



**POLICE AND FIRE RETIREMENT SYSTEM OF
THE CITY OF DETROIT
COMPONENT I and
COMPONENT II**

SUMMARY ANNUAL REPORT

For the Fiscal Year Ended
June 30, 2016

POLICE & FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

ALLY DETROIT CENTER

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Deutsche Asset Management
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Falconhead Capital
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Seminole Financial Services, LLC
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Stepstone Capital Partners
Stewart Capital Management
Superior Capital Partners, LLC
Syncom Venture Partners
Tailwind Capital Partners
The Lightstone Group
The Rohatyn Group
TIER REIT
US Real Estate Fund
Valstone Partners, LLC
Walker & Dunlop Capital, LLC
Walton Street Capital
Wind Point Partners

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INTRODUCTORY SECTION

LETTER FROM THE EXECUTIVE DIRECTOR AND CHAIRPERSON

Active and Retired Members and Interested Individuals:

We are pleased to submit the annual report for Component I and Component II of the Police & Fire Retirement System of the City of Detroit for the fiscal year ended June 30, 2016.

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

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

In addition to the economic changes discussed below, the POA established a nine member Investment Committee to assume responsibility for the investment of the Plan’s assets. The committee is comprised of four Police & Fire Retirement System Trustees and five financial professionals selected by the State of Michigan Financial Review Committee and the General Retirement System Board of Trustees.

As a part of the Plan of Adjustment and because of negotiations between the City of Detroit and the employees’ collective bargaining units, the original defined benefit plan, now known as Component II or the Legacy Plan, was frozen on June 30, 2014. All Component II benefits were also frozen as of June 30, 2014 based on service and average final compensation accrued as of that date and the provisions of the Police & Fire Retirement System as of June 30, 2014. All future cost-of-living adjustments were reduced by 55%.

Active members employed with the City on and after July 1, 2014 will earn service credit that entitles them to receive benefits under the Component I plan as set forth in the employees’ collective bargaining agreements. Pursuant to the Plan of Adjustment and federal law, the benefit terms presently in force under the Component I plan will remain unchanged through June 30, 2023.

Accounting System and Reports

The financial statements of the System are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are subject to external review. The financial statements have been audited by the independent accounting firm of Plante & Moran, PLLC. The 2016 financial statements contain more detailed information and is available for review on the System’s web site: www.rscd.org. Copies of the report can also be obtained by a written request to the System’s office.

Funding and Reserves

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

Investments

The System invests available funds in order to maximize income. The primary objective of the System’s investment policies are to ensure that the System meets their obligation to provide retirement benefits. The System’s portfolio of investments is diversified to provide the highest possible total return on assets with the least exposure to risk.

Closing

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

Respectfully Submitted

Jeffrey Pegg

Jeffrey Pegg
Chairperson
Board of Trustees

Cynthia A. Thomas

Cynthia A. Thomas
Executive Director

INTRODUCTORY SECTION

SUMMARY OF COMPONENT I PROVISIONS (Hybrid Plan)

Component I (Hybrid Plan) was created by negotiations between the City and Police and Fire Union Organizations for active uniformed employees of the City of Detroit to earn pension benefits on and after July 1, 2014. Active members employed with the City on and after July 1, 2014 will earn service credit that entitles them to receive benefits in the future in Component I. Pursuant to the Plan of Adjustment and federal law, the benefit terms presently in force will remain unchanged through June 30, 2023.

Funding requirements of Component I are:

- Mandatory Member Contributions of 6% of base pay if hired before 7-1-14, or 8% of base pay if hired on or after 7-1-2014. Either amount can increase if necessary to maintain funding levels at 100%
- The City's annual contributions for the period commencing July 1, 2014 through June 30, 2023 shall be 12.25% of the compensation of active employees.

Average Final Compensation

The average of the compensation received during the 5 consecutive years of Credited Service (including Prior Service) immediately preceding the date of the members last termination of City employment as a Police Officer or Firefighter. If the member has less than 5 years of Credited Service (including Prior Service), the Average Final Compensation is the average of the compensation received during all years of Credited Service.

Normal Retirement

Normal Retirement Age – Determined by the respective union contract.

Normal Retirement Amount – The retirement allowance payable to a member who retires on or after the normal retirement age is 2% times average final compensation times Credited Service (after June 30, 2014) measured to the nearest month.

Deferred Retirement (Vested Benefits) – Determined by the respective union contract.

Duty Disability Retirement

Eligibility – Individual must be totally disabled for duty for reasons of illness, injury, or disease resulting from performance of duty.

