

CRITICAL STATUS EMERGENCY PLAN
THE EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF PROVIDENCE

November 2012



Mayor of Providence

Angel Taveras

VIA HAND DELIVERY

November 9, 2012

Pension Study Commission
c/o Ms. Rosemary Booth Gallogly
Director of Revenue
Rhode Island Department of Revenue
One Capitol Hill
Providence, RI 02908

Re: Critical Status Emergence Plan

Dear Ms. Gallogly:

Enclosed is the Critical Status Emergence Plan for the Employees' Retirement System of the City of Providence. Please contact me if you need additional information.

Sincerely,

A handwritten signature in dark ink, appearing to read "Angel Taveras", is written over a light-colored background.

Angel Taveras
Mayor

Enclosure

Executive Summary

In accordance with Rhode Island General Laws Section 45-65-6, the City of Providence is submitting this Funding Improvement Plan (Plan) to the Locally Administered Pension Plans Study Commission. The City completed an actuarial valuation on January 19, 2012 and a subsequent experience study on April 2, 2012. Based on the results of the experience study, the funded status of the pension system is 32.3% and considered to be in critical status.

The pages that follow present the Plan that the City has adopted to increase the system's funded ratio until it emerges from critical status. Under the Plan, the City's pension system is forecast to emerge from critical status in 2032. This will be accomplished by increasing funding of the system and the negotiation of pension benefit reductions with the members of the system.

Current Funding

The City has accepted the recommendations of our actuary for modifications to the actuarial assumptions. The actuary recommended a Fiscal Year Ending (FYE) 2012 pension contribution of \$58,928,925 to the trust based on a 28-year amortization with payments increasing approximately 3.8% per year. At the City's request, the actuary recalculated the FYE 2012 annual required contribution (ARC) based on the negotiated pension changes, resulting in a restated contribution amount of \$53,735,585. The City made a contribution of \$48.4 million for FYE 2012, or 90.0% of the recommended contribution. This also represents approximately 14% of the tax levy. For FYE 2011, the City contributed 100% of the recommended contribution.

Future Funding

The Plan is to increase the funding of the system for FYE 2013 to 100% of the recommended contribution. *Exhibit A* shows the forecast of key values under this approach based on the actuarial assumptions adopted, and new participants entering the plan to replace those terminating and retiring.

Exhibit D and *Exhibit E* describe the actuarial assumptions and plan provisions, respectively.

Plan Changes

The City has negotiated reductions in the pension benefits provided to current active and retired plan participants as follows:

- Freeze all scheduled cost of living adjustments (COLAs) for the next 10 years
- For Class A – freeze all COLAs indefinitely for all current and future retirees with annual pensions greater than 150% of the state median income. After the initial 10-year COLA freeze, only retirees with a pension lower than 150% of the state median income will receive future COLAs, limited to the lesser of 3.0% simple per year or what is called for in their collective bargaining agreement.
- For Class B – similar to Class A, except the annual pension cap is equal to the lesser of i) 150% of the state median income, and ii) the base compensation of a current employee holding the same rank that the retiree held at the time of retirement. Those below this cap will receive a COLA equal to the lesser of 3% compounded or what is called for in their collective bargaining agreement. The annual pension cap is assumed to increase by 3.5% per year.
- All 5% and 6% COLAs have been permanently eliminated.
- Pensions for future retirees will be based on the average of the four highest years of compensation out of the last 10 years. Previously, pensions had been based on the three highest years out of the last 10.
- All employees will be required to contribute to the pension plan for each year they receive a pension accrual. Previously, employees could stop contributing after 25 years while still accruing pension credit.

Our actuary has estimated that these modifications will substantially reduce the costs and liabilities of the plan. The estimates are as follows for FYE 2013:

	Current Plan Provisions	Proposed Plan Provisions
Employer Normal Cost	\$10,585,149	\$8,431,731
Employee Normal Cost	8,878,897	9,997,851
Total Normal Cost	19,464,046	18,429,582
Accrued Liability	1,367,676,889	1,154,641,044
Unfunded Accrued Liability	925,156,965	739,367,921
Funded Ratio	32.4%	36.0%
ARC	\$72,745,527	\$58,144,514

Exhibit B shows the key values forecast for the next 30 years based on these revised provisions and the new Funding Policy. *Exhibit C* is the same forecast as *Exhibit B*, except the actual return on investments is 0.5% less than the 8.25% assumption.

Exhibit A

Current Forecast of Actuarial Valuation Results with Adopted Actuarial Assumptions

Fiscal Year Ending	Payment		Past Service Amortization	Deferral Amortization	ARC	Contribution	Increase	Payroll	Contribution as a % of			Accrued Liability	Unfunded Liability	Funded Ratio	Revenue Forecast	Contribution as a % of Revenue
	Against the ARC	Employer Normal Cost							Benefit Payments	Assets	Benefit Payments					
6/30/2012	90%	\$ 8,654,179	\$ 44,588,800	\$ 492,606	\$ 53,735,585	\$ 48,362,027	-14.2%	\$ 135,473,706	35.7%	\$ 85,808,469	\$ 427,797,134	\$ 1,339,556,546	\$ 911,759,412	31.9%	\$434,806,177	11.1%
6/30/2013	100%	10,585,149	61,688,711	471,667	72,745,527	72,745,527	50.4%	135,473,706	53.7%	89,360,733	442,519,924	1,367,676,889	925,156,965	32.4%	\$437,830,844	16.6%
6/30/2014	100%	11,008,555	63,850,580	471,667	75,330,802	75,330,802	3.6%	140,215,285	53.7%	92,955,445	457,289,706	1,394,800,334	937,510,628	32.8%	\$432,611,543	17.4%
6/30/2015	100%	11,448,897	66,086,666	471,667	78,007,230	78,007,230	3.6%	145,122,820	53.8%	96,643,433	472,105,490	1,420,764,520	948,659,031	33.2%	\$432,771,186	18.0%
6/30/2016	100%	11,906,853	68,401,043	471,667	80,779,563	80,779,563	3.6%	150,202,119	53.8%	100,323,922	487,074,361	1,445,499,216	958,424,855	33.7%	\$432,826,535	18.7%
6/30/2017	100%	12,383,127	70,796,453	471,667	83,651,247	83,651,247	3.6%	155,459,193	53.8%	104,101,356	502,207,009	1,468,820,434	966,613,425	34.2%	\$437,154,800	19.1%
6/30/2018	100%	12,878,452	73,275,736	471,667	86,625,855	86,625,855	3.6%	160,900,265	53.8%	108,020,673	517,471,807	1,490,482,987	973,011,180	34.7%		
6/30/2019	100%	13,393,590	75,841,831	471,667	89,707,088	89,707,088	3.6%	166,531,774	53.9%	111,898,924	533,028,552	1,510,412,567	977,384,014	35.3%		
6/30/2020	100%	13,929,334	78,497,779	471,667	92,898,780	92,898,780	3.6%	172,360,386	53.9%	115,726,777	549,063,750	1,528,539,234	979,475,484	35.9%		
6/30/2021	100%	14,486,507	81,246,731	471,667	96,204,905	96,204,905	3.6%	178,393,000	53.9%	119,536,558	565,749,617	1,544,754,472	979,004,855	36.6%		
6/30/2022	100%	15,065,967	84,091,946	471,667	99,629,579	99,629,579	3.6%	184,636,755	54.0%	123,338,330	583,266,213	1,558,931,199	975,664,986	37.4%		
6/30/2023	100%	15,668,606	87,036,798	471,667	103,177,071	103,177,071	3.6%	191,099,041	54.0%	127,177,625	601,765,325	1,570,885,367	969,120,042	38.3%		
6/30/2024	100%	16,295,350	90,084,784	471,667	106,851,800	106,851,800	3.6%	197,787,508	54.0%	130,774,536	621,706,892	1,580,709,893	959,003,001	39.3%		
6/30/2025	100%	16,947,164	93,239,520	471,667	110,658,350	110,658,350	3.6%	204,710,070	54.1%	134,259,638	643,457,509	1,588,370,472	944,912,963	40.5%		
6/30/2026	100%	17,625,051	96,504,752	471,667	114,601,470	114,601,470	3.6%	211,874,923	54.1%	137,437,524	667,622,053	1,594,034,278	926,412,225	41.9%		
6/30/2027	100%	18,330,053	99,884,360	471,667	118,686,080	118,686,080	3.6%	219,290,545	54.1%	140,398,107	694,766,659	1,597,789,770	903,023,111	43.5%		
6/30/2028	100%	19,063,255	103,382,363	471,667	122,917,284	122,917,284	3.6%	226,965,714	54.2%	143,135,321	725,515,564	1,599,740,100	874,224,536	45.4%		
6/30/2029	100%	19,825,785	107,002,921	471,667	127,300,373	127,300,373	3.6%	234,909,514	54.2%	145,597,843	760,603,175	1,600,051,457	839,448,281	47.5%		
6/30/2030	100%	20,618,816	110,750,349	471,667	131,840,831	131,840,831	3.6%	243,131,347	54.2%	147,786,327	800,829,280	1,598,904,232	798,074,952	50.1%		
6/30/2031	100%	21,443,569	114,629,116	471,667	136,544,352	136,544,352	3.6%	251,640,944	54.3%	149,668,818	846,645,234	1,596,528,166	749,882,933	53.0%		
6/30/2032	100%	22,301,312	118,643,862	-	140,945,174	140,945,174	3.2%	260,448,378	54.1%	151,157,589	899,614,867	1,593,264,495	693,649,628	56.5%		
6/30/2033	100%	23,193,364	122,873,683	-	146,067,047	146,067,047	3.6%	269,564,071	54.2%	152,164,662	960,931,839	1,589,575,461	628,643,623	60.5%		
6/30/2034	100%	24,121,099	127,174,261	-	151,295,360	151,295,360	3.6%	278,998,813	54.2%	152,630,209	1,032,028,563	1,586,025,061	553,996,498	65.1%		
6/30/2035	100%	25,085,943	131,625,361	-	156,711,304	156,711,304	3.6%	288,763,772	54.3%	152,588,833	1,114,426,116	1,583,189,244	468,763,129	70.4%		
6/30/2036	100%	26,089,381	136,232,248	-	162,321,629	162,321,629	3.6%	298,870,504	54.3%	152,056,865	1,209,760,797	1,581,675,970	371,915,173	76.5%		
6/30/2037	100%	27,132,956	141,000,377	-	168,133,333	168,133,333	3.6%	309,330,971	54.4%	151,144,825	1,319,695,880	1,582,029,909	262,334,029	83.4%		
6/30/2038	100%	28,218,274	145,935,390	-	174,153,664	174,153,664	3.6%	320,157,555	54.4%	149,764,938	1,446,130,398	1,584,933,594	138,803,196	91.2%		
6/30/2039	100%	29,347,005	151,043,129	-	180,390,134	180,390,134	3.6%	331,363,070	54.4%	147,975,870	1,591,066,498	1,591,066,498	-	100.0%		
6/30/2040	100%	30,520,885	156,329,638	-	186,850,523	186,850,523	3.6%	342,960,777	54.5%	145,799,581	1,601,143,042	1,601,143,042	-	100.0%		
6/30/2041	100%	31,741,720	-	-	31,741,720	31,741,720	-83.0%	354,964,404	8.9%	143,172,629	1,616,004,394	1,616,004,394	-	100.0%		
6/30/2042	100%	33,011,389	-	-	33,011,389	33,011,389	4.0%	367,388,159	9.0%	140,162,867	1,603,494,740	1,603,494,740	-	100.0%		

