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EXHIBIT 1

City of Detroit
 GRS Pension contributions (FY14 - FY23)

\$ in billions

GRS Source:	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10-Year
DWSD	\$ 65.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 428.5
UTGO	4.4	4.0	4.0	4.0	3.9	3.7	3.7	3.6	2.3	2.0	31.7
State	98.8										98.8
DIA	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	45.0
Other	14.6	22.5	22.5	22.5	22.5	22.5	2.5	2.5	2.5	2.5	114.6
Total	188.2	76.9	76.9	76.9	76.8	76.6	56.5	56.5	55.2	54.9	718.6

City of Detroit

PFRS Pension contributions (FY14 - FY23)

\$ millions

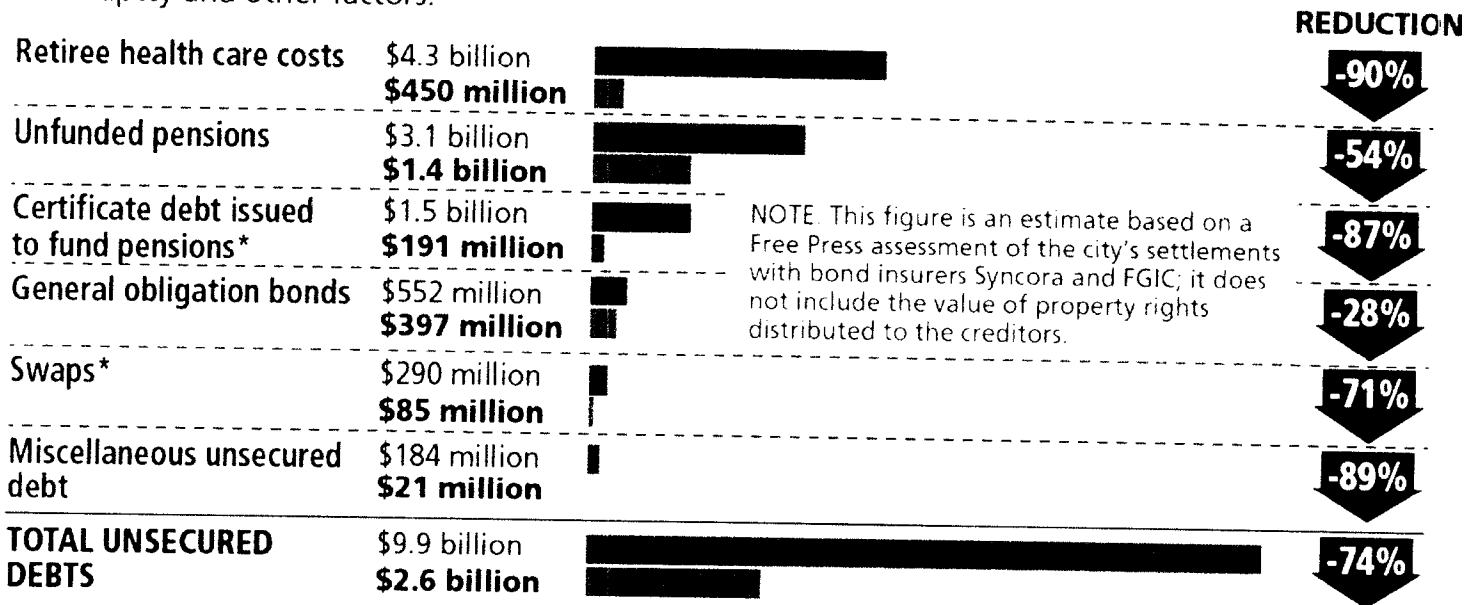
PFRS Source:	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10-Year
State	\$ 96.0	\$ 96.0	\$ 96.0	\$ 96.0	\$ 96.0	\$ 96.0	\$ 96.0	\$ 96.0	\$ 96.0	\$ 96.0	\$ 96.0
Foundations	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	164.7
Total	114.3	114.3	114.3	114.3	114.3	114.3	114.3	114.3	114.3	114.3	260.7

EXHIBIT 2

DETROIT BANKRUPTCY: BEFORE AND AFTER

Here's how Detroit plans to cut more than \$7 billion in unsecured debt and liabilities through bankruptcy. Some figures may have changed slightly due to settlements reached in the late stages of the bankruptcy and other factors.

■ BEFORE THE BANKRUPTCY
■ AFTER THE BANKRUPTCY



NOTE: This figure is an estimate based on a Free Press assessment of the city's settlements with bond insurers Syncora and FGIC; it does not include the value of property rights distributed to the creditors.

NOTE: Detroit will maintain \$6.4 billion in secured water, sewer, general obligation and parking bonds, which legally must be paid 100%. Numbers are rounded based on city estimates.

*These debts, backed by bond insurers Syncora and Financial Guaranty Insurance Co., were approved by Mayor Kwame Kilpatrick's administration in 2005 to finance \$1.4 billion in unfunded pensions.

SOURCE: City projections

MARTHA THIERRY/DETROIT FREE PRESS

EXHIBIT 3

Replacement Ballot, Class 11 GRS Pension Claims -- Retirees

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

----- X
: In re :
: Chapter 9
: :
: CITY OF DETROIT, MICHIGAN, : Case No. 13-53846
: :
: Debtor. : Hon. Steven W. Rhodes
: :
----- X

**REPLACEMENT BALLOT FOR ACCEPTING OR REJECTING THE
PLAN FOR THE ADJUSTMENT OF DEBTS OF THE CITY OF DETROIT**

CLASS 11: GRS Pension Claims -- Retirees
Claimant's [Name/Identifier]: []
Allowed Claim for Voting Purposes: [S] []

**THE "VOTING DEADLINE" TO ACCEPT OR REJECT THE
PLAN IS 5:00 P.M., EASTERN TIME, ON JULY 11, 2014**

**ALL AMOUNTS STATED ON THIS BALLOT ARE ESTIMATES.
YOUR FINAL, ACTUAL PENSION AMOUNTS WILL BE
DETERMINED BY THE GENERAL RETIREMENT SYSTEM
AFTER THE CITY'S PLAN IS CONFIRMED. YOUR ACTUAL
PENSION AMOUNTS MAY BE MORE OR LESS THAN THE
ESTIMATES CONTAINED IN THIS BALLOT.**

This Ballot is for RETIREES OR SURVIVING BENEFICIARIES WHO ARE CURRENTLY RECEIVING PENSION payments from the General Retirement System of the City of Detroit ("GRS").

GRS Pension Claims are included in Class 11 under the *Fourth Amended Plan for the Adjustment of Debts of the City of Detroit (May 5, 2014)* (as it may be amended, supplemented or modified, the "Plan").¹

Please complete, sign and date the Ballot and mail it by regular mail to Kurtzman Carson Consultants LLC (the "Balloting Agent") in the enclosed addressed envelope so that it is ACTUALLY RECEIVED by the July 11, 2014 Voting Deadline.

DO NOT RETURN THE BALLOT TO THE CITY OF DETROIT, THE BANKRUPTCY COURT OR ANYONE OTHER THAN THE BALLOTING AGENT.

Ballots may not be submitted by fax, email or other electronic means.

