News Release
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FOR IMMEDIATE RELEASE
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Financial review shows Wayne County running out of money, pensions dangerously underfunded without major financial overhaul.

Evans: "We are done with accounting gimmicks and one-time fixes; all options on table"

DETROIT – Wayne County Executive Warren C. Evans today outlined why the County is in a deep financial hole– as his administration looks to close a nearly $70 million budget deficit and shore up public employee pensions that are dangerously underfunded.

This after an independent financial review showed that, barring a substantial intervention, Wayne County would run out of general fund revenue by May 2016. The report also found that the county's public employee pension fund is woefully underfunded – as much as 60 percent – making it unable to meet current and future retirees' benefits.

"The financial report paints a sobering picture of the financial state of Wayne County," Evans said. "We cannot wait any longer and must put our financial house in order. We are done with accounting gimmicks and one-time fixes. All options are on the table."

Deficit:

● Wayne County's General Fund generated an average annual deficit of approx. $50M (before Delinquent Tax Revolving Fund transfers - DTRF) during the last 3 years
● The General Fund position in pooled cash was -$49M as of 9/2014. The General Fund position in pooled cash is expected to decline to as low as -145M in 2015 and -135M in 2016 if potential risks are realized.
● Despite transfers from DTRF to eliminate the General Fund deficit, the County's liquidity position will continue to deteriorate in the next 12 to 24 months without drastic action.

Pensions:

● The plan's funded status has drastically deteriorated from 95% to 45% from 2004-2013

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● Key reasons for this decline:
○ Some plan members were offered the ability to purchase years of unearned service at an extremely generous discount
○ Retirement incentives which waived the retirement age requirement
○ Previously closed defined benefit plans were reopened beginning in 2002 for Plan 5 & 2008 for Plan 6 members ○ During this time & because of the items listed above, retiree payroll increased by 48% from $88.7M in 2004 to $131.4 in 2013
○ Avg. pension increased 51% from $15,851 per year in 2004 to $23,914 in 2013
○ Plan did not achieve investment returns for multiple periods
● Assuming a more realistic assumed rate of return of 6.75%, the County would need to contribute an additional $40M annually for the next 10 years in order to restore funding levels to 70%
● Under reasonable assumptions & current contribution levels, funding levels could drop to 39% by 2023 without significant restructuring

"Over the last two weeks I have been meeting with local stakeholders, (Sheriff, Prosecutor, union leadership, mayors, township supervisors, and clergy members) and updating them on the findings of the financial review," said Evans. "I wanted them to learn from me what we are facing as a county."

"Our attention is now on finding solutions," he added.

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