

December 10, 2025

To the Board of Trustees, the Investment
Committee, and Management
General Retirement System of the City of Detroit

We have audited the financial statements of General Retirement System of the City of Detroit (the "System") as of and for the year ended June 30, 2025 and have issued our report thereon dated December 10, 2025. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Internal Control Related Matters Identified in an Audit

Section II - Required Communications with Those Charged with Governance

Section III - Other Recommendations and Related Information

Sections I and II include information that we are required to communicate to those individuals charged with governance of the System. Section I communicates deficiencies we observed in the System's internal control that we believe are material weaknesses. Section II communicates significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process.

Section III presents recommendations related to internal control, procedures, and other matters noted during our current year audit. These comments are offered in the interest of helping the System in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

We would like to take this opportunity to thank the System's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the board of trustees, the investment committee, and management of the System and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications, and we would be willing to discuss these or any other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC



Michelle M. Watterworth, CPA



Spencer Tawa, CPA

Section I - Internal Control Related Matters Identified in an Audit

In planning and performing our audit of the financial statements of the System as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

We consider the following deficiencies in the System's internal control to be material weaknesses:

Controls Over the System's Census Data and Actuarial Valuation Process (Repeat Finding)

Background

The System has to accumulate and transmit voluminous member data to the actuary. The data used in the System's June 30, 2025 financial statements are as of June 30, 2024, which was accumulated and transmitted to the actuary from Procentia's IntelliPlan system. It is important to note that, with the System's recent ERP transition, this was the first year we tested the data coming from this new IT system, as it was the first year this data was used by the actuary in the related GASB 67 actuarial valuation.

The System accumulates member data based on information from the City of Detroit, Michigan (the "City"), as well as data the System independently obtains. The System relies on data it extracts from the City of Detroit, Michigan's databases primarily for active and deferred members. The System is responsible for data on retirees, as it will obtain additional information when a member commences retirement.

The actuary then uses this information to prepare the actuarial valuation, which impacts the calculation of the actuarially determined contribution (ADC) and the actuarial accrued liability (AAL) for funding purposes and, under GASB Statement No. 67, impacts the total pension liability disclosed in the System's financial statements.

It is key that the information provided to the actuary is complete and accurate in order to ensure that the funding levels, AAL, and disclosures under GASB Statement No. 67, including the total pension liability, also are accurate.

Issues and Recommendations

The System's conversion to Procentia's IntelliPlan system created the opportunity for the System to improve the data sets being utilized for the system's actuarial valuations. In the process of performing the conversion to IntelliPlan, the System determined that different data sets should be pulled from different places versus just simply utilizing the existing legacy system's data, in the hopes that doing so would improve the accuracy of those data sets. However, in testing the census data that is currently in IntelliPlan, we identified a significant number of unusual and unexpected changes in the data sets, and a more significant number of errors than in the past.

Section I - Internal Control Related Matters Identified in an Audit (Continued)

The more significant errors are as follows:

- We noted over 40 percent of active and 78 percent of terminated vested members where years of service changed from the prior census data for Component II. For active and terminated vested employees within Component II, we would not expect any changes to years of service, as the plan is frozen, and, thus, members should not accrue further service. In the IntelliPlan system, changes were made in how the service years were derived with the expectation of improvements in the accuracy of this field. Based on testing, we noted that, in many instances, this census data element (years of service) was inaccurate.
- We noted several different types of errors with persons either improperly included in or improperly excluded from the census data. As an example, for Components II and I, we noted there were members receiving a pension benefit who were not included in the census data as well as members who should not have been included as vested in the data included off the listings in the current year.

It is imperative that the System work to remedy these data issues. Although we were able to conclude that the totality of the census errors would not result in a material misstatement of the valuation, not only should the system address more broadly the accuracy of the data that has been transitioned to the new system, but the system needs to implement appropriate processes and controls to validate the census information each year prior to sending it to the actuary to ensure the data utilized in the valuations is as accurate as possible. Those controls that the System puts in place should be documented, including the performance of any analytics and any follow-up done to validate and correct the data. Without putting in place these additional processes and controls, we are concerned about future reliance on these very critical data sets.

