
Michigan Reveals Post-Detroit Pension Woes.

- **Over 110 of the 490 reporting so far have underfunded plans**
- **Reports required by new state law aimed at bolstering pensions**

Five years after Detroit became the biggest U.S. city to go bankrupt, leading to cuts in the pension benefits of its retirees, Michigan is learning that the retirement promises made by dozens of other municipalities are far from secure.

Under a new state law, cities, towns and authorities were required this year to submit financial details on the status of their pension and health care plans. The results, so far, are grim: the Michigan Treasury Department found that over 110 — or more than one fifth — have underfunded pension or retiree health-care plans.

The figures underscore the financial pressures facing governments in Michigan, a labor union stronghold that was hit hard by the loss of manufacturing jobs.

A pension was deemed underfunded if it had less than 60 percent of what's needed to cover the benefits that have been promised and the government's annual required contribution consumed more than 10 percent of its revenues. Collectively, the nearly 500 local governments that have reported so far had a $6.4 billion shortfall in their pensions, the data show.

Flint, a financially distressed city known for cost-cutting decisions that left residents without access to safe drinking water, reported a $345.7 million unfunded liability and said required payments totaled 20 percent of revenue. Highland Park, a Wayne County city, reported that the retirement benefits of its general employees were just 2.1 percent funded.

Those with pensions or health care plans identified as underfunded can apply for a waiver that shows the problem has been addressed, state Treasury spokesman Ron Leix said in an email. If the locality isn't given a waiver, it must complete a "corrective action plan" with ideas for addressing the debt. Those plans — which could include changes like reducing benefits granted in the future — will be reviewed by a newly-created state board.

Jordan Stanchina, city manager of Iron Mountain, Michigan, said it's hard to trace the pension shortfall to just one cause, but cited under-performing investments as a factor.

The city owes $7.7 million to the Municipal Employees' Retirement System of Michigan, making its liability just 38 percent funded, according to the treasury department data. He said it is hard for the city to devote more revenue to pensions thanks to state restrictions on property tax hikes.

"There's not any excess funds to do anything with," he said.

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By Amanda Albright

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