



RESOLUTION OF THE CITY COUNCIL

No. 298

EFFECTIVE September 14, 2020

WHEREAS, In 2012, the Providence City Council and Mayor Angel Taveras' administration worked in collaboration to eliminate a \$110 million structural deficit the City was facing; and

WHEREAS; The City likely would have fallen into bankruptcy if the City Council had not enacted a \$170 million package of pension fund savings in 2013, easing pressures on Providence's budget; and

WHEREAS; There have been minimal attempts to achieve pension savings since enactment of the 2013 pension reform changes; and

WHEREAS, The City changed actuaries since the 2013 reforms, and learned that the previous actuary had overstated the funded ratio and understated the unfunded pension liability; and

WHEREAS, Providence's pension system provides for neither retirement security nor financial sustainability; and

WHEREAS, As of July 1, 2018, the Employees' Retirement System of the City of Providence was funded at 26.67%, well below the 60% threshold the State classifies as being in "critical" condition; and

WHEREAS, In 2018, the Providence City Council released the 'Report of the Pension Working Group' which included options for the City's administration and City Council to consider; and

WHEREAS, As of June 30, 2018, the City's actuary, Segal Consulting, calculated the unfunded liability for the pension fund to exceed \$1 billion; and

WHEREAS, According to the July 1, 2018 actuarial valuation, the unfunded liability is amortized through June 30, 2040 and as of July 1, 2020, there are 20 years remaining on this schedule and amortization payments are calculated to increase 3.5% per year (beginning in fiscal 2021); and.

WHEREAS, The City's Fiscal 2021 budget is \$413 million (state aid not included); and the budgeted pension payment is \$90.4 million, representing 21.8 percent of the City's municipal budget; and

WHEREAS, Recent decisions from the Rhode Island Supreme Court will increase the City's pension obligations to current retirees by millions of dollars, while foreclosing certain tools for future pension reforms; and

WHEREAS, The recent Supreme Court decisions only increase the likelihood that future increasing pension obligations will crowd out vital City services and may lead to a future municipal bankruptcy; and

WHEREAS, The challenge of addressing the City's pension crisis will require the joint efforts of the Mayoral administration and the City Council.

NOW, THEREFORE, BE IT RESOLVED, The Providence City Council hereby establishes the Special Committee on Sustainable Pensions.

BE IT FURTHER RESOLVED,

1. The Providence City Council President shall appoint five members of the City Council to the Special Committee on Sustainable Pensions.
2. The Special Committee will be allocated a budget of \$25,000 to engage an actuarial consultant to support its work.
3. The Special Committee will solicit feedback from stakeholders concerning the scope of the issue, its consequences and available tools to address it.
4. The Committee shall explore and calculate pension savings methods with an actuarial consultant including but not limited to:
 - a. Pension plan benefit structure changes.
 - b. Leveraging and monetizing public property to reduce the pension fund's liability.
 - c. Joining the State Municipal Employees' System of Rhode Island.
5. The Committee shall issue a report with findings, recommendations, and actuarial savings to the full City Council by May 1, 2021.

IN CITY COUNCIL

SEP 03 2020

READ AND PASSED

Sabrina Mats
PRES.

Shawn Selleck
CLERK *JLM*

Effective without the Mayor's Signature

Shawn Selleck
JLM

Shawn Selleck
City Clerk