Controls Over the System's Information Technology Processes (Repeat Finding)

The System has complex information technology that integrates with the City of Detroit, Michigan's various payroll databases. The System's IT department is independent of the City. The security provided by the IT system is important to the validity and the accuracy of the data maintained, including the census information provided to the actuary. The System has been in the process of transitioning to a new ERP system, which is now fully operational.

Based on our procedures, we identified the following related to the IT system:

- **Administrative Activity Monitoring (IntelliPlan)** - There is no process to proactively monitor administrator activity. There is a risk that an administrative user to create fictitious users to circumvent controls. As a result, an inadvertent mistake or malicious action made by an administrator could go undetected.
- **User Access Reviews (All Systems)** - No formal user access reviews are being performed. We recommend formal user access reviews, as these are a tool to verify that personnel have the correct access level depending on the role within the organization. If users have incorrect permissions, this lack of user access reviews could lead to unintended changes, including to personnel profiles, unknown risk, and inappropriate system access.
- **Intrusion Detection** - A formal incident response plan and a disaster recovery plan have not been documented. In the event of an incident or disaster that impacts availability of IT resources, the System may not have a clear plan on restoring operations. We recommend the System continue to review and implement recommendations from the cybersecurity assessment performed by Plante & Moran, PLLC in July 2024.

Section II - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 22, 2025, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the System. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 15, 2025.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the System are described in Note 1 to the financial statements. Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*, were both required to be implemented by the System during the year; however, the System determined that the impact of GASB 101 was immaterial and, therefore, did not adopt it as allowed by GASB. The System also determined that no disclosures were required under GASB 102; therefore, neither pronouncement led to changes to the financial statements or related disclosures.

We noted no transactions entered into by the System during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements are the following:

- **Investment Valuations** - The financial statements include investments valued at approximately \$12.8 million (less than 1 percent of net position) at June 30, 2025, whose fair values have been estimated by management in the absence of readily determinable market values (Level 3 investments). In addition, the System has approximately \$900 million of investments for which management estimated values based on net asset values provided by investee management. These investments all have underlying audited financial statements, but those financial statements are not audited as of the same year end as the System.

Section II - Required Communications with Those Charged with Governance (Continued)

The valuation of alternative investments constitutes a very sensitive and significant estimate affecting the financial statements. Management uses various means to value the investments, including confirmations from the investment managers, periodic appraisals, guidance from real estate advisors, etc. These estimates are very subjective and highly sensitive to change. We believe management's estimates are in accordance with GAAP.

- **Estimates Inherent in the Development of the Total Pension Liability** - The financial statement disclosures and required supplementary information schedules contain information about the System's total pension liability. In order to determine the total pension liability, the actuary must apply certain assumptions that are highly sensitive to estimation. The most sensitive estimates used in the valuation were as follows:
 - *Census Data* - If the census data that the actuary uses to project the total pension liability is ultimately not accurate or incomplete, the resultant liability that is calculated, disclosed in your financial statements, and ultimately recorded by the City of Detroit, Michigan will not be a good estimate. It is critical that the System place high priority on ensuring this data utilized by the actuary is in good representation of the underlying data of its members.
 - *Assumed Long-term Rate of Return* - For the purpose of GASB Statement No. 67, as of June 30, 2025, the System is currently using 6.75 percent for the assumed long-term expected rate of return based on information provided by the System's investment advisor combined with calculations performed by the System. We commend the System on continuing to be critical of this significant assumption, watching the trends nationally, and reevaluating the return assumption annually with a critical eye.
 - *Single Discount Rate Calculation* - The calculation of the single discount rate under GASB Statement No. 67, which is calculated using the long-term assumed rate of return as one of many assumptions, is highly sensitive to estimates the actuary makes about future contributions and future benefit payments. Inherent in those assumptions is some subjectivity surrounding the projection of future contributions. The assumption made in the GASB 67 valuation is that the actuarially assumed contributions will be made at rates sufficient to fund the benefits by amortizing the unfunded liability over a closed 30- and 15-year period for Components II and I, respectively.
 - *Mortality and Other Assumptions* - The mortality and other assumptions were estimated by the actuary based on the results of an experience study for the period from July 1, 2015 through June 30, 2020. Generally, the actuary used variations of the Pub-2010 tables.
- **Allowance on Annuity Savings Fund (ASF) Recoupment Receivable** - For members who elected to make employee contributions into the defined contributions-style program, referred to as the annuity savings fund, between July 1, 2003 and June 30, 2013, the POA called for recoupment of amounts that the System calculated in accordance with the POA provisions where excess interest was credited to individual ASF accounts. The recoupment amount was calculated in 2015, and members who had a recoupment amount were offered a lump-sum or monthly payment option. A receivable was recorded on the System's financial records for those who did not pay back the recoupment via the lump-sum option. The monthly payments are being deducted from the members' pension pay until paid in full, or the balance is forgiven upon the members' deaths (or their beneficiaries', as applicable). The current gross receivable recorded in the System's financial statements is approximately \$83.9 million as of June 30, 2025. For some members, given the provisions of the POA, this recoupment has an extremely long collection period and may, in some cases, be longer than the life expectancy of the member, thereby resulting in eventual write-offs of these balances. The System has recorded an allowance of \$14.7 million against this receivable balance based on historical information related to collections and write-offs. The System will evaluate this allowance annually.

