

CITY OF PROVIDENCE, RHODE ISLAND



JAMES J. LOMBARDI, III, CITY TREASURER  
OFFICE OF THE CITY TREASURER

February 2, 2023

Honorable Rachel M. Miller  
City Council President  
Providence City Council  
25 Dorrance Street  
Providence, Rhode Island 02903

Dear Madame President,

I am hereby respectfully transmitting to the City Council, the City of Providence Annual Actuarial Report as of July 1, 2022, presented to the Providence Retirement Board of the Employees' Retirement System on January 25, 2023, by our actuarial firm, Bolton Partners, Inc.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "James J. Lombardi, III".

James J. Lombardi, III  
City Treasurer and Chairman of the Retirement Board  
of the Employees' Retirement System

IN CITY COUNCIL

FEB 16 2023

READ  
WHEREUPON IT IS ORDERED THAT  
THE SAME BE RECEIVED.

*Jina L. Mastrosimone* CLERK

CITY HALL PROVIDENCE, RHODE ISLAND 02903

# Bolton

Benefits, Actuarial, Investment & Compensation Consulting

## City Of Providence Annual Actuarial Report

January 25, 2023

*John*  
*Nancy Cutler*  
*Myra*  
*John*  
*John*



# AGENDA

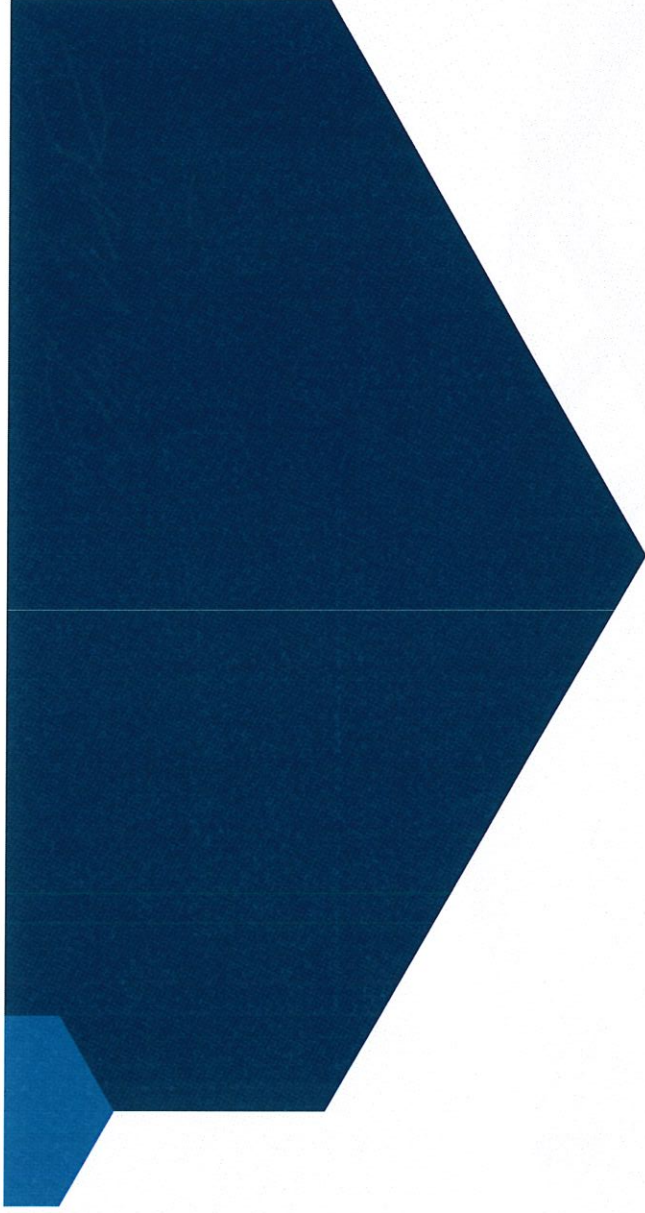
