Combined Plan for the General Retirement System of the City of Detroit

Financial Report
with Supplemental Information
June 30, 2020

Contents

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Combined Plan for the General Retirement
System of the City of Detroit

Report on the Financial Statements

We have audited the accompanying financial statements of the Combined Plan for the General Retirement System of the City of Detroit (the "Combined Plan") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Combined Plan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Combined Plan for the General Retirement System of the City of Detroit as of June 30, 2020 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.

To the Board of Trustees
Combined Plan for the General Retirement
System of the City of Detroit

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, 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 supplemental 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.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Combined Plan for the General Retirement System of the City of Detroit's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Combined Plan for the General Retirement System of the City of Detroit's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

December 7, 2020

As management of the General Retirement System of the City of Detroit (DGRS or the “System”), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2020.

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 supplemental 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 supplemental information that further explain and support the information in the financial statements.

Financial Highlights

- The coronavirus pandemic has had a major impact on the lives of many people, companies, and industries throughout the world. The System has not been exempt from those effects. However, while learning to adjust to this new environment, we have managed to maintain relatively smooth operations. With the safety and well-being of our staff in mind, coupled with the goal of providing excellent service to our members, we quickly made the changes that we believed to be necessary. We almost seamlessly moved most of our staff to a remote work environment, with only essential employees on-site. We also moved our board meetings to a virtual platform, as required by the executive order issued by the governor of the State of Michigan. This transition encouraged us to make additional worthwhile investments in technology to ensure that those employees who were required to work remotely could do so successfully.

  The pandemic has posed financial constraints on the local city government and the U.S. economy at large. Many of the System’s employees went on furlough in the spring. The employees who are required to furlough take one unpaid day off per week. This is an additional measure that will reduce the outflow of the System’s financial resources, which were affected by the decline in the global markets. We are continuing to exercise prudence in our management of the System’s resources while going above and beyond to meet the needs of our members.

- The new ERP system is expected to go live in the year ahead. We are looking to continue providing ease and convenience for member through technology. The new system will allow members access to numerous online self-service features, such as payroll deduction updates, direct deposit changes, address changes, annuity balance lookup, and pension benefit estimates.

Condensed Financial Information

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

	2020	2019
Assets	$ 1,836,829,539	$ 2,042,715,457
Liabilities	76,467,270	101,162,439
Fiduciary Net Position Restricted for Pensions	**$ 1,760,362,269**	**$ 1,941,553,018**

		2020		2019
Additions				
Net investment (loss) income	$	(16,654,059)	$	50,262,545
Securities lending income		322,235		521,092
Contributions:				
Employer		60,415,861		80,105,699
Employee		15,929,752		15,570,185
Foundation		375,000		375,000
Total contributions		76,720,613		96,050,884
ASF recoupment interest		6,214,543		6,437,967
Transfer from Component II to Component I		1,178,130		9,015,677
Other income		1,889,540		496,101
Total additions		69,671,002		162,784,266
Deductions				
Retirees' pension and annuity benefits		231,838,550		236,271,384
Member refunds and withdrawals		12,242,608		16,657,103
Transfer to Component I from Component II		1,178,130		9,015,677
General and administrative expenses		3,891,706		4,966,003
ASF recoupment write-off		1,710,757		3,214,754
Total deductions		250,861,751		270,124,921
Net Decrease in Net Position Held in Trust	**$**	**(181,190,749)**	**$**	**(107,340,655)**

Fund Overview, Membership, and Governance

The General Retirement System of the City of Detroit consists of defined benefit pension plans and defined contribution plans for the nonuniformed employees of the City of Detroit, Michigan (the “City”), composed of Component I and Component II, which are memorialized in a document titled the Combined Plan for the General Retirement System of the City of Detroit, Michigan, made effective July 1, 2014, as amended and restated December 8, 2014 (the “Combined Plan”). This discussion and its accompanying financial statements are primarily concerned primarily with Component I, a new pension plan created by the City effective July 1, 2014 for active nonuniformed employees of the City to earn pension benefits on and after that date (also referred to as the “Hybrid Plan”), and Component II, the legacy pension plan where benefits were earned through June 30, 2014 (the "Legacy Plan").

As discussed in greater detail below, at the conclusion of the 2014 fiscal year, the City froze Component II. The freeze of Component II, which was the pension plan that existed as of June 30, 2014, means that no further benefit accruals occurred after that date, and no new employees are allowed to participate as members.

DGRS exists to pay benefits to its members. Members of the System include active nonuniformed city employees, retirees, and their beneficiaries. Active members still employed with the City on and after July 1, 2014 earn service credit that entitles them to receive benefits in the future in Component I, but not in Component II, which, as noted above, has been frozen. Both the employer and municipal plan sponsor for the System, the City, and actively employed members have historically contributed to the System (the employee contributions were voluntary prior to July 1, 2014). Retirees, their beneficiaries, and disabled members are those currently receiving benefits, though the City elected in fiscal year 2015 to transition new disability claims from the benefit program administered by the System to one administered by a third-party insurance carrier.

Component I of DGRS is a newly created plan (effective July 1, 2014), with more active members earning service credit than members eligible to receive or receiving benefits. As of June 30, 2019, there were 5,794 active members, with 314 retirees and 961 terminated plan members entitled to but not yet receiving benefits.

Component II of DGRS is a relatively mature plan in that there are more members receiving current benefits than active members. As of June 30, 2019, in Component II there were 2,793 active members, with 11,557 members receiving benefits and 3,209 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. 30, which froze Component II. After that date, no new employees were allowed to participate in Component II, and benefit accruals for members with respect to service rendered prior to July 1, 2014 were frozen based on the member’s 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, or Component I.

By way of background, a brief review of the City’s migration from the Legacy Plan to the Hybrid Plan is appropriate. On June 30, 2014, the emergency manager of the City of Detroit, Michigan issued Order No. 30, which froze Component II. After that date, no new employees were allowed to participate in Component II, and benefit accruals for members with respect to service rendered prior to July 1, 2014 were frozen based on the member’s 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, or Component I. On July 1, 2014, the City first published the Combined Plan with the city clerk. By August 1, 2014, the City completed the payroll information systems project transitions required to allow the now mandatory employee contributions to be contributed to Component I.

On October 19, 2014, the emergency manager issued Order No. 43, which amended and restated the Combined Plan. On December 8, 2014, before leaving office, 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 conformed the combined plan terms to the requirements of the City’s bankruptcy plan and made clarifying modifications. The Combined Plan is available at DGRS’s website, www.rscd.org.

In December 2014, DGRS governance was modified as part of the City’s bankruptcy plan. DGRS is governed by a board of trustees (the “Board”). Although DGRS’ investment management is now the ultimate responsibility of a seven-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 10 members. Five members are elected by the active membership to serve six-year terms. A sixth member is elected by the retiree membership to serve a two-year term. A seventh member is appointed by the mayor of the City of Detroit, Michigan from the citizens of the City to serve a six-year term. The three remaining members serve ex officio, these members being the mayor of the City (or designee), the city treasurer, and one representative from the Detroit City Council. Expirations of terms of elected trustees are staggered, while the remaining trustees serve in accordance with their office or as a designee of an office.

The Investment Committee has five independent members appointed to initial terms with staggered expirations, which terms will all eventually become six years. Two additional members, one active and one 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, with employee contributions being optional in Component II, essentially before July 1, 2014, though there was a period of transition due to the City’s aging information technology infrastructure, which meant that voluntary employee contributions to Component II continued through July 2014, and mandatory employee contributions to Component I from active payroll were implemented as of August 1, 2014.

Basic pension and disability benefits in Component II had been funded through employer contributions plus investment earnings on those contributions, but employee contributions are mandatory in Component I. The required employer contributions had been determined by the System's actuaries using the entry age normal cost method, which is still the case. Assumptions used by the actuaries are subject to experience testing every five years, which is also still the case. 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 ending June 30, 2023. This applies to both Component I and Component II.

The obligations for contributions to support Component II of the System through 2023 are determined as fixed amounts by the provisions in the Plan of Adjustment. Pursuant to the Plan of Adjustment, the System is expected to receive contributions totaling $718.6 million through fiscal year 2023. The Plan of Adjustment calls for the System to receive $98.8 million from the State of Michigan; $428.5 million from the Detroit Water and Sewer Department (DWSD); $31.7 million from UTGO settlement proceeds; the present value equivalent or actual contribution of $50 million from the Detroit Institute of Arts (DIA) and its foundation donors during a 10-year period ending in 2024; the present value equivalent or actual contribution of $18.3 million per year from 2025 through 2034 from certain foundations; and $114.6 million from the other city-related employer contribution sources, such as the General Fund, Detroit Library Commission, and COBO Authority, over a 10-year period covering fiscal year 2014 through fiscal year 2023. After 2023, the City and various other employer constituents, such as the library, DWSD, and COBO Authority, will retain responsibility for the full funding obligations of Component II of the System, consistent with Michigan law.