Exhibit B

Forecast of Actuarial Results - Funding Improvement Plan

Fiscal Year	Payment Against the	Employer	Past Service	Deferral						Contribution	Benefit				Unfunded	Funded	Revenue	Contribution
Ending	ARC	Normal Cost	Amortization	Amortization	ARC	Contribution	Increase	Payroll	as a % of	Payments	Assets	Accrued Liability	Liability	Ratio	Forecast	Revenue	as a % of	
6/30/2012	90%	\$ 8,654,179	\$ 44,588,800	\$ 492,606	\$ 53,735,585	\$ 48,362,027	-14.2%	\$ 135,473,706	35.7%	\$ 85,769,170	\$ 413,804,423	\$ 1,142,494,033	\$ 728,689,610	36.2%	\$ 434,806,177		11.1%	
6/30/2013	100%	8,431,731	49,241,116	471,667	58,144,514	58,144,514	20.2%	135,473,706	42.9%	87,018,584	415,273,122	1,154,641,044	739,367,921	36.0%	437,830,844		13.3%	
6/30/2014	100%	8,769,000	50,965,845	471,667	60,206,511	60,206,511	3.5%	140,215,285	42.9%	88,300,481	417,582,139	1,166,793,585	749,211,446	35.8%	432,611,543		13.9%	
6/30/2015	100%	9,119,760	52,750,965	471,667	62,342,391	62,342,391	3.5%	145,122,820	43.0%	89,672,455	420,780,642	1,178,871,878	758,091,236	35.7%	432,771,186		14.4%	
6/30/2016	100%	9,484,550	54,598,592	471,667	64,554,809	64,554,809	3.5%	150,202,119	43.0%	90,995,900	425,068,713	1,190,934,312	765,865,599	35.7%	432,826,535		14.9%	
6/30/2017	100%	9,863,932	56,510,916	471,667	66,846,515	66,846,515	3.6%	155,459,193	43.0%	92,405,997	430,525,036	1,202,904,012	772,378,976	35.8%	437,154,800		15.3%	
6/30/2018	100%	10,258,489	58,490,206	471,667	69,220,361	69,220,361	3.6%	160,900,265	43.0%	93,956,816	437,181,365	1,214,642,082	777,460,717	36.0%				
6/30/2019	100%	10,668,829	60,538,807	471,667	71,679,302	71,679,302	3.6%	166,531,774	43.0%	95,486,750	445,243,161	1,226,166,919	780,923,758	36.3%				
6/30/2020	100%	11,095,582	62,659,149	471,667	74,226,398	74,226,398	3.6%	172,360,386	43.1%	96,994,155	454,937,591	1,237,500,777	782,563,185	36.8%				
6/30/2021	100%	11,539,405	64,853,749	471,667	76,864,820	76,864,820	3.6%	178,393,000	43.1%	98,513,410	466,477,957	1,248,632,635	782,154,677	37.4%				
6/30/2022	100%	12,000,981	67,125,209	471,667	79,597,857	79,597,857	3.6%	184,636,755	43.1%	100,061,121	480,081,151	1,259,533,966	779,452,814	38.1%				
6/30/2023	100%	12,481,020	69,476,226	471,667	82,428,913	82,428,913	3.6%	191,099,041	43.1%	103,245,113	494,312,522	1,268,501,767	774,189,246	39.0%				
6/30/2024	100%	12,980,261	71,909,592	471,667	85,361,519	85,361,519	3.6%	197,787,508	43.2%	106,259,283	509,501,700	1,275,572,405	766,070,705	39.9%				
6/30/2025	100%	13,499,471	74,428,196	471,667	88,399,333	88,399,333	3.6%	204,710,070	43.2%	109,242,166	525,865,021	1,280,641,875	754,776,854	41.1%				
6/30/2026	100%	14,039,450	77,035,032	471,667	91,546,148	91,546,148	3.6%	211,874,923	43.2%	112,003,071	543,838,850	1,283,796,796	739,957,946	42.4%				
6/30/2027	100%	14,601,028	79,733,200	471,667	94,805,894	94,805,894	3.6%	219,290,545	43.2%	114,638,376	563,799,188	1,285,031,484	721,232,295	43.9%				
6/30/2028	100%	15,185,069	82,525,911	471,667	98,182,647	98,182,647	3.6%	226,965,714	43.3%	117,139,221	586,166,344	1,284,349,872	698,183,528	45.6%				
6/30/2029	100%	15,792,472	85,416,494	471,667	101,680,633	101,680,633	3.6%	234,909,514	43.3%	119,459,262	611,447,728	1,281,805,332	670,357,604	47.7%				
6/30/2030	100%	16,424,171	88,408,397	471,667	105,304,234	105,304,234	3.6%	243,131,347	43.3%	121,600,190	640,195,225	1,277,454,812	637,259,588	50.1%				
6/30/2031	100%	17,081,138	91,505,196	471,667	109,058,001	109,058,001	3.6%	251,640,944	43.3%	123,530,024	672,590,726	1,271,394,206	598,803,480	52.9%				
6/30/2032	100%	17,764,384	94,710,604	-	112,474,988	112,474,988	3.1%	260,448,378	43.2%	125,162,413	709,903,760	1,263,818,170	553,914,410	56.2%				
6/30/2033	100%	18,474,959	98,102,761	-	116,577,720	116,577,720	3.6%	269,564,071	43.2%	126,415,182	753,020,152	1,255,023,970	502,003,818	60.0%				
6/30/2034	100%	19,213,957	101,555,098	-	120,769,055	120,769,055	3.6%	278,998,813	43.3%	127,230,964	802,999,869	1,245,394,172	442,394,303	64.5%				
6/30/2035	100%	19,982,515	105,109,527	-	125,092,042	125,092,042	3.6%	288,763,772	43.3%	127,645,404	860,975,824	1,235,306,958	374,331,134	69.7%				
6/30/2036	100%	20,781,816	108,788,360	-	129,570,176	129,570,176	3.6%	298,870,504	43.4%	127,676,025	928,161,529	1,225,154,659	296,993,129	75.8%				
6/30/2037	100%	21,613,089	112,595,953	-	134,209,042	134,209,042	3.6%	309,330,971	43.4%	127,427,710	1,005,767,050	1,215,254,078	209,487,028	82.8%				
6/30/2038	100%	22,477,613	116,536,811	-	139,014,424	139,014,424	3.6%	320,157,555	43.4%	126,809,917	1,095,202,242	1,206,043,634	110,841,392	90.8%				
6/30/2039	100%	23,376,718	120,615,599	-	143,992,317	143,992,317	3.6%	331,363,070	43.5%	125,874,183	1,197,945,628	1,197,945,628	-	100.0%				
6/30/2040	100%	24,311,787	124,837,145	-	149,148,932	149,148,932	3.6%	342,960,777	43.5%	124,629,581	1,191,409,142	1,191,409,142	-	100.0%				
6/30/2041	100%	25,284,258	-	-	25,284,258	25,284,258	-83.0%	354,964,404	7.1%	123,003,600	1,186,997,185	1,186,997,185	-	100.0%				
6/30/2042	100%	26,295,628	-	-	26,295,628	26,295,628	4.0%	367,388,159	7.2%	121,049,601	1,158,980,501	1,158,980,501	-	100.0%				

Exhibit C

Forecast of Actuarial Results - Funding Improvement Plan with 7.75% Investment Return Until 6/30/2038

