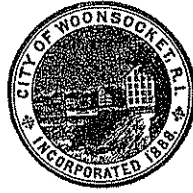


City of Woonsocket Rhode Island



MARCH 13 A.D. 2013

Resolution

RESOLUTION TO REFORM PENSION AND POST-RETIREMENT BENEFITS

- WHEREAS,** The City of Woonsocket ("City") is confronting a fiscal crisis so severe that it poses an imminent danger to the safety of the citizens of the City; and
- WHEREAS,** Over the past ten years, the City has attempted to resolve the chronic nature of this fiscal crisis by taking such measures as: (1) borrowing over \$100 million through issuance of pension obligation and deficit reduction bonds; (2) cutting personnel costs; (3) deferring capital expenditures; (4) closing public schools; and (4) obtaining concessions from employees; and
- WHEREAS,** Despite these and other efforts, the fiscal situation confronting the City has remained so dire that the state Director of Revenue appointed a fiscal overseer, and then a budget commission, in accordance with R.I. Gen. Laws §§ 45-9-3 & 5, for the purpose of presenting a balanced budget and achieving fiscal stability in the City; and
- WHEREAS,** Shortly after its appointment in May 2012, the budget commission was compelled to take immediate and short-term emergency measures to ensure that the City was able to pay its delinquent bills to vendors; and
- WHEREAS,** The budget commission thereafter reviewed the City's finances to develop a five-year plan ("Baseline"); and
- WHEREAS,** This Baseline, which projects City budgets from fiscal year 2013 through fiscal year 2017, shows that if nothing changes, the City will be confronting a cumulative deficit of \$105.5 million by the end of fiscal year 2017, which amount includes monies for the payment of present and future post-employment benefits other than pensions; and
- WHEREAS,** Based on the actuarial valuation report for the plan year beginning on July 1, 2012, the City fire and police pension plans had an unfunded accrued liability of \$42.6 million, and therefore only fifty-seven (57%) of the amount needed to pay out projected benefits; and
- WHEREAS,** If nothing changes, the pension plans will have insufficient funds to make any benefit payments to retirees within approximately eight years; and
- WHEREAS,** This underfunding of the City's pension plans places them in "critical status" under R.I. Gen. Laws § 45-65-4, and requires that, under R.I. Gen. Laws § 45-65-6(2), the City submit a reasonable alternative funding improvement plan to the state study commission established under R.I. Gen. Laws § 45-65-8; and
- WHEREAS,** Based on actuarial valuations of the post-retirement medical insurance plans for the City employees and retirees (including retirees from the Woonsocket Education Department), as of July 1, 2011, the plans had an unfunded accrued liability of \$200.7 million, and an annual required contribution of \$20 million; and
- WHEREAS,** The City cannot make the \$20 million annual required contribution as set forth in these actuarial valuations without incurring the debt projected by the Baseline, which debt would render the City inoperable, and require appointment of a receiver under R.I. Gen. Laws § 45-9-7; and
- WHEREAS,** The budget commission has proposed a five-year deficit reduction plan ("5-Year Plan"), that takes into account and ensures payment of both pension and other post-employment benefits to retirees; and
- WHEREAS,** This 5-Year Plan, if implemented, will (1) enable the City to achieve a positive operating balance by the end of fiscal year 2014, and a positive fund balance (including the accounting for other

post-employment benefits) by fiscal year 2017; and (2) therefore restore fiscal stability to the City; and

- WHEREAS,** This 5-Year Plan assumes and requires that each of the following four stakeholder groups make financial concessions and contributions to this effort, to ensure the City's fiscal stability and overall welfare: (1) taxpayers; (2) employees; (3) retirees; and (4) the state; and
- WHEREAS,** The budget commission has determined that the financial contributions from each of the four stakeholder groups, in the proportions and amounts proposed in the 5-Year Plan, are both reasonable and necessary to secure the financial stability of the City; and
- WHEREAS,** These financial contributions require changes to retirees' pension and health benefits, as defined in the collective bargaining agreements in effect at the time of their retirement; and
- WHEREAS,** The budget commission has tailored these changes to pension and health benefits narrowly, to have the least drastic fiscal consequences for retirees, while at the same time achieving the goal of securing financial stability for the City and the City's pension plan; and
- WHEREAS,** The failure of any single stakeholder group to make the concessions and contributions assumed by and set forth in the 5-Year Plan will deprive the budget commission of the ability to restore fiscal stability to the City, and require appointment of a receiver, with the power to file a petition for bankruptcy in the name of the City under Chapter 9 of Title 11 of the United States Code, as set forth in R.I. Gen. Laws § 45-9-7; and
- WHEREAS,** The City Council seeks to implement that portion of the 5-Year Plan relating to retirees, effective July 1, 2013; and
- WHEREAS,** R.I. Gen. Laws § 28-54-1 provides that the City may require its retirees, as a condition of receiving or continuing to receive retirement payments and health benefits, to enroll in Medicare as soon as he or she is eligible, notwithstanding the provisions of any other statute, ordinance, interest arbitration award, or collective bargaining agreement to the contrary.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF
WOONSOCKET, RHODE ISLAND, AS FOLLOWS:**