Please contact the Balloting Agent if you have questions regarding the ballot return instructions. PLEASE NOTE, HOWEVER, THAT THE BALLOTING AGENT IS NOT PERMITTED TO PROVIDE LEGAL ADVICE.

¹ Capitalized terms used in this Ballot and the attached instructions that are not otherwise defined have the meanings given to them in the Plan.

The City of Detroit, Michigan (the "City") is soliciting votes with respect to the Plan, which is described in the accompanying *Fourth Amended Disclosure Statement with Respect to Fourth Amended Plan for the Adjustment of Debts of the City of Detroit (May 5, 2014)* (as it may be amended, supplemented or modified, the "Disclosure Statement"). The Disclosure Statement was approved by the Bankruptcy Court on May 5, 2014. By orders entered on March 11, 2014 and May 5, 2014, the Bankruptcy Court approved procedures regarding the solicitation and tabulation of votes on the Plan.

You are receiving this Ballot because you are a retired Holder of a GRS Pension Claim as of March 1, 2014 (the "Pension Record Date").

Your GRS Pension Claim has been temporarily allowed in the estimated amount of \$[] only for the purpose of voting on the Plan. The actual amount of the claim may change before the end of the bankruptcy case.

The Plan proposes two possible treatments for GRS Pension Claims, described below as "Alternative A" and "Alternative B." The results of the voting on the Plan will determine whether the GRS will receive money from proposed settlements with third-party foundation funders. The Detroit Institute of Arts and the State of Michigan (the "Outside Funding"). The Outside Funding also depends, in part, on Bankruptcy Court approval of the settlements and the fulfillment by the outside funders of their respective commitments.

You cannot avoid a reduction of your pension benefits by refusing to vote. If the Plan is confirmed, your pension will be reduced.

NOTICE REGARDING EFFECT OF VOTING ON RELEASES OF CLAIMS

If you vote to accept the Plan: You may be giving up any right you may have to sue the State of Michigan, the City or other entities specifically protected by the Plan releases, to try to recover the full amount of your pension, only if the necessary conditions (the "Initial Funding Conditions") for the funding from the State and the other Outside Funding parties that can be satisfied before the Confirmation Hearing are satisfied or waived. These preconditions include adoption of relevant legislation and appropriations by the State and completion of necessary agreements and documents by the State and the other Outside Funding parties, among other things.

If you vote to accept the Plan and the Initial Funding Conditions are not satisfied or waived: Your vote will be deemed a vote to reject the Plan.

If you vote to reject the Plan: If you vote to reject the Plan, it will be less likely that the Outside Funding will be available. Nevertheless, if Classes 10 and 11 vote to accept the Plan so that the State funding will be made despite your vote to reject the Plan, you will not have any right to sue the State of Michigan, State officials, the City or other entities specifically protected by the Plan releases to try to recover the full amount of your pension, but you will benefit if the Outside Funding is received.

ALTERNATIVE A: If both Class 10 (the PFRS Pension Claims) and Class 11 (the GRS Pension Claims) vote to accept the Plan and the Court approves the Plan, the Outside Funding will be contributed to GRS. Under this alternative, your monthly pension payments are estimated to change as follows:

Line 1: Your Current Monthly Pension Is: \$ _____
Line 2: Line 1 multiplied by 0.955 (to show a 4.5% reduction) is: \$ _____
Line 3: Your Estimated Annuity Savings Fund Monthly Recoupment is:*** \$ _____
Line 4: Your New Estimated Monthly Pension Payment (flat payment; no COLAs) is: \$ _____
*** The total Estimated Amount of your Annuity Savings Plan Recoupment is: \$ _____

ALTERNATIVE B: If either Class 10 or Class 11 votes to reject the Plan and the Court approves the Plan, the Outside Funding will not be contributed to GRS. Under this alternative, your monthly pension payments are estimated to change as follows:

Line 1: Your Current Monthly Pension Is: \$ _____
Line 2: Line 1 multiplied by 0.73 (to show a 27% reduction) is: \$ _____
Line 3: Your Estimated Annuity Savings Fund Monthly Recoupment is:*** \$ _____
Line 4: Your New Estimated Monthly Pension Payment (flat payment; no COLAs) is: \$ _____
*** The total Estimated Amount of your Annuity Savings Plan Recoupment is: \$ _____

In addition, if you vote for the Plan and the adjusted pension amount you are to receive under the Plan is so low that your total income falls below a certain level, you may be eligible to receive supplemental payments. These additional payments will not be available to higher income retirees.

For more information regarding the calculation of the amount of your allowed claim and your monthly pension payments, please consult with your counsel and or counsel to the Retiree Committee at detroitretirees@dentons.com.

SUBMITTING YOUR BALLOT:

If you were not retired or a surviving beneficiary as of the Pension Record Date, if you did not hold a GRS Pension Claim as of the Pension Record Date, or if you believe for any other reason that you received the wrong ballot, please contact the Balloting Agent immediately at (877) 298-6236 or via email at detroitinfo@kcellc.com.

To have your vote counted, you must complete, sign and return this Ballot in accordance with the voting information and instructions provided below. You must complete your Ballot and return it to the Balloting Agent so that it is actually received by the Voting Deadline.

The Balloting Agent will not accept Ballots received after the Voting Deadline or Ballots delivered by email, fax or any other electronic method. Ballots should not be sent to the City, the Bankruptcy Court or any entity other than the Balloting Agent.

VOTING INFORMATION AND INSTRUCTIONS FOR COMPLETING THE BALLOT

1. In the boxes provided in Item 1 of the Ballot, please indicate your vote to accept or reject the Plan.

Your GRS Pension Claim against the City has been placed in Class 11 under the Plan. **The attached Ballot is designated only for retirees to vote GRS Pension Claims in Class 11 under the Plan.**

If you vote to accept the Plan, you are voting to approve certain cancellation, discharge, exculpation, expungement, injunction and release provisions contained in the Plan. Such provisions include, but are not limited to, the provisions contained in Article III.D, Article IV.J, Article IV.K and Article V.C of the Plan. Such provisions include a release of claims against third parties, including the State of Michigan, and may affect your rights and interests regarding certain other nondebtor third parties.

2. Please complete Item 2 of the Ballot.
3. Sign, date and return the Ballot to:

Detroit Ballot Processing Center
c/o KCC
2335 Alaska Avenue
El Segundo, CA 90245

The Balloting Agent must actually receive all Ballots by the Voting Deadline. If a Ballot is received after the Voting Deadline, it will not be counted. The Balloting Agent will not accept Ballots received after the Voting Deadline, or Ballots delivered by email, fax or any other electronic method. Ballots should not be sent directly to the City, the Bankruptcy Court or any entity other than the Balloting Agent. Any Ballots received by the City or the Bankruptcy Court will not be valid and will not be counted as cast.

4. If you also hold Claims in other Classes, you will receive a separate ballot for each such Claim. You must complete and return each ballot you receive to ensure that your vote will be counted with respect to each Class in which you are a Claim holder. You may have also received a ballot for your claim for health care benefits, also called post-employment benefits or OPEB.
5. The Ballot does not constitute and shall not be deemed an assertion of a Claim.
6. If you were not retired or a surviving beneficiary as of March 1, 2014, if you were not a Holder of a GRS Pension Claims as of March 1, 2014, or if you believe for any other reason that you received the wrong Ballot, please contact the Balloting Agent immediately at (877) 298-6236 or via email at detroitinfo@keelle.com.