Providence Updates

Transition Results

State Of Plan

Emerging Topics

**B**



# PROVIDENCE UPDATES



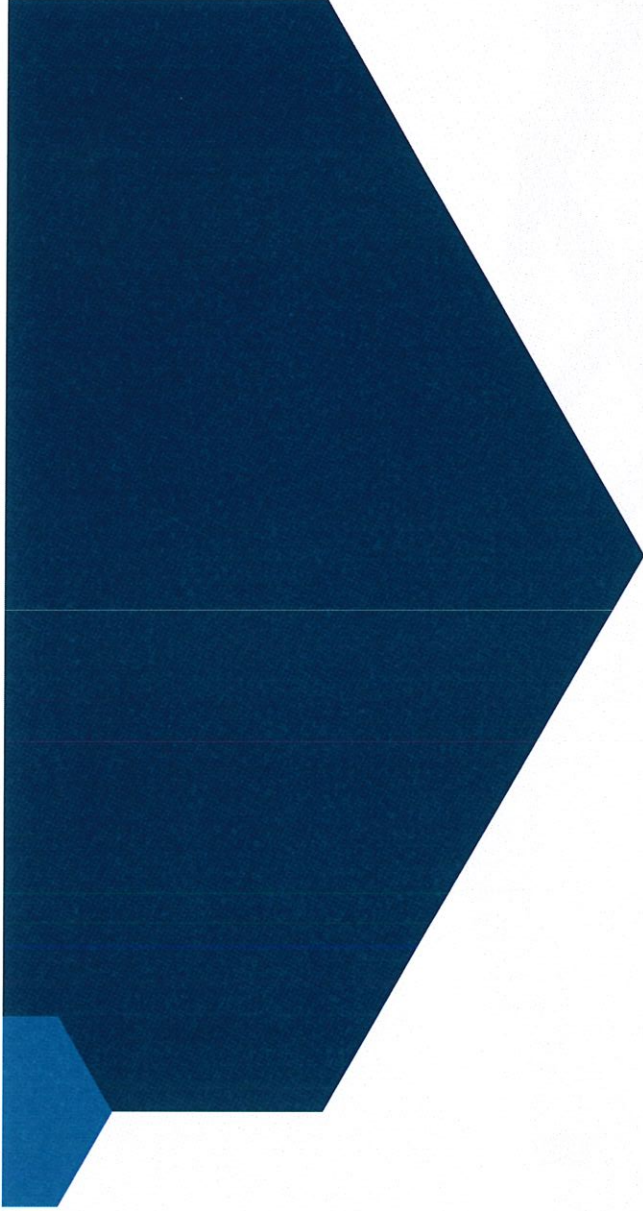
City of Providence | January 25, 2023





# Providence Updates

- **Changes and Initiatives**
  - Contracts
  - Settlements
  - Other



# TRANSITION UPDATES



City of Providence | January 25, 2023



# Matching Results From Prior Actuary

- **Standard Actuarial Practice** – Match Prior Actuary Figures
- **We Replicated the 2020 Segal Valuation**
- **Takeaways**
  - Liability within 1%
    - Offsetting Class A and Class B
  - Normal Cost within 3%
    - Larger differences among the components (employer share vs employee share)





# Liability Match

Class A				Class B Police				Class B Fire				Total			
	Segal	Bolton	% Diff	Segal	Bolton	% Diff	Segal	Bolton	% Diff	Segal	Bolton	% Diff	Segal	Bolton	% Diff
Liability (\$, millions)															
Active	\$235	\$228	-3%	\$166	\$173	4%	\$138	\$142	3%	\$539	\$543	1%			
In Receipt	305	306	0%	353	359	2%	431	426	-1%	1,089	1,090	0%			
Deferred	11	11	0%	1	1	2%	0	1	10%	13	13	0%			
Total	552	545	-1%	521	533	2%	569	569	0%	1,641	1,646	0%			





