37,262,730)**	**$ (33,187,146)**	**$ (24,778,056)**	**$ 7,525,407**	**$ 3,408,690**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	101.88 %	109.11 %	112.81 %	135.87 %	117.96 %	130.62 %	135.01 %	136.13 %	84.89 %	86.22 %
Covered Payroll	$ 213,059,936	$ 177,465,666	$ 163,686,288	$ 156,812,283	$ 150,648,322	$ 133,730,109	$ 145,936,144	$ 137,250,599	$ 130,510,339	$ 121,627,871
City's Net Pension (Asset) Liability as a Percentage of Covered Payroll	(3.41)%	(15.51)%	(19.11)%	(43.52)%	(18.60)%	(27.86)%	(22.74)%	(18.05)%	5.77 %	2.80 %

See notes to required supplementary information.

Required Supplementary Information
Schedule of City Contributions (Hybrid)

	Last Fiscal Year Year Ended June 30, 2024
Actuarially determined contribution	$ 26,739,022
Contributions in relation to the actuarially determined contribution	26,739,022
Contribution Deficiency (Excess)	**$ -**
Covered Payroll	**$ 213,059,936**
Contributions as a Percentage of Covered Payroll	**12.55 %**

Contributions before fiscal year 2024 were determined by the provisions of the POA; the contributions were not actuarially determined and, therefore, not subject to disclosure in accordance with GASB Statement No. 67 within this schedule.

Notes to Schedule of City Contributions (Hybrid)

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years closed (Beginning with fiscal year 2024 contributions)
Asset valuation method	3-year smoothed market
Inflation	3 percent wage inflation
Salary increase	3-9 percent, including inflation
Investment rate of return	6.75 percent
VPIF	1 percent
Mortality	PubS-2010 Public Safety Retiree Table

Benefit Changes

Legacy Plan

In 2014, the pension plan was frozen. No new employees are allowed to participate in the plan. All benefits for actives were frozen as of June 30, 2014 based on service and average final compensation accrued as of that date.

In 2015, the cost of living adjustments decreased to 1.0125 percent.

Legacy and Hybrid Plan

In 2019, new DROP plan provisions were adopted. The new provisions allow DPLSA members to participate in the program for a maximum of 10 years, up from the prior maximum of 5 years.

In 2020, new DROP plan provisions were adopted. The new provisions allow DPOA members to participate in the program for a maximum of 10 years, up from the prior maximum of 5 years.

In 2022, new DROP plan provisions were adopted. The new provisions allow DPLSA members to participate in the DROP program for a maximum of 15 years, up from the prior maximum of 10 years.

Changes in Assumptions

Legacy Plan

In 2014, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 8 percent to 7.2 percent and updating the mortality tables from the RP-2000 Combined Table to the RP-2014 Blue Collar Annuitant Table.

Legacy and Hybrid Plan

In 2015, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.2 percent to 7.47 percent.

In 2016, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.47 percent to 7.15 percent.

In 2017, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.15 percent to 7.17 percent.

In 2018, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.17 percent to 7.19 percent.

In 2020, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.19 percent to 7.15 percent.

In 2021, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.15 percent to 6.88 percent.

In 2022, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 6.88 percent to 6.93 percent and updating the mortality tables from the RP-2014 Blue Collar Annuitant Table to the Pub-2010 Public Safety Employee table, as well as updates to the wage inflation, withdrawal, and disability rates.

In 2024, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 6.93 percent to 6.75 percent.