Amount – For the first 24 months, the member shall receive a basic benefit equal to 50% of his/her compensation plus a supplemental benefit equal to 16.67% of final compensation. After 24 months, if the Board finds that the member is disabled from any occupation the member shall continue to receive both the 50% and the 16.67% benefit until the member would have achieved 25 years of service. The 16.67% benefit ceases at the time the member would have had 25 years of service. Duty disability benefits continue to be paid until age 65, unless the member is found not to be disabled prior to that date. At the attainment of age 65, the member's benefit is reduced to 50% basic benefit. Earned income in any year acts to reduce the disability benefit in the following year, to the extent that earned income combined with the disability benefit exceeds the compensation at the time of disability (after adjustment for the Variable Improvement factor). Amounts payable from Worker's Comp or similar programs are offset against the amount otherwise payable.

Non-Duty Disability Retirement

Eligibility – Total and permanent disability that is not duty related but that occurred while employed by the City.

Amount – If the member has less than 5 years of Credited service, accumulated contributions are refunded or, at the members option, may be payable in the form of a cash refund annuity. No other benefits are payable. Members with 5 or more years of credited service at the time of disability may receive a benefit computed as a Normal Retirement benefit, but not less than 20% of Average Final Compensation. Earned Income in any year acts to reduce the disability benefit in the following year, to the extent that earned income combined with the disability benefit (after adjustment for the Variable Improvement factor) exceeds the compensation at the time of disability. Amounts payable from Worker's Comp or similar programs are offset against the amount otherwise payable.

INTRODUCTORY SECTION

SUMMARY OF COMPONENT II PROVISIONS (Legacy Plan)

Component II (Legacy Plan) benefits are frozen as of June 30, 2014 based on service and average final compensation accrued as of that date and the provisions of the Detroit Police and Fire Retirement System as it existed on June 30, 2014 and all future cost-of-living adjustments were reduced from 2.25% to 1.0125%. Component II benefits are payable after separation from service, upon meeting the eligibility conditions of the plan as it existed June 30, 2014, regardless of whether the individual is eligible to receive a Component I benefit at the time.

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

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

Normal Retirement

Eligibility – 25 years of service regardless of age. 20 years of service regardless of age for eligible DPOA and DFFA members. DFFA members must retire by age 60.

Annual Amount

Pre-1969 Members

For all members, 2.0% of AFC times the first 25 years of service, with a maximum allowance of 15/22 of a police officer's or a firefighter's annual rate of compensation.

1969 Plan Members

For all members, 2.5% of AFC times the first 25 years of service plus 2.1% of AFC times each of the next 10 years of service.

Type of Average Final Compensation (AFC)

The average of the current compensation for the ranks held in each of the last five years (last three years for DPCOA, Executive members and their Fire equivalents) plus longevity. Pension benefits for nonunion employees may not be diminished due to a reduction in compensation because of fiscal emergency. AFC includes prior longevity distributions during the averaging period in accordance with the following schedule: 1% of compensation after 5 years of service, 2% after 11 years, 3% after 16 years and 4% after 21 years.

Deferred Retirement (Vested Benefits)

Eligibility – 10 years of service, age 40 with 8 years of service for LSA members.

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

Benefit Commencement –

- DPOA and Fire equivalent members hired after 6/30/85 – unreduced benefit begins at age 62
- Other members – unreduced benefit begins at the age when the members would have first been eligible for regular retirement had the member continued in City service.

Duty Disability Retirement

Eligibility – Individual must be totally disabled for duty for reasons of illness, injury, or disease resulting from performance of duty.

Amount – For the first 24 months, the member shall receive a basic benefit equal to 50% of his/her compensation plus a supplemental benefit equal to 16.67% of final compensation. After 24 months, if the Board finds that the member is disabled from any occupation the member shall continue to receive both the 50% and the 16.67% benefit until the member would have achieved 25 years of service. The 16.67% benefit ceases at the time the member would have had 25 years of service. Duty disability benefits continue to be paid until age 65, unless the member is found not to be disabled prior to that date. At the attainment of age 65, the member's benefit is reduced to 50% basic benefit. Earned income in any year acts to reduce the disability benefit in the following year, to the extent that earned income combined with the disability benefit exceeds the compensation at the time of disability (after adjustment for the Variable Improvement factor). Amounts payable from Worker's Comp or similar programs are offset against the amount otherwise payable.

Non-Duty Disability Retirement

Eligibility – Total and permanent disability that is not duty related but that occurred while employed by the City.

Amount – If the member has less than 5 years of Credited service, accumulated contributions are refunded or, at the members option, may be payable in the form of a cash refund annuity. No other benefits are payable. Members with 5 or more years of credited service at the time of disability may receive a benefit computed as a Normal Retirement benefit, but not less than 20% of Average Final Compensation. Earned Income in any year acts to reduce the disability benefit in the following year, to the extent that earned income combined with the disability benefit (after adjustment for the Variable Improvement factor) exceeds the compensation at the time of disability. Amounts payable from Worker's Comp or similar programs are offset against the amount otherwise payable.