The Plan of Adjustment allows for certain of the Legacy Plan's funding obligations to DGRS 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 DIA obligation to make annual $5 million contributions over 10 years ending in 2034 was prepaid. This present value prepayment resulted in DGRS receiving $32,511,827 on June 30, 2016 from the DIA, which represents the present value, using a 6.75 percent discount rate, of $4,625,000 per year for the 9 years remaining on that annual $5,000,000 commitment ending in 2024. Pursuant to the Plan of Adjustment, DGRS still expects to receive the equivalent or actual remaining $375,000 per year from the DIA for that 10-year period ending in 2024 and also did receive, on June 30, 2016, the amount of $375,000 in satisfaction of the fiscal year 2016 obligation from the DIA that was not prepaid.

In addition, the City was to remit payments on the UTGO Stub Bonds to the Combined Plan through 2028. In fiscal year 2017, the City of Detroit, Michigan refunded all of its outstanding UTGO Stub Bonds. Upon refunding, the payments to the Combined Plan were accelerated, with a majority of the outstanding balance paid to the Combined Plan in fiscal year 2017; as a result, the Combined Plan received approximately $7.7 million in the ISP and $18.3 million in Component II related to this transaction.

With respect to Component I, the Hybrid Plan, nonuniformed employees who are members of DGRS are now required to make mandatory contributions of 4 percent of pay toward their defined benefit pensions earned with the City, and the City contributes an additional 5 percent of pay. The City no longer counts overtime in the calculation of its employer contribution.

The City is also setting aside an additional 0.75 percent of payroll to meet the premium payments required for the disability insurance established with a third-party carrier. DGRS is not administering those disability benefits managed by the third-party carrier.

On June 30, 2020, the City met its obligation for Component I employer contributions by contributing $12,515,861 to DGRS.

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

Pursuant to Emergency Manager Order No. 30, the existing Component II defined contribution plan and defined benefit plan were frozen, preventing any future accruals or new members in Component II effective June 30, 2014.

The following changes became effective July 1, 2014, with the advent of Component I:

- The Hybrid Plan's defined benefit plan commenced with mandatory contributions of 4 percent of base pay. The City contributes 5 percent of employee base pay, not including overtime.
- A new Hybrid Plan defined contribution plan commenced for the annuity savings fund. Employees may make voluntary annuity savings fund contributions of up to 7 percent of total after-tax pay. Interest will be credited at the actual net investment rate of return of DGRS, but in no event will it be lower than 0 percent or higher than 5.25 percent.
- The Hybrid Plan provides that future duty disability and nonduty disability retirement allowances for members who become disabled after July 1, 2014 move to a commercial insurance program through the City.

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 2020, DGRS paid out $244 million in benefits, consisting of $231.8 million in benefits to retirees and beneficiaries plus $12.2 million in refunds of annuity savings fund balances and mandatory contributions. The benefits and refunds represent approximately 14 percent of the net position of the System as of June 30, 2020. Employer, foundation, and employee contributions were $76.7 million, or 4 percent of the net position of the System. The excess of benefits over contributions of $167.3 million is funded through investment income. The public capital markets represent the primary source of opportunities to earn investment income.

Asset Allocation

The Board and the Investment Committee of DGRS believe that the principal determinant of total fund investment performance over long periods of time is asset allocation. DGRS' asset allocation is built upon the foundation that the obligations of the System 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.

DGRS has established asset allocation policies that are expected to deliver 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 DGRS asset allocation policy as of June 30, 2020:

Asset Class	Target Allocation
Global equity	37.00 %
Global fixed income	27.00
Real estate/Real assets	15.00
Private equity	8.00
Hedge funds	5.00
Diversifying strategies	8.00

DGRS' asset allocation policies comply with Michigan law.

Investment Results

DGRS 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

DGRS' total fund composite return for the year was (0.96) percent, net of fees and expenses using a time-weighted methodology. The fund returned 2.9 percent, 4.8 percent, and 7.09 percent for its 3-year, 5-year, and 10-year annualized returns, respectively, net of fees and expenses.

During fiscal year 2020, growth and risk asset returns (predominantly equity and equity-linked assets) performed well below expectations due almost entirely to a steep decline in DGRS' third quarter (January through March) related to the global coronavirus pandemic. Many markets rebounded significantly in DGRS' fourth quarter (April through June). The COVID-19 pandemic had an unprecedented impact on global markets. The economic impact to the System will likely be felt for a long time. The volatility and uncertainty in the financial markets will persist until this public health crisis is resolved.

As part of the resolution of the City of Detroit, Michigan's Chapter 9 bankruptcy case, the discount rate assumption used to meet current and future benefit obligations was set at 6.75 percent through the period ending June 30, 2023. This discount rate assumption provided in the Chapter 9 case does not purport to establish an investment return assumption or discount rate for purposes of, or in accordance with, generally accepted accounting principles. Although the fund's return for this year fell below this assumption, the fund's longer-term return expectation, which this assumption is intended to characterize, still exceeds this assumption.

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

2019	3.40 %
2018	6.50
2017	14.10
2016	1.40
2015	2.60
2014	14.50
2013	11.70
2012	0.10
2011	19.70

Money-weighted Rate of Return

GASB Statement No. 67 requires the disclosure of the annual money-weighted rate of return. A money-weighted rate of return (as opposed to the time-weighted rate of return discussed in the previous section) considers both the size and timing of cash flows over the course of the year to determine an internal rate of return (sometimes referred to as IRR). This return is calculated net of expenses and uses cash flows determined on a monthly basis. The DGRS money-weighted rate of return for the year using month-end cash flows was (0.78) percent.

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.rscd.org.

Statement of Fiduciary Net Position

June 30, 2020

	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)	$ 26,869,408	$ 1,881,222	$ 63,276,170	$ 92,026,800
Investments: (Notes 3 and 4)				
Global equities	699,835,373	4,299,973	22,052,122	726,187,468
Global fixed income	259,167,339	1,782,395	17,676,395	278,626,129
Real estate	238,020,869	1,752,076	21,730,976	261,503,921
Private equity	103,848,597	764,432	9,481,234	114,094,263
Diversifying strategies	163,654,635	1,204,664	14,941,442	179,800,741
Receivables:				
Investment income	1,632,939	10,722	88,413	1,732,074
Contributions (Note 1)	-	-	2,682,035	2,682,035
Other receivables	169,695	470	2	170,167
ASF recoupment receivable (Note 1)	99,368,970	-	-	99,368,970
Notes receivable from participants	3,423,874	-	-	3,423,874
Receivables from investment sales	2,240,426	16,090	184,954	2,441,470
Cash and investments held as collateral for securities lending: (Note 3)				
Commercial paper	8,325,680	61,286	760,123	9,147,089
Money market funds	10,239,750	75,375	934,875	11,250,000
Certificate of deposit	8,536,735	62,839	779,392	9,378,966
Asset-backed securities	10,345,543	76,154	944,534	11,366,231
Repurchase agreements	2,685,299	19,767	245,164	2,950,230
U.S. corporate floating rate	25,130,748	184,988	2,294,402	27,610,138
Capital assets - Net (Note 1)	1,849,037	-	1,219,936	3,068,973
Total assets	1,665,344,917	12,192,453	159,292,169	1,836,829,539
Liabilities				
Accrued expenses	2,372,025	5,267	737,448	3,114,740
Payables for investment purchases	2,058,350	13,127	109,000	2,180,477
Due to the City of Detroit, Michigan	353,573	-	-	353,573
Amounts due to broker under securities lending agreements (Note 3)	64,458,980	474,484	5,885,016	70,818,480
Total liabilities	69,242,928	492,878	6,731,464	76,467,270
Net Position - Restricted for pensions	**$ 1,596,101,989**	**$ 11,699,575**	**$ 152,560,705**	**$ 1,760,362,269**

See notes to financial statements.

