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Detroit Mayor Eyes Legal Action Over Pension Shortfall.

DETROIT — Detroit may sue some of the consultants who worked on its historic municipal bankruptcy over a \$490 million pension funding shortfall that will result in bigger-than-expected city payments starting in 2024, according to Mayor Mike Duggan.

In his state of the city address on Tuesday night, Duggan said he is seeking advice from the city's legal department to review any possible claims against consultants.

The mayor blamed the projected deficit on outdated mortality tables used by the consultants that assume retirees will not live as long. The consultants were hired under the city's former emergency manager, Kevyn Orr.

Orr, an attorney at law firm Jones Day, who was tapped by Michigan Governor Rick Snyder in 2013 to run Detroit, declined to comment. A representative of Milliman, the city's actuarial consultant, could not be reached for comment.

Detroit exited the biggest-ever U.S. municipal bankruptcy in December 2014, shedding about \$7 billion of its \$18 billion of debt and obligations. The city paid \$177 million in legal and consultant fees to dozens of firms.

The city's court-approved debt adjustment plan contained money to pay for pensions over the first 10 post-bankruptcy years, according to John Naglick, Detroit finance director. The plan also projected contributions by the city starting in 2024 needed to amortize the unfunded pension liability which was understated by \$490 million, he added.

Detroit's contribution to its two retirement systems is expected to total \$194.4 million in 2024, which is \$84.4 million more than anticipated in the debt adjustment plan, according to a Nov. 24 report by Detroit's financial review commission.

To start addressing the shortfall, Duggan said \$10 million in surplus money will be tapped for pensions for this year and next.

By REUTERS

FEB. 24, 2016, 5:06 P.M. E.S.T.

(Reporting by Serena Maria Daniels in Detroit; Additional reporting by Karen Pierog in Chicago; Editing by Matthew Lewis)