INVESTMENT SECTION

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

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

Asset Class	Target Allocation
Global Equity	38.00%
Fixed Income	28.00%
Private Real Estate	10.00%
Private Equity	10.00%
MLPs	5.00%
Hedge funds	5.00%
Public Real Estate	3.00%
Cash	1.00%

Historical Asset Class Performance By Calendar Year, As of 12/31/15 (Gross of Fees)

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
Total PFRS Plan	0.1%	9.0%	5.6%
Domestic Equity	0.2%	14.3%	10.6%
International Equity	-1.7%	6.0%	3.7%
Fixed Income	-0.2%	3.6%	5.1%
Opportunistic	-31.1%	n/a	n/a
Alternatives	-3.8%	4.7%	3.0%
Private Equity	7.9%	5.7%	3.7%
Real Estate	17.2%	17.0%	5.3%

ACTUARIAL & STATISTICAL SECTION

COMPONENT I

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

Assumptions, Methods and Additional Information

Actuarial Valuation Date	June 30, 2015
Pension Plan's Fiscal Year Ending Date	June 30, 2016
Single Discount Rate	7.15%
Long-term Expected Rate of Return	7.15%
Net Pension Liability	\$7,515,568
Mortality Table Used	RP-2014 Blue Collar Annuitant Table
Service Credit Accruals	A member is credited with one month of Credited Service for each calendar month in which the individual performs 140 hours or more of service for the employer as an employee. Credited Service is recorded from the later of July 1, 2014 or the date of hire, whichever is later.
Unfunded Actuarial Accrued Liabilities	The Employer's annual contributions for the period commencing July 1, 2014 through June 30, 2023 shall be (a) 11.2% of the compensation of active employees who are members of DFFA for pay periods ending on or before November 6, 2014 and members of DPOA for pay periods ending on or before October 3, 2014 and (b) 12.25% of the compensation of active employees who are members of DPCOA, DPLSA, and DPOA for pay periods ending on or after October 3, 2014 and DFFA for pay periods ending on or after November 6, 2014.

Sensitivity of Net Position Liability to the Single Discount Rate Assumption

The following presents the net pension liability of the City, calculated using the discount rate of 7.15 percent as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percent lower and 1 percentage point higher than the current rate:

<u>1% Decrease 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>1% Increase 8.15%</u>
\$16,292,305	\$7,515,568	\$543,207

Membership by the Numbers at June 30, 2015

Inactive plan members or beneficiaries currently receiving benefits	67
Inactive plan members entitled to but not yet receiving benefits	63
DROP Members	118
Active Plan Members	<u>2,484</u>
Total	<u><u>2,732</u></u>

Schedule of Contributions

Fiscal Year Ending	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency	Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	N/A	\$15,831,763	N/A	\$130,510,339	12.13%
2015	N/A	\$14,606,971	N/A	\$121,627,871	12.01%

ACTUARIAL & STATISTICAL SECTION

COMPONENT II

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

Assumptions, Methods and Additional Information

Actuarial Valuation Date	June 30, 2015
Pension Plan's Fiscal Year Ending Date	June 30, 2016
Single Discount Rate	7.15%
Long-term Expected Rate of Return	7.15%
Net Pension Liability	\$859,215,396
Mortality Table Used	RP-2014 Blue Collar Annuitant Table
Service Credit Accruals	A member is credited with one month of Credited Service for each calendar month in which the individual performs 140 hours or more of service for the employer as an employee. Credited Service is recorded from the later of July 1, 2014 or the date of hire, whichever is later.
Unfunded Actuarial Accrued Liabilities	Actual employer contributions through June 30, 2023 are set by the Plan of Adjustment. The amortization period and method after 2023 has not yet been established by the Board.

Sensitivity of Net Position Liability to the Single Discount Rate Assumption

The following presents the net pension liability of the City, calculated using the discount rate of 7.15 percent as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percent lower and 1 percentage point higher than the current rate:

<u>1% Decrease 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>1% Increase 8.15%</u>
\$1,262,658,184	\$859,215,396	\$521,560,546

Membership by the Numbers at June 30, 2015

Inactive plan members or beneficiaries currently receiving benefits	8,279
Inactive plan members entitled to but not yet receiving benefits	325
DROP Members	631
Active Plan Members	<u>2,386</u>
Total	<u><u>11,621</u></u>