Fiscal Year Ending	Payment Against the ARC	Employer Normal Cost	Past Service Amortization	Deferral Amortization	ARC	Contribution	Increase	Payroll	Contribution as a % of		Assets	Accrued Liability	Unfunded Liability	Funded Ratio	Revenue Forecast	Contribution as a % of Revenue
									Payroll	Benefit Payments						
6/30/2012	90%	\$ 8,654,179	\$ 44,588,800	\$ 492,606	\$ 53,735,585	\$ 48,362,027	-14.22%	\$ 135,473,706	35.7%	\$ 85,769,170	\$ 412,074,877	\$ 1,142,494,033	\$ 730,419,156	36.1%	\$ 434,806,177	11.1%
6/30/2013	100%	8,431,731	49,241,116	471,667	58,144,514	58,144,514	20.23%	135,473,706	42.9%	87,018,584	411,801,210	1,154,641,044	742,839,833	35.7%	437,830,844	13.3%
6/30/2014	100%	8,769,000	51,087,559	471,667	60,328,225	60,328,225	3.76%	140,215,285	43.0%	88,300,481	412,356,120	1,166,793,585	754,437,464	35.3%	432,611,543	13.9%
6/30/2015	100%	9,119,760	53,000,144	471,667	62,591,570	62,591,570	3.75%	145,122,820	43.1%	89,672,455	413,790,196	1,178,871,878	765,081,682	35.1%	432,771,186	14.5%
6/30/2016	100%	9,484,550	54,981,612	471,667	64,937,829	64,937,829	3.75%	150,202,119	43.2%	90,995,900	416,305,161	1,190,934,312	774,629,152	35.0%	432,826,535	15.0%
6/30/2017	100%	9,863,932	57,034,868	471,667	67,370,467	67,370,467	3.75%	155,459,193	43.3%	92,405,997	419,981,599	1,202,904,012	782,922,413	34.9%	437,154,800	15.4%
6/30/2018	100%	10,258,489	59,163,009	471,667	69,893,164	69,893,164	3.74%	160,900,265	43.4%	93,956,816	424,853,993	1,214,642,082	789,788,089	35.0%		
6/30/2019	100%	10,668,829	61,369,353	471,667	72,509,848	72,509,848	3.74%	166,531,774	43.5%	95,486,750	431,131,264	1,226,166,919	795,035,654	35.2%		
6/30/2020	100%	11,095,582	63,657,434	471,667	75,224,683	75,224,683	3.74%	172,360,386	43.6%	96,994,155	439,044,524	1,237,500,777	798,456,253	35.5%		
6/30/2021	100%	11,539,405	66,031,051	471,667	78,042,123	78,042,123	3.75%	178,393,000	43.7%	98,513,410	448,811,753	1,248,632,635	799,820,882	35.9%		
6/30/2022	100%	12,000,981	68,494,344	471,667	80,966,991	80,966,991	3.75%	184,636,755	43.9%	100,061,121	460,655,642	1,259,533,966	798,878,324	36.6%		
6/30/2023	100%	12,481,020	71,051,847	471,667	84,004,534	84,004,534	3.75%	191,099,041	44.0%	103,245,113	473,152,699	1,268,501,767	795,349,068	37.3%		
6/30/2024	100%	12,980,261	73,708,558	471,667	87,160,486	87,160,486	3.76%	197,787,508	44.1%	106,259,283	486,649,619	1,275,572,405	788,922,785	38.2%		
6/30/2025	100%	13,499,471	76,469,649	471,667	90,440,786	90,440,786	3.76%	204,710,070	44.2%	109,242,166	501,382,112	1,280,641,875	779,259,763	39.2%		
6/30/2026	100%	14,039,450	79,340,497	471,667	93,851,613	93,851,613	3.77%	211,874,923	44.3%	112,003,071	517,808,742	1,283,796,796	765,988,053	40.3%		
6/30/2027	100%	14,601,028	82,327,167	471,667	97,399,862	97,399,862	3.78%	219,290,545	44.4%	114,638,376	536,331,088	1,285,031,484	748,700,396	41.7%		
6/30/2028	100%	15,185,069	85,436,602	471,667	101,093,338	101,093,338	3.79%	226,965,714	44.5%	117,139,221	557,399,726	1,284,349,872	726,950,146	43.4%		
6/30/2029	100%	15,792,472	88,676,911	471,667	104,941,050	104,941,050	3.81%	234,909,514	44.7%	119,459,262	581,558,434	1,281,805,332	700,246,898	45.4%		
6/30/2030	100%	16,424,171	92,057,721	471,667	108,953,559	108,953,559	3.82%	243,131,347	44.8%	121,600,190	609,403,597	1,277,454,812	668,051,215	47.7%		
6/30/2031	100%	17,081,138	95,590,746	471,667	113,143,551	113,143,551	3.85%	251,640,944	45.0%	123,530,024	641,171,746	1,271,394,206	630,222,460	50.4%		
6/30/2032	100%	17,764,384	99,290,667	-	117,055,051	117,055,051	3.46%	260,448,378	44.9%	125,162,413	678,207,245	1,263,818,170	585,610,925	53.7%		
6/30/2033	100%	18,474,959	103,250,986	-	121,725,945	121,725,945	3.99%	269,564,071	45.2%	126,415,182	721,489,126	1,255,023,970	533,534,844	57.5%		
6/30/2034	100%	19,213,957	107,366,362	-	126,580,319	126,580,319	3.99%	278,998,813	45.4%	127,230,964	772,204,901	1,245,394,172	473,189,271	62.0%		
6/30/2035	100%	19,982,515	111,711,491	-	131,694,006	131,694,006	4.04%	288,763,772	45.6%	127,645,404	831,670,238	1,235,306,958	403,636,720	67.3%		
6/30/2036	100%	20,781,816	116,361,093	-	137,142,909	137,142,909	4.14%	298,870,504	45.9%	127,676,025	901,377,938	1,225,154,659	323,776,721	73.6%		
6/30/2037	100%	21,613,089	121,410,849	-	143,023,938	143,023,938	4.29%	309,330,971	46.2%	127,427,710	983,007,689	1,215,254,078	232,246,388	80.9%		
6/30/2038	100%	22,477,613	127,046,395	-	149,524,008	149,524,008	4.54%	320,157,555	46.7%	126,809,917	1,078,900,010	1,206,043,634	127,143,624	89.5%		
6/30/2039	100%	23,376,718	133,719,675	-	157,096,393	157,096,393	5.06%	331,363,070	47.4%	125,874,183	1,197,945,628	1,197,945,628	0	100.0%		
6/30/2040	100%	24,311,787	143,197,832	-	167,509,619	167,509,619	6.63%	342,960,777	48.8%	124,629,581	1,191,409,142	1,191,409,142	0	100.0%		
6/30/2041	100%	25,284,258	-	-	25,284,258	25,284,258	-84.91%	354,964,404	7.1%	123,003,600	1,186,997,185	1,186,997,185	0	100.0%		
6/30/2042	100%	26,295,628	-	-	26,295,628	26,295,628	4.00%	367,388,159	7.2%	121,049,601	1,158,980,501	1,158,980,501	0	100.0%		

EXHIBIT D – ACTUARIAL ASSUMPTIONS

INTEREST RATE: 8.25% per annum, compounded annually, effective July 1, 2012 for General Funds and School Teacher Funds.

Funding Improvement Plan:

INTEREST RATE: Exhibit A: 8.25% per annum.
 Exhibit B: 8.25% per annum.
 Exhibit C: 7.75% per annum

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal and deferred retirement, disability, death and service retirement among members in active service are as follows:

CLASS A

Age	Retirement		Disability
	Less Than 10 Years of Service	10 or More Years of Service	
20			.00020
25			.00025
30			.00045
35			.00075
40	.0200	.0450	.00100
45	.0325	.0700	.00175
50	.0450	.0950	.00220
55	.0700	.1200	.00275
59	.0700	.1200	.00340
60	.1000	.1250	.00360
64	.1400	.1750	.00480
65	.1500	.2000	.00500
70	.1500	.2000	.00500
75	1.0000	1.0000	

Age	Withdrawal and Deferred Retirement	Ordinary and Accidental Death	
		Men	Women
20	.1400	.000231	.000136
25	.1150	.000304	.000154
30	.0900	.000400	.000214
35	.0650	.000696	.000377
40	.0500	.000912	.000514
45	.0375	.001146	.000801
50	.0250	.001460	.001169
54	.0150	.002091	.001963
55	.0125	.002422	.002295
60		.004808	.004550
65		.009743	.008736
70		.016167	.015069

CLASS B

Age	Withdrawal and Deferred Disability	Disability	Ordinary and Accidental Death	
			Men	Women
20	.0250	.0008	.000231	.000136
25	.0190	.0013	.000304	.000154
30	.0140	.0019	.000653	.000237
35	.0090	.0025	.000978	.000411
40	.0055	.0037	.001158	.000639
45	.0035	.0066	.001362	.000988
50	.0015	.0114	.001647	.001369
55		.0164	.002805	.002361
59		.0214	.005173	.003878

Age	Retirement
40	.05500
45	.05750
50	.07000
55	.10000
56	.12500
57	.15000
58	.17500
59	.25000
60	.50000
65	1.00000

SALARY INCREASES NOT INCLUDING LONGEVITY: 0% for the next year and 3.50% thereafter.

MEMBER CONTRIBUTIONS: Assumed that 100% of members elect to cease making contributions after 25 years of service.

Funding Improvement Plan: All members will be required to contribute to the pension plan for each year they receive a pension accrual.

ANNUAL INCREASE IN AMORTIZATION PAYMENT: 3.5%

LONGEVITY TABLES:

CLASS A:

FOR EMPLOYEES HIRED ON OR PRIOR TO OCTOBER 23, 1999:

<u>YEARS OF SERVICE</u>	<u>PERCENTAGE AMOUNT</u>
5 years but less than 10 years	4%
10 years but less than 15 years	5%
15 years but less than 20 years	6%
20 years or more	7%

FOR EMPLOYEES HIRED AFTER OCTOBER 23, 1999:

<u>YEARS OF SERVICE</u>	<u>PERCENTAGE AMOUNT</u>
7 years but less than 12 years	3%
12 years but less than 17 years	4%
17 years but less than 20 years	5%
20 years or more	6%

CLASS B FIRE:

FOR EMPLOYEES HIRED ON OR PRIOR TO JUNE 30, 1996:

<u>YEARS OF SERVICE</u>	<u>PERCENTAGE AMOUNT</u>
5 years but less than 10 years	8%
10 years but less than 15 years	9%
15 years but less than 20 years	10%
20 years or more	11%

FOR EMPLOYEES HIRED AFTER JUNE 30, 1996:

<u>YEARS OF SERVICE</u>	<u>PERCENTAGE AMOUNT</u>
5 years but less than 10 years	7%
10 years but less than 15 years	8%
15 years but less than 20 years	9%
20 years or more	10%

CLASS B POLICE:

FOR EMPLOYEES HIRED ON OR PRIOR TO JUNE 30, 1998:

<u>YEARS OF SERVICE</u>	<u>PERCENTAGE AMOUNT</u>
0 year but less than 6 years	0%
6 years but less than 11 years	8%
11 years but less than 16 years	9%
16 years but less than 21 years	10%
21 years or more	11%

FOR EMPLOYEES HIRED AFTER JUNE 30, 1998 :

<u>YEARS OF SERVICE</u>	<u>PERCENTAGE AMOUNT</u>
0 year but less than 6 years	0%
6 years but less than 11 years	7%
11 years but less than 16 years	8%
16 years but less than 21 years	9%
21 years or more	10%

DEATHS AFTER RETIREMENT: For service retirements, it is based on the RP-2000 Mortality Tables for males and females with static projection to 2021 using Scale AA. For disabilities, it is the RP-2000 Combined Healthy Table set forward 3 years.

Funding Improvement Plan: No changes for Class A. For Class B, service retirements are based on the RP-2000 Mortality Tables with Blue Collar Adjustment for males and females with static projection to 2021 using Scale AA.

VALUATION METHOD: Individual entry age method. Gains and losses are reflected in the period remaining to liquidate the unfunded accrued liability.

ASSET VALUATION METHOD: Five-year smoothed market value. The actuarial value of assets is determined according to the following general formula, provided such value is within a 20% corridor of the market value:

$$VA = MV - .8I_1 - .6I_2 - .4I_3 - .2I_4$$

where

VA = Valuation assets

MV = Market value of assets as of the valuation date

I_n = Investment gain (loss) during n^{th} year preceding the valuation date

PURCHASED SERVICE LOAD: Due to a lack of purchased service data, loads have been added on to Fire and Police service. The loads were determined as a result of the experience study for the five-year period ended June 30, 2011 and are as follows:

Fire Service Load = +0.50 years of service

Police Service Load = +1.00 years of service

Class A did not receive a load as trends showed the impact of purchased service was insignificant.

EXHIBIT E – PLAN PROVISIONS

1 - BENEFITS

Final compensation is the average of the highest three years of base compensation including longevity pay earned by a member during his total service as an employee.

Funding Improvement Plan: Final compensation is the average of the four highest years of base compensation out of the last ten years including longevity pay earned by a member during his total service as an employee.

Service is total employment by the City plus any purchased service.

Normal Service Retirement Allowance

Conditions for Allowance

The minimum age for normal service retirement is:

For Class A members hired prior to July 1, 1995:

Age 55 or the age at which 25 years of service are completed, if earlier.

For Class A members hired between July 1, 1995 and June 30, 2004:

Age 55 or the age at which 30 years of service are completed, if earlier.

For Class A members hired between July 1, 2004 and June 30, 2009:

Age 60 or the age at which 30 years of service are completed, if earlier.

For Class A members hired on or after July 1, 2009:

Age 62 with 10 years of service or the age at which 30 years of service are completed, if earlier.

