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Detroit Mayor Proposes Trust Fund to Cover Future Pension Payments.

(Reuters) - Detroit Mayor Mike Duggan on Thursday proposed setting aside money in a special trust fund to cover higher-than-expected pension payments expected to begin in fiscal 2024.

Under the plan, fund deposits and interest earnings would total \$377 million by the end of fiscal 2023, according to John Naglick, the city's finance director.

Detroit, which exited the biggest-ever municipal bankruptcy in December 2014, has already set aside \$70 million for the higher pension payments.

The court-approved bankruptcy exit plan had projected city pension payments to spike to \$111 million beginning in fiscal 2024 after years of minimal or no payments by the city. But a subsequent actuarial analysis pegged the payment spike at \$200 million or more.

In his annual budget presentation to the city council on Thursday, Duggan also proposed a \$1.074 million general fund budget for the fiscal year beginning on July 1 that is slightly smaller than the current spending plan.

The city's credit rating remains deeply in the junk category in the wake of the bankruptcy, which allowed Detroit to shed about \$7 billion of its \$18 billion of debt and obligations.

Naglick said Detroit is eying the sale of about \$100 million of bonds backed by state of Michigan transportation funds due the city. The bonds would be issued through the Michigan Finance Authority and would have investment grade ratings, he said.

By REUTERS

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(Reporting by Karen Pierog in Chicago; Editing by Matthew Lewis)