ACTUARIAL & STATISTICAL SECTION

COMPONENT II

Schedule of Contributions

Fiscal Year Ending	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency	Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	\$50,642,443	-	\$50,642,443	\$165,552,280	0.00%
2013	\$42,005,173	-	\$42,005,173	\$186,694,166	0.00%
2012	\$49,760,229	\$20,733,429	\$29,026,800	\$205,800,278	10.1%
2011	\$81,642,112	\$81,642,112	-	\$220,461,691	37.0%
2010	\$57,808,485	\$32,808,485	\$25,000,000	\$228,829,999	14.3%
2009	\$61,151,057	\$36,151,057	\$25,000,000	\$231,795,528	15.5%
2008	\$58,934,636	\$41,113,934	\$17,820,702	\$232,812,606	17.7%
2007	\$57,423,366	\$57,423,366	-	\$230,173,964	25.0%

Contribution Requirements

The employer contributions for Fiscal Years 2015 to 2023 were set by the Plan of Adjustment. A contribution schedule showing the remaining POA mandated contributions through 2023 is as follows:

Fiscal Year	Unlimited Tax General Obligation	Foundation for Detroit's Future	Total
2017	\$ 2,586,767	\$ 18,300,000	\$ 20,886,767
2018	\$ 628,359	\$ 18,300,000	\$ 18,928,359
2019	-	\$ 18,300,000	\$ 18,300,000
2020	-	\$ 18,300,000	\$ 18,300,000
2021	-	\$ 18,300,000	\$ 18,300,000
2022	-	\$ 18,300,000	\$ 18,300,000
2023	-	\$ 18,300,000	\$ 18,300,000
Total	<u>\$ 3,215,126</u>	<u>\$ 128,100,000</u>	<u>\$ 131,315,126</u>

FINANCIAL SECTION
STATEMENT OF FIDUCIARY NET POSITON
COMPONENT I

	<u>2016</u>	<u>2015</u>
Assets		
Cash and Cash Equivalents	\$ 14,887,546	\$ 14,609,372
Investments - At Fair Value	27,411,246	7,428,186
Accrued Investment Income	72,954	-
Receivables from Investment Sales	648,954	-
Other Accounts Receivable	15,459	-
Cash & Investments Held as Collateral For Securities Lending	<u>2,079,579</u>	<u>-</u>
Total Assets	<u>45,115,738</u>	<u>22,037,558</u>
Liabilities		
Payables for Investment Purchases	737,707	-
Claims Payable to Retirees and Beneficiaries	19,554	19,554
Amounts Due Brokers Under Securities Lending Arrangements	2,072,145	-
Due to Other Funds	-	688,078
Other Liabilities	<u>2,569</u>	<u>2,462</u>
Total Liabilities	<u>2,831,975</u>	<u>710,094</u>
Net Position - Restricted for Pensions	<u>\$ 42,283,763</u>	<u>\$ 21,327,464</u>

FINANCIAL SECTION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
COMPONENT I

	<u>2016</u>	<u>2015</u>
Additions		
Investment Income		
Interest and Dividends	\$ 881,674	\$ 21,019
Net Increase (Decrease) in Fair Value of Investments	(517,249)	-
Less Investment Expense	<u>(127,229)</u>	<u>-</u>
Net Investment Income	<u>237,196</u>	<u>21,019</u>
Securities Lending Income		
Interest and Dividends	18,708	-
Net Unrealized Gain (Loss) on Collateral Pool	<u>(3,779)</u>	<u>-</u>
Net Securities Lending Income	<u>14,929</u>	<u>-</u>
Contributions:		
Employer	15,831,763	14,606,971
Employee	<u>7,973,730</u>	<u>7,404,705</u>
Total Contributions	<u>23,805,493</u>	<u>22,011,676</u>
Other Income	<u>301</u>	<u>-</u>
Total Additions - Net	24,057,919	22,032,695
Deductions		
Retirees' Pension and Annuity Benefits	63,882	19,554
Member Refunds and Withdrawals	37,369	-
General and Administrative Expenses	<u>3,000,369</u>	<u>685,677</u>
Total Deductions	<u>3,101,620</u>	<u>705,231</u>
Net Increase (Decrease) in Net Position Held in Trust	20,956,299	21,327,464
Net Position Restricted for Pensions - Beginning of Year	<u>21,327,464</u>	<u>-</u>
Net Position Restricted for Pensions - End of Year	<u>\$ 42,283,763</u>	<u>\$ 21,327,464</u>

