

THE CITY OF PROVIDENCE
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RESOLUTION OF THE CITY COUNCIL

No. 166

Approved April 9, 2013

RESOVLED, That together with accompanying copy of the Tentative Amendment of the July 1, 2010 to June 30, 2012 Collective Bargaining Agreement by and between the City of Providence and Providence Lodge No. 3, Fraternal Order of Police.

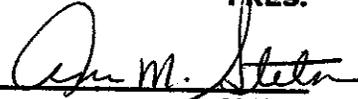
IN CITY COUNCIL

APR 04 2013

READ AND PASSED

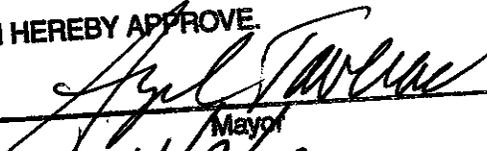


PRES.



CLERK

I HEREBY APPROVE.



Mayor

Date: 4/9/13



CITY OF PROVIDENCE
Angel Taveras, Mayor

COMMITTEE ONWAYS & MEANS
REFERRED TO SPECIAL
FIRST HEADING
APR 11 2013
IN CITY COUNCIL

CLERK

February 28, 2013

HAND-DELIVERED

Hon. Michael A. Solomon
President
Providence City Council
Providence City Hall
Providence, RI 02903

RE: Laborers' Fire and Polic Department Agreements

Dear President Solomon,

Please find enclosed with this correspondence the tentative amendment by and between the City of Providence and the Local 799, International Association of Firefighters, AFL-CIO dated July 1, 2011 through June 30, 2013, the tentative amendment to the Collective Bargaining Agreement between the City of Providence and the Local 799, International Association of Firefighters, AFL-CIO dated July 1, 2013 through June 30, 2016 and a tentative agreement by and between the City of Providence and the Local 799, International Association of Firefighters, AFL-CIO for the period between July 1, 2016 – June 30, 2017.

Additionally, please find the tentative amendment by and between the City of Providence and the Providence Lodge Number 3 of the Fraternal Order of Police dated July 1, 2010 through June 30, 2012, the tentative amendment to the Collective Bargaining Agreement between the City of Providence and the Providence Lodge Number 3 of the Fraternal Order of Police dated July 1, 2012 through June 30, 2015 and a tentative agreement by and between the City of Providence and the Providence Lodge Number 3 of the Fraternal Order of Police for the period between July 1, 2015 – June 30, 2016

I hereby submit the enclosed amendments and agreements to the Providence City Council for ratification.

Sincerely,

Angel Taveras
Mayor

Enclosures

OFFICE OF THE MAYOR

Providence City Hall | 25 Dorrance Street Providence, Rhode Island 02905

401 421 2489 ph | 401 455 8823 fax

www.providenceri.com

RECORDED
THE COMMITTEE ON
WAYS & MEANS

July 1, 2010 – June 30, 2012

**TENTATIVE
AMENDMENT**

Between the

**Providence Lodge No. 3, Fraternal Order
of Police**

and the

City of Providence

TENTATIVE AMENDMENT

AMENDMENT MADE AND ENTERED INTO on this _____ day of _____, 2013 by and between the CITY OF PROVIDENCE (hereinafter referred to as the "City") and Providence Lodge No. 3, Fraternal Order of Police (hereinafter referred to as the "Union").

WHEREAS, the parties have conducted good faith negotiations pursuant to R.I.G.L. §28-7 et. seq. and §28-9.2 et. seq.; and,

WHEREAS, the parties' negotiations have resulted in this Tentative Amendment which shall form the basis for a Collective Bargaining Agreement effective from July 1, 2010 to June 30, 2012 and thereafter as provided, and which Tentative Amendment shall result in settlement of various ongoing litigation and interest arbitration between parties; and,

WHEREAS, the Collective Bargaining Agreement resulting from this Tentative Amendment shall be subject to ratification by both the City and Union's authorized ratifying bodies; and,

WHEREAS, the parties hereto desire to codify their Tentative Amendment and be bound by the same.

NOW, THEREFORE, the parties agree as follows:

1. The document titled "Collective Agreement between the City of Providence, Rhode Island, and Providence Lodge No. 3, Fraternal Order of Police effective July 1, 2010 to June 30, 2012" is herein incorporated by reference as if fully reproduced. The terms and conditions of this Agreement shall continue and remain in effect for the period of July 1, 2010 to June 30, 2012, except as expressly modified herein.