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2020
(with comparative totals for the year ended June 30, 2019)

	Component II Plan (Legacy)		Component I Plan (Hybrid)		
	Defined Benefit Fund	Income Stabilization Fund	Defined Benefit Fund	Total Combined Plan 2020	2019
Additions					
Investment income (loss):					
Interest, dividends, and other income	$ 60,294,369	$ 417,886	$ 4,333,132	$ 65,045,387	$ 36,378,319
Net (decrease) increase in fair value of investments	(67,174,497)	(481,088)	(5,965,876)	(73,621,461)	23,749,673
Investment-related expenses	(7,420,204)	(52,410)	(605,371)	(8,077,985)	(9,865,447)
Net investment (loss) income	(14,300,332)	(115,612)	(2,238,115)	(16,654,059)	50,262,545
Securities lending income (loss):					
Interest and dividends	417,143	2,941	32,805	452,889	506,851
Net (loss) gain on collateralized securities	(118,922)	(875)	(10,857)	(130,654)	14,241
Net securities lending income	298,221	2,066	21,948	322,235	521,092
Contributions: (Note 2)					
Employer	47,900,000	-	12,515,861	60,415,861	80,105,699
Employee	-	-	15,929,752	15,929,752	15,570,185
Foundation	375,000	-	-	375,000	375,000
Total contributions	48,275,000	-	28,445,613	76,720,613	96,050,884
ASF recoupment interest (Note 1)	6,214,543	-	-	6,214,543	6,437,967
Transfer from Component II to Component I (Note 9)	-	-	1,178,130	1,178,130	9,015,677
Other income	1,829,542	515	59,483	1,889,540	496,101
Total additions - Net	42,316,974	(113,031)	27,467,059	69,671,002	162,784,266
Deductions					
Retirees' pension and annuity benefits	230,537,597	569,673	731,280	231,838,550	236,271,384
Member refunds and withdrawals	9,344,055	-	2,898,553	12,242,608	16,657,103
Transfer to Component I from Component II (Note 9)	1,178,130	-	-	1,178,130	9,015,677
General and administrative expenses	2,351,273	-	1,540,433	3,891,706	4,966,003
ASF recoupment write-off	1,710,757	-	-	1,710,757	3,214,754
Total deductions	245,121,812	569,673	5,170,266	250,861,751	270,124,921
Net (Decrease) Increase in Net Position Held in Trust	(202,804,838)	(682,704)	22,296,793	(181,190,749)	(107,340,655)
Net Position Restricted for Pensions - Beginning of year	1,798,906,827	12,382,279	130,263,912	1,941,553,018	2,048,893,673
Net Position Restricted for Pensions - End of year	**$ 1,596,101,989**	**$ 11,699,575**	**$ 152,560,705**	**$ 1,760,362,269**	**$ 1,941,553,018**

See notes to financial statements.

Note 1 - Significant Accounting Policies

Reporting Entity

The City of Detroit, Michigan (the "City") sponsors the Combined Plan for the General Retirement System of the City of Detroit (the "Combined Plan"), which consists of two single-employer retirement plans, as described below.

Component II

This is the legacy plan (the "Legacy Plan") that is the original defined benefit plan, which 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 employees were allowed to earn benefits under the existing plan. The emergency manager issued Order No. 30 (General 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 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. A portion of the funds received by the Combined Plan from UTGO Stub Bonds tax proceeds is credited to the Income Stabilization Fund. The allocation is based on the aggregate payments to plan assignees included in the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit (the "Plan of Adjustment" or the "POA"). After 2022, the Investment Committee may recommend to 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.

Nonemployer Contributing Entity within Component II

On September 9, 2014, a memorandum of understanding (the "MOU") was entered into by the emergency manager and mayor of the City of Detroit, Michigan; the county executive of each of the charter counties of Wayne and Macomb, Michigan; the County of Oakland, Michigan; and the governor of the State of Michigan. The purpose of the MOU was to establish a framework for the creation of a regional authority (known as Great Lakes Water Authority, or GLWA) pursuant to Act 233 of 1955 to operate, control, and improve the regional assets of the water supply system and the sewage disposal system owned by the City.

Pursuant to the MOU, the City of Detroit, Michigan and GLWA entered into two lease agreements: the Regional Water Supply System Lease dated June 12, 2015 and the Regional Sewage Supply System Lease dated June 12, 2015. Under the provisions of the lease agreements, GLWA leases the regional assets of the City for a period of at least 40 years.

Pursuant to the lease agreements, on December 1, 2015, a triparty agreement between the City of Detroit, Michigan; the General Retirement System of the City of Detroit (DGRS); and GLWA was signed. Per the POA and Section 4.3 of the lease agreements, GLWA is required to pay a portion of the pension obligation that will be allocable to the Detroit Water and Sewer Department (DWSD). The purpose of the pension reporting agreement is to set forth determining the funding status for the DWSD pension pool and for DGRS to agree to provide GLWA with certain actuarial and other reports to enable GLWA to properly manage and pay its portion of the pension obligation that is allocable to DWSD.

Note 1 - Significant Accounting Policies (Continued)

Effective January 1, 2016, GLWA was launched. Accordingly, the prior DWSD division was split into two - one representing the ongoing DWSD department, now referenced as DWSD-Retail (DWSD-R), and another to represent Great Lakes Water Authority. In accordance with the pension reporting agreement, the net position and liabilities of DWSD were allocated to DWSD-R and GLWA in accordance with written directions received from DWSD-R and GLWA. Per written directions, GLWA is to be allocated 70.3 percent of the net position and liabilities of DWSD. Because GLWA has no employees or retirees in the Combined Plan, GLWA is considered a nonemployer contributing entity in accordance with GASB Statement No. 67.

The financial statements of the Combined Plan reflect the net position and pension liabilities of the plan as a whole, which includes the portion allocable to GLWA. GLWA's portion of the total Component II net pension liability of $1,102,348,071 at June 30, 2020 was $144,305,198, with the remainder allocable to the City of Detroit, Michigan and related entities.

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

Combined Plan Reporting

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 Combined 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 the Combined Plan are also reported in the financial statements of the City of Detroit, Michigan as a pension trust fund. The assets of the pension trust funds include no securities of or loans to the City or other related parties.

These financial statements include comparative columns for 2019. Such information is not meant to be a complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the plan's financial statements for the year ended June 30, 2019.

Plan Sponsor Financial Condition - Impact on the Combined Plan

In the past, the City of Detroit, Michigan (the "plan sponsor") has experienced significant financial difficulty and liquidity concerns. As of June 2013, the City had defaulted on approximately $36 million of pension contributions due to the Combined Plan. During fiscal year 2014, the City did not pay any employer contributions into the Combined Plan, 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 specifies certain provisions pertinent to the legacy and hybrid plans, including contributions and benefits.

In fiscal year 2020, the contributions received by the Combined Plan were made in accordance with the provisions of the POA. See Note 10 for significant changes that were implemented by the Combined Plan under the POA.

Note 1 - Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the Combined Plan for the General Retirement System of the City of Detroit.

Accounting and Reporting Principles

The Combined Plan 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 Combined Plan 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 Combined Plan 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 Combined Plan's management.

Approximately $874,379,000, or 50 percent, of the Combined Plan's net position as of June 30, 2020 does not have a readily determinable market value. Of this balance, approximately $53,159,000 has been estimated by management. The remaining $821,220,000 is valued based on valuations performed by the investee company management, which is subject to annual audits (generally 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. These sources are held to a standard of reasonable care in verifying that the valuations presented reasonably reflect the underlying fair value of the investments. A variety of factors is considered in the valuation process, including the nature of the investment, local market conditions, trading values on public exchanges for comparable investments, and current and projected operating performance. 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.

Note 1 - Significant Accounting Policies (Continued)

Contributions Receivable

At June 30, 2020, there was $2,682,035 in employer contributions receivable. This amount relates to fiscal year 2020 Component I contributions and was paid in July 2020.

ASF Recoupment Receivable - Component II (Legacy)

For members who elected to make employee contributions into the defined contributions-style program, referred to as the annuity savings fund (ASF), between July 1, 2003 and June 30, 2013, the POA called for recoupment of amounts that the City calculated were excess interest credited to individual ASF accounts. In 2011, the City Council adopted an ordinance that limited ASF interest credits to the plan's actual net investment return, with a cap of 7.9 percent and a floor of 0 percent. The POA calculation of excess interest applies the interest formula in the 2011 ordinance to the July 1, 2003 - June 30, 2013 recoupment period, recouping all interest paid in excess of the lower of 7.9 percent or the plan's actual return for that year, with a cap on the recoupment amount of 20 percent of the highest ASF balance in this period. The recoupment amount is also capped at 15.5 percent of the retiree's monthly pension check. The City offered a limited lump sum or a monthly payment option. Repayment of these excess interest amounts is not optional. As of June 30, 2020, the Combined Plan has approximately $99.4 million to be collected. The receivable will be collected, with 6.75 percent interest, as a reduction to monthly pension benefits for those with recoupment balances outstanding.

Receivable/Payable from Investment Sales/Purchases

The Combined Plan liquidated investments prior to year end and reported a receivable from investment sales at June 30, 2020 in the amount of $2,441,470. The proceeds from the sales were received subsequent to year end. In addition, the Combined Plan purchased investments prior to year end and reported a payable from investment purchases at June 30, 2020 in the amount of $2,180,477. This amount was paid subsequent to year end.