For Class B members hired prior to July 1, 2004:

Age 55 or the age at which 20 years of service are completed, if earlier.

For Class B members hired between July 1, 2004 and June 30, 2012:

Age 55 or the age at which 23 years of service are completed, if earlier.

For Class B members hired on or after July 1, 2012:

Age 55 or the age at which 25 years of service are completed, if earlier. No members were valued with this eligibility in this valuation.

Amount of Allowance

Provided by Member

An annuity which is the actuarial equivalent of his accumulated contributions at the time of his retirement, and

Provided by City

For Class A members hired prior to July 1, 1996:

A pension which when added to his normal annuity, exclusive of any excess annuity, will give a total retirement allowance of 1/40 of his final compensation for each year of total service credited not in excess of 20 years plus 1/50 of his final compensation for each year of total service credited in excess of 20 years.

For Class A members hired on or after July 1, 1996:

A pension which when added to his normal annuity, exclusive of any excess annuity, will give a total retirement allowance of 1/50 of his final compensation for each year of total service credited.

For Police:

A pension which when added to his normal annuity, exclusive of any excess annuity, equals:

1. For members of the bargaining unit hired prior to September 1, 2001:

<u>Eligible Years of Service</u>	<u>Designated Percentage</u>
Prior to 20 years of service	2.5% per year
20 years of service	50%
21 years of service	52%
22 years of service	54%
23 years of service	56%
24 years of service	58%
25 years of service	65%
26 years of service	62%
27 years of service	64%
28 years of service	66%
29 years of service	68%
30 years of service	75%
31 years of service	72%
32 years of service	80%

2. For members of the bargaining unit hired on or after September 1, 2001 and prior to July 1, 2012:

<u>Eligible Years of Service</u>	<u>Designated Percentage</u>
Prior to 20 years of service	2.5% per year
20 years of service	50%
21 years of service	52%
22 years of service	54%
23 years of service	56%
24 years of service	58%
25 years of service	60%
26 years of service	62%
27 years of service	64%
28 years of service	66%
29 years of service	68%
30 years of service	70%
31 years of service	72%
32 years of service	75%

3. For members of the bargaining unit hired on or after July 1, 2012:

<u>Eligible Years of Service</u>	<u>Designated Percentage</u>
Prior to 25 years of service	2.0% per year
25 years of service	50.0%
26 years of service	52.5%
27 years of service	55.0%
28 years of service	57.5%
29 years of service	60.0%
30 years of service	62.5%
31 years of service	65.0%
32 years of service	67.5%
33 years of service	70.0%
34 years of service	72.5%
35 years of service	75.0%

No members were valued with this benefit in this valuation.

For all other Class B:

A pension which when added to his normal annuity, exclusive of any excess annuity, will give a total retirement allowance of 1/40 of his final compensation for each year of total service credited not in excess of 20 years plus 1/50 of his final compensation for each year of total service credited in excess of 20 years but not in excess of 32 years and 6 months.

Early Retirement Allowance

Conditions for Allowance	The minimum age for early service retirement for Class A employees hired on or after July 1, 2004 is age 55 and at least 10 years of service. Other employees will not receive early retirement benefits.
Amount of Allowance	<u>For Class A members hired between July 1, 2004 and June 30, 2009:</u> The employees' normal retirement benefit reduced by 5/12% per month for each month between retirement commencement and age 60. <u>For Class A members hired on or after July 1, 2009:</u> The employees' normal retirement benefit reduced by 5/12% per month for each month between retirement commencement and age 62.

Deferred Retirement Allowance

Conditions for Allowance	A member who has completed at least 10 years of service may retire and receive a deferred retirement allowance commencing at the minimum age for normal service retirement.
Amount of Allowance	
Provided by Member	A deferred annuity which is the actuarial equivalent of his accumulated contributions, and
Provided by City	See "Normal Service Retirement Allowance."

Ordinary Disability Retirement Allowance

Conditions for Allowance	<u>For Police:</u> After 10 years but less than 20 years of service. <u>For All Others:</u> After 10 years of service, a member under the minimum age for service retirement may be retired for disability upon his own request or upon the request of the head of the department employing him.
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Amount of Allowance

Provided by Member

An annuity which is the actuarial equivalent of his accumulated contributions at the time of his retirement, and

Provided by City

If the member is a Class A member:

A pension which when added to his normal annuity, exclusive of any excess annuity, will give a total retirement allowance of 9/10 of 1/50 of his final compensation for each year of total service which would have been credited had he continued in service to the minimum age for service retirement, but such retirement allowance, exclusive of any excess annuity, is not to exceed 45% of his final compensation.

For Police:

A pension which when added to his normal annuity will give a total retirement allowance, equal to a percentage of his final compensation, as described in the following table:

<u>Eligible Years of Service</u>	<u>Percentage</u>
10 years of service	22.50%
11 years of service	24.75%
12 years of service	27.00%
13 years of service	29.25%
14 years of service	31.50%
15 years of service	33.75%
16 years of service	36.00%
17 years of service	38.25%
18 years of service	40.50%
19 years of service	42.75%

For All other Class B:

A pension which when added to his normal annuity, exclusive of any excess annuity, will give a total retirement allowance of 9/10 of 1/40 of his final compensation for each year of total service which would have been credited had he continued in service to the minimum age for service retirement, but such retirement allowance, exclusive of any excess annuity, is not to exceed 45% of his final compensation.

Accidental Disability Retirement Allowance

Conditions for Allowance A member may be retired on account of accidental disability occurring in the performance of duty regardless of age or length of service.

Amount of Allowance

Provided by Member

Non-Police:

An annuity that is the actuarial equivalent of his accumulated contributions at the time of his retirement.

Police:

In light of the member's receipt of the pension stated below, the only annuity payable is the actuarial equivalent of any accumulated additional contributions at the time of his retirement.

and

Provided by City

For All:

A pension of 66-2/3% of his final compensation, but not less than the service retirement allowance. Upon the death of a member within 5 years after accidental disability retirement as a result of an accident while in the performance of duty, a pension of one-half of the member's final compensation is paid to his widow until she dies or remarries, at which point the pension is paid to his child or children until they attain age 19.

Accidental Death Benefit

Conditions for Benefit

An accidental death benefit is payable upon the death of any member due to an accident in the performance of duty.

Amount of Benefit

A pension of one-half of the member's final compensation is paid to his widow until she dies or remarries, at which point the pension is payable to his child or children until they attain age 19. If there are no other dependents, the pension is payable to his dependent parents. In addition, a lump sum payment of the member's accumulated contributions is made.

Withdrawal or Ordinary Death Benefit

A member who withdraws prior to eligibility for retirement receives his accumulated contributions. Should a member die before retirement his accumulated contributions are paid to his estate or beneficiary; provided, however, if he has attained minimum retirement age and has not made an optional election as described below, and is survived by a spouse, such spouse is entitled, in lieu of the return of the member's accumulated contributions, to a benefit equal to that which would have been payable to such spouse upon the death of the member had the member retired on the day of his death and elected to receive a benefit under the provisions of Option 2, as described below, and nominated his spouse as his designated beneficiary, except that for a Class B member the benefit to the spouse shall not be less than 67½% of the benefit that would have been paid to such retired member without reduction.

Benefit upon Death after Retirement

For Class A:

Benefits under any option. Also, the excess, if any, of the member's accumulated contributions at retirement over all payments paid out on the member's account.

For Class B:

Upon the death of a Class B pensioner, 67½% of his/her retirement allowance is paid to his widow/widower until he/she dies or remarries, at which point the benefit is paid to any dependent children until they attain age 18. Also, the excess, if any, of the member's accumulated contributions at retirement over the total of all payments paid out on the member's account.

Minimum Benefits

The minimum monthly retirement allowance is \$600, prorated for members whose credited service at retirement is less than 25.

Options at Retirement

At retirement, a member may elect to convert his allowance into a benefit of equivalent actuarial value in accordance with one of the options described below:

Option 1. A reduced retirement allowance payable during the retired member's life, with a provision that in case of death before such payments have equaled the present value of his retirement allowance at the date of retirement, the balance shall be paid to the heirs or assigns; or

Option 2. A reduced retirement allowance payable during the retired member's life, with a provision that after his death it shall be continued during the life of and

paid to the person nominated by him by written designation at the time of his retirement; or

Option 3. A reduced retirement allowance payable during the retired member's life, with a provision that after his death an allowance at one-half the rate of his reduced allowance shall be continued during the life of and paid to the person nominated by him by written designation at the time of his retirement; or

Option 4. A reduced retirement allowance payable during the retired member's life, with some other benefit payable after his death, provided that the benefit shall be certified by the actuary and approved by the retirement board. This Option is not available to Police who retire on an Accidental Disability Allowance.

Class B members may not elect Options 2 or 3.

Married Class B members may also not elect Option 1.

Options upon Attainment of Minimum Retirement Age

Any member who has attained minimum retirement age may elect, in accordance with Option 2, 3 or 4 above, a reduced retirement allowance with provision for benefits to a person having an insurable interest in his life, other than his wife. The benefit is determined as of the member's date of death or retirement, if prior thereto, in accordance with the provisions of the option selected and is in lieu of the return of the member's accumulated contributions if death occurs during the member's continuance in service after attainment of minimum retirement age. Such election is irrevocable after the option becomes effective unless the designated beneficiary predeceases the member prior to his retirement.

Cost of Living Adjustment (COLA)

For Class A:

3% compounded for members who retired prior to 12/18/91; no adjustment for other Class A members.

Members who retired after 12/18/1991 are not eligible for any COLAs.

Funding Improvement Plan: A ten-year freeze period will be implemented effective January 1, 2013 and no COLAs will be granted during this period.

Funding Improvement Plan: Freeze COLA indefinitely for all current and future retirees with annual pensions greater than 150% of the Rhode Island state median

income, which as reported by the City is approximately \$80,000.

Funding Improvement Plan: After the ten year freeze, COLAs may be granted to members who retired prior to 12/19/1991. The COLA will be the lesser of 3% or the percentage the member received prior to the freeze and will be payable until their benefits reach the 150% threshold, at which time no further adjustments will be granted. It is assumed that the median income will increase by 3.50% per year.

For Police:

5% compounded for members who retired prior to January 1, 1990; 6% compounded for members who retired between January 1, 1990 and December 18, 1991; 5% compounded for members who retired between December 19, 1991 and December 31, 1992; 3% simple on first \$12,000 of annual benefit for Non-Union Police; 5% compounded for special court awarded members; 3% compounded for other retired members; for all members hired on or after July 1, 2012, the COLA will be based on the Consumer Price Index for the Northeast Region but shall not be less than 1% and shall not exceed 3% simple (no members were valued with this COLA in this valuation); and Police pensions are limited to the current salary of an active participant of the same rank.