PLEASE TAKE NOTICE THAT:

If you accept the Plan, you are voting to approve a release of any claims that you may have against the State, the City, and other entities in connection with the loss of part of your pension.

If you vote to accept the Plan, you are also voting to approve certain other cancellation, discharge, exculpation, expungement, injunction and release provisions contained in the Plan. Such provisions include, but are not limited to, the provisions contained in Article III.D, Article IV.J, Article IV.K and Article V.C of the Plan. These provisions include the release of claims against the State of Michigan and may affect your rights and interests regarding certain other nondebtor parties, but only if the Initial Funding Conditions are met or waived by the Confirmation Hearing. By accepting the Plan AND if the Initial Funding Conditions are satisfied or waived, you will be forever releasing any rights you may have against the State and other nondebtor parties for matters described in the Plan and you will be forever barred from suing the State or other nondebtor parties for matters described in the Plan. Specifically, this release would release all claims and liabilities arising from or related to the City, the chapter 9 case (including the authorization given to file the chapter 9 case), the Plan and exhibits thereto, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, § 24 of the Michigan Constitution.

If the Plan is confirmed, you will not be able to challenge the Annuity Savings Fund Recoupment that will be deducted from your monthly pension check.

If you vote to accept the Plan and the Initial Funding Conditions are NOT satisfied or waived before the Confirmation Hearing, your vote will be deemed to be a vote to reject the Plan.

**PLEASE READ THE INSTRUCTIONS CAREFULLY
BEFORE FILLING OUT AND MAILING THE BALLOT.**

**PLEASE READ THE VOTING INFORMATION AND
INSTRUCTIONS ATTACHED BEFORE COMPLETING THIS BALLOT.**

PLEASE COMPLETE ITEMS 1 AND 2 BELOW. IF NEITHER THE "ACCEPT" NOR "REJECT" BOX IS CHECKED IN ITEM 1, OR IF BOTH BOXES ARE CHECKED IN ITEM 1, THIS BALLOT WILL NOT BE COUNTED AS CAST.

IF THIS BALLOT IS NOT SIGNED ON THE APPROPRIATE LINES BELOW, THIS BALLOT WILL NOT BE VALID OR COUNTED AS HAVING BEEN CAST.

Item 1. Class Vote. The undersigned, a retired GRS Pension Claim Holder in Class 11 as of March 1, 2014 against the City of Detroit, Michigan, votes to (check one box):

ACCEPT the Plan.

REJECT the Plan.

PLEASE COMPLETE ITEM 2 ON THE NEXT PAGE.

Item 2. Certifications. By signing this Ballot, the undersigned certifies that he, she or it:

- i. was retired as of March 1, 2014;
- ii. is the Holder of a GRS Pension Claim in Class 11 to which this Ballot pertains, or is an authorized signatory, and has full power and authority to vote to accept or reject the Plan with respect to such Claim;
- iii. received a copy of the solicitation package consisting of: (a) a notice regarding the time and place of a hearing to consider confirmation of the Plan, (b) a CD-ROM including the Plan, Disclosure Statement and the exhibits to each filed to date, (c) a Ballot and a ballot return envelope, (d) a copy of certain rules governing the tabulation of ballots, (e) a plain language description of the Plan, (f) a cover letter and (g) a letter from the GRS and possibly from other parties; and
- iv. understands that a vote to accept the Plan is a vote to accept certain cancellation, discharge, exculpation, expungement, injunction and release provisions contained in the Plan.

Name

Fed. Tax I.D. No. or Last 4 Digits of Social Sec. No. (optional)

Signature

If by Authorized Agent, Name and Title

Name of Institution

Street Address

City, State, Zip Code

Telephone Number

Date Completed

Email Address

EXHIBIT 4

Systems Funding Trust 2006 in connection with any liability arising in connection with or related to (1) Sections 6.5 and 9.1 of the Contract Administration Agreements, (2) Section 8.03 of the COP Service Contracts, (3) distributions made pursuant to or in connection with this Section II.B.3.p.i.A, (4) the FGIC Settlement or (5) the Syncora Settlement. On the Effective Date, Syncora and FGIC shall, to the fullest extent permitted under law, be deemed to forever mutually release, waive and discharge all liabilities against each other relating to distributions made pursuant to or in connection with this Section II.B.3.p.i.A, Sections 6.5 and 9.1 of the Contract Administration Agreements or Section 8.03 of the COP Service Contracts.

ii. Impact of UTGO Settlement.

Pursuant to the UTGO Settlement Agreement, the City has agreed that (a) the Plan shall not permit the Holders of Allowed COP Claims to recover more on a percentage basis on account of such Allowed COP Claims than the Holders of Allowed Unlimited Tax General Obligation Bond Claims recover on a percentage basis on account of such Allowed Unlimited Tax General Obligation Bond Claims, as such percentage recoveries are projected on the terms set forth in the UTGO Settlement Agreement at Confirmation; and (b) if a Trigger Event occurs, the Settling UTGO Bond Insurers shall receive Top-Off Payments (as set forth in Section IV.C).

q. Class 10 – PFRS Pension Claims.

i. Allowance.

The PFRS Pension Claims shall be allowed in an aggregate amount equal to the sum of approximately \$1,250,000,000.

ii. Treatment.

A. Contributions to PFRS.

During the Fiscal Years from the Effective Date through Fiscal Year 2023, annual contributions shall be made to fund benefits accrued under the Prior PFRS Pension Plan only in the amounts identified on Exhibit II.B.3.q.ii.A. The exclusive source for such contributions shall be certain DIA Proceeds and a portion of the State Contribution. After June 30, 2023, (1) PFRS will receive certain additional DIA Proceeds and (2) the City will contribute sufficient funds required to pay each Holder of a PFRS Pension Claim his or her PFRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior PFRS Pension Plan, in accordance with the State Contribution Agreement and exhibits thereto. Nothing in this Plan prevents any non-City third party from making additional contributions to or for the benefit of PFRS if such party chooses to do so.

B. Investment Return Assumption.

During the period that ends on June 30, 2023, the trustees of the PFRS, or the trustees of any successor trust or pension plan, shall adopt and maintain an investment return assumption and discount rate for purposes of determining the assets and liabilities of the PFRS that shall be 6.75%.

C. Modification of Benefits for PFRS Participants.

During the period that ends no earlier than June 30, 2023, the pension benefits payable to each Holder of a PFRS Pension Claim shall be equal to the PFRS Adjusted Pension Amount for such Holder, provided that such PFRS Adjusted Pension Amount shall be (1) automatically reduced by the DIA Proceeds Default Amount in the event of a DIA Proceeds Payment Default and (2) increased by any PFRS Restoration Payment.

Restoration of all or a portion of the modified pension benefits will be provided in accordance with the methodology set forth on Exhibit II.B.3.q.ii.C. For purposes of calculating a PFRS Restoration Payment, market value of assets shall not include any City contributions through June 30, 2023, other than those listed on Exhibit II.B.3.q.ii.A or any State contributions if the PFRS trustees fail to comply with the requirements described in

ii. Treatment.