Notes Receivable from Participants

In Component II (Legacy), any active general employee who is or has been a participant in the 1973 defined contribution plan (annuity savings fund) 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 savings 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, 2020 was $3,423,874. The balance is measured at the unpaid principal balance plus any accrued but unpaid interest. Participant notes receivable are written off when deemed uncollectible.

Although Component I (Hybrid) allows participant loans, there are none outstanding at June 30, 2020.

Note 1 - Significant Accounting Policies (Continued)

Capital Assets

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

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the large-scale pandemic has significantly impacted the global economy. As a result, the Combined Plan's investment portfolio incurred a decline in fair value, consistent with the general decline in financial markets. The continued effect on the financial performance of the Combined Plan's investments will depend on future developments, including the duration and spread of the outbreak and related restrictions. In addition, the City of Detroit, Michigan’s financial position has a significant effect on the ability of the City to make the required contribution payments to the Combined Plan. The City made all required Component I contribution payments for the fiscal year ended June 30, 2020. As disclosed in Note 11, while the City is not required to make pension contributions for Component II until fiscal year 2024, it began setting aside funds in 2016 to partially offset future required contributions. Due to the significant uncertainty and fluidity surrounding the pandemic, the extent of the impact cannot be reasonably estimated at this time.

Use of Estimates

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.

Note 2 - Pension Plan Description

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

Plan Administration

The Combined Plan's governance was modified in December 2014 as part of the City's bankruptcy plan. The Combined Plan's board of trustees and the Investment Committee administer the Combined Plan for the General 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 Combined Plan and the employees' collective bargaining unit, as modified by the POA. Future amendments are subject to the same process. However, pursuant to the POA, pension benefit terms presently expressed in the Combined Plan are not subject to amendment before June 30, 2023, unless an amendment is required to maintain the tax-qualified status of the Combined Plan. The obligation to contribute to and maintain the Combined Plan was established by the city charter and negotiations with the employees' collective bargaining units.

The board is composed of 10 members. Five members of the board are elected by the active membership to serve six-year terms. One member is elected by the retiree membership to serve a two-year term. One member is appointed by the mayor of the City of Detroit, Michigan from the citizens of the City to serve a six-year term. Three members serve ex officio, these members being the mayor of the City (or designee), the city treasurer, and one representative from the Detroit City Council. Expirations of terms of elected trustees are staggered.

Note 2 - Pension Plan Description (Continued)

The Investment Committee has five independent members appointed to initial terms with staggered expirations, which terms will all eventually become six years. Two additional members, one active and one 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 Combined Plan 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.

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, 2019	June 30, 2019
Inactive plan members or beneficiaries currently receiving benefits	11,557	314
Inactive plan members entitled to but not yet receiving benefits	3,209	961
Active plan members	2,793	5,794
Total employees covered by the plan	17,559	7,069

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 existing 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 Combined Plan 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, until 2024, contributions are based on specific provisions in accordance with the Plan of Adjustment.

Employer and Nonemployer Contributing Entity Contributions

Component II

For Component II, during fiscal year 2020, employer contributions are not actuarially determined, but rather are determined by the provisions of the POA detailed under Exhibit II.B.3.r.ii.A of the POA. Included within contributions for fiscal year 2020 in Component II are contributions from the Foundation for Detroit's Future (the "Foundation") in the amount of $375,000 and $47.9 million of contributions from the city-related entities and GLWA.

Note 2 - Pension Plan Description (Continued)

Component I

For Component I, during fiscal year 2020, employer contributions are not actuarially determined, but rather are determined by the provisions of the Combined Plan detailed under Section 9.3 of Component I. Per Section 9.3, commencing on July 1, 2014 and ending on June 30, 2023, the City is required to contribute 5 percent of compensation of active members. A portion of the employer's annual contribution for each plan year, as determined by the City, shall be credited to the rate stabilization fund reserve, with the remainder allocated to the pension accumulation fund reserve. During fiscal year 2020, the City and related entities contributed $12,515,861 into the Hybrid Plan. Beginning in 2024, the employer contributions will be actuarially determined based on the amount necessary to fund the plan on an actuarial basis.

Because there were no actuarially determined contributions for Component I, there is no required schedule of city contributions included within these financial statements.

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, 2020, there were no employee contributions into Component II, as the plan was frozen as of June 30, 2014.

Component I

Contribution requirements of plan members are established in Sections 9.3 and 10.1 of Component I of the Combined Plan. For the year ended June 30, 2020, the required active member contribution rate for employees was 4.0 percent of annual pay. Additionally, employees can make voluntary contributions of 3 percent, 5 percent, or 7 percent of annual pay. During fiscal year 2020, the plan received mandatory and voluntary employee contributions of $15,929,752.

Fiscal Responsibility Provision

To safeguard the long-term actuarial and financial integrity of the Combined Plan, in the event the funding level of Component I projected over a five-year period falls below 100 percent, certain remedial actions are required, as set forth in Section 9.5 of Component I of the Combined Plan, including elimination of COLA, transfers from the rate stabilization fund reserve to the pension accumulation fund reserve, and increases in mandatory employee contributions from 4 percent to 5 percent.

In the event the funding level of Component I is projected to fall below 80 percent, additional remedial actions are required, including further increasing the mandatory employee contributions to 6 percent and the potential for reducing the retirement allowance.

As of June 30, 2020, the enactment of the remedial actions has not been required based on actuarial projections of the funding levels.

Note 3 - Deposits and Investments

The Combined Plan 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 Combined Plan's deposits and investment policies are in accordance with statutory authority.

Note 3 - Deposits and Investments (Continued)

The Combined Plan 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 such changes could materially affect the amounts reported on the statement of changes in fiduciary net position.

The Combined Plan'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 Combined Plan's deposits may not be returned to it. The Combined Plan does not have a deposit policy for custodial credit risk. Approximately $3 million of the Combined Plan's checking account balances was uninsured and uncollateralized at June 30, 2020. The Combined Plan believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Combined Plan evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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 Combined Plan's investment policy does not restrict investment maturities.

At year end, the Combined Plan had the following investments and maturities:

Investment (in Thousands)	Fair Value (in Thousands)	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Corporate bonds	$ 138,592	$ 5,196	$ 94,957	$ 32,344	$ 6,095
U.S. government mortgage-backed securities	8,404	1,695	5,960	-	749

Not all fixed-income securities are subject to interest rate risk. For the Combined Plan's mutual funds, valued at $31.591 million, the effective duration was 3 years.

Credit Risk

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

At June 30, 2020, 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)	AA	A	BBB	BB	B	CCC	NR
Corporate bonds	$ -	$ 14,041	$ 11,674	$ 38,993	$ 19,508	$ 2,126	$ 52,250
U.S. government mortgage-backed securities	8,404	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	31,591
Total	$ 8,404	$ 14,041	$ 11,674	$ 38,993	$ 19,508	$ 2,126	$ 83,841

Note 3 - Deposits and Investments (Continued)

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 Combined Plan does not restrict the amount of investments in foreign currency.

The following securities are subject to foreign currency risk:

Currency (in Thousands)	Equity	Cash	Forward Contracts, including Payable	Net Investment (Payable) Receivable
Australian dollar	$ -	$ 5	$ -	$ -
Brazil real	1,439	-	-	-
British pound sterling	3,152	-	-	-
Canadian dollar	2,368	6	-	(46)
Czech koruna	-	11	-	-
Eurocurrency unit	15,086	225	(21)	21
Hong Kong dollar	1,825	-	-	-
Japanese yen	5,467	61	-	-
Mexican peso	925	-	-	-
New Taiwan dollar	1,865	-	-	-
Norwegian krone	1,889	43	-	-
Singapore dollar	871	-	-	-
South Korean won	906	-	-	-
Swiss franc	1,406	132	-	-
Ukraine hryvana	1	-	-	-
Total	$ 37,200	$ 483	$ (21)	$ (25)

Securities Lending

As permitted by state statutes and under the provisions of a securities lending authorization agreement, the Combined Plan lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Combined Plan'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 not less than 102 percent of the market value of the loaned securities.

As of June 30, 2020, the collateral provided was 101.67 percent of the market value of the loaned securities, which is less than the required 102 percent.

The Combined Plan 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 Combined Plan 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, 2020 was 28 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, 2020, the Combined Plan 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 Combined Plan as of June 30, 2020 were $70,818,480 and $69,658,375, respectively.

