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NCPERS Objects to Detroit Bankruptcy Ruling

Following is the statement of Hank Kim, Esq., Executive Director and Counsel of the National Conference on Public Employee Retirement Systems (NCPERS), on today's court ruling allowing the city of Detroit to enter Chapter 9 bankruptcy:

Washington, DC – “The National Conference on Public Employee Retirement Systems (NCPERS) respectfully but strenuously objects to U.S. Bankruptcy Judge Steven Rhodes’s decision to allow the city of Detroit to enter Chapter 9 bankruptcy – and cut the pensions of Detroit’s police, firefighters and city workers to resolve its financial dilemma.

“We take strong exception to the notion that retirees can be lawfully affected. Their pensions are simply deferred wages for work performed over decades. The sanctity of Detroit’s public pension plans – one for police and firefighters, another for other city workers – is guaranteed by Michigan state law. Both pension plans are well funded and can sustain most if not all of promised benefits with a relatively modest employer contribution.

“Today’s ruling is the beginning of a process – not the end. There are substantial legal issues to be settled in the U.S. Court of Appeals for the 6th Circuit and, perhaps, the Supreme Court.

“We do not believe that today’s ruling is a harbinger of a wave of bankruptcies by cities. Detroit is an extreme example of municipal financial decline, having lost 75 percent of its citizen population and 80 percent of its tax-paying population. Those are the real root causes of Detroit’s financial predicament, not greedy city employees or overly generous pension plans – despite the acerbic political hyperbole employed by Michigan Gov. Rick Snyder and his appointed Emergency Manager Kevin Orr.

“Further, 27 states do not permit municipal bankruptcy. States cannot file for bankruptcy. And the vast majority of public pension plans are well funded, at a cost of less than three percent of the state or municipal budget.

“To his credit, Judge Rhodes has emphasized that he won’t accept “deep cuts” and won’t necessarily agree to any pension cuts unless the city’s final reorganization plan is fair and equitable. The city is

expected to deliver an initial proposal to restructure its debt and reorganize its government operations by the end of the year.

“What Detroit officials will propose, and how Judge Rhodes will deal with that proposal remain to be seen. But NCPERS will continue to advocate for public pension plans, which are a substantial driver of the U.S. economy. And NCPERS will continue to advocate for restoring defined benefit pension plans to the private sector, as the least costly and most effective means of ensuring retirement security for American workers.”

About NCPERS

The National Conference on Public Employee Retirement Systems (NCPERS) is the largest trade association for public sector pension funds, representing more than 550 funds throughout the United States and Canada. It is a unique non-profit network of public trustees, administrators, public officials and investment professionals who collectively manage more than \$3 trillion in pension assets. Founded in 1941, NCPERS is the principal trade association working to promote and protect pensions by focusing on advocacy, research and education for the benefit of public sector pension stakeholders.