A. Contributions to GRS.

During the Fiscal Years from the Effective Date through Fiscal Year 2023, annual contributions shall be made to fund benefits accrued under the Prior GRS Pension Plan only in the amounts identified on Exhibit II.B.3.r.ii.A. The exclusive sources for such contributions shall be certain pension related, administrative and restructuring payments received from the DWSD equal to approximately \$428.5 million, a portion of the State Contribution, certain DIA Proceeds, a portion of the Assigned UTGO Bond Tax Proceeds and certain revenues from City departments, the Detroit Public Library and the Detroit Regional Convention Facility Authority. After June 30, 2023, (1) certain DIA Proceeds shall be contributed to the GRS and (2) the City will contribute such additional funds as are necessary to pay each Holder of a GRS Pension Claim his or her GRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior GRS Pension Plan, in accordance with the State Contribution Agreement and exhibits thereto. Nothing in this Plan prevents any non-City third party from making additional contributions to or for the benefit of GRS if such party chooses to do so.

B. Investment Return Assumption.

During the period that ends on June 30, 2023, the board of trustees of the GRS, or the trustees of any successor trust or pension plan, shall adopt and maintain an investment return assumption and discount rate for purposes of determining the assets and liabilities of the GRS that shall be 6.75%.

C. Modification of Benefits for GRS Participants.

During the period that ends no earlier than June 30, 2023, the pension benefits payable to each Holder of a GRS Pension Claim shall be equal to the GRS Adjusted Pension Amount for such Holder, provided that such GRS Adjusted Pension Amount shall be (1) automatically reduced by the DIA Proceeds Default Amount in the event of a DIA Proceeds Payment Default and (2) increased by any GRS Restoration Payment.

Restoration of all or a portion of the modified pension benefits will be provided in accordance with the methodology set forth on Exhibit II.B.3.r.ii.C. For purposes of calculating a GRS Restoration Payment, market value of assets shall not include any City contributions through June 30, 2023, other than those listed on Exhibit II.B.3.r.ii.A or any State contributions if the GRS trustees fail to comply with the requirements described in the State Contribution Agreement. In the event that the Foundations and DIA Corp. accelerate all or a portion of their funding commitments described in Section IV.E.1 prior to June 30, 2023, the incremental portion of the acceleration will not count towards pension restoration.

D. Annuity Savings Fund Recoupment.

1. ASF Current Participants.

On or as soon as reasonably practicable after the Effective Date, the Annuity Savings Fund Excess Amount will be calculated for each ASF Current Participant and will be deducted from such participant's Annuity Savings Fund account and be used to fund the accrued pension benefits of all GRS participants; provided, however, that in no event shall the amount deducted from an ASF Current Participant's Annuity Savings Fund account exceed the ASF Recoupment Cap. In the event that the amount credited to an ASF Current Participant's Annuity Savings Fund account as of the Effective Date is less than such participant's Annuity Savings Fund Excess Amount, the ASF Current Participant will be treated as an ASF Distribution Recipient to the extent of the shortfall.

EXHIBIT 5

Detroit's blight-free vision curtailed as money dries up

By John Gallagher, Detroit Free Press 7:19 p.m. EST February 26, 2015

Mayor Mike Duggan said the city has enough money through federal funding to run its blight removal demolition program through August.



(Photo: RYAN GARZA, Detroit Free Press)

Hopes that the city could rid itself of blight in as little as five years have faded as abundant savings from the bankruptcy reorganization did not materialize and federal funds for the job are now drying up in a tight city budget.

Mayor Mike Duggan delivered the sobering reality check on Thursday during the Detroit Regional Chamber's Detroit Policy Conference, saying the city will run out of blight removal cash by late summer. He and his aides are working on a "new strategy" in partnership with federal authorities, he said, but nothing is locked in yet.

"Right now I don't know where that money comes from after August," he told reporters during the Detroit Regional Chamber's Detroit Policy Conference. Without new blight funds, he said, "The pipeline of these demolitions is otherwise going to run dry."

The city is taking down more blighted structures than it has in years, but the cash crunch could significantly sidetrack one of the main goals of the city's reorganization less than three months out of bankruptcy.

Technically, of course, the city does have roughly \$1 billion to spend each year, but other tasks, such as hiring more police officers and firefighters and getting streetlights repaired and replaced, are also vying for attention in the city's budget and perhaps crowding out blight removal efforts.

Duggan's comments reflect a much-changed perspective from a year ago when Kevyn Orr, then the city's emergency manager, offered a preliminary reorganization plan last February that envisioned spending \$520.3 million over the course of six years to clean up blight within the city. That amount of money would have allowed the city to increase the rate of residential demolitions from an average of a little more than 100 per week to as many as 400 to 450 per week, a pace that would rid Detroit of 40,000 to 60,000 eyesores in no more than five years.

That aggressive timetable and vision faded quickly, even during the bankruptcy process. By the time the city was emerging from bankruptcy last November, a final summary of the city's plan did not even mention blight removal specifically but talked in general terms of improving city services.

"That's was version 1," Duggan said of Orr's first and most ambitious goal. "Version 8 didn't include that. There is no money unless the City of Detroit runs surpluses. There is no money."

Detroit demolished about 3,500 derelict structures last year using federal "Hardest Hit" neighborhood funds. Craig Fahle, director of public affairs for the Detroit Land Bank Authority, the entity involved in selecting structures for demolition, said there's enough money left from the federal funds to raze about 3,300 more houses through August. Adding in some money from a few miscellaneous funds, "I wouldn't be surprised if we got to about 4,000 total" by late summer, he said.

After that, though, the city will need a new source of cash. Without a healthy city surplus, Duggan said Thursday, the city will need to continue to rely on outside funding to pay for blight demolitions.



DETROIT FREE PRESS

[Duggan addresses issues of jobs for Detroiters, future of public schools](#)



DETROIT FREE PRESS

[Detroit on the upswing, Detroit Chamber conference told](#)

The issue of blight removal is critical because it has emerged as a key strategy in the city's efforts to improve its image in the eyes of the world. After decades of decline, Detroit now has tens of thousands of abandoned buildings, most of which will need to come down. Even if Detroit has used federal money to demolish about 4,000 structures, at least 90% of the task lies ahead.

The issue of blight removal is critical because it has emerged as a key strategy in the city's efforts to improve its image in the eyes of the world. After decades of decline, Detroit now has tens of thousands of abandoned buildings, most of which will need to come down. Even if Detroit has used federal money to demolish about 4,000 structures, at least 90% of the task lies ahead.

On the upside, even with a funding bottleneck looming, Detroit remains well ahead of the pace of blight removal compared to just a year ago. Until Duggan became mayor, Detroit was demolishing about 1,000 to 2,000 derelict structures a year. In 2014, it razed about 3,500, thanks to increased funding from the federal "Hardest Hit" fund and a dramatically ramped up effort involving the Detroit Land Bank Authority, the Detroit Building Authority, private demolition contractors, and more.

The most optimistic projections now are that the city could demolish about 200 houses a week, or around 10,000 a year, but that pace is possible only when everything lines up right, including the weather and the availability of trained crews and equipment. Generally demolitions proceed at a more modest pace, such as during the winter.