Note 3 - Deposits and Investments (Continued)

The following represents the balances relating to the securities lending transactions as of June 30, 2020; investments are reported at fair value:

Securities Lent	Underlying Securities
U.S. corporate fixed income	$ 27,347,000
U.S. equities	40,199,022
Non-U.S. equities	2,112,353
Total	$ 69,658,375

The fair market value of the collateral pool related to securities lending at June 30, 2020 was $71,702,654. The investments were in asset-backed securities, floating-rate notes, commercial paper, certificates of deposit, money funds, and repurchase agreements. Approximately 88 percent of these securities had a duration of less than 1 year, 8 percent had a duration between 1 and 3 years, and 4 percent had a duration over 15 years.

The credit ratings of the securities lending collateral pool held at June 30, 2020, as rated by S&P, are as follows:

Ratings	Amount
AAA	$ 8,436,032
AA	9,922,356
A	16,762,759
A-1	18,526,055
CC	1,988,657
D	922,510
NR	15,144,285
Total	$ 71,702,654

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 Combined Plan 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 (NAV) (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 Combined Plan'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 Combined Plan has the following recurring fair value measurements as of June 30, 2020:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2020			
	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, 2020
Fixed income:				
U.S. government mortgage-backed	$ -	$ 8,403,650	$ -	$ 8,403,650
Corporate bonds	-	138,591,799	-	138,591,799
Asset-backed securities	-	11,366,231	-	11,366,231
Corporate floating rate notes	-	27,610,138	-	27,610,138
Certificate of deposit	-	9,378,966	-	9,378,966
Commercial paper	-	9,147,089	-	9,147,089
Mutual funds	-	31,590,991	-	31,590,991
Total fixed income	-	236,088,864	-	236,088,864
Equity:				
Common stock	498,102,695	-	-	498,102,695
Preferred stock	4,695,012	4,449,781	-	9,144,793
Total equity	502,797,707	4,449,781	-	507,247,488
Private equity funds	-	-	2,800,000	2,800,000
Partnership investments	-	-	3,464,000	3,464,000
Real estate private equity funds	-	-	6,000,000	6,000,000
Real estate-related investments	-	-	40,894,699	40,894,699
Total	$ 502,797,707	$ 240,538,645	$ 53,158,699	796,495,051
Investments measured at NAV:				
International equity funds				247,614,288
Fixed-income funds				91,095,415
Hedge funds				179,800,741
Real estate funds				194,879,188
Private equity funds				107,830,263
Total investments measured at NAV				821,219,895
Total investments measured at fair value				$ 1,617,714,946

A total of $14,200,230 of money market funds and repurchase agreements recorded at amortized cost is not included in the fair value table above.

Equity securities and mutual funds 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 (other than mutual funds) at June 30, 2020 was determined primarily based on Level 2 inputs. The Combined Plan 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, 2020 was determined primarily based on Level 3 inputs. The Combined Plan estimates the fair value of these investments using the Combined Plan'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 Combined Plan 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, 2020, 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	$ 247,614,288	$ -	Monthly	Up to 30 days
Fixed-income funds	91,095,415	-	Daily	10 business days
Hedge funds	179,800,741	-	Quarterly	100 days
Real estate funds	194,879,188	635,461	Quarterly	90 days
Private equity funds	107,830,263	50,807,344	N/A	N/A
Total investments measured at NAV	$ 821,219,895	$ 51,442,805		

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 in predominantly 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 in predominantly fixed-income instruments in the U.S. and developed and emerging market countries. The funds invest across a diverse group of security types, including government, corporate, and mortgage-backed debt, and across the credit quality spectrum of investment grade and high yield. 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. Approximately 1 percent of the value of the investments in the hedge fund class above is in the process of being liquidated by the fund manager. Distributions from each fund will be received as the underlying investments of the fund are liquidated. It is estimated that the underlying investments of the fund will be liquidated over the next 12 to 18 months.

Note 4 - Fair Value Measurements (Continued)

The real estate funds class includes 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 equivalent).

The private equity funds class is an alternative investment class and consists of investments in companies that are not listed on a public exchange. The General 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 General 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 Component II and I are commingled and invested together, as allowed by the POA. The Combined Plan'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 Combined Plan’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, 2020:

Asset Class	Target Allocation
Global equity	37.00 %
Global fixed income	27.00
Real estate/Real assets	15.00
Private equity	8.00
Hedge funds	5.00
Diversifying strategies	8.00
Total	100.00 %

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (0.78) 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 General Retirement System of the City of Detroit 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, becomes disabled, or if a surviving spouse elects an annuity rather than a lump-sum payout of accumulated employee contributions.

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 2020 retirements have not yet been determined.

The employee reserve (annuity savings fund or ASF) is credited as employee contributions are received throughout the year; the ASF maintains a record of the amount contributed by each employee and credits interest annually at a rate approved by the Board. During fiscal year 2020, the Board approved the interest rate at 5.25 percent. 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 their accumulated contribution and interest earnings. When an employee retires, 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. See Note 10 for disclosure of significant changes to the ASF going forward.

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 and transfers, as provided in Section E-18. 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 expense fund is the fund that will be credited with all money provided by the City to pay the administrative expenses of the Combined Plan and from which all the expenses necessary in connection with the administration and operation of the Combined Plan will be paid. At year end, this reserve balance is zero, as all employer contributions were credited to the pension accumulation fund.

The income fund shall be the fund to which all interest, dividends, and other income derived from the investments of Component II of the Combined Plan will be credited. Transfers from the income fund will be made to credit earnings and losses to various reserves of the Combined Plan in accordance with the provisions of Component II of the combined plan document. Amounts credited to the income fund in excess of amounts needed to credit earnings and losses of the Combined Plan, as provided in Component II, for any plan year shall be transferred to the pension accumulation fund and used to pay retirement allowances and other benefits on account of members. During fiscal year 2020, the income fund reserve was not utilized, and all investment income was credited to the pension accumulation fund.

The balances of the reserve accounts for Component II (excluding the Income Stabilization Fund) as of June 30, 2020 are included in the table below. The reserve balances as of June 30, 2020 shown below do not include the current year transfer amount related to fiscal year 2020 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, 2020 are as follows:

	Required Reserve	Amount Funded
Annuity savings fund	$ 114,225,043	$ 114,225,043
Pension reserve fund	2,091,442,091	1,481,876,946
Annuity reserve fund	-	-
Pension accumulation fund	N/A	-

Component I (Hybrid Plan)

In accordance with the Combined Plan for the General Retirement System of the City of Detroit 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.

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 2020, 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 E-16(C) of Component II. See Note 9 for details on the transfer provisions related to transfers between Component II and Component I. During fiscal year 2020, no amounts were credited to the rate stabilization fund. Therefore, this reserve balance is zero.

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 Combined Plan and from which certain expenses incurred in connection with the administration and operation of the Combined Plan will be paid. At year end, this reserve balance is zero, as all employer contributions were credited to the pension accumulation fund.

The income fund shall be the fund to which all interest, dividends, and other income derived from the investments of Component I of the Combined Plan will be credited. Transfers from the income fund will be made to credit earnings and losses to various reserves of the Combined Plan 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 Combined Plan, as provided in Component I, for any plan year shall be transferred to the pension accumulation fund. During fiscal year 2020, investment income was transferred to other reserve funds, and, therefore, this reserve balance at June 30, 2020 remains unfunded.

Note 6 - Pension Plan Reserves (Continued)

The balances of the reserve accounts for Component I as of June 30, 2020 are included in the table below. As of June 30, 2020, 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, 2020 are as follows:

	Required Reserve	Amount Funded
Accumulated mandatory employee contribution fund	$ 45,578,064	$ 45,578,064
Accumulated voluntary employee contribution fund	29,508,796	29,508,797
Pension accumulation fund	-	77,473,844

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

The net pension liability has been measured as of June 30, 2020 and is composed of the following:

Total pension liability	$ 2,698,450,060
Plan fiduciary net position	1,596,101,989
City's pension liability	$ 1,102,348,071
Plan fiduciary net position as a percentage of the total pension liability	59.15 %

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019, which used update procedures to roll forward the estimated liability to June 30, 2020. 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	7.06%	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 were determined in accordance with generally accepted accounting principles. This should not be confused with the provisions in the Plan of Adjustment, which established a 6.75 percent assumed rate of return 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.

Based on an experience study from 2008-2013 issued in February 2015, the mortality table assumption was based on the RP-2014 Blue Collar Annuitant Table for males and females. The tables are projected to be fully generational based on the two-dimensional sex-distinct mortality scale MP-2014.

The actuarial assumptions, other than mortality and the investment rate of return, used in the June 30, 2019 valuation to calculate the total pension liability as of June 30, 2020 were based on the results of an actuarial experience study for the period from 2002-2007. While the Combined Plan routinely has an experience study performed by an actuary every five years, the last experience study for the period from July 1, 2007 through June 30, 2012 was started but not completed due to the City's bankruptcy. To avoid any distortions from the bankruptcy period, the Combined Plan has chosen to have the next experience study performed for the period from July 1, 2015 through June 30, 2020.

