

TRUSTEE REPORT

Detroit City Council has passed a major change to the city's pension ordinance. By a 6-3 margin they ended what has often been described as the 13th check for retirees. Before the massive worldwide financial system collapse in 2008, Detroit's General Retirement System often would earn much more than our projected 7.9% annual earnings. In many of those years these earnings would be shared between the current workers by increased annuity earnings, with the retirees as a 13th check (an increased December check), and the remainder staying in retirement system to pay for future retirements (which reduced the city's pension cost payments for those years). The policy which had the support of all sides for decades has now been stopped. Also stopped is even the standard of paying 7.9% on the annuity program, instead just the actual earnings of that particular year would be counted, but not to go below zero. Many retirees relied on that check to pay their increased utility bills during the winter. Also remember that the money would go directly into the local economy.

As a trustee, my responsibility is to help administer our fund. The fund is defined by city charter, city ordinance, and the various union contracts. I spoke before the City Council and advised them that a change such as this needed to be negotiated with the unions. Their decision will be challenged and may eventually end up being in front of a judge.

The City Council and the mayor have been receiving advice on this issue from Joseph Esuchanko, an actuary (financial statistician) who will testify when hired to do so. He supported this move against 13th check but when I heard him speak to the Michigan Association of Public Employee Retirement Systems he had positions which are against some of the ideas that Bing lately has been proposing. For example he did not support (for future new hires) any proposal of instituting a Defined Contribution Plan. That kind of plan does not guarantee a set pension benefit. He pointed out that a Defined Benefit Plan (like ours) gives more benefits per dollar cost. Nor did he support elimination of the retiree's COLA increase, but maybe to lessen it depending on the inflation rate.

During the current threats of Emergency Manager and takeovers of our city and water department an important point must be made about our retirement benefits. Whatever pension we have already earned cannot be changed. This is called an accrued benefit and is guaranteed unchangeable by the Michigan constitution. If there is a change to union contracts or a city ordinance change that would affect our pensions, it could affect what workers accrue from the point that such changes start, but could not affect pension credits earned in the past.

Recently the Detroit Water and Sewerage Department came under a new order by US District Judge Sean Cox. It puts restrictions on employee and union rights even though DWSD's problems came from city hall, not the employees or unions. Now James Fausone, the new DWSD Water Board Chair is trying to stop me from receiving my hourly wages during that part of the work week when I do my duties as trustee. Fausone's action is in clear violation of the law. I will provide updates as this plays out.

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December 4, 2011