Shortages of trained workers, trucks, bulldozers, and even enough clean dirt to fill the basements left behind after a house is demolished have challenged the city's efforts over the past year.

Last summer, demolition crews planned to use dirt scoured off the I-96 reconstruction project to fill up basement holes. But road salt deposited on the freeway over the years contaminated the dirt too much to meet legal standards for residential neighborhoods. Demolition crews have had to buy sand and other fill from quarries at increased cost and inconvenience.

Even something as simple as putting up fences around demolition sites can present challenges. One contractor complained last year that Detroit's notorious scrappers were stealing the metal stakes used to hold up the fences around work sites, slowing progress.

Duggan said later Thursday that while early versions of Detroit's bankruptcy plan of adjustment included specific funding for home demolition, those numbers were dropped in later amendments, and the final version relied on the city running surpluses of \$30 million to \$40 million a year to pay for blight removal.

He said there's no specific funding from the city budget in the early years for home demolition, which is why he's worked closely with the Obama administration to find additional federal money.

"We are working at this every day, but it's always going to be hard," Duggan said, given tight city budgets for the foreseeable future.

He said the city will continue to tear down 100-200 houses a week through August, and he's not fretting about what might happen if additional money doesn't come through.

"We're not focused on that right now," he said. "And if we don't get more, we will make the appropriate decisions."

By August, the city is expected to have torn down about 8,000 houses, still a fraction of the number that will have to be removed. Duggan said he expects the city will ultimately need to spend another \$400 million and about the same amount on blighted commercial and industrial properties. The city's bankruptcy plan never set aside money for demolition of non-residential buildings.

Duggan said the situation with funding for blight removal isn't likely to impact spending on other reinvestment initiatives in the bankruptcy plan, including upgraded citywide computers and information technology. Each of those investments is tied to expected revenue generated from improvements the investments will bring about, including cheaper operating costs and other efficiencies.

On Thursday, Duggan also responded to remarks this week by businessman Bill Pulte whose so-called Detroit Blight Authority has been demolishing houses in Pontiac. Pulte had demolished some houses and cleared vacant lots in Detroit last year before Duggan's administration asked him to stop.

Duggan told reporters Thursday that Pulte was demolishing a mere handful of houses a week in Detroit, far fewer than is needed and fewer than Duggan's own efforts have accomplished. And Duggan has said in the past it is important to coordinate all blight efforts under a central authority rather than having free-lance operators doing their own thing.

Pulte brought his blight removal activities to Pontiac, which has embraced him. He told the Free Press on Wednesday that he would return to Detroit, if invited back by Duggan. Pulte said he harbored "no ill will at all" toward Duggan.

"I wish him continued success on their blight program, (but) once he got into office he wanted control over it, and I understand that."



[DETROIT FREE PRESS](#)

EXHIBIT 6

Income Stabilization Benefit, which will be calculated in the first year following the Effective Date and will not increase thereafter, will be provided by the applicable Retirement System to each Eligible Pensioner. In addition, to the extent that an Eligible Pensioner's estimated adjusted annual household income (as determined by the applicable Retirement System) in any calendar year after the first year of the income stabilization program is less than 105% of the Federal Poverty Level for such year, the applicable Retirement System will distribute the Income Stabilization Benefit Plus to such Eligible Pensioner.

In the event that, in 2022 (provided that the State has not issued a certificate of default under the State Contribution Agreement with respect to GRS or PFRS, as applicable, at any time prior to 2022), it is the opinion of at least 75% of the independent members of the Investment Committee of GRS or PFRS, as applicable, that the Income Stabilization Fund of the applicable Retirement System is credited with Excess Assets, the respective Investment Committee may recommend that the Excess Assets, in an amount not to exceed \$35 million, be used to fund the Adjusted Pension Amounts payable by the applicable Retirement System. In the event that any funds remain in the Income Stabilization Fund of each or either of GRS or PFRS on the date upon which no Eligible Pensioners under the applicable Retirement System are living, such funds shall be used to fund the Adjusted Pension Amounts payable by the applicable Retirement System.

3. Conditions to State's Participation.

The payment of the State Contribution by the State or the State's authorized agent is conditioned upon satisfaction of the conditions precedent set forth in the State Contribution Agreement, including, among other things, the following: (a) the Confirmation Order becoming a Final Order no later than December 31, 2014, which Confirmation Order must contain certain provisions as set forth in the State Contribution Agreement, including a requirement that the governing documents of GRS and PFRS be amended to include (i) the governance terms and conditions set forth in the State Contribution Agreement and (ii) the Income Stabilization Funds and Income Stabilization Payments; (b) the occurrence of the Effective Date no later than April 1, 2015; (c) acceptance of the Plan by Classes 10 and 11, which Plan must be in form and substance reasonably acceptable to the State and contain certain release provisions; (d) the Retiree Committee's endorsement of the Plan, including a letter from the Retiree Committee recommending that Classes 10 and 11 vote in favor of the Plan, or equivalent assurances from member organizations representing a majority of retirees in Classes 10 and 11; (e) active support of the Plan by, a release of and covenant not to sue the State from, and an agreement not to support in any way the litigation described in subsection (f) of this Section by, the City, the Retiree Committee, the Retirement Systems and certain unions and retiree associations, or equivalent assurances of litigation finality; (f) cessation of all litigation, or equivalent assurances of finality of such litigation, including the cessation of funding of any litigation initiated by any other party, as it relates to the City, (i) challenging PA 436 or any actions taken pursuant to PA 436 or (ii) seeking to enforce Article IX, Section 24 of the Michigan Constitution; (g) evidence satisfactory to the State of an irrevocable commitment by the Foundations (excluding the Special Foundation Funders, as that term is defined in the DIA Settlement Documents) to fund \$366 million (or the net present value thereof) as part of the DIA Settlement, as provided in Section IV.E.1; and (h) evidence satisfactory to the State of an irrevocable commitment by DIA Corp. to fund \$100 million (or the net present value thereof) as part of the DIA Settlement, as provided in Section IV.E.1.

The State shall File and serve via the Court's electronic case filing and noticing system a notice that the conditions precedent to the State's payment of the State Contribution have been satisfied or otherwise addressed pursuant to the procedures outlined in the State Contribution Agreement no later than ten days after all such conditions have been satisfied or otherwise addressed.

4. Release of Claims Against the State and State Related Entities.

The State Contribution Agreement requires that the Plan provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b.

E. The DIA Settlement.

On the Effective Date, the City and the DIA Corp. will enter into the DIA Settlement, pursuant to which (1) the DIA Funding Parties that are such as of the Effective Date have committed to assist in the funding of the City's restructured legacy pension obligations and (2) the City has agreed to enter into certain transactions that will cause the DIA to remain in the City in perpetuity, as described in and subject to the terms and conditions of the DIA Settlement Documents, and to otherwise make the DIA Assets available for the benefit of the residents of the City and the Counties and the citizens of the State. The DIA Settlement Documents attached hereto as Exhibit I.A.127 will qualify the description of the DIA Settlement in the Plan, Disclosure Statement and Exhibit I.A.126. The Plan shall be construed as a motion for approval of, and the Confirmation Order shall constitute an order approving, the DIA Settlement pursuant to Bankruptcy Rule 9019.