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

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 the 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, 2020 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, 2020 was 7.06 percent; however, the single discount rate used at the beginning of the year was 7.38 percent. 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 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 Combined Plan are projected to be at the minimum amounts required by the Plan of Adjustment through 2023, followed by actuarially determined contributions beginning in 2024. While no funding policy has been adopted by the City of Detroit, Michigan, the projection of cash flows assumes full funding of contributions such that the plan's net position will be sufficient to make all benefit payments. The Combined Plan believes that the funding practice adopted by the City will be consistent with the underlying objective used in the projection to develop the single discount rate.

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 arithmetic real rates of return as of June 30, 2020 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Global equity	6.37 %
Global fixed income	3.02
Real estate/Real assets	5.39
Private equity	10.57
Hedge funds	3.69
Diversifying strategies	2.38

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

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

The following presents the net pension liability, calculated using the discount rate of 7.06 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 (6.06 percent) or 1 percentage point higher (8.06 percent) than the current rate:

	1 Percentage Point Decrease (6.06%)	Current Discount Rate (7.06%)	1 Percentage Point Increase (8.06%)
Net pension liability	$ 1,337,170,340	$ 1,102,348,071	$ 901,292,510

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

The net pension liability of the City has been measured as of June 30, 2020 based on benefits in force as of that date and is composed of the following:

Total pension liability	$ 168,354,404
Plan fiduciary net position	152,560,705
City's net pension liability	$ 15,793,699
Plan fiduciary net position as a percentage of the total pension liability	90.62 %

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019, which used update procedures to roll forward the estimated liability to June 30, 2020. The following are the significant assumptions:

Wage inflation assumption was 2 percent for five years, 2.5 percent for the next five years, and 3 percent thereafter.

The investment rate of return (net of pension plan investment expense, including inflation) applied to the beginning of year total pension liability was 7.38 percent as compared to 7.06 percent, which was the assumed long-term rate of return as of the end of year. The rates were determined in accordance with generally accepted accounting principles. This should not be confused with the provisions in the Plan of Adjustment, which established a 6.75 percent assumed rate of return 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.

Based on an experience study from 2008-2013 issued in February 2015, the mortality table assumption was based on the RP-2014 Blue Collar Annuitant Table for males and females. The tables are projected to be fully generational based on the two-dimensional sex-distinct mortality scale MP-2014. While the Combined Plan routinely has an experience study performed by an actuary every five years, to avoid any distortions from the bankruptcy period, the Combined Plan has chosen to have the next experience study performed for the period from July 1, 2015 through June 30, 2020.

Cost of living adjustments (COLA): This plan has a postretirement COLA feature known as the Variable Pension Improvement Factor (VPIF) of a 2 percent simple COLA. It can be granted beginning on July 1, 2018 only if the five-year projection shows the plan's funded status at 100 percent based upon 6.75 percent future investment return. For the purpose of the total pension liability, the actuary assumed a 0.50 percent simple COLA beginning on July 1, 2020 to model the potential average COLA over time. Had no COLA been assumed, the net pension liability would have been $10,204,991. Had the full 2 percent COLA been assumed, the net pension liability would have been $32,561,114.

There were no changes in benefit provisions during the year affecting the total pension liability.

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

Other than mortality and the investment rate of return, the actuarial assumptions used in the June 30, 2019 valuation to calculate the total pension liability as of June 30, 2020 were based on the results of an actuarial experience study for the period from 2002-2007, modified as necessary to account for the difference in eligibility of this new plan.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2020 was 7.06 percent; however, the single discount rate used at the beginning of the year was 7.38 percent. 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 Combined Plan are projected to be at the minimum amounts required by the Plan of Adjustment through 2023, followed by actuarially determined contributions beginning in 2024. While no funding policy has been adopted by the City of Detroit, Michigan, the projection of cash flows assumes full funding of contributions such that the plan's net position will be sufficient to make all benefit payments. The Combined Plan believes that the funding practice adopted by the City will be consistent with the underlying objective used in the projection to develop the single discount rate.

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).

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 7.06 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 (6.06 percent) or 1 percentage point higher (8.06 percent) than the current rate:

	1 Percentage Point Decrease (6.06%)	Current Discount Rate (7.06%)	1 Percentage Point Increase (8.06%)
Net pension liability (asset) of the City	$ 39,344,149	$ 15,793,699	$ (3,268,972)

Note 9 - Commitments

When the Combined Plan enters into various investments, it may not completely fund the entire investment at the beginning. Rather, it enters into commitments to fund remaining capital amounts at certain points in time. At June 30, 2020, the remaining capital funding commitment for the Combined Plan is approximately $51 million.

Note 9 - Commitments (Continued)

In addition, 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 Combined Plan and will be used to fund transition costs related to Component I. The transition cost is a measure of the liability that Component I of the Combined Plan 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 plan'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; therefore, as an example, any transfers based on the plan year ended June 30, 2018 will be calculated and transferred during the plan year ended June 30, 2020.

Based on these provisions, $1,178,130 and $9,015,677 was transferred from Component II to Component I toward the transition costs in fiscal years ended June 30, 2020 and 2019, respectively.

Note 10 - City of Detroit'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 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 December 10, 2014.

Legacy Plan (Component II)

The pension settlement, as part of the Plan of Adjustment, compromised pension claims and provided funding support for legacy pension benefit obligations under the General Retirement System of the City of Detroit Component II from the State of Michigan, the Detroit Institute of Arts, and certain foundation donors. The Plan of Adjustment also required certain governance changes for DGRS. Those governance changes included establishment of the Investment Committee effective December 10, 2014, which officially marked the beginning of implementation of the Plan of Adjustment, although DGRS had for 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. Although there were some delays 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 2016 and continued to do so in fiscal years 2017, 2018, 2019, and 2020.

For DGRS, 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 loss of cost of living adjustments, or escalators, paid after July 1, 2014
- A 4.5 percent cut to the remaining accrued pension benefit after the COLA loss

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

- For DGRS members who participated in the annuity savings fund plan between 2003 and 2013, subject to certain caps, recoupment of certain amounts of interest deemed by the City to be in excess of that which should have been credited to individual ASF accounts, referred to as "ASF Recoupment." ASF Recoupment, like other provisions of the pension settlement, was not optional. Most members will pay their ASF Recoupment by a monthly deduction from their future pension benefits for a set term of months, including interest calculated at 6.75 percent. All members were offered a lump-sum cash option, which was limited in the aggregate to $30 million in member recoupment. In fiscal year 2016, the Bankruptcy Court approved certain additional members whose application submissions were not timely received to participate in the lump-sum cash option.
- 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, 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 DGRS members also received benefit pension cut restoration under the ISF Program administered by DGRS, 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.3.r.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. The funding levels have not been attained as of June 30, 2020 for the restoration process to initiate.

Going forward, the obligations for contributions to support Component II of the System through 2023 are determined as fixed amounts by the provisions in the Plan of Adjustment. Pursuant to the Plan of Adjustment, the System is expected to receive contributions totaling $718.6 million through fiscal year 2023. The Plan of Adjustment calls for the System to receive $98.8 million from the State of Michigan; $428.5 million from DWSD; $31.7 million from UTGO settlement proceeds; the actual or present value equivalent of $50 million from the DIA and its foundation donors; and $114.6 million from the other city-related employer contribution sources, such as the General Fund, Detroit Library Commission, and COBO Authority, over a 10-year period covering fiscal year 2014 through fiscal year 2023. Between 2025 and 2034, DGRS will receive $18.3 million per year from certain foundation donors. After 2023, the City, and various other employer constituents, such as the Library, DWSD, and COBO Authority, will retain responsibility for the full funding obligations of Component I of the System, consistent with Michigan law.

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

In fiscal year 2017, DGRS received from the City, its employer-related contribution sources, and the DIA and its foundation donors all contributions required by the Plan of Adjustment. The City was to remit payments on the UTGO Stub Bonds to the Combined Plan through 2028. In fiscal year 2017, the City of Detroit, Michigan refunded all of its outstanding UTGO Stub Bonds. Upon refunding, the payments to the Combined Plan were accelerated, with a majority of the outstanding balance paid to the Combined Plan in fiscal year 2017; as a result, the Combined Plan received approximately $9.4 million in the ISF and $18.3 million in the Component II Defined Benefit Fund related to this transaction.

DGRS 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 DGRS Legacy Component II underfunded liability. ASF Recoupment, in particular, is a notable facet of the Plan of Adjustment that will continue to be implemented as members apply for Component II pension benefits over time.

