



Despite up to \$820 million being set aside, Detroit retirees not shielded in bankruptcy

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Detroit workers and activists protest potential pension cuts outside the Theodore Levin U.S. Federal Courthouse after the city filed for municipal bankruptcy in a July 24, 2013 file photo. *(Tanya Moutzalias | MLive.com)*

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DETROIT, MI -- Up to \$820 million in private and public money is being set aside to help city retirees, but the massive fund still isn't enough to fully shield them from cuts to their benefits in bankruptcy court, said mediators in the case and outside experts.

After months of negotiation, a plan for getting Detroit out of crippling debt is being finalized for submission to bankruptcy court in two weeks, and it's likely to include cuts to retiree benefits.

But federal mediators have garnered \$470 million in private pledges and a proposed \$350-million state contribution to help retirees absorb the blow, on the condition that works at the Detroit Institute of Arts aren't sold to satisfy debt.

City-purchased art at the DIA is appraised at \$454 million to \$867 million.

U.S. District Judge Gerald Rosen, appointed to mediate talks between the city and its creditors -- including groups representing some 28,000 workers and retirees, led an effort to start a substantial, independent fund to aid protection of art and retiree benefits.

Gov. Rick Snyder said last week he wants to pull \$350 million out of tobacco settlement money over 20 years for that purpose. And he said this week that number hasn't changed after more private money was pledged.

Earlier pledges from private foundations totaled \$320 million. And announcements this week of a \$40 million contribution from the Kellogg Foundation and a \$100 million fundraising drive by the DIA brought the fund's potential to \$820 million.

"There are a lot of very, very wealthy people in the Metro Detroit area," said Jim McTevia, a veteran local corporate restructuring expert. "Those people made that wealth because Detroit existed. It's only right that at a time when Detroit is struggling for survival, that they somehow or another show appreciation... I think it's right. I think it's proper. It avoids selling the assets."

But it's not enough to solve Detroit's pension problem, McTevia said.

Orr estimates Detroit's pension debt at \$3.5 billion and retiree health care obligations at \$5.7 billion.

"It's not going to solve the pension disparity," he said. "The fact of the matter is, everybody needs to realize there is no way that Detroit can pay back its creditors 100 cents on the dollar for anybody, and that includes the underfunded pensions..."

"You make the best of what you have to work with... The only way the creditors of Detroit, including the pension funds, are going to get anything at all, is if Detroit survives and can pay back some of this money over time."

Art and retirees have been at the center of public concern over Detroit's restructuring since state-appointed Emergency Manager Kevyn Orr took the city into bankruptcy in July, citing some \$18 billion in debt.



Detroit firefighters and their families speak about their concerns over pensions and public safety

The average Detroit municipal retiree gets about \$19,000 a year. Retired police and firefighters receive an average of \$30,500 and get no Social Security benefits.

(Detroit retiree: "I want to be able to continue to eat tuna fish. I don't want to have to go to cat food.")

Rosen and his team of mediators acknowledged in a statement Wednesday that the fund won't keep pensioners from seeing cuts, but can only help toward "mitigating as much as possible the adverse impact of the bankruptcy upon the retirees and their families."

"While everyone understands that current proposed pension funding levels are not sufficient to provide full restoration of pension benefits for Detroit retirees, the mediators deeply appreciate the DIA's very positive and constructive contribution as yet another important step forward," the mediators said.

Orr said Wednesday he's handed over a proposed plan of adjustment to creditors for review and intends to submit a final document to U.S. Bankruptcy Judge Steven Rhodes in February.

"While this process is not an easy one, I appreciate the concerns people in the Detroit metro area are facing as a result of the City's problems," Orr said in a statement. "Time is of the essence – the longer we remain entrenched in our positions and fail to reach an agreement, the worse life gets for Detroit's 700,000 residents and the greater our collective challenges become... My team and I believe this Plan presents each interested party with fair and equitable treatment."