2. Article XV, Section 1: "Blue Cross and Physician's Service – Active Members"; and Section 2: "Blue Cross and Physician's Service – Retirees".

The terms and conditions of the Consent Judgment in the action *The City of Providence v. Providence Lodge No. 3, Fraternal Order of Police*, C. A. No. ____ in the Rhode Island Superior Court for Providence County are hereby incorporated as if fully set forth herein. In the event of a breach of the Consent Judgment, any disputes between the City and the Union shall be resolved by binding arbitration pursuant to Article XIV of the collective bargaining agreement by and between the City and the Union.

3. Article XXI, Section 1: "Pension Plan and Benefits"

The terms and conditions of the Consent Judgment in the action *The City of Providence v. Providence Lodge No. 3, Fraternal Order of Police*, C. A. No. ____ in the Rhode Island Superior Court for Providence County are hereby incorporated as if fully set forth herein. In the event of a breach of the Consent Judgment, any disputes between the City and the Union shall be

resolved by binding arbitration pursuant to Article XIV of the collective bargaining agreement by and between the City and the Union.

4. Article XXII, Section 1: "Duration of Agreement"

The Agreement shall be for the two (2) years term beginning July 1, 2010, and ending June 30, 2012.

WHEREFORE, the parties hereto, having read the forgoing and being duly authorized, do hereby agree to all the terms and conditions contained herein and so signify by affixing their signatures on this _____ day of _____, 2013.

CITY OF PROVIDENCE

PROVIDENCE LODGE #3, FRATERNAL
ORDER OF POLICE

By:

By:

Angel Taveras
Mayor

Taft Manzotti
President

Steven M. Pare
Commissioner of Public Safety

Witness

Approved as to form and correctness

Jeffrey M. Padwa,
City Solicitor
Date:



Finance Department
"Building Pride In Providence"

March 11, 2013

Councilman David Salvatore
Chairman Special Committee on Ways and Means
Providence City Hall
Providence, RI

Dear Councilman,

For your consideration is the fiscal note pertaining to the proposed retiree settlement. The city expects to reduce its overall pension liability by approximately \$180 million. Currently the Employees Retirement System of Providence is approximately 32% funded with an accrued liability of a little over \$900 million. The proposed settlement will bring the plan to over 60% funded in 20 years to exit Critical Status, as determined by the State of Rhode Island.

PENSIONS:

The city is expecting to save approximately \$14 million a year on pension costs due to the measures highlighted below. The savings for Class A members are approximately \$1.3 million per year. The savings for Class B *Police* and Class B *Fire* are \$5.6 million and \$7.7 million, respectively.

The retirees who accepted the proposed settlement and active firefighters and police who retire under the terms of the collective bargaining agreements that are amended to reflect the terms of the proposed settlement will be subject to the following terms:

COLA SUSPENSION:

All COLAs suspended for 10 years. Families of city employees killed in the line of duty will continue to receive an annual COLA.

ELIMINATION OF HIGH END COLAs:

All 5 and 6 percent compounded COLAs are permanently eliminated.



Finance Department
"Building Pride In Providence"

PENSIONS CAPPED:

In fiscal year 2023, COLAs will be reinstated only for retirees with pensions less than 150 percent of the state median income and less than the salary of an incumbent employee of the same rank as the retiree at the time of retirement (police and fire retirees only), whichever is lower. For the purposes of the calculations, 150% of the Rhode Island median income was approximately \$78,000.

FUTURE COLAs LIMITED:

Retirees whose COLAs are reinstated in fiscal year 2023 will receive annual raises of either 3 percent compounded or what is provided for in their contract, whichever is less.

ONE-TIME STIPEND IN FY2017:

In fiscal year 2017 (Year 5 of the agreement), retirees collecting pensions of less than \$100,000 will receive a stipend of \$1,500. This one-time payment will not change their future pension calculations.

CONTINGENT STIPEND IN FY2020:

In fiscal year 2020 (Year 8 of the agreement), retirees collecting pensions of less than \$100,000 may receive a separate one-time stipend of up to \$1,500 if the City achieves savings through the creation of a self-insured dental plan. The potential payment would not change future pension calculations.

SUSTAINABLE REFORMS TO PENSION CALCULATIONS:

Future pensions will be calculated based on the four highest compensated years of service. The current system calculates pensions based on the highest three years.

CONTINUED PENSION CONTRIBUTIONS:

Employees will be required to contribute to the pension system for as long as they earn credit toward a pension.

