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WAYNE COUNTY EXECUTIVE WARREN C. EVANS PLANNING TO VETO BUDGET AMENDMENT THAT WOULD INCREASE UNFUNDED LIABILITIES BY \$5.6 MILLION

County to add \$81 million to further stabilize pension funding for retirees

DETROIT – Wayne County Executive **Warren C. Evans** today announced he will veto an amendment by County Commission to his proposed budget for the 2018-19 fiscal year, which would increase the stipend paid to Medicare eligible retirees by \$15 per month per person. This amendment will result in increasing the County’s unfunded OPEB liability by an estimated \$5.6 million. The County Commission approved the County’s budget which included the amendment by a vote of 13-2.

“Wayne County achieved fiscal stability by eliminating our accumulated and structural deficits and reducing our pension and healthcare unfunded liabilities by making difficult but smart financial decisions. This budget amendment is the first step backward toward short-sighted spending decisions that pushed the County to the brink of bankruptcy, and I’m going to veto it,” Evans said. “People seem to forget that our pensions are still only 54% funded, we are struggling to attract and retain talent, and we have facilities challenges across the board.”

The stipend was established as part of a settlement with retirees stemming from a lawsuit filed in 2009 in Wayne County Circuit Court by retirees whose service ended before Dec. 1, 1990. Under the settlement, approximately 5,000 retirees eligible for Medicare, receive a monthly stipend of \$130-\$135 from the County to purchase supplemental Medicare health insurance.

The stipend provided additional funds to each retiree to supplement their Medicare coverage, while relieving the County of retiree health care costs that were unsustainable. The settlement saved the County approximately \$20 million annually, and was critical to helping the County restore fiscal stability under Executive Evans and emerge from the Consent Agreement with the State of Michigan.

“Philosophically, no one is opposed to increasing retirees’ stipends, but these financial decisions don’t happen in a vacuum,” Evans said. “I understand people have sacrificed. I’d like to increase the stipends, but we have many pressing needs including properly funding pensions and investing in the current employees we count on every day to serve the people of Wayne County. This budget, prior to the amendment, is another step toward that.”

Prior to the budget taking effect on Oct. 1, the County plans to contribute an additional \$81 million to fund pensions. Of that \$81 million, \$58 million comes from the sale of the Downriver and Northeast Sewage Disposal Systems, an additional \$10 million above the Annual Required



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Contribution to pensions in the 2017-18 fiscal year budget, accelerated contributions of \$6 million from the Roads Fund and the Environmental Services Group, and \$7 million from the 2017-18 fiscal year budget surplus. The County still has approximately \$636 million in unfunded pension liabilities. Under Executive Evans, pension funding has improved from 45% to 54%.

“It is disappointing to work so hard to improve the County’s fiscal issues and then see commissioners advocate to spend money that shouldn’t be spent,” Evans added.

The proposed 2018-2019 fiscal year budget, which would take effect on October 1, estimates total revenue of \$1.61 billion and is the fourth straight budget with a projected surplus. It includes a general 2.5% wage increase for non-court personnel (already effective), \$14.5 million in debt service to finance the new criminal justice center, \$10.5 million for bridge inspections and repair and approximately \$13 million for technology upgrades.

For Medicare eligible retirees who receive a pension from Wayne County of \$28,000 or less, the proposed stipend increase would apply to both those retirees and their spouses. Preliminary estimates suggest an annual cost to the County of \$540,000 and an increase of \$5.61 million in unfunded OPEB liabilities.

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