We evaluated the key factors and assumptions used to develop the estimates above and determined that they are reasonable in relation to the financial statements taken as a whole.

Section II - Required Communications with Those Charged with Governance (Continued)

The disclosures in the financial statements are neutral, consistent, and clear.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is the disclosure related to GASB Statement No. 67, including the actuarial valuation results.

Difficulties Encountered in Performing the Audit

The conversion to the new ERP system, particularly for the census data, did result in significant additional time and effort during this year's audit process, particularly due to the magnitude of unexpected and inaccurate data changes and the other data issues we encountered during our testing.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements that were requested to be recorded. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. However, uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future period financial statements to be materially misstated.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the System, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the System's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 10, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the System's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Section III - Other Recommendations and Related Information

During our audit, we noted areas where we believe there are opportunities for the System to further strengthen internal control or to increase operating efficiencies. Our observations on those areas are presented below for your consideration:

Formalize Evidence of Preparation and Review of Documents

The System's process and controls properly include preparation and review of numerous workpapers to support financial statement reporting. However, sometimes the System does not document those activities and, therefore, cannot easily substantiate that they were performed. We recommend the System formalize the preparation and review process to ensure that the System can validate whether, by whom, and on what date these critical procedures and controls were performed. Currently, there is documentation of preparation and review of things like manual journal entries and bank reconciliations, but items such as the reserve workpapers are missing this documentation.

Controls Over Carried Interest in Investment Policies

While there is no clear accounting guidance on whether to include carried interest in the determination of the fair value of an investment, in order to create consistency within the System's valuations of these investments, we encourage the System to adopt a policy for treatment of carried interest in the assessment of fair value of their alternative investments, if that information is available.

Reserve Funds

In accordance with the Combined Plan for the General Retirement System of the City of Detroit, the System is required to maintain reserves to be set aside within the plans, as disclosed in the financial statements. As directed by the System's external actuary, the System should review the various reserve funds (i.e., Annuity Savings Fund, Annuity Reserve Fund, and Pension Accumulation Fund) related to transfers upon retirement/termination of employment and interest crediting.

Additionally, when accumulating the reserves information to send to the actuary and disclose in the financial statements, the System also compares its rollforward of the Annuity Savings Fund based on accounting records to that which the IT system accumulates. Accounting adjusts the reserves to match the IT report but should investigate the differences to ensure reserves are properly being tracked.