FINANCIAL SECTION

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

COMPONENT I

	<u>2016</u>	<u>2015</u>
Total Pension Liability		
Service Cost	\$ 24,068,808	\$ 24,835,814
Interest	2,743,066	894,089
Difference Between Expected and Actual Experience	(4,086,963)	-
Assumption Changes	2,424,058	(1,008,119)
Benefits Payments, Including Refunds	(101,251)	-
Voluntary Employee Contributions	15,459	14,370
Net Change in Total Pension Liability	<u>25,063,177</u>	<u>24,736,154</u>
 Total Pension Liability- Beginning of Year	 <u>24,736,154</u>	 <u>-</u>
 Total Pension Liability- End of Year	 <u>\$ 49,799,331</u>	 <u>\$ 24,736,154</u>
 Plan Fiduciary Net Position		
Employer Contributions	\$ 15,831,763	\$ 14,606,971
Mandatory Employee Contributions	7,958,271	7,390,335
Voluntary Employee Contributions	15,459	14,370
Net Investment Income	252,426	21,019
Benefit payments, including refunds	(101,251)	(19,554)
Administrative Expenses	(3,000,369)	(685,677)
Net Change in Plan Fiduciary Net Position	<u>20,956,299</u>	<u>21,327,464</u>
 Plan Fiduciary Net Position - Beginning of Year	 <u>21,327,464</u>	 <u>-</u>
 Plan Fiduciary Net Position - End of Year	 <u>\$ 42,283,763</u>	 <u>\$ 21,327,464</u>
 Net Pension Liability	 <u>\$ 7,515,568</u>	 <u>\$ 3,408,690</u>
 Plan Fiduciary Net Position as a Percent of Total Pension Liability	 84.91%	 86.22%
 Covered Employee Payroll	 \$ 130,510,339	 \$121,627,871
 Net Pension Liability as a Percent of Covered Employee Payroll	 5.80%	 2.80%

FINANCIAL SECTION

GENERAL AND ADMINISTRATIVE EXPENDITURES

COMPONENT I

Wages & Benefits	\$	699,415
Professional Services		623,241
IT Contractual Fees		386,637
Legal Fees		504,142
Insurance Premiums		251,052
Rent Expense		96,335
Actuarial		79,284
Repairs & Maintenance		67,988
Printing		46,176
Trustee Expense		52,546
Computer Supplies, Equipment & Service		45,788
Media Consulting/Public Relations		27,918
Postage & Mailing		20,752
Storage		11,358
Dues & Subscriptions		12,806
Office Equipment		10,785
Internet Service Provider		7,940
Medical and Disability Claims		6,475
Utilities		6,009
Imaging		2,244
Parking Expense		25,353
Other Expenses		<u>16,125</u>
Total General & Administrative Expenses	\$	<u><u>3,000,369</u></u>

FINANCIAL SECTION
STATEMENT OF FIDUCIARY NET POSITION
COMPONENT II

	Defined Benefit Plan <u>2016</u>	Income Stabilization Fund <u>2016</u>	<u>Total</u>	Total <u>2015</u>
Assets				
Cash and Cash Equivalents	\$ 96,086,110	\$ 1,109,453	\$ 97,195,563	\$ 8,463,206
Investments - At Fair Value	2,845,261,156	-	2,845,261,156	3,178,536,462
Accrued Investment Income	9,790,020	-	9,790,020	12,545,899
Receivables from Investment Sales	67,358,480	-	67,358,480	85,114,310
Due From Other Funds	-	-	-	688,078
Other Accounts Receivable	437,534	-	437,534	434,435
Notes Receivable from Participants	12,332,115	-	12,332,115	15,053,631
Cash & Investments Held as Collateral		-		
For Securities Lending	215,850,849	-	215,850,849	300,530,137
Capital Assets	<u>463,139</u>	<u>-</u>	<u>463,139</u>	<u>1,286,517</u>
Total Assets	<u>3,247,579,403</u>	<u>1,109,453</u>	<u>3,248,688,856</u>	<u>3,602,652,675</u>
Liabilities				
Payables for Investment Purchases	76,570,332	-	76,570,332	98,755,550
Claims Payable to Retirees and Beneficiaries	429,736	-	429,736	168,737
Amounts Due Brokers Under		-		
Securities Lending Arrangements	215,079,254		215,079,254	303,831,129
Other Liabilities	<u>5,029,631</u>	<u>-</u>	<u>5,029,631</u>	<u>4,541,622</u>
Total Liabilities	<u>297,108,953</u>	<u>-</u>	<u>297,108,953</u>	<u>407,297,038</u>
Net Position - Restricted for Pensions	<u>\$ 2,950,470,450</u>	<u>\$ 1,109,453</u>	<u>\$ 2,951,579,903</u>	<u>\$ 3,195,355,637</u>

