

# **RESOLUTION OF THE CITY COUNCIL**

*No. 277*

*Approved May 1, 2012*

WHEREAS, On December 18, 1991, the Superior Court of Rhode Island entered a certain consent decree pursuant to which all police and fire pensioners subject thereto would receive an annual compounded cost-of-living allowance ("COLA") of 5%, effective January 1, 1992, increasing to 6%, effective January 1, 1994 (the "Consent Decree"); and

WHEREAS, Approximately 20% of retirees are currently receiving annual COLAs of 5% to 6% that compound annually; and

WHEREAS, A pension with a 6% compounding COLA doubles approximately every 12 to 13 years and a pension with a 5% compounding COLA doubles approximately every 16 years; and

WHEREAS, The City of Providence currently faces massive and growing structural budget deficits that are placing enormous strains on the City's finances; and

WHEREAS, The City's pension system is severely underfunded, with the unfunded liability at or approaching \$900 million, and its ever-increasing annual costs are contributing significantly to the City's structural deficits and acute cash shortage; and

WHEREAS, The City has funded less than 31% of its total pension liability, substantially below the 70% to 80% suggested funding rate for most private businesses and governmental entities; and

WHEREAS, The City's current unfunded pension liability is approximately \$900 million and the pension plan will not be fully funded for another twenty-eight (28) years; and

WHEREAS, The Annual Required Contribution (the "ARC") for the City pension system and the annual payment for the City's other post-employment benefits ("OPEB"), including retiree healthcare benefits, together total over fifty percent (50%) of the City's annual tax levy, leaving less than half of the City's tax levy to fund critical and essential City services; and

WHEREAS, For fiscal year 2013, approximately \$16 million of the City's \$64.8 million ARC Payments will fund COLAs alone; and

WHEREAS, The City Council Subcommittee on Pension Sustainability (the "Subcommittee") held hearings between November 2011 and March 2012 on the City's need to resolve its financial crisis and stabilize its pension system; and

WHEREAS, During these hearings, the Subcommittee heard from numerous witnesses, including accountants, actuaries, and representatives from unions and association of retirees, and received numerous exhibits, including several assessments of the City's financial situation and pension system, an assessment of municipal pension systems throughout the State, projections of the value of certain proposed cost-savings measures, and a letter from a union; and

WHEREAS, After consideration of the hearing testimony and exhibits submitted by witnesses, the Subcommittee issued a report of its findings and conclusions relative to the City's financial situation and the pension system (the "Subcommittee Report") to the City Council; and

WHEREAS, Among the recommendations made by the Subcommittee to the City Council was the passage of an ordinance suspending COLAs on all pensions until such time as the pension system reaches a funding ratio of 70%; and Page 2


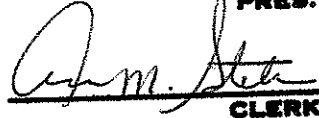
WHEREAS, The City Council has concluded that such an ordinance, along with the other measures recommended in the Subcommittee Report, is necessary to assist the City in averting a bankruptcy, as well as maintaining a viable and functioning pension system.

NOW, THEREFORE, BE IT RESOLVED, That the City Council by this Resolution authorizes and instructs the Mayor and City Solicitor to take all actions on behalf of the City, including, without limitation, commencement of legal action in a court of competent jurisdiction, necessary to challenge and/or modify the Consent Decree and effectuate suspension of the COLAS in accordance with the recommendation made by the Subcommittee.

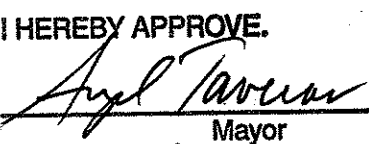
**IN CITY COUNCIL**

**APR 30 2012**

**READ AND PASSED**

  
**PRES.**  
  
**CLERK**

**I HEREBY APPROVE.**

  
**Mayor**  
Date: 5/1/12