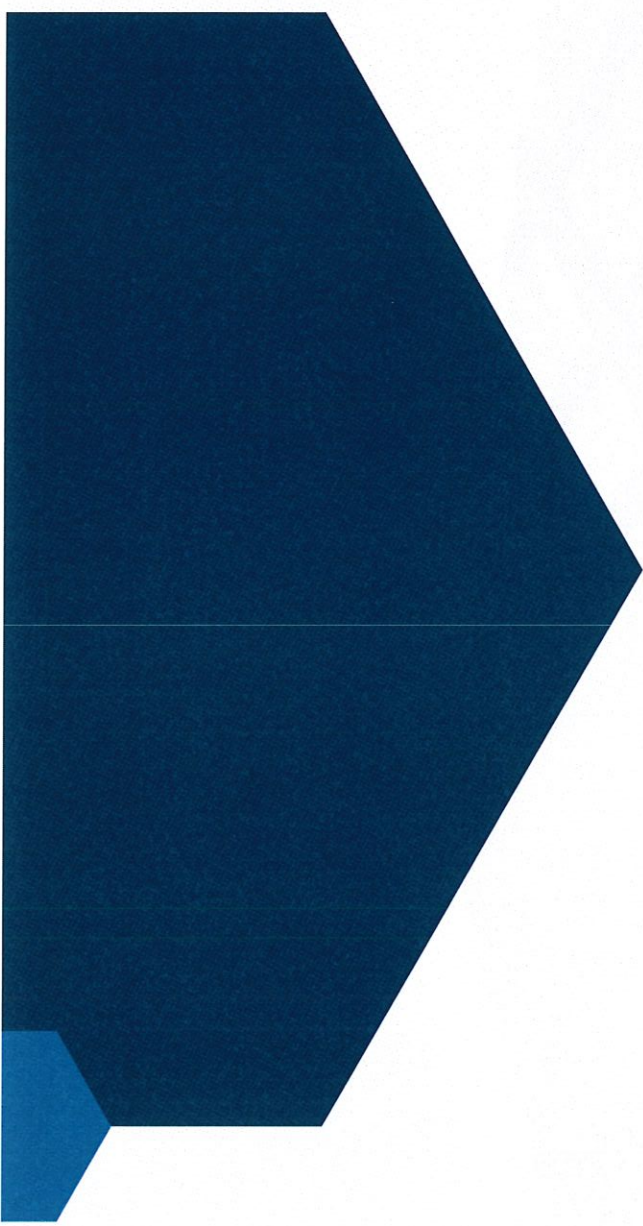
# Normal Cost Match

Class A				Class B Police				Class B Fire				Total			
	Segal	Bolton	% Diff	Segal	Bolton	% Diff	Segal	Bolton	% Diff	Segal	Bolton	% Diff	Segal	Bolton	% Diff
Normal Cost (\$, millions)															
Total NC	\$10.4	\$10.2	-1%	\$8.0	\$7.5	-6%	\$7.6	\$7.5	-1%	\$26.0	\$25.3	-3%			
Employee Share	8.3	7.7	-8%	3.5	3.9	13%	2.6	2.5	-4%	14.4	14.1	-2%			
Employer Share	2.1	2.6	26%	4.6	3.6	-21%	5.0	5.1	1%	11.7	11.3	-3%			

## Matching Takeaways

- **Overall Match Is Acceptable**
  - Class A active offsets Class B active
  - Inactives generally good
- **Total Normal Cost Match Is Acceptable**
  - Larger differences when normal cost is broken down into its component units: employer share and employee share
  - Suspect employee share was adjusted