FINANCIAL SECTION

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

COMPONENT II

	Defined Benefit Plan <u>2016</u>	Income Stabilization Fund <u>2016</u>	<u>Total</u>	<u>Total 2015</u>
Additions				
Investment Income				
Interest and Dividends	\$ 98,382,965	\$ 7,085	\$ 98,390,050	\$ 101,499,674
Net Increase (Decrease) in Fair Value of Investments	(62,148,381)	-	(62,148,381)	32,851,015
Less Investment Expense	<u>(13,165,657)</u>	<u>-</u>	<u>(13,165,657)</u>	<u>(14,083,396)</u>
Net Investment Income	<u>23,068,927</u>	<u>7,085</u>	<u>23,076,012</u>	<u>120,267,293</u>
Securities Lending Income				
Interest and Dividends	1,941,854	-	1,941,854	1,649,855
Net Unrealized Gain (Loss) on Collateral Pool	<u>(392,208)</u>	<u>-</u>	<u>(392,208)</u>	<u>824,925</u>
Net Securities Lending Income	<u>1,549,646</u>	<u>-</u>	<u>1,549,646</u>	<u>2,474,780</u>
Contributions:				
Employer	-	564,281	564,281	622,540
Employee	24,801	-	24,801	593,292
State and Foundations	<u>37,787,744</u>	<u>-</u>	<u>37,787,744</u>	<u>114,300,000</u>
Total Contributions	<u>37,812,545</u>	<u>564,281</u>	<u>38,376,826</u>	<u>115,515,832</u>
Other Income	<u>855,743</u>	<u>-</u>	<u>855,743</u>	<u>2,368,638</u>
Total Additions - Net	63,286,861	571,366	63,858,227	240,626,543
Deductions				
Retirees' Pension and Annuity Benefits	285,936,674	63,109	285,999,783	289,362,656
Member Refunds and Withdrawals	18,530,489	-	18,530,489	24,480,857
General and Administrative Expenses	<u>3,103,689</u>	<u>-</u>	<u>3,103,689</u>	<u>7,630,692</u>
Total Deductions	<u>307,570,852</u>	<u>63,109</u>	<u>307,633,961</u>	<u>321,474,205</u>
Net Increase (Decrease) in Net Position Held in Trust	(244,283,991)	508,257	(243,775,734)	(80,847,662)
Net Position Restricted for Pensions - Beginning of Year	<u>3,194,754,441</u>	<u>601,196</u>	<u>3,195,355,637</u>	<u>3,276,203,299</u>
Net Position Restricted for Pensions - End of Year	<u>\$ 2,950,470,450</u>	<u>\$ 1,109,453</u>	<u>\$ 2,951,579,903</u>	<u>\$ 3,195,355,637</u>

FINANCIAL SECTION

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

COMPONENT II

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service Cost	\$ -	\$ -	\$ 34,967,708
Interest	264,233,822	306,063,330	304,737,369
Changes in Benefit Terms	-	(555,898,068)	(102,236,878)
Difference Between Expected And Actual Experience	45,955,553	(59,621,651)	-
Assumption Changes	114,463,362	(95,014,469)	540,356,835
Benefit Payments, Including Refunds	<u>(304,467,162)</u>	<u>(313,816,916)</u>	<u>(323,540,473)</u>
Net Change in Total Pension Liability	120,185,575	(718,287,774)	454,284,561
Total Pension Liability- Beginning of Year	<u>3,689,500,271</u>	<u>4,407,788,045</u>	<u>3,953,503,484</u>
Total Pension Liability- End of Year	<u>\$ 3,809,685,846</u>	<u>\$ 3,689,500,271</u>	<u>\$ 4,407,788,045</u>
Plan Fiduciary Net Position			
Contributions - State and Foundation	\$ 37,787,744	\$ 114,300,000	\$ -
Contributions - Employee	24,801	593,292	7,783,141
Net Investment Income	24,618,573	122,736,820	568,760,793
Administrative Expenses	(3,103,689)	(7,630,692)	(11,373,226)
Benefit Payments, including refunds	(304,467,163)	(313,816,916)	(323,540,473)
Other additions - Includes ASF Recoupment	<u>855,743</u>	<u>2,368,638</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	(244,283,991)	(81,448,858)	241,630,235
Plan Fiduciary Net Position - Beginning of Year	<u>3,194,754,441</u>	<u>3,276,203,299</u>	<u>3,034,573,064</u>
Plan Fiduciary Net Position - End of Year	<u>\$ 2,950,470,450</u>	<u>\$ 3,194,754,441</u>	<u>\$ 3,276,203,299</u>
Net Pension Liability	<u>\$ 859,215,396</u>	<u>\$ 494,745,830</u>	<u>\$ 1,131,584,746</u>
Plan Fiduciary Net Position as a Percent of Total Pension L	77.45%	86.59%	74.33%
Covered Employee Payroll	\$ 130,510,339	\$ 131,220,124	\$ 165,552,280
Net Pension Liability as a Percent of Covered Employee P:	658.40%	377.00%	683.50%