Informational Items

Cybersecurity and Information Technology Controls

Cyberattacks are on the rise across the globe, and the cost of these attacks is ever increasing. Public pension systems are not immune to these attacks; there are many systems across the nation that have been a target of cybercriminal activity. Because of these attacks, systems are at risk both financially and legally. Even a system with a highly mature cybersecurity risk management program still has a residual risk that a material cybersecurity breach could occur and not be detected in a timely manner. We commend the System for recently undergoing a cybersecurity system assessment in 2024 and encourage it to continue to prioritize addressing the items identified as part of that process.

Income Stabilization Fund

As you are aware, based on the Plan of Adjustment, the investment committee may recommend to the board of trustees that a portion or all of the assets that exceed the income stabilization benefits to be paid in the future be used to fund regular pension payments (up to \$35 million). This is allowed beginning in 2022 and requires agreement from at least 75 percent of the independent members of the investment committee on the recommendation. As of June 30, 2025, the Income Stabilization Fund's net position was \$14.5 million. The investment committee may want to utilize this option; if so, it will need to utilize an actuary to assist in making this determination.

Section III - Other Recommendations and Related Information (Continued)

Upcoming Accounting Standards Requiring Preparation

We actively monitor new Governmental Accounting Standards Board standards and due process documents and provide periodic updates to help you understand how the latest financial reporting developments will impact the System. In addition to the summaries below and to stay up to date, Plante & Moran, PLLC issues a biannual GASB accounting standard update. The most recent update and a link to previous fall and spring updates are available here: [GASB accounting standard update: Fall 2025 | Our Insights | Plante Moran](#).

GASB Statement No. 103 - Financial Reporting Model Improvements

This new accounting pronouncement will be effective for fiscal years ending June 30, 2026 and after. This statement establishes new accounting and financial reporting requirements or modifies existing requirements. The impact to the System will primarily be with the reporting of the management's discussion and analysis.

GASB Statement No. 104 - Disclosure of Certain Capital Assets

This new accounting pronouncement requires certain types of capital assets, such as lease assets, intangible right-of-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. The statement also requires additional disclosures for capital assets held for sale. This new accounting pronouncement will be effective for fiscal years ending June 30, 2026 and after.

Significant GASB Proposal Worth Watching

The Revenue and Expense Recognition project aims to develop a comprehensive accounting and financial reporting model for transactions that result in revenue and expenses. The GASB has issued a preliminary views document that proposes a new categorization framework that replaces the exchange/nonexchange transaction notion with a four-step categorization process for classifying a transaction. In addition to this new framework, the proposal also addresses recognition and measurement of revenue and expense transactions. The exposure draft for this project is expected in two rounds - with the first in early 2027 and the second in mid-2028.

Plante & Moran, PLLC has spent significant time digesting this new proposed standard and testified to the GASB about our feedback. We strongly encourage the City to monitor developments with this standard, as the potential impact is quite broad.

Attachment

Client: **General Retirement System of the City of Detroit**
 Opinion Unit: **Fiduciary Funds (all)**
 Y/E: **6/30/2025**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Deferred Outflows of Resources	Current Liabilities	Long-term Liabilities	Deferred Inflows of Resources	Equity	Revenue	Expenses	Net Income Statement Impact
FACTUAL MISSTATEMENTS:											
A1	None	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
JUDGMENTAL ADJUSTMENTS:											
B1	Unsubstantiated liability account				(4,869,696)					(4,869,696)	\$ 4,869,696
ITEMS UNABLE TO AUDIT:											
C1	None	-	-	-	-	-	-	-	-	-	-
	Total	\$ -	\$ -	\$ -	\$ (4,869,696)	\$ -	\$ -	\$ -	\$ -	\$ (4,869,696)	\$ 4,869,696

PASSED DISCLOSURES AND FINANCIAL STATEMENT PRESENTATION ISSUES:

- D1 The total pension liability, as calculated by the actuary, is based on census information that is either incomplete or inaccurate. The total pension liability would be different had accurate and complete information been provided to the actuary. Based on errors identified, projected overstatement of the total pension liability of approximately \$10.2 million.
- D2 In the Schedule of Changes in the City's Net Pension Liability and Related Ratios (Legacy Plan), covered payroll was unavailable. This information is required, but has been noted as not available.