# STATE OF PLAN



City of Providence | January 25, 2023

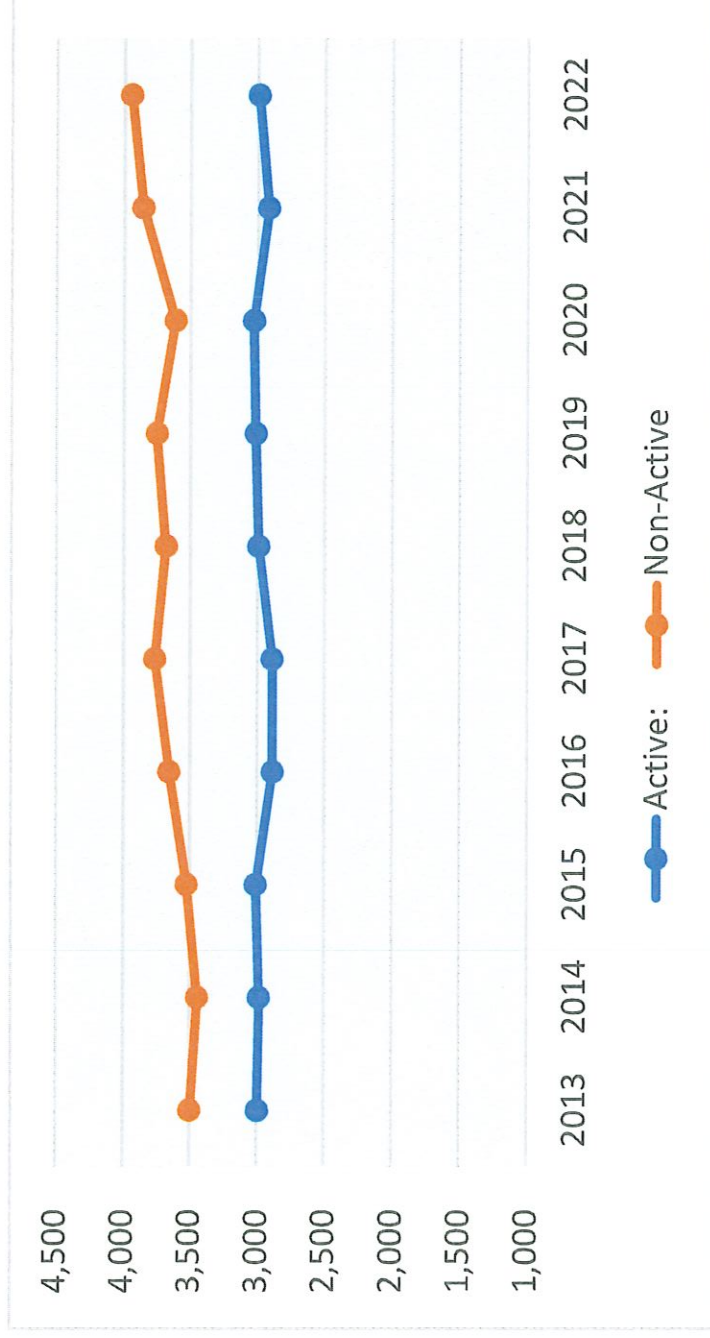


# State of Plan

- July 1, 2022 Funded Status: 25.4%
- FYE 2024 ADC Rate: 60.60%
- Key Drivers
  - Investment performance 6/30/2022: -9%
  - Payroll growth: 5.6%