1. Funding Contributions.

The DIA Settlement will be funded as follows: (a) irrevocable commitments in an aggregate amount of at least \$366 million by the Foundations (excluding the Special Foundation Funders, as that term is defined in the DIA Settlement Documents); and (b) in addition to its continuing commitments outside of the DIA Settlement, irrevocable commitments in an aggregate amount of \$100 million from the DIA Direct Funders (including the commitment of the Special Foundation Funders, as that term is defined in the DIA Settlement Documents, and subject to certain adjustments as set forth in the DIA Settlement Documents), the payment of which \$100 million will be guaranteed by DIA Corp., subject to the terms of the DIA Settlement Documents. The foregoing commitments shall be funded over the course of the 20 year period immediately following the Effective Date (subject to the annual confirmation of the City's continuing compliance with the terms of the DIA Settlement) according to the "Agreed Required Minimum Schedule" and subject to the option at any time for the "Present Value Discount," as set forth in the DIA Settlement Documents. Amounts committed by the Foundations and the DIA Direct Funders will be paid to the CFSEM Supporting Organization, which will (a) transfer such amounts for the purpose of funding the Retirement Systems upon the City's satisfaction of certain conditions and (b) not be subject to claims of creditors of the Community Foundation for Southeast Michigan.

2. Transfer of DIA Assets.

On the Effective Date, the City shall irrevocably transfer all of its right, title and interest in and to the DIA Assets to DIA Corp., as trustee, to be held in perpetual charitable trust, and within the City limits, for the primary benefit of the residents of the City and the Counties and the citizens of the State.

3. Conditions to the DIA Funding Parties' Participation.

The DIA Funding Parties' participation in the DIA Settlement is conditioned upon, among other things, the following: (a) execution of the DIA Settlement Documents by each Foundation; (b) the irrevocable commitment from the DIA Corp. described in Section IV.E.1; (c) the acceptance of the Plan by Classes 10 and 11; (d) the irrevocable transfer by the City of the DIA Assets described in Section IV.E.2; (e) approval by the DIA's Board of Directors and the taking effect of the recommendation of the governance committee as described in Exhibit I.A.126; (f) the earmarking of all funds provided by the DIA Funding Parties towards the recoveries upon Pension Claims under the Plan for Holders of Claims in Classes 10 and 11; (g) the adoption of prospective governance and financial oversight mechanisms for the Retirement Systems that are reasonably satisfactory to the DIA Funding Parties; (h) the amendment by DIA Corp. and the art institute authority for each of Macomb County, Oakland County and Wayne County, Michigan of each art institute authority's respective service agreement so that the termination of the 1997 Operating Agreement between the City and DIA Corp. will not affect the art institute authorities' obligations under such agreements to pay millage proceeds to DIA Corp.; (i) the approval of the DIA Settlement by the Attorney General for the State; (j) the agreement of the State to provide the State Contribution; and (k) the City's agreement to indemnify and hold harmless the DIA Funding Parties and the CFSEM Supporting Organization and their Related Entities pursuant to, and in accordance with, the terms of the DIA Settlement Documents.

EXHIBIT 7

By MARY WILLIAMS WALSH, New York Times

February 25, 2015

First in Detroit, then in Stockton, Calif., and now in New Jersey, judges and other top officials are challenging the widespread belief that public pensions are untouchable.

Gov. Chris Christie of New Jersey delivered the latest blow on Tuesday, when he proposed to freeze that state's public pension plans and move workers into new ones intended not to overwhelm future budgets or impose open-ended demands on taxpayers.

The first crack came in Detroit, where a judge ruled that public pensions could, in fact, be reduced, at least in bankruptcy. Then, just a few weeks ago, an opinion by the bankruptcy judge for Stockton, which emerged from Chapter 9 on Wednesday, called California's mighty public pension system, Calpers, a bully for insisting in court that pension cuts were wholly out of the question.

Such dogma "encourages dysfunctional strategies," wrote the judge, Christopher Klein, chief judge of the United States Bankruptcy Court for the Eastern District of California. He said Calpers's legal arguments were invalid, and he concluded that it lacked standing to dominate the courtroom discussion the way it had. Stockton did not even seek permission to freeze its pension plans, but the judge nevertheless wrote that it was entitled to do so and went on to cite steps that struggling cities in general should take to trim their pension costs legally.

For starters, he recommended negotiating with their unions.

It may be sheer coincidence, but New Jersey seems have taken Judge Klein's instructions to heart, even though states cannot file for bankruptcy and thus lack that particular leverage. For months, a pension commission formed by Governor Christie has been working quietly with the New Jersey Education Association, normally one of the state's most litigious pension adversaries. By talking to each other instead of battling in court again, the two groups managed to find enough common ground to issue what they called a "road map" toward solving New Jersey's daunting pension problems.

Many details remain in flux, and the union took pains on Tuesday to say it was not endorsing Mr. Christie's full proposal and might never do so. But the road map identifies certain issues that are so important to New Jersey's teachers that the union is willing to consider a pension freeze if that is what it takes to fully protect its members from the state's looming pension collapse.

To appreciate how unusual it is for a state to propose a pension freeze, it helps to understand the "vested rights doctrine," the legal argument that public pension plans cannot be frozen or reduced. Most states uphold some form of this doctrine, though in some it is a matter of statute, in others it is enshrined in the constitution and in still others it stems from court precedent. Often, the provisions have been in place for decades and attracted little notice until recently, when baby boomers began to retire in large numbers, placing unexpected pressure on public pension funds and the state and local budgets that support them.

People have sometimes suggested freezing public pension plans to keep the hole from getting deeper. But officials usually say that is impossible, and few want to mount a costly test of the doctrine, especially because the judges who would decide such a case usually participate in public pension systems themselves.

Companies, by contrast, can legally freeze their pension plans and have been doing so for years. Since 1974, companies with pension plans have been governed by a single federal law, the Employee Retirement Income Security Act, or Erisa, which details how freezes must take place to pass legal muster. One basic requirement is that workers midway through their careers are entitled to keep whatever portion of a pension they managed to earn until the date of the freeze.

The states have long argued that because they are legal sovereigns, federal pension law does not apply to them. When states, cities and other local governments try to rein in pension costs, they often create new "tiers" of much smaller benefits for workers they expect to hire in the future, and call it a reform. But there is no freeze for existing workers, who keep accruing the same benefits as before.

In some places, it is increasingly clear that reducing benefits only for future hires does not save enough money to preserve overstretched pension plans, especially in places where retirees outnumber current workers.

The clearest solution is to curb benefit accruals, but that runs directly into the vested rights doctrine. Seeing no other way out, officials often resort to issuing bonds to obtain cash for their pension funds, a risky strategy that has failed in Detroit, Stockton and other places.

Detroit issued such debt in 2005, responding to what seemed a particularly strong rule against tampering with public pension plans: an explicit constitutional provision to that effect.

But Detroit's bankruptcy judge, Steven W. Rhodes, ruled that the state constitutional protection was not in force while the city sought a fresh start under Chapter 9 of the bankruptcy code. In addition to cutting part of the retirees' pensions, Detroit froze its existing pension plan and shifted its workers into a new plan that is supposed to have limited ability to tap taxpayers for any investment losses.

