



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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CFO DIRECTIVE
No. 2018-101-015

SUBJECT: Responsibilities Related to City Pension Obligations

ISSUANCE DATE: May 14, 2018

EFFECTIVE DATE: May 14, 2018

1. AUTHORITY

- 1.1. State of Michigan Public Act 279 of 1909, Section 117.4s(2), as amended by Public Act 182 of 2014, states the chief financial officer shall supervise all financial and budget activities of the city and coordinate the city's activities relating to budgets, financial plans, financial management, financial reporting, financial analysis, and compliance with the budget and financial plan of the city.
- 1.2. The combined plans of the General Retirement System and the Police and Fire Retirement System (the "Retirement Systems") provide for the methods of financing retirement benefits in accordance with the eighth amended plan for the Adjustment of Debts of the City of Detroit (the "Plan of Adjustment").
- 1.3. Under the terms and conditions of the Omnibus Transaction Agreement (the "OTA"), the Detroit Institute of Arts and the Foundation for Detroit's Future provide certain funding for the City's pension obligations through the fiscal year ending June 30, 2034, provided the City continues to meet the terms and conditions of the OTA. Such funding is provided to the City, which in turn, provides it to the Retirement Systems.
- 1.4. Chapter 47 of the 1984 Detroit City Code, Retirement Systems, as amended by Article III Retiree Protection Trust Fund, Section 47-3-2, establishes the Retiree Protection Fund to save and invest City funds for later distribution to the Retirement Systems in support of the City's annually required contributions to Component II of the Combined Plans (the "legacy pension plans").

2. OBJECTIVES

- 2.1. To ensure the City's annual budgets and four-year financial plans have sufficient funding for its required contributions to the Retirement Systems for City employees and retirees.
- 2.2. To ensure the City makes its required contributions to the Retirement Systems for City employees and retirees in an efficient manner.

3. PURPOSE

- 3.1. To establish responsibilities for the proper budgeting, payment, and reporting related to the City's pension obligations.

4. SCOPE

- 4.1. This Directive applies to City pension obligations under both Components I and II of the Combined Plans of the General Retirement System and the Police and Fire Retirement System.

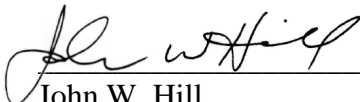
5. RESPONSIBILITIES

- 5.1. The Deputy CFO- Budget Director shall be responsible for administration and oversight of budgeting for the City's pension obligations and this Directive.
- 5.2. The Deputy CFO- Director of Departmental Financial Services shall be responsible for the payment of the City's pension obligations in accordance with this Directive.

6. POLICY

- 6.1. The Office of Budget shall ensure the City's budget and four-year financial plan includes funding necessary to make the City's required pension contributions to the Retirement Systems.
- 6.2. The Office of Budget shall coordinate with the Retirement Systems' administration to receive and review the information necessary to budget and plan for the City's required pension contributions.
- 6.3. In conjunction with the annual budget development process, the Office of Budget shall review the City's funding plan for its legacy pension plans and the Retiree Protection Fund (RPF). The CFO's Office and the Office of Budget shall make recommendations to revise the City's RPF funding plan, if necessary, to ensure the City can make its projected annual required contribution to its legacy pension plans.
 - 6.3.1. Such recommendations shall be based on the best available information, including, but not limited to, the Retirement Systems' actuarial valuations, the Retirement Systems' actual investment returns to date, and the RPF's investment plan and actual returns to date.
 - 6.3.2. Such recommendations shall not reduce the amounts included in the previous year's four-year financial plan unless the City's projected annual required contribution is less than such amounts.
- 6.4. Under direction of the CFO's Office, the Office of Departmental Financial Services (ODFS) shall be responsible for verification and remittance of the City's contributions to the Retirement Systems.
- 6.5. The Office of the Controller shall assist the ODFS with the verification of the City's payroll-related contributions to the Retirement Systems as needed.
- 6.6. The CFO's Office, with assistance from Divisions in the Office of the Chief Financial Officer, shall be responsible for coordinating all required City reporting to the State of Michigan and the Foundation for Detroit's Future, related to its pension obligations.

APPROVED



John W. Hill

Chief Financial Officer, City of Detroit