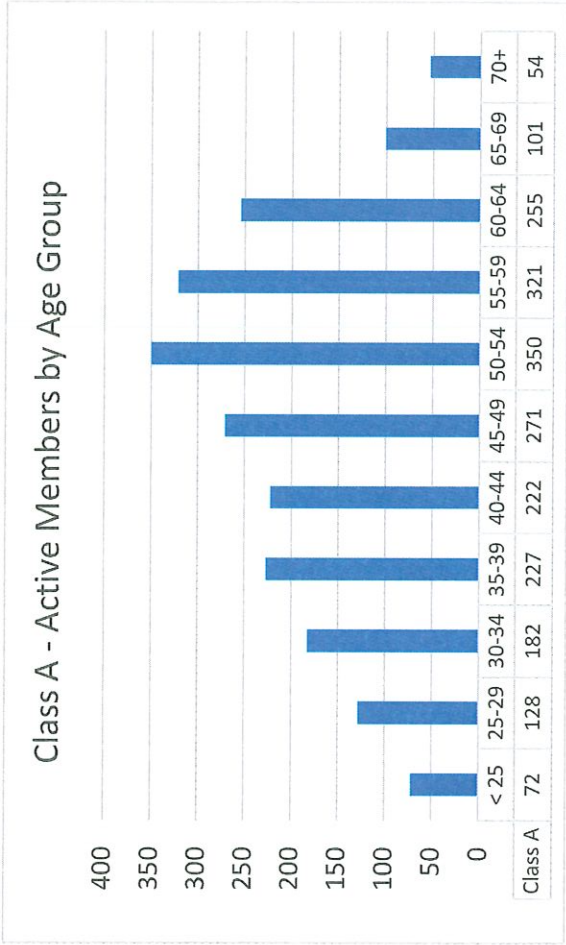
# Demographics



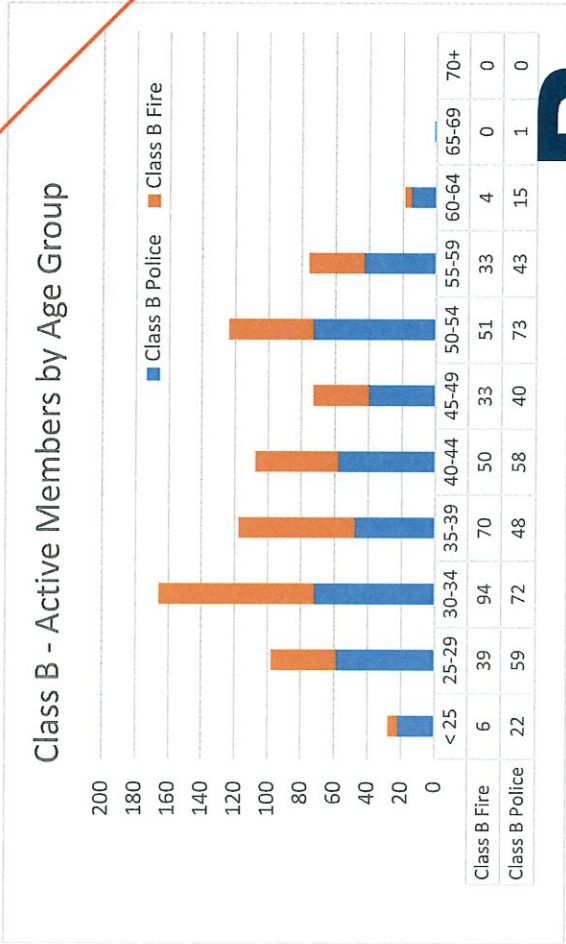
- Stable Active Group
- Growing Inactive Group

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# Demographics



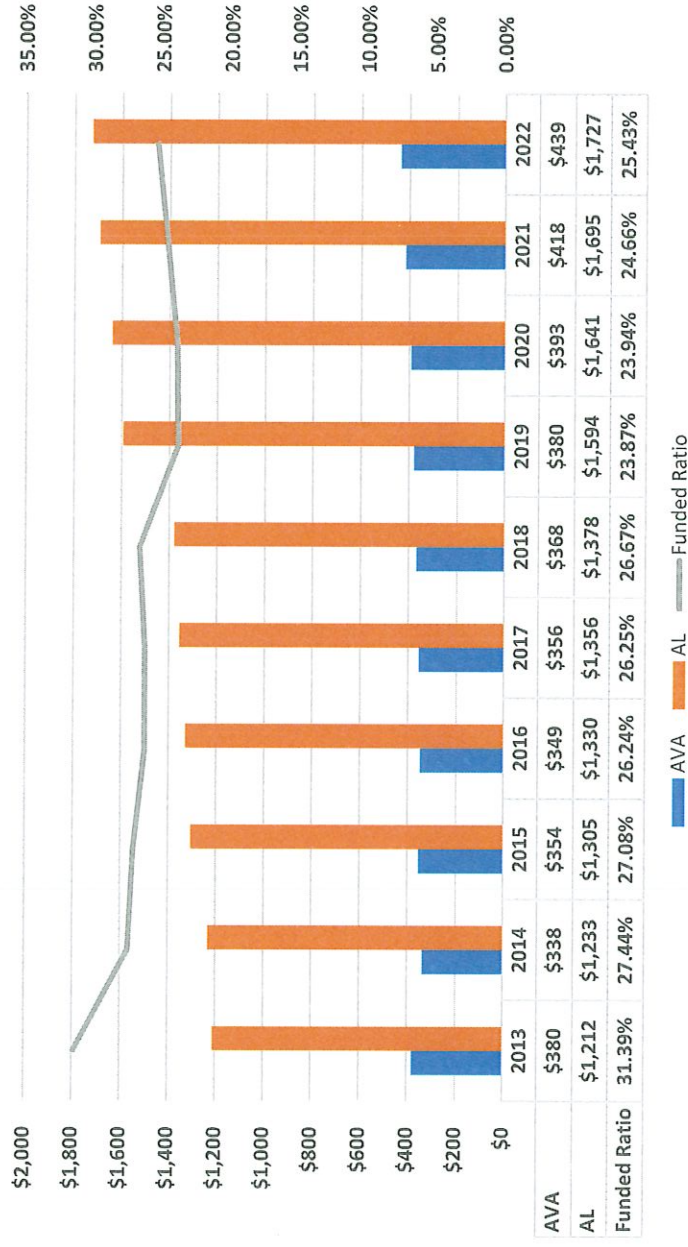
- Different Age Profiles for Class A and Class B
- Fire Skews Younger Than Police