FINANCIAL SECTION
GENERAL AND ADMINISTRATIVE EXPENDITURES
COMPONENT II

Wages & Benefits	\$ 717,931
Professional Services	647,021
IT Contractual Fees	402,941
Legal Fees	504,142
Insurance Premiums	251,052
Rent Expense	117,005
Actuarial	105,068
Repairs & Maintenance	83,694
Printing	66,234
Trustee Expense	54,109
Computer Supplies, Equipment & Service	22,790
Media Consulting/Public Relations	28,032
Postage & Mailing	22,285
Storage	13,442
Dues & Subscriptions	12,806
Office Equipment	11,147
Internet Service Provider	10,342
Medical and Disability Claims	7,520
Utilities	6,009
Imaging	2,244
Parking Expense	1,232
Other Expenses	<u>16,644</u>
Total General & Administrative Expenses	<u><u>\$ 3,103,689</u></u>

FINANCIAL SECTION

BUDGET

COMPONENT I AND II

Investment Consultant Fees	\$	7,750,000
Salaries & Benefits		1,268,797
Contract Services		1,225,000
Legal Non-Investment		500,000
Rental-Building		259,800
Actuarial		250,000
Travel and Education		150,000
Office & Computer Equipment		125,000
Repairs and Maintenance		100,000
Printing		100,000
Telecommunications		30,000
Medical		25,000
Office Supplies		17,500
TOTAL BUDGETED EXPENDITURES	\$	<u><u>11,801,097</u></u>

OTHER INFORMATION SECTION

SERVICE PROVIDERS - COMPONENT I AND COMPONENT II

500 Webward, LLC	Klausner & Kaufman
Accuity	MAPERS
Accusoft Pegasus	Melissa Data Corp.
ADP	Mercury Storage
Allegra	Money-Media, Inc.
American Arbitration Association	MSCI, Inc.
BAB Associates, LLC	NCPERS
Bassett & Bassett	Neopost
Bloomberg Financial	New Century Group
Canon Solutions America, Inc.	Office Depot
Cawthorne, Kelley	Open Text
Cintas Corporation	Peernet, Inc.
Clark Hill, PLC	Pepper Hamilton, LLP
Comcast	Plante & Moran
Couzens, Lansky, Fealk, Ellis, PC	Preferred Data Systems, LLC
Crain's Detroit Business	Quill Corporation
Creative Breakthrough Inc.	Racine & Associates
Dalton Commercial Cleaning	Reginald E. O'Neal
Datawatch	Ricoh
Direct TV	Rochester Center for Behavioral Medicine
Electronic Security Systems, Inc.	Russell Investments
EMC Corporation	Schindler Elevator Corp.
Emerson Network Power Liebert Services	Shred-It USA
F. Logan Davidson, PC	Stout Risius Ross, Inc.
Fedex	Tape4backup.com
Forms Trac Enterprises, Inc.	Telecomm Solutions, LLC
Gabriel, Roeder, Smith & Co.	The New Century Group
George Peck & Associates	UHY, Advisors
Government Finance Officers Association	Ultimate Parking Management
Graphic Sciences, Inc.	Universal System Technologies, Inc.
Harland Technology Service	VanOverbeke, Michaud & Timmony, PC
International Foundation of Employee Benefits	Verizon Wireless
Iron Mountain Records Management, Inc.	Xerox