ACCIDENTAL DISABILITY:

Accidental disability pension calculations will be based on 66 2/3 percent of the employee's final salary.



Finance Department
"Building Pride In Providence"

Change To Final Average Earnings Of Highest Consecutive 4 Years Out Of 10, Continuation Of Contributions Until Accruals End, 10 Year Freeze On COLAs, Maximum COLA of 3% In Future Years With COLA Freeze On Annual Benefits Of \$80,000 Or Above, For All Class A Members - Recommended Assumptions

	2011 Experience Study	COLA Change	Difference	Annual Appropriation Cost (Savings)
PV Future Benefits	459,852,454	451,100,747	-8,751,707	
Accrued Liability	397,196,306	389,433,084	-7,763,222	-536,347 Amortization Cost With Interest
Normal Cost	8,794,773	8,638,552		
Employee Normal Cost	-5,583,951	-6,119,758		
City Normal Cost	3,210,822	2,518,794	-692,028	<u>-779,409</u> Normal Cost With Interest -1,315,756 FYE13 Cost (Savings)

Change To Final Average Earnings Of Highest Consecutive 4 Years Out Of 10, Continuation Of Contributions Until Accruals End, 10 Year Freeze On COLAs, Maximum COLA of 3% In Future Years With COLA Freeze On Annual Benefits Of \$57,559 Or Above, Indexed At 3.5%, For All Class B Fire Members - Recommended Assumptions

	2011 Experience Study	COLA Change	Difference	Annual Appropriation Cost (Savings)
PV Future Benefits	534,954,136	431,350,456	-103,603,680	
Accrued Liability	501,473,344	399,781,896	-101,691,448	-7,025,678 Amortization Cost With Interest
Normal Cost	4,485,303	4,167,987		
Employee Normal Cost	-1,527,706	-1,766,386		
City Normal Cost	2,957,597	2,401,601	-555,996	<u>-626,201</u> Normal Cost With Interest -7,651,879 FYE13 Cost (Savings)

Change To Final Average Earnings Of Highest Consecutive 4 Years Out Of 10, Continuation Of Contributions Until Accruals End, 10 Year Freeze On COLAs, Maximum COLA of 3% In Future Years With COLA Freeze On Annual Benefits Of \$57,559 Or Above, Indexed At 3.5%, For All Class B Police Members - Recommended Assumptions

	2011 Experience Study	COLA Change	Difference	Annual Appropriation Cost (Savings)
PV Future Benefits	453,573,082	380,769,002	-72,804,080	
Accrued Liability	411,871,393	341,156,393	-70,715,000	-4,885,571 Amortization Cost With Interest
Normal Cost	4,997,247	4,677,744		
Employee Normal Cost	-1,767,240	-2,111,707		
City Normal Cost	3,230,007	2,566,037	-663,970	<u>-747,808</u> Normal Cost With Interest -5,633,380 FYE13 Cost (Savings)
				-14,601,014 Grand Total FYE13 Cost (Savings)
				-180,169,670 Grand Total Accrued Liability Change (Savings)

Michael L. Pearis
Finance Director



Angel Taveras
Mayor

Finance Department
"Building Pride In Providence"

MEDICARE/HEALTHCARE

Original savings estimate (millions)	\$11.5
Less: Cost of Medicare Supplement	5.3
Less: Medicare Part B Penalty	0.5
Less: Medicare Part D Prescription Coverage	1.7
Updated Estimated Savings	\$ 4.0

Based on the City's tentative settlement with retirees and current employees described above, the following summarizes the changes to police, fire, and retiree association healthcare benefits:

MEDICARE SETTLEMENT:

Retirees 65 and older will move onto Medicare. Originally it was estimated that the city would save about \$11.5 million per year if paid retiree healthcare for all post 65 retirees was eliminated. This savings was reduced after the city agreed to pay for a Medicare supplement plan for retirees and spouses.

PART B SUPPLEMENT AND MEDICARE PENALTY:

The City will provide funding to cover Medicare's Part B penalty for enrolling after their initial eligibility period, as had previously been committed. This is currently about \$0.5 million per year.

PART D PRESCRIPTION DRUG COVERAGE:

The City will also provide funding to cover Medicare Part D prescription drug coverage for Class B Police and Fire retirees. Currently this is estimated to be about \$1.7 million per year.

UNDER 65 HEALTH COVERAGE UNCHANGED:

Health care for retirees under the age of 65 will not be changed.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael Pearis", written over a horizontal line.

Michael Pearis, Director of Finance