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# Funded Status – Historical and Current (\$ in millions)



# Annual Actuarially Determined Contribution (ADC)

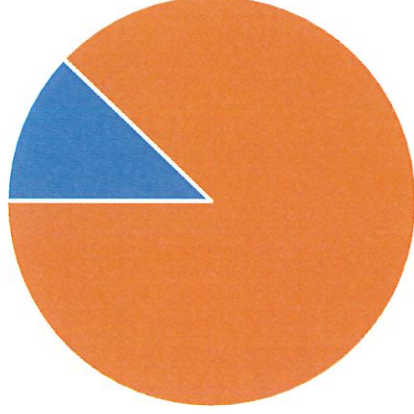
	FYE 2022	FYE 2023	FYE 2024
ADC	\$93,585,059	\$100,323,373	\$104,943,383
Percent of Payroll	53.66%	55.77%	60.60%

- **FY 2024 ADC up 5% from FY 2023**
  - Within range of previously projected cost
- **Primary drivers of the increase**
  - Investment losses
  - Payroll increases



# Annual Actuarially Determined Contribution (ADC)

ADC Breakdown



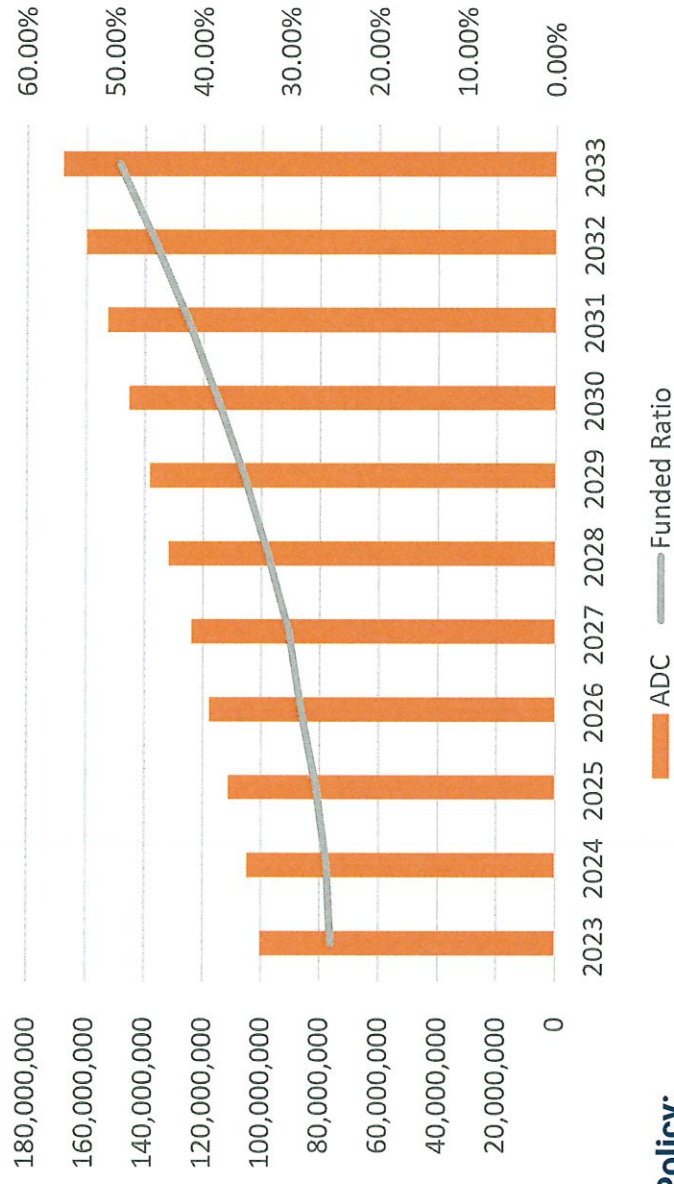
■ Normal Cost ■ Unfunded Liability

- Primarily (88%) Paydown Of Unfunded Liability

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# Funding Forecast



- **Funding Policy:**
