

TOWN OF
NORTH PROVIDENCE



STATE OF
RHODE ISLAND

CHARLES LOMBARDI
Mayor

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April 12, 2013


Ms. Rosemary Booth Gallogly
Chairperson of the Pension Study Commission
Department of Revenue
One Capitol Hill
Providence, RIO2908-5855

Dear Ms. Booth Gallogly:

Under RI General Law §45-65-6, the Town of North Providence was required to file a funding improvement plan for the Town's Police Pension Fund. As of November 2012, the Town's latest Police Pension Fund valuation report (dated July 1, 2010) reflected that the Police Pension Fund was 45.3% funded. The Town's other three pensions funds (Fire, Municipal employees, and Teachers) are under the Municipal Employees Retirement System or the State's Retirement System and are not in critical status.

In filing this plan, the Town of North Providence is in a unique situation as our Police Pension Fund is now out of critical status. The Pension Plan is now 94.9% funded as a result of \$20.6 million being deposited into the Fund on March 18, 2013. Therefore, this filing serves to inform and update the Pension Study Commission of the Plan's status rather than outlining proposals to achieve improved funding status.

Sincerely,



Charles A. Lombardi, Mayor

EXECUTIVE SUMMARY

In accordance with Rhode Island General Laws Section 45-65-6, the Town of North Providence is submitting this Critical Status Report for its Police Pension Fund. The Town is glad to report that its Police Pension Fund is no longer in critical status. With the March 18, 2013 deposit of \$20.6 million of federal forfeiture funds, the Police Pension Fund is now 94.9% funded.

As a result of the change in status of our Pension Plan, and the Town's current funding of the full Annual Required Contribution, we have not presented optional funding improvement strategies. However, the Town is working to further strengthen the Pension Plan through negotiations with our Police Collective Bargaining Unit.

CHANGE IN FUND STATUS IN 2013

The Town of North Providence participated in a federal probe into illegal online prescription drug sales by Canadian companies. This federal probe resulted in a \$500 million federal forfeiture settlement that Google, Inc. entered into with the US Department of Justice. The Town was notified in April of 2012 that it was allocated \$60 million of the settlement. In July of 2012, the Town filed a request with the US Department of Justice to allow for \$20.6 million to be applied to the unfunded liability of the Town's Police Pension Fund. On January 11, 2013, the US Department of Justice approved the Town's request, and on March 18, 2013, \$20.6 million was transferred to the Police Pension Fund.

The application of the \$20.6 million has increased the funded ratio to 94.9%. This significant change in funding has been concurrent with the Town's commitment to fully fund the Annual Required Contribution for the Police Pension Fund. In fiscal year 2012, the Town funded 94% of the Annual Required Contribution ("ARC"), and in the current fiscal year, the Town will fund 100% of the ARC. The proposed fiscal year 2014 budget continues to fully fund the ARC amount which has been significantly reduced as a result of the Fund's 94.9% funded status. The Town has received a revised valuation report from our actuary which reflects the \$20.6 million deposit into the Fund and its resulting impact on funding requirements and the Fund's status. (This actuarial report has previously been filed with the Pension Study Commission's actuary and staff.)

PLAN'S UNFUNDED LIABILITY

The current unfunded liability of the Plan is \$1,837,000. The Town's amortization period for the unfunded liability has been lowered from 20 to 10 years which will essentially bring the Plan to 100% funding over the next 10 fiscal years.

FUTURE FUNDING REQUIREMENTS

Over the next ten years, funding the Annual Required Contribution amount will require contributions ranging from \$750,000 to \$860,000, which is approximately half of the funding level of the Town's contributions for fiscal years 2012 and 2013. These funding requirements may be reduced even further if current negotiations with our Police Union result in changes to the Pension Plan.

PLAN CHANGES

The Town of North Providence has been in negotiations with the Police Union, and the Town has proposed changes to the Plan relating to retirement eligibility, accrual of benefits, the COLA, and employee contributions. The labor negotiations are ongoing and changes to the Plan are still being negotiated by the Town.

OUTLINE OF THE PENSION PLAN

The principal results of the July 1, 2012 valuation, as revised for the recent contribution of \$20.6 million into the Pension Fund, are set forth below.

FY 2013-14 Annual Required Contribution	\$849,111
Amortization method, including period	Level percent over a closed 10 year period
Interest rate	7.25%
Amortization amount	\$214,475
Market value of assets	\$33,134,489
Actuarial value of assets	\$34,253,447
Accrued liability	\$36,090,353
Funded ratio	94.9%
Total normal cost	\$845,089
Expected employee contributions	\$295,080
Employer normal cost	\$550,009