- SECTION 1.** Absent agreement between the Budget Commission and retiree representatives to the contrary, effective July 1, 2013, all annual cost-of-living adjustments made to benefits paid to retirees under the City's pension plans shall be suspended.
- SECTION 2.** As a condition of receiving or continuing to receive health care benefits, all individuals who have retired from City service, and their spouses, dependents, surviving spouses, or others receiving City funded health insurance by reason of a retiree's service to the City (collectively "beneficiaries"), who are eligible for but not enrolled in Medicare (collectively "Current Medicare-Eligible Retirees and Beneficiaries"), shall enroll in Medicare by no later than March 31, 2013. All health benefits currently provided by the City to Current Medicare-Eligible Retirees and Beneficiaries shall end as of June 30, 2013, except that those who retired and are eligible to receive benefits under a pre-existing collective bargaining agreement that provides Medicare Supplement Insurance shall be provided such coverage; and
- SECTION 3.** As a condition of receiving or continuing to receive health care benefits, all individuals who have retired or retire from City, and their beneficiaries, who become eligible for Medicare in the future (collectively "Future Medicare-Eligible Retirees and Beneficiaries"), shall enroll in Medicare on the date upon which they become eligible. Irrespective of whether Future Medicare-Eligible Retirees and Beneficiaries enroll in Medicare, all health benefits provided to Future Medicare-Eligible Retirees and Beneficiaries shall end on the June 30th date that concludes the fiscal year during which they have attained eligibility, except that those who retired and are eligible to receive benefits under a pre-existing collective bargaining agreement that provides Medicare Supplement Insurance shall be provided such coverage; and
- SECTION 4.** Absent agreement between the Budget Commission and retiree representatives to the contrary, the City shall pay one-hundred percent (100%) of the cost of any penalties for late enrollment in Medicare by Current Medicare-Eligible Retirees and Beneficiaries, provided they enroll by March 31, 2013, and eighty percent (80%) of the cost of Medicare supplement or gap coverage to be made available to Current and Future Medicare-Eligible Retirees and Beneficiaries, but the City shall not cover the cost of any penalties for late enrollment by Future Medicare-Eligible Retirees and Beneficiaries, or any premium payments required under Medicare, Part B (out-patient care), or elected under Medicare Part D (prescription drug plan) for Current or Future Medicare-Eligible Retirees and Beneficiaries, *provided however that:*
Any retiree or beneficiary currently enrolled in Medicare, and receiving Medicare Supplement Insurance pursuant to the terms of a collective bargaining agreement controlling upon the retiree's retirement, will continue to receive that same Medicare Supplement Insurance without change, absent any agreement to the contrary; and
No retiree or beneficiary shall be provided Medicare Supplement Insurance hereunder, unless the retiree has been awarded the same or better coverage pursuant to the terms of a collective bargaining agreement controlling upon the retiree's retirement; and

SECTION 5. Absent agreement to the contrary between the Budget Commission and retiree representatives, all health insurance benefits currently provided to retirees of the City (including but not limited to those formerly employed by the Woonsocket Education Department), and their beneficiaries, who are not yet eligible or who are ineligible for Medicare benefits shall change, effective July 1, 2013, to a standard health plan ("Uniform Health Plan") for all City employees and retirees and their beneficiaries, other than those eligible for Medicare, and the City shall cover eighty percent (80%) of the cost, and the retiree, twenty (20%) of the cost of such Uniform Health Plan, *provided that* those retirees who are ineligible for Medicare must provide proof of ineligibility through a written letter of denial from the federal government by no later than March 28, 2013.

SECTION 6. This Resolution shall take effect immediately upon its passage by the City Council.



John F. Ward, City Council President
Per Request of Administration

IN CITY COUNCIL March 18, 2013 – Read by title, amended and passed as amended.

Amendment:

SECTION 3. As a condition of receiving or continuing to receive health care benefits, all individuals who have retired or retire from City, and their beneficiaries, who become eligible for Medicare in the future (collectively "Future Medicare-Eligible Retirees and Beneficiaries), shall enroll in Medicare on the date upon which they become eligible. Irrespective of whether Future Medicare-Eligible Retirees and Beneficiaries enroll in Medicare, all health benefits provided to Future Medicare-Eligible Retirees and Beneficiaries shall end on the ~~June 30th date that concludes the fiscal year during which they have attained eligibility~~ last day of the month during which each Future Medicare-Eligible Retiree and Beneficiary first becomes eligible to receive Medicare coverage, except that those who retired and are eligible to receive benefits under a pre-existing collective bargaining agreement that provides Medicare Supplement Insurance shall be provided such coverage; and