  - 100% funded in 17 years
  - 5.3% increase in unfunded paydown each year



# EMERGING TOPICS



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# Emerging Topics



## FUNDING POLICY

- Volatility exposure high
- May not be sustainable

## LOW DEFAULT RISK OBLIGATION MEASURE (LDROM)

- Required with 2023
- Uses, concerns

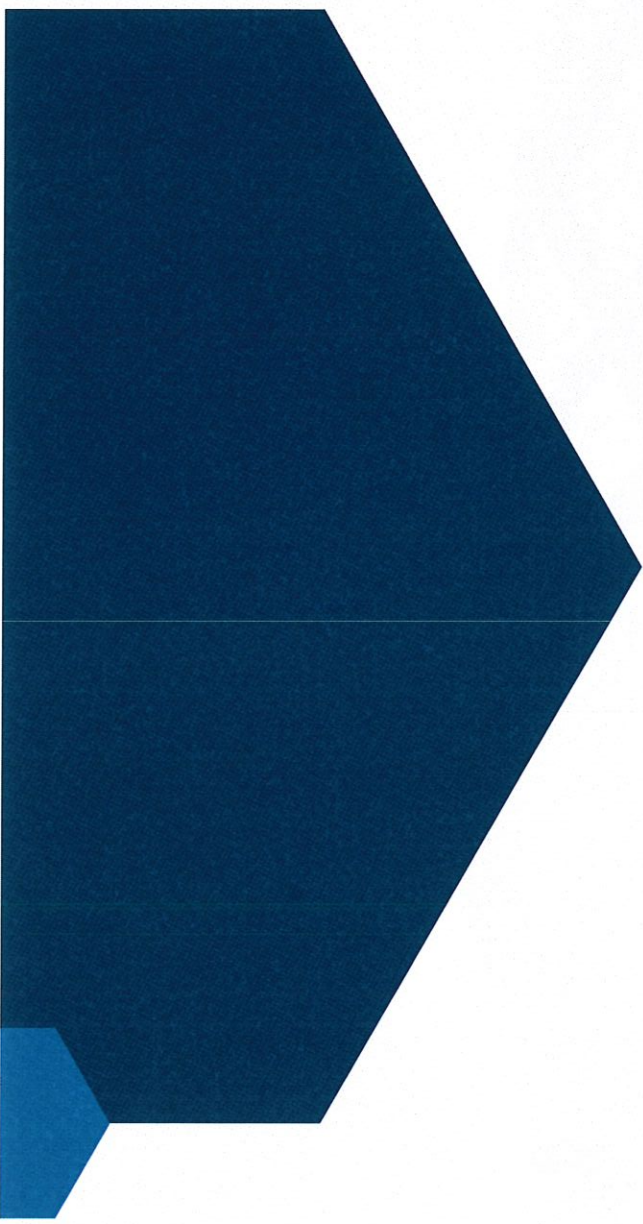
## INFLATION

- Currently below recent peaks
- May be several years before back to 2.0% -2.5% range

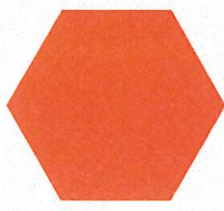
## EVOLVING WORKFORCE

- Attraction and Retention needs
- Potentially larger "post retirement" workforce
  - Adjust offerings to appeal to this group?





# DISCUSSION



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# Bolton

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