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City Of Pontiac Announces Final Settlement Of Retiree Health Care Litigation
Agreement restores retiree health care, limits city's future liability

After six years, the final remaining litigation from Pontiac's time under the control of emergency managers has been settled with a groundbreaking agreement that secures both retiree benefits and the city's financial stability.

U.S. District Judge Avern Cohn gave final approval Monday to a class action settlement between the City of Pontiac and City of Pontiac Retired Employees Association. The group filed the lawsuit in 2012 after the former emergency manager eliminated retiree health care in a cost-cutting move.

The settlement — which is contingent upon IRS approval due to its unique nature — would restore health, dental and optical benefits for retirees and limit the city's future liability.

The deal represents a trifecta for the city, which recently settled the long-running Ottawa Towers litigation and announced that nearly all of the structures on its dangerous buildings list have been demolished.

“This marks the end of an era and the beginning of the next phase of Pontiac's resurgence,” said Mayor Deirdre Waterman. “With the attractiveness Pontiac holds for new industries and economic development, it's my prediction that our heyday is very much before us and not behind us.”

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Mayor Waterman pledged to continue a \$400-a-month stipend that retirees have received since the city eliminated their health care benefits until the settlement receives an IRS decision, which is expected to take nine to 12 months.

The provisions of the settlement include:

- The termination of the Pontiac General Employees Retirement System and establishment of a new system with 130 percent of the pension fund's assets, with the surplus assets transferred to a Voluntary Employee Benefit Association.
- An initial payment by the city of \$4.25 million to help form the VEBA trust, with the city's future annual contribution to the VEBA not to exceed \$1.5 million.
- A supermajority vote requirement for pension board approval of private equity investments in order to prevent retiree losses.

Pontiac has built a budget surplus and revived services such as youth recreation since the state discontinued oversight of the city's finances. In the settlement order, Judge Cohn said the retiree health care deal prevents a possible municipal bankruptcy.

"In fact, without a solution to the City of Pontiac's outstanding debts to retirees through this settlement proposal, there is a risk that the City of Pontiac could face a future bankruptcy filing that would not only threaten retiree health care, but also retiree pensions," Cohn said in the order.

"The resolution of this litigation removes any immediate threat of short-term cash insolvency and safeguards both pensions and health care without reducing pensions at all."