Judge Rhodes's ruling was groundbreaking and so unnerved Calpers over 2,000 miles away that it immediately issued a statement that it had no bearing in California. Unlike Detroit, which operated its own pension fund, many cities and other local governments in California participate in big pooled pension systems, the largest of which is Calpers. Once they join, Calpers makes it extremely difficult to withdraw, demanding a huge termination payment. It also claims to have an enforceable lien it would use to seize the assets of any city that tried to leave without paying.

In his legal analysis in the Stockton case, Judge Klein dissected Calpers's lien and found that it was flawed and unenforceable in any municipal bankruptcy.

"The bully may have an iron fist, but it also turns out to have a glass jaw," he wrote.

His opinion seems likely to play a role in other fiscal hot spots. Already, two creditors have referred to it in the continuing bankruptcy case of San Bernardino, Calif. The creditors, a European bank known as E.E.P.K. and the bond insurer Ambac Assurance, are arguing that the city is playing favorites, something not allowed in bankruptcy, where sacrifices are supposed to be roughly equal. Specifically, San Bernardino has been paying its bills to Calpers while leaving E.E.P.K. and Ambac in the lurch.

And while bankruptcy is limited to cities, the ruling may also inform a pension battle in Illinois, where in November a county judge found that a state-led effort to restructure its ailing pension system was illegal because of a constitutional provision that says: "Membership in any pension or retirement system of the state" or its instrumentalities "shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired."

The state's attorney general, Lisa Madigan, is appealing that decision, arguing in essence that public pensions can in fact be reduced in Illinois, despite what the constitution says, if that is what it takes "to protect the general public welfare."

"This is one of those things where there's a learning curve," said Karol K. Denniston, a bankruptcy lawyer with Squire Patton Boggs in San Francisco who represented a local taxpayer group in Stockton's case. "People will try things that don't work quite right at first, then build on them. We've added to the municipalities' tool kit."

EXHIBIT 8

No. 118585

IN THE
SUPREME COURT OF ILLINOIS

IN RE:	)	Appeal from the Circuit Court for the
	)	Seventh Judicial Circuit, Sangamon
	)	County, Illinois,
PENSION REFORM LITIGATION)	
	)	Sangamon County Case Nos. 2014
	)	MR 1, 2014 CH 3, and 2014 CH 48;
	)	Cook County Case No. 2013 CH
	)	28406; and Champaign County Case
	)	No. 2014 MR 207 (consolidated
	)	pursuant to Supreme Court Rule 384)
)	
	)	The Honorable
	)	JOHN W. BELZ,
)	Judge Presiding

(Full caption on following pages)

BRIEF FOR DEFENDANTS-APPELLANTS

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ORAL ARGUMENT REQUESTED

No. 118585

IN THE
SUPREME COURT OF ILLINOIS

IN RE: PENSION REFORM LITIGATION

) No. 2014 MR 1
) Honorable
) JOHN W. BELZ

DORIS HEATON, PAMELA KELLER, KENNETH
LEE, HATTIE DOYLE, JOHN SAWYER III, LANCE
LANDECK, KYLE THOMPSON, and MICHAEL
SCHIFFMAN, on behalf of themselves and a class of
similarly situated persons,

Plaintiffs-Appellees,

v.

PAT QUINN, in his capacity as Governor of the State
of Illinois, JUDY BAAR TOPINKA, in her capacity as
Comptroller of the State of Illinois, and THE BOARD
OF TRUSTEES OF THE TEACHERS' RETIREMENT
SYSTEM OF THE STATE OF ILLINOIS,

Defendants-Appellants.

) Originally Filed as
) Cook County Case
) No. 2013 CH 28406

RETIRED STATE EMPLOYEES ASS'N RETIREES,
Lawrence Wort, Gladys Hajek, Linda Gueldener, and
Mureen Richter, for themselves and on behalf of a class
of persons similarly situated,

Plaintiffs-Appellees,

v.

PATRICK QUINN, in his capacity as Governor of the
State of Illinois, JUDY BAAR TOPINKA, Comptroller
of the State of Illinois, DAN RUTHERFORD,
Treasurer of State of Illinois, and THE BOARD OF
TRUSTEES OF THE STATE EMPLOYEES
RETIREMENT SYSTEM,

Defendants-Appellants.

) Originally Filed as
) Sangamon County
) Case No. 2014 MR 1

inconsistent with the plain meaning of the Clause.

First, Plaintiffs' argument depends upon a misreading of the Pension Clause. The Clause says that membership in a public pension system is a contractual relationship, "the benefits *of which* shall not be diminished or impaired." Ill. Const. art. XIII, § 5 (emphasis added). The latter phrase is part of a dependent clause that relates back to the "contractual relationship" the Pension Clause establishes. In other words, the benefits that may not be "diminished or impaired" are the benefits *of* the "contractual relationship" — a relationship that, as a matter of settled law, is inherently limited by the State's police powers. Just as clearly, the Clause does not say that the benefits of membership *themselves* shall not be diminished or impaired. Plaintiffs' effort to elide the distinction that the Clause makes is nothing less than a refusal to acknowledge its plain and unambiguous meaning.

Second, Plaintiffs below claimed that their reading is necessary to avoid surplusage. C2287. But under Plaintiffs' reading, the Clause's crucial mention of "enforceable contractual relationships" itself becomes surplusage. If the benefits of membership in a public pension system cannot be diminished or impaired in the absolute way Plaintiffs suggest, there is no need to describe them as part of an "enforceable contractual relationship." In fact, calling those benefits absolute is actually *inconsistent* with calling it an "enforceable contractual relationship" and indeed raises more questions than it answers. For example, a contractual relationship can be renegotiated. But if that renegotiation involved the reduction of future pension benefits, even if in exchange for valuable consideration, Plaintiffs would apparently treat the new arrangement as unconstitutional. After all, the new agreement would "diminish or impair" the

pension benefits. So for the Pension Clause to truly give effect to its promise of “enforceable contractual relationships,” Plaintiffs’ reading of it cannot stand.

Third, Plaintiffs below also separately claimed that the word “diminished” must be given a meaning that is distinct from the word “impaired,” and that the word “diminished” must be understood to establish an absolute protection. C2236. Besides having the same surplusage problem as the prior argument, this argument also fails because, in fact, the phrase “diminished and impaired” does *not* refer to two different things, and as already explained, *supra* Part II.A.1., “impaired” in reference to contracts unquestionably allows for the exercise of police powers. For this reason, the court in *In re City of Detroit*, rejected a virtually indistinguishable claim. 504 B.R. 97 (Bankr. E.D. Mich. 2013). There, pension plans for the City of Detroit sought to avoid the bankruptcy court’s power to modify obligations to system members by “asserting that under the Michigan Constitution, pension debt has greater protection than ordinary contract debt.” *Id.* at 150. The plans linked their view to a distinction in the Michigan Constitution between a constitutional provision stating that “pension rights may not be ‘impaired or diminished,’” and a provision stating that contractual rights were protected only from laws “impairing” them. *Id.* at 151. Rejecting that argument, the court held that the purpose and effect of the Michigan Constitution was to give the status of a “contractual right” to public pensions that, as in Illinois, *see infra*, were formerly treated as “gratuitous allowances that could be revoked at will.” *Id.* at 151-53. As a result, the court held, there was, “linguistically, . . . no functional difference in meaning between ‘impair’ and ‘impair or diminish.’” *Id.* at 152. The same reasoning applies here.