For all other Class B Retirees:

5% compounded for members who retired prior to January 1, 1990; 6% compounded for members who retired between January 1, 1990 and December 18, 1991; 5% compounded for members who retired between December 19, 1991 and June 30, 1992; 6% compounded for members who retired between July 1, 1992 and June 30, 1995; 3% simple on first \$12,000 of annual benefit for members who retired between July 1, 1995 and March 16, 2006; 5% compounded for special court awarded members; 3% compounded for other retired members; for all members hired on or after July 1, 2012, the COLA will be based on the Consumer Price Index for the Northeast Region but shall not 3% simple (no members were valued with this COLA in this valuation).

For All Class B:

Funding Improvement Plan: A ten-year freeze period will be implemented effective January 1, 2013 and no COLAs will be granted during this period.

Funding Improvement Plan: Freeze COLA indefinitely for all current and future retirees with annual pensions greater than the lesser of i) 150% of the state median income and ii) the base compensation of a current employee holding the same rank that the retiree held at the time of retirement.

Funding Improvement Plan: After the ten year freeze, COLAs may be granted to members and will be the lesser of 3% or the percentage the member received prior to the freeze and will be payable until their benefits reach the lesser of i) 150% of the state median income and ii) the base compensation of a current employee holding the same rank that the retiree held at the time of retirement, at which time no further adjustments will be granted. It is assumed that the median income will increase by 3.50% per year.

Funding Improvement Plan: Note that retiree valuation data did not provide the position held at retirement nor did the active data provide current position. For valuation purposes the annual pension cap was set equal to the average base compensation for the Class B actives included in this valuation.

The initial COLA payment is deferred until the January 1 that occurs three years after the member's retirement date.

Provisions for Elected Officials

Any person who has served as Mayor or City Councilman for at least eight full legislative years is entitled to a retirement allowance on the basis of such service as an elected official upon attainment of age 52 or the completion of 20 consecutive years as an elected official, whichever is earlier, or the occurrence of total and permanent disability prior thereto.

Such retirement allowance is currently \$350 for each year of service, provided that no more than 20 years of such service are to be used in determining the allowance.

Upon the death of any such elected official, benefits are payable in accordance with the Class A provisions of the act.

An elected official may elect to withdraw his accumulated contributions in lieu of his rights to the allowance based on service as an elected official.

Provided by Members

For Class A: 8% of their salaries.

For Police: 8% of their salaries

For Firefighters hired on or after July 1, 2011: 9% of their salaries.

For all other Class B Members: 8% of their salaries. In the prior valuation the contribution rate valued was 9½% of their salaries.

The Mayor and members of the City Council are required to contribute at the rate of \$350 per year.

Member contributions may cease after 25 years of service.

Funding Improvement Plan: Members are required to contribute for each year they receive a benefit accrual.

Provided by City

The City makes the balance of contributions needed to fund the system.

In addition the City shall contribute from time to time amounts sufficient with the contributions of elected officials to provide the special pensions granted to elected officials.

City of Providence

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

CHAPTER

**No. AN ORDINANCE IN AMENDMENT OF CHAPTER 17,
ARTICLE VI OF THE CODE OF ORDINANCES, ENTITLED:
"RETIREMENT SYSTEM"**

Approved

Be it ordained by the City of Providence:

SECTION 1. Chapter 17 is hereby amended to read as follows:

The changes effected hereby to the ordinance enacted April 30, 2012 (the " Ordinance") are being made pursuant to and in accordance with the terms of a settlement between the City of Providence and Local 799 of the IAFF, AFL-CIO and Providence Lodge No. 3, Fraternal Order of Police in the actions The City of Providence v. Local 799 of the IAFF, AFL- CIO, C. A. No. ____ and The City of Providence and Providence Lodge No. 3, Fraternal Order of Police C. A. No. ____ in the Superior Court for Providence County as embodied in the Consent Judgment entered therein dated ____, and shall only apply to Local 799 of the AFL-CIO and Providence Lodge No. 3, Fraternal Order of Police such that the Ordinance shall remain extant and in force as originally passed, without the changes effected here by, as to all persons other than members of Local 799 of the IAFF, AFL-CIO and Providence Lodge No. 3, Fraternal Order of Police.

The terms and conditions of the Consent Judgment in the actions The City of Providence v. Local 799 of the IAFF, AFL-CIO, C. A. No. ____ and The City of Providence v. Providence Lodge No. 3, Fraternal Order of Police C. A. No. ____ in the Superior Court for Providence County are hereby incorporated as if fully set forth herein.

Sec. 17-181.1 - Purpose

Pursuant to the benefits and rights of self-government prescribed in the Providence Home Rule Charter and guaranteed by the Constitution of the State of Rhode Island, the purpose of this chapter is to preserve the health, safety and welfare of the citizens of Providence and their property and to ensure the sustainability of the employee retirement system of the city of Providence for current and retired employees by promoting the sustainability and longevity of the employees' retirement system of the City of Providence.

Sec. 17-181.2 – Legislative Findings.

It is the intention of the city council to ensure the sustainability of the employees' retirement system of the City of Providence and to advance and maintain the long-term stability of said plan. In thoroughly reviewing the condition of said plan and assessing the need for comprehensive reform thereof, including, but not limited to, the April 19, 2012 Report and Recommendations of the City Council Subcommittee on Pension Sustainability, the City Council finds and declares the following:

- (1) The City of Providence currently faces massive and growing structural budget deficits that are placing enormous strains on the City's finances.
- (2) The City's pension system is severely underfunded, with the unfunded liability at or approaching \$900 million dollars, and its ever-increasing annual costs are contributing significantly to the City's structural deficits and acute cash shortage.
- (3) 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. Currently, the City's unfunded pension liability is \$900 million and the pension plan will not be fully funded for another twenty-eight (28) years. As a consequence, the Auditor General of the State of Rhode Island has labeled the City's pension as one of the highest risk plans in the State of Rhode Island.

(4) 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.

(5) According to the City's Internal Auditor, the City's projected budget deficit for the current fiscal year has been estimated at between \$23 to \$30 million dollars. The projected deficit for the next fiscal year is \$31 million dollars. Over the succeeding years, the deficit is projected by the Internal Auditor to grow dramatically to as high as \$67 million dollars in 2017. During that same time, the ARC is projected to grow steadily, such that the payment, which is over \$55 million this year, will increase to almost \$75 million in 2017. The ARC will continue to increase each year until it reaches a maximum of \$207 million in 2039, thereby consuming an ever growing and greater percentage of the City's budget. The projected ARC assumes an 8.25% rate of return on the pension investments; if the rate of return is lower, the annual projected ARC will be even higher and will further deplete the City's finances.

(6) The City's mounting deficits and pension costs will outpace any income that could be raised by an increase in the City's tax levy. According to the City's internal auditor and its outside fiscal adviser, Gary Sasse, if the City increased its tax levy for fiscal year 2014 to the maximum extent permitted by law (4%), the resulting revenue of \$13 million would be less than a third of what would be needed to close the projected structural deficit of \$50 million. Further, the increased ARC for 2014 would consume 25% of the increased tax levy, leaving only 75% of the increase to fund the deficit and other needs.

(7) The annual percentage limits on additional tax revenue and the ever-increasing ARC prevent the City from making any capital improvements such as school improvements or purchasing new equipment. Further, simply raising taxes each year to fund an ever-increasing ARC would prevent the City from attracting new business and citizens that would, in turn, grow the tax base. Finally, if left unaddressed, the persistent structural deficits, unfunded pension and OPEB liabilities, and the ever-increasing ARC, will ultimately result in the City running out of cash to pay its bills and leaving it with little choice other than to terminate employees, close schools, eliminate fire stations, deny even the most basic services to its citizens, and, ultimately, file for bankruptcy.

(8) The City has already implemented a number of cost-savings and revenue generating steps towards closing its structural budget deficits and making its pension system more sustainable. These measures have allowed the City to reduce its budget deficit for the current fiscal year from \$110 million to somewhere between \$23 and \$30 million. The City's pension obligations are, as aforesaid, a major contributor to the City's fiscal crisis. A major cost driver of the City's pension system is, in turn, the annual cost-of-living adjustments ("COLAs") enjoyed by hundreds of City retirees. More specifically, many of the retiree's pensions compound at rates ranging from as high as 3% to 6%. Approximately one-quarter of retirees are currently receiving annual COLAs of 5% to 6%. 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 10 years.

(9) Suspension of the COLAs until the pension system attains a more secure level of funding of seventy percent (70%) would result in significant and desperately needed cost savings for the pension system and the City. This measure would immediately increase the funding of the system from its current rate of thirty-one percent (31%) to almost forty percent (40%). Further, the measure would result in a \$240 million reduction of the unfunded pension liability from \$900 million to \$659 million. The measure would also reduce the ARC and result in 100% funding of the pension system several years ahead of the current amortization schedule.

Sec. 17-181.3 - Definitions.

The following words and phrases as used in this article, unless a different meaning is plainly required by the context, shall have the following meanings:

Accumulated contributions shall mean the sum of all regular and excess amounts deducted from the compensation of a member, or credited to his/her individual account in the annuity savings fund, together with regular interest thereon.

Actuary shall mean an actuary selected from time to time by the city council.

Annual Actuarial Valuation shall mean the report issued by the actuary to the retirement board on or before the first Monday in January showing the fiscal transactions of the system for the fiscal period of the city next preceding, the amount of the accumulated cash and securities of the system and a copy of the last balance sheet showing the financial condition of the system by means of an actuarial valuation of its assets and liabilities.

Annual required contribution shall mean that amount of money required to be contributed on an annual basis, as determined by the actuary, to fund the employees' retirement system for the City of Providence.

Annuity shall mean payments for life derived from the accumulated contributions of a member. All annuities shall be paid in equal monthly installments. Notwithstanding the foregoing, for the purposes of paragraphs (b) and (c) of subsections (2) and (4) of section 17-189 of this article, "annuity" shall mean the payments for life provided by the member's accumulated contributions attributable to his/her required regular deductions, including special contributions or deductions under the provisions of section 17-188 of this article and including the amount by which his/her required regular deductions would have increased had he/she elected to increase his/her deductions as provided in subsection (1) of section 17-185 of this article, if he/she did not do so.

Annuity reserve shall mean the present value of all payments to be made on account of any annuity or benefit in lieu of any annuity granted under the provisions of this ordinance, computed upon the basis of such mortality tables as shall be adopted by the retirement board with regular interest.

Beneficiary shall mean any person in receipt of a pension, an annuity, a retirement allowance, or other benefit as provided by this article.

Board of investment commissioners shall mean the board of investment commissioners as set forth and defined in Section 815 of the Providence Home Rule Charter of 1980.

Class A employees shall mean general employees, including laborers, mechanics, and clerical, administrative, professional and technical workers of the City of Providence.

Class B employees shall mean members of the fire department and the police department of the City of Providence.

Critical status shall mean that, as determined by its actuary, as of the beginning of the plan year, the funded percentage of the employees' retirement system for said plan year is less than or equal to sixty percent (60%).