Note 11 - City of Detroit Commitment to Future Funding

In anticipation of significant actuarially required contributions commencing in fiscal year 2024, the City, independent of the Combined Plan, 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 $185 million for this Trust as of June 30, 2020 for future contributions to the General Retirement System Plan and the Police and Fire Retirement System Plan. Contributions to the Combined Plan will be recognized as the City makes distributions from this independent trust to the Combined Plan.

Required Supplemental Information

Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios (Legacy Plan)

Last Seven Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	$ -	$ -	$ -	$ -	$ -	$ -	$ 32,736,019
Interest	192,888,245	195,489,643	192,359,745	201,919,236	214,011,164	263,007,329	242,611,073
Changes in benefit terms	-	-	-	-	-	(731,824,895)	(113,311,571)
Differences between expected and actual experience	(55,836,749)	13,596,902	34,154,327	(27,508,380)	(43,719,112)	24,644,530	-
Changes in assumptions	67,677,535	-	(110,274,515)	76,925,957	90,034,927	(101,559,893)	(271,190,194)
Benefit payments, including refunds	(239,881,652)	(248,790,017)	(253,442,630)	(267,249,539)	(292,282,179)	(297,538,990)	(397,733,807)
Net Change in Total Pension Liability	(35,152,621)	(39,703,472)	(137,203,073)	(15,912,726)	(31,955,200)	(843,271,919)	(506,888,480)
Total Pension Liability - Beginning of year	2,733,602,681	2,773,306,153	2,910,509,226	2,926,421,952	2,958,377,152	3,801,649,071	4,308,537,551
Total Pension Liability - End of year	**$ 2,698,450,060**	**$ 2,733,602,681**	**$ 2,773,306,153**	**$ 2,910,509,226**	**$ 2,926,421,952**	**$ 2,958,377,152**	**$ 3,801,649,071**
Plan Fiduciary Net Position							
Contributions - Employer, state, and foundation	$ 48,275,000	$ 68,275,000	$ 68,275,000	$ 91,238,402	$ 104,792,657	$ 189,282,094	$ 25,126,131
Contributions - Employee	-	-	-	-	-	609,073	10,241,761
Net investment (loss) income	(14,002,111)	47,170,004	155,423,193	206,896,568	(12,450,547)	93,054,981	289,789,607
Administrative expenses	(2,351,273)	(3,023,939)	(3,313,418)	(6,021,837)	(3,742,618)	(4,617,194)	(11,237,767)
Benefit payments, including refunds	(239,881,652)	(248,790,017)	(253,442,630)	(267,249,539)	(292,282,179)	(297,538,991)	(397,733,807)
Other (includes ASF recoupment)	5,155,198	(5,347,863)	6,952,522	8,324,074	5,945,783	135,280,369	-
Net Change in Plan Fiduciary Net Position	(202,804,838)	(141,716,815)	(26,105,333)	33,187,668	(197,736,904)	116,070,332	(83,814,075)
Plan Fiduciary Net Position - Beginning of year	1,798,906,827	1,940,623,642	1,966,728,975	1,933,541,307	2,131,278,211	2,015,207,879	2,099,021,954
Plan Fiduciary Net Position - End of year	**$ 1,596,101,989**	**$ 1,798,906,827**	**$ 1,940,623,642**	**$ 1,966,728,975**	**$ 1,933,541,307**	**$ 2,131,278,211**	**$ 2,015,207,879**
Net Pension Liability - Ending	**$ 1,102,348,071**	**$ 934,695,854**	**$ 832,682,511**	**$ 943,780,251**	**$ 992,880,645**	**$ 827,098,941**	**$ 1,786,441,192**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	59.15 %	65.81 %	69.98 %	67.57 %	66.07 %	72.04 %	53.01 %
Covered Payroll	$ 149,373,313	$ 141,646,750	$ 149,373,313	$ 141,454,717	$ 185,147,364	$ 188,210,536	$ 238,669,871
Net Pension Liability as a Percentage of Covered Payroll	737.98 %	659.88 %	557.45 %	667.20 %	536.27 %	439.45 %	748.50 %

GASB Statement No. 67 was implemented on June 30, 2014 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.

See notes to required supplemental information schedules.

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

Last Seven Fiscal Years

Years Ended June 30

	2020	2019	2018	2017	2016	2015	2014*
Annual money-weighted rate of return - Net of investment expense	(0.78)%	3.28 %	6.70 %	12.60 %	1.10 %	2.40 %	16.30 %

*GASB Statement No. 67 was implemented on June 30, 2014 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.

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

See notes to required supplemental information schedules.

Required Supplemental Information
Schedule of Pension Contributions (Legacy Plan)

Last Ten Fiscal Years

Years Ended June 30

	2020*	2019*	2018*	2017*	2016*	2015*	2014	2013	2012	2011
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ 72,643,307	$ 62,297,432	$ 64,065,214	$ 55,138,011
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	25,126,131	26,515,782	64,065,214	55,138,011
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (47,517,176)**	**$ (35,781,650)**	**$ -**	**$ -**
Covered Payroll	$ -	$ -	$ -	$ -	$ -	$ -	$ 238,669,871	$ 213,291,089	$ 257,992,240	$ 303,379,482
Contributions as a Percentage of Covered Payroll	- %	- %	- %	- %	- %	- %	10.53 %	12.43 %	24.83 %	18.17 %

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

Notes to Schedule of Pension Contributions (Legacy Plan)

Actuarial valuation information relative to the determination of contributions:

N/A - Starting in fiscal year 2015, contributions are not actuarially determined.

See notes to required supplemental information schedules.

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

Last Six Fiscal Years

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	$ 22,532,002	$ 20,171,596	$ 17,056,732	$ 18,417,036	$ 18,302,706	$ 19,318,576
Interest	10,270,622	7,531,400	5,438,061	4,084,390	2,495,896	695,469
Differences between expected and actual experience	(7,464,424)	7,556,858	4,546,865	(4,667,487)	(1,263,760)	(1,202,108)
Changes in assumptions	6,518,200	-	(5,758,189)	2,780,462	2,111,451	-
Voluntary employee contributions	5,723,982	5,804,274	5,302,650	5,043,347	5,213,744	5,775,885
Benefit payments, including refunds	(3,629,833)	(3,539,384)	(2,390,592)	(2,134,809)	(2,287,214)	-
Net Change in Total Pension Liability	33,950,549	37,524,744	24,195,527	23,522,939	24,572,823	24,587,822
Total Pension Liability - Beginning of year	134,403,855	96,879,111	72,683,584	49,160,645	24,587,822	-
Total Pension Liability - End of year	**$ 168,354,404**	**$ 134,403,855**	**$ 96,879,111**	**$ 72,683,584**	**$ 49,160,645**	**$ 24,587,822**
Plan Fiduciary Net Position						
Contributions - Employer	$ 12,515,861	$ 12,205,699	$ 14,673,644	$ 9,484,992	$ 9,048,831	$ 8,811,369
Mandatory employee contributions	10,205,770	9,765,911	8,837,967	7,752,058	7,345,515	6,970,544
Net investment (loss) income	(2,216,167)	3,270,862	8,445,590	9,109,732	(76,608)	20,690
Administrative expenses	(1,540,433)	(1,942,064)	(2,171,693)	(2,648,385)	(3,094,197)	(1,481,590)
Voluntary employee contributions	5,723,982	5,804,274	5,302,650	5,043,347	5,213,744	5,786,488
Benefit payments, including refunds of mandatory contributions	(2,048,198)	(1,920,550)	(1,308,550)	(1,021,847)	(1,031,060)	(10,603)
Refunds based on voluntary contributions	(1,581,635)	(1,618,834)	(1,082,042)	(1,112,962)	(1,256,154)	-
Other	1,237,613	9,066,288	12,436	61,834	6,586	-
Net Change in Plan Fiduciary Net Position	22,296,793	34,631,586	32,710,002	26,668,769	16,156,657	20,096,898
Plan Fiduciary Net Position - Beginning of year	130,263,912	95,632,326	62,922,324	36,253,555	20,096,898	-
Plan Fiduciary Net Position - End of year	**$ 152,560,705**	**$ 130,263,912**	**$ 95,632,326**	**$ 62,922,324**	**$ 36,253,555**	**$ 20,096,898**
City's Net Pension Liability - Ending	**$ 15,793,699**	**$ 4,139,943**	**$ 1,246,785**	**$ 9,761,260**	**$ 12,907,090**	**$ 4,490,924**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.62 %	96.92 %	98.71 %	86.57 %	73.75 %	81.74 %
Covered Payroll	$ 245,732,111	$ 224,726,503	$ 246,173,916	$ 199,307,987	$ 185,147,364	$ 180,069,852
City's Net Pension Liability as a Percentage of Covered Payroll	6.43 %	1.84 %	0.51 %	4.90 %	6.97 %	2.49 %

See notes to required supplemental information schedules.