Indeed, the law, including cases from both this Court and the United States Supreme Court often uses “diminish” and “impair” interchangeably. For example, in *Allied Structural Steel Company*, the United States Supreme Court treated the terms as interchangeable by rejecting the view that the Contracts Clause, which prohibits *impairing* the obligations of contracts, “forbids only state laws that *diminish* the duties of a contractual obligor and not laws that increase them.” 438 U.S. at 244 n.16 (emphasis added). As the Court explained an increase on one side of the contract would necessarily be a diminishment on the other, thus impairing the contract. *Id.* Similarly, a pre-1970 Illinois Supreme Court decision held that a law violated the constitutional protection against the impairment of contractual obligations because it “diminishe[d]” the obligor’s performance. *Geweke v. Vill. of Niles*, 368 Ill. 463, 466 (1938). *See also Black’s Law Dictionary* (9th ed., 2009) (defining “impair” as “to *diminish* the value of (property or property right)” and noting that “impair is commonly used in reference to *diminishing* the value of” contract rights) (emphasis added). Moreover, Illinois’ provision was borrowed from New York, which had added a virtually identical Clause to its Constitution in 1938. And before 1938, the expression “diminish or impair” was used in New York law to convey a unitary meaning (like the expressions “cease and desist,” “aid and abet,” or “free and clear”), not two separate meanings. *See, e.g., Metro. Trust Co. v. Tonawanda Valley & C.R. Co.*, 8 N.E. 488, 489 (N.Y. 1886); *Eddy v. London Assur. Corp.*, 38 N.E. 307, 311 (N.Y. 1894). Thus, the Illinois Pension Clause neither requires nor allows the construction Plaintiffs advocate.

EXHIBIT 9

Rhodes: Pension plans too costly for cities

Christine Ferretti and Chad Livengood. The Detroit News 7:29 p.m. EST February 25, 2015



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Detroit City Council President Brenda Jones shakes hands with retired U.S. Bankruptcy Judge Steven Rhodes during the luncheon "2014 Newsmakers of the Year." luncheon hosted Wednesday by Crain's Detroit Business at MotorCity Casino hotel. (Photo: Todd McInturf / The Detroit News) Buy Photo

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Detroit — The bankruptcy judge who green-lighted reductions in pensions and health insurance for more than 32,000 Detroit retirees said Wednesday he's "deeply concerned" about the unfunded liabilities other cities are saddled with.

Retired U.S. Bankruptcy Judge Steven Rhodes said Detroit and other cities need to consider moving away from costly pension plans and transition employees on to 401(k)-style defined contribution retirement plans.

Rhodes cited publicized estimates that American municipalities have unfunded pension liabilities ranging between \$1 trillion and \$4 trillion.

"It flies largely under the radar and it doesn't get a lot of attention and it doesn't get a lot of management and I'm deeply concerned about that." Rhodes said. "Because that's money cities don't have that they have promised to their retirees and I think that solution across the country, and including in Detroit, has to be at some point defined contribution (plans)."

Rhodes made the comments Wednesday during the annual Crain's Detroit Business "Newsmakers of the Year" luncheon at MotorCity Casino that honored his work in Detroit's historic bankruptcy, as well as that of former Emergency Manager Kevyn Orr.

Detroit's bankruptcy restructuring plan cut pensions for non-uniform retirees by a minimum of 4.5 percent and reduced inflationary cost-of-living increases for retired police officers and firefighters. The reduced benefits will begin showing up in retirees' pension checks in March. But the plan keeps in place a hybrid pension plan that requires new employees to contribute more to their retirement.

Rhodes suggested Detroit missed a chance to get out of the pension business altogether during the bankruptcy, which officially ended in December after the judge approved Orr's restructuring plan in November.



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Several retired City of Detroit workers protest outside the MotorCity Casino Hotel where retired U.S. Bankruptcy Judge Steven Rhodes and former Detroit Emergency Manager Kevyn Orr were honored Wednesday as "2014 Newsmakers of the Year." by Crain's Detroit Business (Photo: Todd McInturf / The Detroit News)

Orr shared the stage with Rhodes and the bankruptcy's chief mediator, Chief U.S. District Court Judge Gerald Rosen and defended his decision not to pursue a 401K plan for city workers.

"Was it a missed opportunity? I don't think so." Orr said. "Our general services pensions are modest. \$19,400 (per person) on average."

Police and firefighters get pensions that average about \$25,000 a year, but they also are not eligible to collect Social Security like other retirees.

With Rhodes' permission, Detroit was able to reduce its \$3.13 billion unfunded pension liability by 54 percent to \$1.45 billion through reduced benefits and the 20-year "grand bargain" infusion of \$816 million in contributions from state taxpayers, private foundations and Detroit Institute of Arts donors. The city used the bankruptcy process to slash its promised retiree health insurance benefits from \$4.3 billion to \$450 million.

Rosen, the architect of the "grand bargain," noted bankruptcy negotiations produced more conservative assumptions for investment returns from the city's two pension plans. The restructuring plan assumes 6.75 percent in investment returns, down from the previous assumption of 8 percent.

"We did make progress," Rosen said. "It's a bit inaccurate to say we didn't take advantage of it."

The three men, who were central figures in shepherding Detroit through an expeditious Chapter 9 bankruptcy, reflected on the case and its implications for the city, state and country during the Crain's event, which drew about 450 people, including city and creditor attorneys who were involved in the 17-month-long case.

Before the luncheon, Orr joked that he feels like a "parolee" after stepping out of the spotlight from his role guiding the city through the bankruptcy.

"The pressures that I was feeling in doing my job was nothing (compared) to the uncertainty of folks that depended upon their retirement income, health care," said Orr, who is now consulting for an emergency manager in Atlantic City, N.J.

Challenged by the impact of the bankruptcy on the lives of Detroit's 680,000 residents, Rhodes invited members of the public to air their views in court on Orr's debt-cutting plan.

"It was as much a political case as a legal case," Rhodes said. "... The residents of the city had a great stake in outcome of the case, a personal stake, each and every one of them. ... This is something that we in the bankruptcy court are totally unfamiliar with."

Rosen revealed that at the outset of the bankruptcy, he set a goal of forging to get Detroit out of bankruptcy by July 18, 2014 -- one year after the city filed for Chapter 9 protection.

"I thought that would have a nice symmetry to it because of the one-year anniversary," Rosen said.

At Rhodes' urging, Detroit's bankruptcy reorganization spurred a deal between city and suburban leaders to regionalize the governance of Detroit's water and sewerage department — one component that remains unfinished.

"We have to find a way to build upon the momentum for regional cooperation ...," Rhodes said. "I think that is essential to the ultimate success of the city, and the region and the state."

Rhodes added that he's "very optimistic and enthusiastic about the city's future."

"All of the ingredients for success are there," Rhodes said. "The balance sheet has been fixed."

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