Employee shall mean any regular and permanent employee or officer of the City of Providence. The director of personnel shall determine who are employees within the meaning of this article.

Final compensation shall mean the average of the highest four (4) consecutive years of compensation within the last ten (10) years of service, excluding payments made for overtime or payments made for temporary or extra duties beyond the normal or regular work day.

Funded percentage shall mean the percentage equal to a fraction; the numerator of which is the actuarial value of the plan's assets, as determined by the actuary, and the denominator of which is the accrued liability of the plan, as determined by the actuary.

Members shall mean any person included in the membership of the retirement system as provided in section 17-187 of this article.

Pension shall mean annual payments for life derived from appropriations provided by the City of Providence under the provisions of this article.

Pension reserve shall mean the present value of all payments to be made on account of any pension or benefit in lieu of any pension computed upon the basis of such mortality tables as shall be adopted by the retirement board with regular interest.

Regular interest shall mean at four (4) percent per annum, compounded annually or interest at such lower rate or rates as may be set by the retirement board but not less than three (3) percent per annum.

Retirement board shall mean the board as set forth and defined in Section 908 of the Providence Home Rule Charter of 1980.

Retirement system shall mean the employees' retirement system of the City of Providence as defined in section 17-182 of this article.

Service shall mean service as an employee of the City of Providence as described in subsection (2) of section 17-188 of this article.

Total service shall mean service creditable pursuant to section 17-188 of this article.

Sec. 17-182. - Name and date of establishment.

The retirement system created by Public Laws 1923, Chapter 489, approved May 14, 1923, implemented by Providence Home Rule Charter of 1980, adopted November, 1980, and chapter 1991-5 of the Ordinances of the city, approved February 8, 1991, was established for the purpose of providing retirement allowances for employees of the city under the management of the retirement board. It shall be known as the "Employee Retirement System of the City of Providence" and by such name shall its functions be carried out as set forth in this article.

Sec. 17-183. - Retirement system.

(1) The general administration and the responsibility for the proper operation of the retirement system and for making effective the provisions of this article are hereby vested in a retirement board. The retirement board shall from time to time establish rules and regulations for the administration and transaction of the business of the retirement system, and shall perform such other functions as are required for the execution of this article.

(2) The membership of the retirement board shall consist of the city treasurer, the chairperson of the city council committee on budgetary matters, or a designee appointed by the chairperson of the city council on budgetary matters, and the finance director, ex officio; two (2) members who shall not be officers or employees of the city who shall be elected by the city council; and two (2) members who shall not be officers or employees of the city appointed by the mayor and representatives of the present and retired employees of the city. The employee representatives shall be chosen from the two (2) classes of employees designated for retirement purposes, to wit, class A employees, who are all employees covered by the retirement system not otherwise designated, and class B employees, who are police officers and firefighters, otherwise known as the sworn personnel of the department of public safety. Two (2) class A employees shall be elected by the members of the system who are class A employees; one (1) class B employee shall be elected by the members of the system who are class B employees of the city fire department; one (1) class B employee shall be elected by the members of the system who are class B employees of the city police department; one (1) retired class A employee shall be elected by the retired members of the system who were class A employees; and one (1) retired class B employee shall be elected by retired members of the system who were class B employees. The election by the members shall be in accordance with such rules as the board shall adopt to govern such elections. The regular terms of elected members shall be four (4) years. Vacancies among the elected members of the board shall be filled for the unexpired term in the manner provided for the original election. The members of the retirement board shall serve without compensation.

(3) The retirement board shall report annually in detail to the city council on or before the first Monday in January, showing the fiscal transactions of the system for the fiscal period of the city next preceding, the amount of the accumulated cash and securities of the system and a copy of the last balance sheet showing the financial condition of the system by means of an actuarial valuation of the assets and liabilities.

(4) The city solicitor shall be the legal advisor and attorney for the retirement board. The city treasurer shall be the custodian of the funds and the treasurer thereof. The city clerk shall be the clerk of the board.

(5) The city controller shall be charged with the establishment and maintenance of such accounts and statistical records as the retirement board may require and he shall employ such clerical assistance as shall be necessary to carry out properly the provisions of this article; the city council, from time to time, shall provide by appropriations sufficient sums to pay the cost of such services.

The city council shall secure the services of an actuary who shall be the actuarial advisor for the purpose of making the actuarial computations and valuations for the retirement system as required by this article. The director of personnel shall secure the services of such physicians or legal nurse consultants as shall be necessary to provide for the medical examinations as required by this article. The city council, from time to time, shall provide by appropriation sufficient sums to pay the cost of such services.

(6) The retirement board shall collect and keep in convenient form such data as shall be necessary for the preparation of the mortality and service tables, the investment rate of return and for the compilation of such other information as shall be required for the actuarial valuation of the assets and liabilities of the retirement system.

(7) In the three-year period beginning the first day of April, 2012 and in every three-year period thereafter, the actuary shall make an actuarial investigation into the mortality, service and compensation experience of the members and beneficiaries of the retirement system and make a recommendation for the investment rate of return. Taking into account the result of such investigation, the retirement board shall adopt for the retirement system such mortality, service and other tables as shall be deemed necessary and shall adopt the investment rate of return recommended by the actuary.

(8) On the basis of such tables as the retirement board shall adopt, the actuary shall make an annual valuation of the assets and liabilities of the funds of the system created by this article.

(9) In the event the retirement board takes any action(s) contrary to the recommendation(s) of the actuary, the board shall within thirty (30) days, provide notice of such action(s) to all plan members, the mayor and the city council. The notice shall also be posted electronically on the retirement board's website.

Sec. 17-184. - Investment of funds.

(1) All monies not immediately required for the payment of retirement allowances or other benefits shall be invested by the board of investment commissioners for the benefit of the retirement system. The board of investment commissioners is authorized and empowered to execute the disposition and investment of the funds which are within its control in any securities and investments as would be acquired by prudent persons of discretion and intelligence in these matters, who are seeking a reasonable income and the preservation of their capital. The prudent person standard shall be that standard of care employed solely in the interest of the members and beneficiaries of the retirement system and:

(a) For the exclusive purpose of:

1. Providing benefits to members and their beneficiaries; and
2. Defraying reasonable expenses of administering the funds of the retirement system;

(b) With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;

(c) By diversifying the investments of the fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. The board of investment commissioners shall adopt a statement of investment objectives and policies consistent with the prudent person standard as hereinabove defined.

(2) The city controller is hereby authorized and directed to draw his/her orders upon the city treasurer for the purchase of investments, upon receipt by him/her of properly authenticated vouchers signed by the chairperson of the board of investment commissioners or by the vice-chairperson in the event of the chairperson's absence or illness. The proceeds from the sale of investments shall be paid to the city treasurer for the benefit of the funds of the retirement system.

(3) The board of investment commissioners shall annually allow regular interest on the average amount for the preceding year to the credit of the various funds of the retirement system from the interest and dividends earned from investments. Any excess earnings over the amount so credited shall be used in reducing the amount of contributions required by the city. Any deficiency shall be paid by the city.

(4) Except as herein provided, no member of the board of investment commissioners and no employee of said board shall have any interest, direct or indirect, in the gains or profits of any investment made by the said board, nor as such, directly or indirectly, receive any pay or emolument for his/her services. And no member of the board of investment commissioners or employee of said board shall, directly or indirectly, for himself/herself or as an agent, in any manner use the same, except to make such current and necessary payments as are authorized by the board of investment commissioners; nor shall any member or employee of the board of investment commissioners become an endorser or surety or become in any manner an obligor for moneys loaned or borrowed from the funds of the retirement system.

(5) The board of investment commissioners shall report annually in detail to the city council on or before the first Monday in October of each year showing the investment transactions made by the board of investment commissioners on behalf of the employee retirement system and the prior year's investment rate of return as well as the investment rate of return for the prior fifteen (15) years.

Sec. 17-185. - Method of financing.

The funds hereby created are the annuity savings fund, the annuity reserve fund, the pension accumulation fund and the pension reserve fund.

(1) *Annuity savings fund.* The annuity savings fund shall be a fund in which shall be accumulated contributions from the compensation of members to provide for their annuities and their withdrawal allowances. Upon the basis of such tables as the retirement board shall adopt and regular interest, the actuary of the retirement system shall determine for each class A member the proportion of the compensation which, when deducted from each payment of prospective earnable annual compensation prior to eligibility for service retirement and

accumulated at regular interest until his attainment of the minimum age of service retirement within the member's group, shall be computed to provide at that time an annuity equal to the pension provided on account of service as a member. Such proportion of compensation shall be computed to remain constant. In the event that the provisions of this article for the determination of the amount of the pension of a class A employee on account of the employee's service as a member shall at any time, be amended, the retirement board shall adopt, as of the effective date of such amendment, rates of contribution for class A employees computed on the basis of such amendment and such contribution rates shall apply to all members who become class A employees after said effective date at the age attained upon entrance into such class. No increase in percentage contribution rates shall be required of members who are so classified on said effective date, but any such members may elect prior to said date to contribute at the rate as so amended applicable to the member's age attained on said date and thereafter deductions shall be made from the member's compensation at such amended rate. The retirement board shall adopt as of July 1, 1989, for employees in class B who are members of the Police Department, a percentage contribution rate of eight (8) per centum on a pre-tax basis and as of July 1, 1990 for employees in class B who are members of the Fire Department, a percentage contribution rate of eight (8) per centum and an additional one and one half percent (1 ½ %) to be set aside in an OPEB Trust Fund to be administered by the City, both contributions shall be on a pre-tax basis and thereafter deductions shall be made from the compensation of all members so classified at this rate, anything to the contrary in this article notwithstanding. The retirement board shall adopt as of July 1, 1974, for employees in class A, a percentage contribution rate of eight (8) per centum, and thereafter deductions shall be made from the compensation of all members so classified at this rate, anything to the contrary in this article notwithstanding. The pension contribution rate for all class B members of the Fire Department hired on or after July 1, 2011 shall be set at nine percent (9%) of their base pay and longevity; and an additional one and one half percent (1 ½%) of their base pay and longevity to be set aside in an OPEB Trust Fund to be administered by the City. Both contributions shall be on a pre-tax basis.

