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TO: The Honorable Detroit City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: October 16, 2023

RE: **RESOLUTION ESTABLISHING THE RETIREE TASKFORCE**

Council Member Fred Durhal III requested that the Legislative Policy Division (LPD) draft a **RESOLUTION ESTABLISHING THE RETIREE TASKFORCE.**

Please contact us if we can be of any further assistance.

BY COUNCIL MEMBER FRED DURHAL III

RESOLUTION ESTABLISHING THE RETIREE TASKFORCE

- WHEREAS,** In 2013, the city of Detroit filed for bankruptcy, which remains the largest municipal bankruptcy in United States History; and
- WHEREAS,** After the Bankruptcy Court determined that the City was eligible for chapter 9 bankruptcy relief, the City entered into a Plan of Adjustment (POA) for the resolution of the City’s debts, which the Bankruptcy Court approved in December of 2014; and
- WHEREAS,** The POA made drastic changes to the City’s retirement plans, and it separated the retirement plans for retirees who were vested at the time of the bankruptcy. The retirement plans for employees vested at the time of the bankruptcy are referred to as the “legacy plans” and employees who were not vested at the time of bankruptcy are part of the “hybrid plans”; and
- WHEREAS,** Legacy retirees in both the General Retirement System (GRS) and the Police & Fire Retirement System (PFRS) saw significant cuts to their retirement benefits, such as a reduction in their monthly retirement checks, the elimination of cost of living adjustments (COLA), the elimination of medical benefits, and a “claw-back” for retirees who had received benefits from the Annuity Savings Fund; and
- WHEREAS,** As a result, many legacy retirees have to had to survive on a very modest monthly income¹ and cover their own medical costs, aside from a \$125 stipend from the Voluntary Employee Beneficiary Associations (VEBA); and
- WHEREAS,** Because GRS retirees do not receive COLA and PFRS retirees had a 55% reduction in COLA, retirees have had to make do with less as inflation has risen drastically in recent years. According to the Consumer Price Index Inflation Calculator from US Department of Labor’s Bureau of Labor Statistics, it takes \$1,315.81 as of September of 2023 to have the same buying power as \$1,000 in 2014; and
- WHEREAS,** As inflation continues to rise, it is increasingly difficult for many retirees to cover all of their necessary monthly expenses; and
- WHEREAS,** Undoubtedly, many retirees were incentivized to remain a City employee for decades because of the expectation that they would receive their full pre-bankruptcy retirement benefits, as the Detroit bankruptcy was unprecedented, and
- WHEREAS,** The Detroit City Council recognizes the struggle and sacrifice of legacy retirees as well as the need to provide whatever financial aid that is feasible given the years of dedicated public service that retirees provided to the city of Detroit; **NOW, THEREFORE BE IT**
- RESOLVED,** That the Detroit City Council hereby establishes the Retiree Taskforce effective immediately and continuing until December 31, 2024; **BE IT FURTHER**

¹ According to the 2022 GRS Summary Annual Report, the average annual allowance from the Legacy Pension Plan is \$19,980.66. That means that nonuniform Detroit retirees, on average, receive about \$1,665 from their pension each month. Similarly, the 2022 PFRS Summary Annual Report, the average annual allowance from the Legacy Pension Plan is \$31,149.18. That means that uniform Detroit retirees, on average, receive about \$2,596 from their pension each month. The average renting uniform retiree would only have \$1,274 to cover all non-housing costs for the month.

RESOLVED, That the Retiree Taskforce will be chaired by Council Member Fred Durhal III, and may include City Council Members, retirees, representatives from the General Retirement System and/or the Police and Fire Retirement System, financial advisors or experts, healthcare professionals, labor representatives, human resources representatives, members of community or senior organizations, legal counsel or experts, and academic or research experts; **NOW BE IT FINALLY**

RESOLVED, The Retiree Taskforce will focus on exploring and addressing the needs of City of Detroit retirees and will provide recommendations to the Duggan Administration and City Council on available methods to address those needs.