OTHER INFORMATION SECTION

TRAVEL SUMMARY REPORT – COMPONENT I AND COMPONENT II

Travel Summary July 01, 2015 - June 30, 2016														
NAME	REASON	LOCATION	DATES	COST							HOTEL	LEASE AGENT	AUTO TYPE	
				REGISTRATION	TRANSPORTATION & RELATED COSTS	LODGING	VEHICLE RENTAL	MEALS	MISC	TOTAL				
Adams, June	Klausner Kaufman Client Conference	Ft. Lauderdale, FL	3/6/16-3/9/16		244	663			256	60	1,223	Hyatt Regency	-	-
Adams, June	NASP Pension & Financial Services Conference	Atlanta, GA	6/12/16-6/15/16	150	375	1,036			320	75	1,956	Hyatt	-	-
Bigelow, Ryan	Due Diligence - Real Estates Consultants & Manager	Cleveland, OH	10/19/2015	-	222				114	15	351	-	-	-
Bigelow, Ryan	Due Diligence - Private Equity & Hedge Fund Managers	Chicago, IL	10/20/15-10/21/15		260				100	30	390	-	-	-
Bigelow, Ryan	Due Diligence - Hodge Funds & Private Equity	New York, NY	12/9/15-12/12/15		994	1,160			300	60	2,514	Lexington	-	-
Bigelow, Ryan	Due Diligence - Wilshire Associates Private Equity	Pittsburg, PA	1/18/16-1/19/16		341	329			128	30	828	Farimont	-	-
Bigelow, Ryan	Due Diligence - Equus Partners Hamilton Park	Philadelphia, PA	2/24/16-2/26/16		937	460			192	45	1,635	Inn at Union League	-	-
Bigelow, Ryan	EIF Annual Conference	San Diego, CA	5/9/16-5/13/16		347	762	211		188	38	1,544	Farimont	Dollar	Cruze
Bigelow, Ryan	Due Diligence - Book Cadillac	Cleveland, OH	6/27/2016		225				64	15	304	-	-	-
Bigelow, Ryan	Due Diligence - Valstone	Ft. Lauderdale, FL	6/14/16-6/15/16		96		71		128	30	325	-	Enterprise	Malibu
Bigelow, Ryan	Due Diligence - Harrison Street	Chicago, IL	5/26/16-5/27/16		302	348			150	30	830	Homewood Suites	-	-
Cetlinski, David	Klausner Kaufman Client Conference	Ft. Lauderdale, FL	3/6/16-3/9/16		329	663			256	60	1,308	Hyatt Regency	-	-
Cetlinski, David	American Management Associaton	Boston, MA	5/16/16-5/17/16	1,895	392	1,178			300	60	3,825	Boxer		
James, Angela	NCPERS Public Safety Employees Pension & Benefit Cnf	Rancho Mirage, CA	10/25/15-10/28/15	800	1,247	1,239	107		375	75	3,843	Westin	Desert	Corolla
James, Angela	Klausner Kaufman Client Conference	Ft. Lauderdale, FL	3/6/16-3/9/16		683	915	157		320	75	2,149	Hyatt Regency	Dollar	Journey
James, Angela	NCPERS Annula Conference	San Diego, CA	5/14/16-5/19/16	800	712	1,314			450	90	3,366	Hilton		
James, Angela	NASP Pension & Financial Services Conference	Atlanta, GA	6/12/16-6/15/16	125	471	899	166		256	60	1,977	Loews	Dollar	Rogue
Jones, Brenda	NASP Pension & Financial Services Conference	Atlanta, GA	6/12/16-6/15/16	150	430	864	232		256	60	1,992	Loews	Alamo	Journey
Krushena, Michael	Due Diligence - Wilshire Associates Private Equity	Pittsburg, PA	1/18/16-1/19/16			295			128	30	453	-	-	-
Pegg, Jeff	Klausner Kaufman Client Conference	Ft. Lauderdale, FL	3/6/16-3/9/16		300	663			256	60	1,279	Hyatt Regency	-	-
Portia, Roberson	Klausner Kaufman Client Conference	Ft. Lauderdale, FL	3/6/16-3/9/16		406	729			256	60	1,451	Hyatt Regency	-	-
Portia, Roberson	NASP Pension & Financial Services Conference	Atlanta, GA	6/12/16-6/15/16	150	1,055	812			256	60	2,333	Loews	-	-
Thomas, Tracy	NCPERS Conference Public Pension Funding Forum	Berkley, CA	8/23/15-8/25/15	300	1,044	685			225	45	2,299	Shattuck Plaza	-	-
Thomas, Tracy	IFEBP Employee Benefits Conference	Honolulu, HI	11/5/15-11/10/15	2,165	1,517	1,598	245		450	75	6,050	Hilton	Budget	Escape
Thomas, Tracy	AFEBT Certificate Series	San Diego, CA	2/15/16-2/20/16	1,390	1,079	647			225	45	3,386	Westin	-	-
Thomas, Tracy	Klausner Kaufman Client Conference	Ft. Lauderdale, FL	3/6/16-3/9/16		1,184	888	129		320	75	2,595	Hyatt Regency	Budget	Fusion
Thomas, Tracy	IFEBP Investment Institute	Las Vegas, NV	3/12/16-3/16/16	1,385	1,162	699	189		320	75	3,830	Bally's	Budget	Impala
Thomas, Tracy	IFEBP Health Care Management Conference	Phoenix, AZ	4/10/16-4/13/16	1,385	1,253	448	297		256	60	3,699	Hilton	Budget	Compass
Thomas, Tracy	NASP Pension & Financial Services Conference	Atlanta, GA	6/12/16-6/16/16	175	694	593	178		320	75	2,035	Loews	Budget	Escape
Total				\$ 10,870	\$ 18,301	\$ 19,888	\$ 1,981	\$ 7,165	\$ 1,568	\$ 59,772				