The city controller shall certify the proportion of earnable compensation of each member so computed, and he or she shall deduct such proportion from the compensation of each member on each and every payroll of each department for each and every payroll period but the city controller shall not make any deductions for annuity purposes from the annual compensation of a member who elects not to contribute, if the member has completed twenty-five (25) years of creditable service and the member no longer receives pension service credits. If the member has completed twenty-five (25) years of creditable service, the controller shall continue to make deductions for annuity purposes from the annual compensation of the member if the member continues to accrue creditable service. In determining the amount earnable by members in a payroll period, the retirement board may consider the rate of annual compensation payable to such members on the first day of the payroll period as continuing throughout such payroll period and it may omit deductions from compensation for any period less than a full payroll period if an employee was not a member on the first day of the payroll period; and to facilitate the making of deductions it may modify the deduction required by any member by such an amount as shall not exceed one-tenth of one per centum of the annual compensation upon the basis of which said deduction is to be made. The deductions provided for herein shall be made notwithstanding that the minimum compensation provided for by law for any member shall be reduced thereby. Every member shall be deemed to consent and agree to the deductions made and provided for herein and shall receipt for the member's full salary or compensation; and payment of salary or compensation less said deduction shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the services rendered by such person during the period covered by such payment except as to the benefits provided under this article. Said amounts shall be deducted and when deducted shall be paid into said annuity savings fund, and shall be credited, together with regular interest, to an individual account of the member from whose compensation said deduction was made.

Notwithstanding anything to the contrary, pursuant to the provisions of section four hundred and fourteen (h)(2) of the United States Internal Revenue Code, the City of Providence shall assume and pay the contributions which would be payable by the employees as members. Such contributions, although designated as employee contributions, shall be paid by the City of Providence in lieu of contributions by the employee. No employee shall have the option of choosing to receive such contributed amounts directly instead of having them paid by the City of Providence. The contributions so assumed shall be treated and identified, without limitation, as member contributions for all purposes of the retirement system.

Employee contributions assumed pursuant to this subsection shall be paid from the same source of funds used for the payment of compensation to an employee. A deduction shall be made from the employees' compensation equal to the amounts of the employees' contributions assumed by the City of Providence. These deductions, however, shall not reduce the employees' compensation for purposes of computing benefits under the retirement system pursuant to this ordinance or for purposes of determining any other member benefits.

Assumed contributions shall be transferred to the retirement system and be credited to a separate subaccount within the employees' account in order that the amounts contributed prior to the effective date of the assumption of employee contributions shall be distinguished from the amounts contributed on or after the date on which the City of Providence assumes the employees' contributions.

In addition to the contributions deducted from compensation hereinbefore provided, any member may redeposit in the annuity savings fund by a single payment or by an increased rate of contribution an amount equal to the total amount which the member withdrew previously therefrom as provided in this article, or any

member may deposit therein by a single payment or by an increased rate of contribution an amount to be used to provide an additional annuity. Such additional amounts so deposited shall become a part of the member's accumulated contributions except in the case of retirement, when they shall be treated as excess contributions returnable to the member in the same manner and form as the member's normal accumulated contributions. The accumulated contributions of a member, withdrawn by the member or paid to his the member's estate or to the member's designated beneficiary in the event of the member's death as provided in this article, shall be paid from the annuity savings fund. Upon retirement of a member, the member's accumulated contributions shall be transferred from the annuity savings fund to the annuity reserve fund. Subject to such rules and regulations as the retirement board may provide, any members who has have at least three (3) years of total service may borrow from his their account in the annuity savings fund for the following purposes:

- a. Medical expenses, including dental and hospital expenses.
- b. Funeral expenses.
- c. Down payment on the purchase of real estate to be used in whole or in part as the member's home, or to be used for home improvements of member's home (primary residence).
- d. Educational expenses limited to member, member's spouse, member's domestic partner, member's children and/or dependent(s).
- e. The aggregate amount of loans outstanding to any member shall never exceed the lesser of the following amounts:
 1. Fifty (50) per centum of the amount of the member's accumulated contributions.
 2. An amount, together with interest thereon, which must be repaid within ten (10) years by additional deductions from the member's compensation.
 3. No loan shall be issued for less than one thousand dollars (\$1,000.00).
- f. Prior to approval the member shall sign a sworn affidavit which specifically states the purpose for the loan.

The rate of interest payable on the unpaid balance of such loans shall be fixed at the date of commencement of the loan at the rate established by the pension system's investment rate of return on the investment portfolio, plus one (1) percent. The principal amount, together with interest thereon, shall be repaid to the retirement system in equal installments in such amounts as the board shall approve, and shall be deducted from the compensation of the member at the same time and in the same manner as the member's contributions to the retirement system are deducted. Such installments shall be at least equal to five (5) per centum of the member's compensation.

All payments of principal and regular interest made by a borrowing member shall be credited to the member's account in the annuity savings fund. The excess of the interest paid by the member over the regular interest creditable to the account of the member shall be credited to the pension accumulation fund. The amount of any benefit which becomes payable under the provisions of this article shall be determined on the basis of the member's accumulated contributions less the outstanding balance of such loan, and the pension shall be determined as if such loan had not been made. Should a beneficiary be restored to active service, the member's annuity reserve shall be transferred from the accumulation fund to the member's credit in the annuity savings fund.

(2) *Annuity reserve fund.* The annuity reserve fund shall be the fund from which shall be paid all annuities and all benefits in lieu of annuities, payable as provided in this article. Should a beneficiary retired on account of disability be restored to active service, his or her annuity shall cease and his or her annuity reserve shall be transferred to his or her credit in the annuity savings fund.

(3) *Pension accumulation fund.* The pension accumulation fund shall be the fund in which shall be accumulated all reserves for the payment of all pensions and other benefits payable from contributions made by the City of Providence and from which such pensions and other benefits shall be paid to or on account of beneficiaries credited with prior service. Contributions to and payments from the pension accumulation fund shall be made as follows:

- (a) On account of each member there shall be paid annually into the pension accumulation fund by the City of Providence for the preceding fiscal period, a certain percentage of the earnable compensation of each member to be known as the "normal contribution," and an additional percentage of the earnable compensation to be known as the "deficiency contribution." The rates per centum of such contributions shall be fixed on the basis of the liabilities of the retirement system as shown by actuarial valuations. Until the first valuation, the normal contribution shall be two and sixty-seven one hundredths ($267/100$) per centum and the deficiency contribution shall be two and forty-five one hundredths ($245/100$) per centum of the salaries of all members.
- (b) On the basis of regular interest and of such mortality and other tables as shall be adopted by the retirement board, the actuary engaged by the city council to make each valuation required by this article during the period over which the deficiency contribution is payable, immediately after making such valuation, shall determine the uniform and constant percentage of the earnable compensation of the average new entrant, which, if contributed on the basis of compensation throughout the entire period of active service would be sufficient to provide at the time of retirement the total amount of the member's pension reserve. The rate per centum so determined shall be known as the "normal

contribution" rate. After the deficiency contribution has ceased to be payable, the normal contribution shall be the rate per centum of the earnable salary of all members obtained by deducting from the total liabilities of the pension accumulation fund the amount of the funds in hand to the credit of that fund and dividing the remainder by one (1) per centum of the present value of the prospective future salaries of all members as computed on the basis of the mortality and service tables adopted by the retirement board and regular interest. The normal rate of contribution shall be determined by the actuary after each mortality and service investigation and shall continue in force until a new investigation and certification.

- (c) Immediately succeeding the first valuation, the actuary engaged by the city council shall compute the rate per centum of the total compensation of all members during the preceding fiscal year which is equivalent to four (4) per centum of the amount of the total pension liability on account of all members and beneficiaries not dischargeable by the aforesaid normal contribution made on account of such members during the remainder of their active service. The rate per centum originally so determined shall be known as the "deficiency contribution rate." On the basis of the first actuarial valuation following the 1st day of April, 1965, the deficiency contribution rate shall be revised to provide for the liquidation of the deficiency then existing.
- (d) The total amount payable in each year to the pension accumulation fund shall not be less than the sum of the rates per centum known as the normal contribution rate and the deficiency contribution rate of the total compensation earnable by all members during the preceding fiscal period; provided, however, the sum of such rates per centum need not exceed the rate per centum of the earnable salary of all members obtained by deducting from seventy (70) per centum of the total liabilities of all funds except the annuity savings fund the amount of the funds in hand to the credit of such funds and dividing the remainder by one (1) per centum of the present value of the prospective future salaries of all members as computed on the basis of the mortality and service tables adopted by the retirement board and regular interest. The aggregate payment by the city into the pension accumulation fund shall be sufficient, when combined with the amount in the fund, to provide the pension payable out of the fund during the year then current.
- (e) The deficiency contribution shall be discontinued as soon as the accumulated reserve in the pension accumulation fund shall equal the present value, as actuarially computed and approved by the city council, of the total liability of such fund less the present value, computed on the basis of the normal contribution rate then in force, of the normal contributions to be received on account of persons who are at that time members.
- (f) All pensions with the exception of those payable on account of members who received no prior service allowance shall be paid from the pension accumulation fund.
- (g) Upon the retirement of a member not entitled to prior service allowance, an amount equal to the member's pension reserve shall be transferred from the pension accumulation fund to the pension reserve fund.

(4) *Pension reserve fund.* The pension reserve fund shall be the fund from which shall be paid the pensions to members not entitled to a prior service allowance. Should any disability pension payable from said fund be canceled, the pension reserve thereon shall thereupon be transferred from the pension reserve fund to the pension accumulation fund. Should the pension of a disability beneficiary be reduced as a result of an increase in the beneficiary's earning capacity, the amount of the annual reduction in the beneficiary's pension shall be paid annually into the pension accumulation fund during the period of such reduction.

Sec. 17-186. - Guarantee by city.

Regular interest charges payable, the creation and maintenance of reserves in the pension accumulation fund and the maintenance of annuity reserves and pension reserves as provided for in this article are hereby guaranteed by the city. All income, interest and dividends derived from the deposits and investments authorized by this article shall be used as provided in this article for the payment of regular interest charges and any surplus shall be credited against the contributions required of the city and any deficit in the regular interest requirements shall be added to the city's contribution and paid by the city. Upon the basis of each actuarial valuation and appraisal provided for in this article, the finance director shall prepare and submit to the standing committee on finance of the city council on or before the first day of May in each year an itemized statement of the amounts necessary to be appropriated by the city to the various funds during the ensuing fiscal period. The city council shall make an appropriation, which the city council shall deem to be sufficient to provide for the contributions required of the city under this article and the amount so appropriated shall be included in the annual appropriation ordinance and shall be paid by the city treasury to the various funds of the system created by this article.

Sec. 17-187. - Membership of retirement system.

(1) All employees as defined in this article shall, upon their option in the case of elected officials and officials appointed for a fixed term, or under contract of their employment in the case of other such employees, become members of the retirement system, and shall receive no pension or retirement allowance from any other pension or retirement system supported wholly or in part by the city, nor shall they be required to make contributions under any other pension or retirement system of said city, anything to the contrary notwithstanding.

(2) It shall be the duty of the director of personnel to submit to the retirement board a statement showing the name, title, compensation, duties, date of birth and length of service of each member, and such other information as the retirement board may require. The retirement board shall then classify each member as either a class A employee or a class B employee. Notwithstanding the foregoing, for the purpose of the adoption of service and mortality tables pursuant to subsection (7) of section 17-183 of this article, the retirement board may classify the members in class A or in class B as may be recommended by the actuary on the basis of the service and mortality experience and approved by the retirement board.

