



January 10, 2025

**HONORABLE CITY COUNCIL:**

**RE: Supplemental Checks for City Retirees and Beneficiaries**

As you know, the City's Fiscal Year 2025 adopted budget includes a \$10 million appropriation to fund supplemental checks for City retirees and beneficiaries.

The City's bankruptcy plan of adjustment provided for reductions in the accrued benefits of retirees in each of the General Retirement System (GRS) and Police and Fire Retirement System (PFRS). In addition to the reductions in the accrued benefits, all participants' remaining benefits were frozen, and the plan was closed to new participants as of June 30, 2014. This plan became known as the Component II plan for each system.

The City Administration and City Council have heard from many GRS and PFRS retirees and beneficiaries as to the hardships they have endured because of the City's bankruptcy and the resulting reduction of their retirement benefits.

In order to provide some relief to those retirees and beneficiaries it was envisioned that the \$10 million appropriation in the City's Fiscal Year 2025 budget would be used to send a one-time supplemental check to each retiree or beneficiary. This is not an annual benefit.

The Administration recommends that these supplemental checks, sometimes referred to as a 13<sup>th</sup> check, be distributed to all retirees and beneficiaries of the Component II plans. There are 10,792 retirees and beneficiaries receiving a benefit from the GRS Component II plan and there are 8,319 retirees and beneficiaries of the PFRS Component II plan as of June 30, 2023.

The Administration further recommends that \$5 million be allocated to make the one-time supplemental check to GRS retirees and beneficiaries and \$5 million be allocated to make the one-time supplemental check to PFRS retirees and beneficiaries.

The GRS and PFRS are best able to execute these payments because they currently pay the monthly retirement benefits to retirees and beneficiaries using direct deposit processed through the respective Retirement System's payroll system.

We recommend transferring \$5 million to GRS and \$5 million to PFRS and to instruct GRS and PFRS to each divide \$5 million by the number of living retirees and beneficiaries as of the distribution date.

Using the June 30, 2023 census of retirees and beneficiaries as an example only, that census would result in a one-time supplemental check to GRS retirees and beneficiaries of \$463 (\$5,000,000 divided by 10,792) and PFRS retirees and beneficiaries of \$601 (\$5,000,000 divided by 8,319).

Therefore, the Labor Relations Division respectfully requests that your Honorable Body pass a resolution which approves the transfer of these funds from the City to GRS and PFRS and instructs them to make the distribution of the one-time supplemental checks to retirees and beneficiaries of GRS and PFRS. We further respectfully request that your Honorable Body Adopt the following resolution with a Waiver of Reconsideration.

Respectfully submitted,



Valerie A. Colbert-Osamuede  
Labor Relations Director

**By Council Member \_\_\_\_\_:**

**WHEREAS**, On July 18, 2013, the City filed a petition in the United States Bankruptcy Court for the Eastern District of Michigan (the “Bankruptcy Court”) seeking protection from its creditors under chapter 9 of title 11 of the United States Code, (11 U.S.C. § 101, *et seq.*); and

**WHEREAS**, On October 22, 2014, the City filed the *Eighth Amended Plan For the Adjustment of Debts of the City of Detroit*, which was confirmed by Order entered November 12, 2014 (the “Plan of Adjustment” or “POA”). The Plan of Adjustment was effective on December 10, 2014; and

**WHEREAS**, The General Retirement System (GRS) and the Police and Fire Retirement System (PFRS) of the City of Detroit are governed by the provisions of (1) the Combined Plan for the General Retirement System and the Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan, respectively, each as amended and restated effective July 1, 2014 through Emergency Manager Order No. 44 (the “Combined Plans”), (2) the Contribution Agreement with the Michigan Settlement Administration Authority (the “State Contribution Agreement”) and, (3) the Plan of Adjustment; and

**WHEREAS**, Upon the effective date of the Plan of Adjustment, the Combined Plans and the POA provided for reductions in the accrued benefits of GRS and PFRS members, retirees and beneficiaries; and

**WHEREAS**, the Combined Plans indicate that the Retirement Board and the Retirement System shall not make any payment to active or retired Members or Beneficiaries other than payments that are required by the Retirement System as established by the Combined Plans’ plan documents and this prohibition applies to all payments that are not authorized by the Combined Plans’ plan documents, whether such payments are those commonly referred to as a “thirteenth check” or payments by any other name; and

**WHEREAS**, the City desires to amend the Combined Plans to provide for such supplemental payments; and

**WHEREAS**, The City’s Approved Budget for Fiscal Year 2025 contains an appropriation of \$10 Million dollars to fund a supplemental distribution to retirees and beneficiaries of GRS and PFRS; and

**WHEREAS**, The City Administration and City Council have heard from many GRS and PFRS retirees and beneficiaries as to the hardships endured because of the City’s bankruptcy reductions to retirement benefits; and

**WHEREAS**, The GRS and PFRS are the most appropriate entities to disburse the supplemental benefits because they possess the direct deposit information for the affected retirees and beneficiaries; and

**WHEREAS**, The City Council and Administration believe that the distribution of a supplemental benefit for Fiscal Year 2025 in the total amount of \$5 Million dollars for GRS and an additional \$5 Million dollars for PFRS should be to those retirees, or their surviving beneficiaries, on a pro-rata basis. Based upon an estimated 10,792 eligible retirees and beneficiaries in the GRS, this would mean a supplemental benefit check in the amount of approximately \$463 to each eligible GRS retiree or beneficiary; and based on an estimated 8,319 eligible retirees and beneficiaries in the PFRS, this would mean a supplemental benefit check in the amount of approximately \$601 to each eligible PFRS retiree or beneficiary,