Benefit Changes

<u>Legacy Plan</u>

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, benefits were reduced by 4.5 percent, and the cost of living adjustments were eliminated.

Changes in Assumptions

<u>Legacy Plan</u>

In 2014, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 5.88 percent to 7.2 percent and updating the mortality tables from RP-2000 Combined Table to RP-2014 Blue Collar Mortality Table, and adjustments for longevity and unused sick leave were eliminated.

<u>Legacy and Hybrid Plan</u>

In 2015, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.2 to 7.61 percent.

In 2016, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.61 to 7.23 percent.

In 2017, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.23 to 6.91 percent.

In 2018, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 6.91 to 7.38 percent.

In 2020, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.38 to 7.06 percent.

Other Supplemental Information

Statement of Changes in Fiduciary Net Position by Division - Legacy Defined Benefit Plan

For the Year Ended June 30, 2020

	DWSD Subdivisions		General Retirement System - Divisions				
	GLWA	DWSD-R	DWSD - Division Total (all DWSD Subdivisions)	General Division	DOT	Library	Total - General Retirement System (all Divisions)
Beginning Net Position - July 1, 2019	$ 381,293,752	$ 161,087,122	$ 542,380,874	$ 999,718,653	$ 175,923,050	$ 80,884,250	$ 1,798,906,827
Additions:							
Investment income:							
Interest and dividends	12,739,986	5,382,327	18,122,313	33,575,031	6,230,743	2,783,425	60,711,512
Net decrease in fair value of investments	(14,703,837)	(6,212,005)	(20,915,842)	(37,529,688)	(5,839,188)	(2,889,779)	(67,174,497)
Net unrealized loss on collateralized securities	(26,031)	(10,997)	(37,028)	(66,441)	(10,337)	(5,116)	(118,922)
Investment related expenses	(1,624,211)	(686,188)	(2,310,399)	(4,145,588)	(645,008)	(319,209)	(7,420,204)
Net investment loss	(3,614,093)	(1,526,863)	(5,140,956)	(8,166,686)	(263,790)	(430,679)	(14,002,111)
Contributions:							
Employer contributions:							
Originating from DWSD:							
Regular pension contribution	30,158,700	12,741,300	42,900,000	-	-	-	42,900,000
Contribution for administrative expenses	1,757,500	742,500	2,500,000	-	-	-	2,500,000
DWSD transfer to General Division for administrative expenses	(1,757,500)	(742,500)	(2,500,000)	2,500,000	-	-	-
Total contributions originating from DWSD	30,158,700	12,741,300	42,900,000	2,500,000	-	-	45,400,000
Contributions from other divisions	-	-	-	-	-	2,500,000	2,500,000
Total employer contributions	30,158,700	12,741,300	42,900,000	2,500,000	-	2,500,000	47,900,000
Foundation for Detroit's Future	-	-	-	265,012	109,988	-	375,000
Total contributions	30,158,700	12,741,300	42,900,000	2,765,012	109,988	2,500,000	48,275,000
ASF recoupment interest	1,232,489	520,696	1,753,185	3,206,507	1,120,576	134,275	6,214,543
Other income	401,684	169,702	571,386	1,025,721	156,559	75,876	1,829,542
Total additions - net	28,178,780	11,904,835	40,083,615	(1,169,446)	1,123,333	2,279,472	42,316,974
Deductions:							
Member refunds and withdrawals	929,164	392,549	1,321,713	3,742,539	4,100,326	179,477	9,344,055
Retirees' pension and annuity benefits	44,169,204	18,660,389	62,829,593	128,911,643	31,985,148	6,811,213	230,537,597
General and administrative expenses	498,373	210,550	708,923	1,306,689	229,941	105,720	2,351,273
ASF Recoupment Write-off	202,316	85,474	287,790	1,062,282	349,489	11,196	1,710,757
Transfer of general and administrative expenses to General Division	(498,373)	(210,550)	(708,923)	708,923	-	-	-
Transfer to Component I (Transition Cost)	249,715	105,498	355,213	654,730	115,215	52,972	1,178,130
Total deductions	45,550,399	19,243,910	64,794,309	136,386,806	36,780,119	7,160,578	245,121,812
Net Decrease in Net Position Held in Trust	(17,371,619)	(7,339,075)	(24,710,694)	(137,556,252)	(35,656,786)	(4,881,106)	(202,804,838)
End of Year Net Position Restricted for Pensions - June 30, 2020	**$ 363,922,133**	**$ 153,748,047**	**$ 517,670,180**	**$ 862,162,401**	**$ 140,266,264**	**$ 76,003,144**	**$ 1,596,101,989**

Combined Plan for the General Retirement System of the City of Detroit

Schedule of DWSD/GLWA Contributions Toward Administrative Expenses as Compared to Actual DWSD/GLWA Allocable Administrative Expenses

For the Year Ended June 30, 2020

	DWSD Division Total	
	GLWA	DWSD-R
Amount Paid in Excess of Administrative Expenses Otherwise Allocable - June 30, 2019	$ 4,371,116	$ 1,846,691
DWSD/GLWA contribution for administrative expenses in accordance with plan of adjustment and bankruptcy order	1,757,500	742,500
Administrative expenses otherwise allocable to DWSD/GLWA	(498,373)	(210,550)
Cumulative Amount Paid in Excess of Administrative Expenses Otherwise Allocable - June 30, 2020	**$ 5,630,243**	**$ 2,378,641**

Allocation Between Divisions

The Combined Plan's allocation methodology to allocate fiscal year 2020 activity between the four main divisions (General Division, DOT, DWSD, and Library) is dependent upon each revenue or expense type. Below is a description of the allocation methodology used by the Combined Plan. Where applicable, the allocation methodology outlined in the pension reporting agreement was utilized.

Investment Income - Investment income (including income from securities lending activity) and investment expenses were allocated to the divisions, with the exception of the allocation between DWSD-R and GLWA, based on the net position of each division compared to total net position (excluding the Annuity Savings Fund) as of fiscal year ended June 30, 2019. The investment income and expenses allocated were after adjusting for interest credited to the Annuity Savings Fund.

Administrative Expenses - In accordance with Section 2.3 of the pension reporting agreement, DWSD-R and GLWA's collective allocable share of administrative expenses of approximately $709,000 has been allocated to the general division. Correspondingly, the expenses transferred to the general division are offset by a $2.5 million contribution made by DWSD-R and GLWA, collectively, for administrative expenses, which was credited to the general division. This will occur until 2023, at which point the City and GLWA will mutually determine and resolve whether any aggregate over- or underpayment will impact the obligation of DWSD-R and GLWA to make payments to GRS under the pension reporting agreement.

Contributions - In fiscal year 2020, the Plan received contributions from the divisions and the Foundation for Detroit's Future. The employer contributions were allocated between the divisions according to which division the contribution was received from, with the exception of DWSD-R and GLWA's collective payments of $45,400,00, which were allocated as outlined in the POA and/or the pension reporting agreement (see below). Of the total payment of $45,400,000, $2,500,000 reflects DWSD-R and GLWA's agreed-upon share of administrative expenses which, per the pension reporting agreement, is to be transferred to the credit of the general division. The payment from the Foundation was allocated based on a common understanding from the bankruptcy proceedings, which was ultimately determined by the City of Detroit and agreed to by the other divisions. The Foundation proceeds were allocated solely to the general division and DOT in proportion to their respective net pension liability as determined by the City's actuary as of June 30, 2019.

ASF Recoupment - Revenue from the ASF recoupment was allocated between the divisions, other than between DWSD-R and GLWA, according to the division under which the individual's ASF earnings were originally accumulated and paid out.

Member Refunds, Withdrawals, Retirees' Pension, and Annuity Benefits - These deductions were allocated, other than the allocation between DWSD-R and GLWA, based on the original division from which benefits were being provided and withdrawals were being made.

Transfer to Component I (Transition Cost) - The transfer amount to Component I for transition costs were allocated to the divisions, with the exception of the allocation between DWSD-R and GLWA, based on the Annuity Savings Fund balance of each division compared to total Annuity Savings Fund as of fiscal year ended June 30, 2018.

Allocation between DWSD-R and GLWA - Once the above activity was allocated to the divisions, the DWSD division was further subdivided between DWSD-R and GLWA in accordance with the pension reporting agreement, which stipulated such allocation would be dictated to the Plan by DWSD-R and GLWA. Per those instructions, the Plan allocated the DWSD activity between GLWA (70.3 percent) and DWSD-R (29.7 percent).