

March 26, 2014

## **What Deal, Mr. Finley?**

On Sunday, the Detroit News published an opinion article by Nolan Finley in which he carelessly described retirees as "playing Russian roulette" and acting "delusional" for not taking a "deal on the table" in the City's bankruptcy case. In response, we ask: "what deal, Mr. Finley?"

Before addressing the issue of a "deal," however, it is important to point out some of the more glaring errors and omissions contained in Mr. Finley's article.

First, even if retirees were to take the "deal" as Mr. Finley describes it, they would need to accept pension cuts significantly greater than the 10 percent for public safety workers (police and fire) and 34 percent for general service workers he claims will befall them. In fact, when one considers that the City is also seeking to eliminate supplemental adjustments (COLA) increases -- which would generally harm younger retirees (e.g., police and fire) -- the amount of pension cuts under the City's plan grows closer to 26% for public safety workers and 50% for general service workers. Considering that public safety workers do not receive Social Security benefits, and that general service workers receive on average only \$19,000 yearly in City pensions, it is understandable why retirees have not raced to embrace the City's plan.

Second, Mr. Finley fails to mention that the City plans to cut retiree healthcare spending by approximately 85%. Such cuts will require retirees to dig deeply into their pockets for significantly increased premiums, co-pays and deductibles and at the same time receiving less coverage. Coupled with the proposed pension cuts, the elimination of such healthcare and other post employment benefits will be dire for many retirees and their families.

Third, in contrast to private workers who receive defined pension benefit protection from the Pension Benefit Guaranty Corporation, municipal retirees have no safety net. Therefore, to chastise Detroit's public retirees who accepted careers with lower salaries in exchange for a Constitutionally-protected right to pensions, is both misguided and mean-spirited. Perhaps this is why the Michigan attorney general has lined up with City retirees by arguing that the Bankruptcy Code cannot be used to reduce their Michigan Constitutional guaranteed pensions.

Now, as to the alleged "deal." Mr. Finley refers to a series of reported promises by certain foundations, the DIA and the state to collectively contribute approximately \$820 million over 20 years for the benefit of retirees, in exchange for which retirees must abandon litigation aimed at protecting their pension rights and to agree to a host of other -- currently unknown -- conditions. We say "reported" and "currently unknown" because the documents that allegedly govern this deal have never been shared with retirees. Thus, it is impossible for retirees to know how such money will be contributed, the conditions under which payments will occur and, perhaps most importantly, their rights if amounts are not paid. Stated simply, retirees do not know how the money will trickle in over 20 years under the "deal" (if it comes at all). And, the "deal" does all of this by allowing the City to avoid paying another dollar for retiree pensions.

The retirees are not, as Mr. Finley suggests, foot-dragging. To the contrary, retirees have sought to resolve these concerns over the past weeks and months, to no avail. For example, the \$350 million that is to come from the state requires retirees to release the state from the right to seek lost pension payments from it in the future. While we appreciate the offer, the fact is that unless properly structured, any state payments can be terminated by any future state legislature, starting as early as 2015, without recourse. As for the contribution from the DIA -- leaving aside the fact that the value of the art owned by the City and housed within the DIA is worth many times more than the "up to \$100 million" reported to be

contributed from the DIA -- the final DIA contribution is both uncertain and is subject to future fundraising efforts.

In the final analysis, for Mr. Finely to blame retirees for not accepting a "deal" whose actual terms has never been finalized and shared with retirees is nonsensical. For retirees to accept Mr. Finely "advice" would, in turn, be foolish.

Signed,

The Official Committee of Retirees for the City of Detroit, Michigan

AFSCME

Detroit Retired City Employees Association

Retired Detroit Police Members Association

Retired Detroit Police & Fire Fighters Association

Detroit Fire Fighters Association, Local 344