**THEREFORE BE IT RESOLVED**, the City Council authorizes the Administration to provide for the transfer of the budgeted \$5 Million dollars to the GRS and the transfer of an additional budgeted \$5 Million dollars to the PFRS, in each case, for distribution of the one-time supplemental benefit to eligible retirees and beneficiaries in accordance with the following:

- A. Eligibility – Those retirees and beneficiaries of the GRS and PFRS Component II plans that are in receipt of benefits on the first of the month prior to the date of the disbursement.
- B. Benefit – The \$5 Million shall be disbursed as a one-time lump sum payment to all eligible GRS retirees and beneficiaries, on a pro-rata basis, by dividing the total \$5 Million dollars by the total number of eligible retirees and beneficiaries and the additional \$5 Million shall be disbursed to eligible PFRS retirees and beneficiaries, on a pro-rata basis, by dividing the total \$5 Million dollars by the total number of eligible retirees and beneficiaries.
- C. Non-Precedent Setting – The issuance of the supplemental benefit, the amount of the total distribution, benefit eligibility, and distribution methodology shall not set a precedent for future distributions. All elements of this supplemental benefit distribution shall be reviewed and may be revised as deemed appropriate by City Council in the future. This is not an annual supplemental benefit.

**BE IT FURTHER RESOLVED**, that Component II of each of the Combined Plans is hereby amended to provide for a one-time lump sum payment payable to the class of eligible retirees and beneficiaries described in “A” above, in the amount calculated pursuant to “B” above, with such payments to be made as soon as administratively feasible following the approval of these resolutions and the transfer of the budgeted funds.



November 21, 2024

Mr. David Cetlinski, Executive Director  
General Retirement System of the City of Detroit  
Police and Fire Retirement System of the City of Detroit  
One Detroit Center  
500 Woodward Avenue, Suite 3000  
Detroit, Michigan 48226

**Re: \$10 Million One-Time Supplemental Checks**

Dear Mr. Cetlinski:

Per your request, this letter discusses the financial impact of a proposal for the City to provide \$10 million in supplemental checks to the General Retirement System (GRS) and the Police and Fire Retirement System (PFRS) Component II (Legacy) retirees/beneficiaries.

Our understanding is that the City intends to remit a combined \$10 million to the GRS and the PFRS so that those Systems can then pay their retirees/beneficiaries a combined \$10 million. The Systems would essentially be acting as a pass-through for the City (the City first gives the Systems the \$10 million and the Systems then gives the retirees/beneficiaries the \$10 million). The \$10 million remitted to the Systems by the City would be in addition to the Actuarially Determined Employer Contributions made by the City during the fiscal year for the funding of the Systems. **It is further our understanding that once the \$10 million is paid to the retirees/beneficiaries, the benefits paid to such retirees/beneficiaries will revert back to what was being paid before the additional payment. The payment will be treated as an extra one-time payment, similar to a 13<sup>th</sup> check.**

**Based on the conditions described above, we believe the financial impact to the Systems will be de-minimis.**

**If you would like our help in determining an algorithm for how the extra payments will be distributed to retirees/beneficiaries (i.e., based on years retired and/or years of service), please let us know.**

**Additional Comments:**

**Comment 1:**

A determination of administrative costs to implement the proposed payments is outside of our (actuarial) area of expertise. It was assumed there would be no additional administrative costs incurred by the Retirement Systems.

**Comment 2:**

We have not been informed of how long the Systems intend to hold the \$10 million before paying the retirees/beneficiaries. If the \$10 million received by the Systems is invested before payment to the retirees/beneficiaries occurs, then the Systems would be subjecting themselves to potential investment risks/rewards.

**Comment 3:**

Under the accounting principles set by the Governmental Accounting Standards Board (GASB), the pension liability reported in the financial statements should include projected substantively automatic ad-hoc benefit changes. Based on our professional judgement, at this time we do not believe that this one-time payment necessitates a projection of future similar payments under GASB financial reporting. However, we note that a continuing pattern of supplemental payments may necessitate a projection of future similar payments under GASB financial reporting.

**Comment 4:**

If the actual implementation of payments differs from what is described, results could be different than presented above.

**Comment 5:**

We have not evaluated whether or not the Plan of Adjustment (POA) would be operative at this time and/or would allow for implementation of the payments.

**Comment 6:**

If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the authors of this report prior to making such decision.

**Comment 7:**

No statement in this report is intended to be interpreted as a recommendation in favor of the proposed payment option, or in opposition to it.

**Comment 8:**

This report is intended to describe the financial effect of the proposed extra payments on the Retirement Systems. Except as otherwise noted, potential effects on other benefit plans were not considered.



Mr. David Cetlinski  
General Retirement System of the City of Detroit  
Police and Fire Retirement System of the City of Detroit  
November 21, 2024  
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This information should not be relied on for any purpose other than the purposes described herein.  
Determinations of results, for purposes other than those identified above, may be significantly different.

The signing actuaries are independent of the plan sponsor.

Please contact us if you have any questions or need anything further.

Sincerely,  
Gabriel, Roeder, Smith & Company



Judith A. Kermans, EA, FCA, MAAA



James R. Sparks, ASA, FCA, MAAA

JAK/JRS:dj

cc: Kelly Tapper, City of Detroit Retirement Systems  
Gail Oxendine, City of Detroit Retirement Systems