The board shall certify to the member the class in which he is placed and the date of his/her admission to membership therein. When the duties of a member so require, the retirement board may reclassify him in another class and shall thereupon certify to him the class to which he/she has been transferred, provided that no member having fifteen (15) or more years of service creditable to him as a member of one (1) class may be so reclassified.

Should the service of any member in any period of ten (10) consecutive years after last becoming a member amount to less than five (5) years, or should he withdraw his/her accumulated contributions or should he become a beneficiary or die, he shall thereupon cease to be a member.

Sec. 17-188. - Service creditable—Generally.

(1) The retirement board shall fix and determine by appropriate rules and regulations how much service in any year is equivalent to a year of service, but in computing such service or in computing the compensation, it shall credit no period of more than a month's duration in which a member was absent without pay nor shall more than one (1) year of service be credited on account of all service in one calendar year.

(2) At retirement, the total service credited a member shall consist of the service rendered by the member as an employee since last becoming a member and any additional service hereinafter provided. In no event shall the total service credited to a class B member exceed thirty-two (32) years and six (6) months; provided, however, that service rendered by such member after minimum retirement age shall not be considered as credited service unless the member has continued to make his/her required contributions after the attainment of such age.

Sec. 17-188.1. - Same—Purchase of service credit.

(1) The city controller, shall be responsible for the determination, establishment and fixing of service creditable for previous service or military service and the cost of the purchase thereof as set forth in subsections (2), (3), (4) and (5) of this section for active members with a period of continuous service of at least one (1) year's duration. The city controller shall make a report monthly to the employee retirement board and the city council of all purchases of service credit made by any members.

(2) Any active member of the retirement system who was on active duty in the armed services of the United States or in the merchant marine service of the United States during and period of one (1) year or more, may, by written notice filed with the city controller, pay into the retirement system within five (5) years of his/her first becoming a member, a contribution equal to ten (10) percentum of his/her compensation earnable in his/her first year of credible service multiplied by the number of years and fraction thereof in such armed service up to a maximum of four (4) years provided that he or she has received an honorable discharge. Upon such payment, anything to the contrary notwithstanding, such amount shall become part of such member's accumulated contributions and the period of service in the armed forces or merchant marines on account of which such payment was made shall be added to his/her period of service since last becoming a member. The crediting of such service shall be for the purpose of computing the amount of pension which may become payable under this article. There will be no interest charged provided that the member makes said purchase during his or her first five (5) years of first becoming a member of the retirement system, if purchased after completing five (5) years of membership, said member will be charged regular interest to date of purchase from date of enrollment into the retirement system calculated equal to the assumed investment return on the assets of the pension trust used by the actuary in the most recent actuarial valuation, compounded annually. Any active member of the retirement system prior to (date of passage), with seven (7) years or more of membership in said system, who failed to purchase creditable military service as outlined above, shall be permitted to purchase said time and said member will be charged regular interest to date of purchase from date of enrollment into the retirement system calculated equal to the assumed investment return on the assets of the pension trust used by the actuary in the most recent actuarial valuation, compounded annually. In accordance with this section, if an eligible employee who was a member terminates employment and subsequently

becomes an eligible employee again, the date of first becoming a member of the retirement system shall be used to determine the applicable five (5) years of membership.

(3) Any member who has rendered service as a member prior to his/her last becoming a member and terminated such previous service may, by written notice filed with the city controller, elect to repay into the annuity savings fund an amount equal to the amount of such member's accumulated contributions which were withdrawn by such member on account of such member's last termination of membership, together with eight (8) percentum interest compounded annually thereon from his/her last termination of membership, to the date of repayment. Upon such repayment, anything to the contrary notwithstanding, such amount shall become part of such member's accumulated contributions and the period of service on account of which such payment was made shall be added to his/her period of service since last becoming a member. The crediting of such service shall be both for the purpose of computing the amount of pension which may become payable under this article and for the purpose of determining such member's eligibility for the benefits payable hereunder and the rights of any beneficiary claiming through him.

(4) Any employee or elected officer who is an active class A member who returns to employment following a period of leave to which he is entitled under federal or state law or a period of disability for which workers' compensation or similar payments are made, may, by written notice filed with the city controller, elect to pay into the annuity savings fund an amount equal to eight (8) percentum of the base compensation which the employee or elected officer would have paid had such employee or elected officer not taken such period of leave or disability. Should said payment be made within twenty-four (24) months of the employees return from leave to active employment, said payment shall fulfill all requirements. Any such payment made subsequent to twenty-four (24) months of the employees return from leave to active employment shall include a eight (8) percentum interest compounded annually thereon from the date of the commencement of his/her period of leave or disability, to the date of repayment. Upon such payment, anything to the contrary notwithstanding, such amount shall become part of such member's accumulated contributions.

(5) Any employee or elected officer who is an active class B member who returns to employment following a period of leave to which he is entitled under Federal or State law or a period of disability for which workers' compensation or similar payments are made, may, by written notice filed with the city controller, elect to pay into the annuity savings fund an amount equal to 9.5 percentum (9.5%) of the base compensation which the employee or elected officer would have been paid had such employee or elected officer not taken such period of leave or disability together with eight (8) percentum interest compounded annually thereon from the date of the commencement of his/her period of leave or disability, to the date of repayment. Upon such payment, anything to the contrary notwithstanding, such amount shall become part of such member's accumulated contributions and the period of service on account of which such payment was made shall be added to his/her period of service since last becoming a member. The crediting of such service shall be both for the purpose of computing the amount of pension which may become payable under this article and for the purpose of determining such member's eligibility for the benefits payable hereunder and the rights of any beneficiary claiming through him.

(6) Any other employee or elected officer who is an active member and who had a period of continuous full time service of at least six (6) months' duration prior to his/her date of membership as a temporary city employee, or a CETA-financed city employee, may by, written notice filed with the city controller, elect to pay into the annuity savings fund and the pension accumulation fund an amount equal to the full actuarial value of the benefits payable under this article as of the date of payment, as computed by the actuarial advisor of the board, assuming such member shall retire on his/her normal retirement date based upon the assumptions used in the plan's actuarial valuation. Upon such payment, anything to the contrary notwithstanding, such amount paid into the annuity savings account shall become part of such member's accumulated contributions and the period of service on account of which such payment was made shall be added to his/her period of service since last becoming a member. The crediting of such service shall be both for the purpose of computing the amount of pension which may become payable under this article and for the purpose of determining such member's eligibility for the benefits payable hereunder and the rights of any beneficiary claiming through him.

(7) The city controller shall not permit the purchase of service credits in the retirement system for any period of employment as a seasonal or part-time employee or for service as a member on any part-time board or commission.

(8) In reference to any interest payment in this section, members in active service of the retirement system, who make application for purchase of service shall be notified by the city controller as to the calculation of interest and said member shall have a maximum of thirty (30) days in which to effectuate said purchase. If the payment is not received within thirty (30) days of notification by the city controller and payments are made per pay period, interest shall accrue equal to the assumed investment return on the assets of the pension trust used by the actuary in the most recent actuarial valuation, compounded annually on the balance of payments. Members may purchase service credit by an installment plan by payroll deduction not to exceed five (5) years, provided that all purchases and payments must be made prior to retirement.

Sec. 17-189. - Benefits payable.

(1) *Service retirement*: Retirement of a member on a service retirement allowance shall be made by the retirement board as follows:

- (a) Any member may retire upon his/her written application to the retirement board setting forth at what time, not less than thirty (30) nor more than ninety (90) days subsequent to the execution and filing thereof, he/she desires to be retired, provided that the said member at the time so specified for his/her retirement shall have attained the minimum age requirement for his/her class and notwithstanding that, during such period of notification, he/she may have separated from service. The minimum ages for service retirement for employees who became members on or before June 30, 1995 shall be as follows:

Class A employees: Fifty-five (55) or the age at which twenty-five (25) years of service is completed if prior thereto.

Class B employees: Fifty-five (55) or the age at which twenty (20) years of service is completed if prior thereto.

The minimum age for service retirement for employees who become members on or after July 1, 1995 shall be as follows:

Class A employees: Fifty-five (55) or the age at which thirty (30) years of service is completed if prior thereto.

Class B employees: Fifty-five (55) or the age at which twenty (20) years of service is completed if prior thereto.

- (b) Notwithstanding anything herein to the contrary, the minimum age for service retirement for Class B employees with less than (5) years of total service on the effective date of enactment of this amendment shall be fifty-five (55) or at the age at which twenty three (23) years of service.

The minimum age for service retirement for Class A employees who become members on or after July 1, 2004 shall be sixty (60) years of age and have completed at least ten (10) years of total service or thirty (30) years of total service. For members that have attained age fifty-five (55) years of age and have completed at least ten (10) but not thirty (30) years of total service, the allowance on service retirement shall be reduced five-twelfths (5/12) percent per month for each month between retirement commencement and the age of sixty (60).

The minimum age for service retirement for Class A employees who become members on or after July 1, 2009 shall be sixty-two (62) years of age and has completed at least ten (10) years of total service or thirty (30) years of total service. For members that have attained age fifty-five (55) years of age and have completed at least ten (10) but not thirty (30) years of total service, the allowance on service retirement shall be reduced five-twelfths (5/12) percent per month for each month between retirement commencement and the age of sixty (62).

This subsection (1)(b) shall not apply to members who vested with ten (10) years or more of contributing service.

- (c) Class B members of the police department hired on or after July 1, 2011 shall receive the following pension benefits: retirement eligibility at the earlier of twenty-five (25) years of total service or fifty-five (55) years of age; pension benefits of fifty percent (50%) of retirement-eligible pay at twenty-five (25) years of total service, with a maximum of seventy-five percent (75%) after thirty-five (35) years of total service.
- (d) Class B members of the fire department hired on or after July 1, 2012, who elect to retire after his/her 20th and before his/her 25th anniversary date of hire will receive the percentage of pension benefit calculation attributable to the member's years of service but shall not begin to receive payment of any pension benefit until the member's 25th anniversary date of membership in the retirement system; 25th anniversary date to be counted from the member's original date of hire, but excluding any breaks in service or purchased time. Further, a member who retires and is subject to this provision will receive any cost of living adjustment payment that he/she may be entitled to in the January of the year following his/her third anniversary of receiving pension benefit payments in accordance with this section.

Eligible Years of Service:	Designated Percentage:	Payment begins:
20 Years of service	50%	25th ann. date of
21 Years of service	52%	membership in the
22 Years of service	54%	Retirement System
23 Years of service	56%	
24 Years of service	58%	
25 Years of service	60%	

- (e) No member is eligible for pension benefits under this section unless the member has been a contributing member of the retirement system for at least ten (10) years except as provided in Section 17-189(5).

(2) *Allowance on service retirement:* Upon retirement for service a member shall receive a retirement allowance which shall consist of:

- (a) An annuity which shall be the actuarial equivalent of his/her accumulated contributions at the time of his/her retirement; and
- (b) If the member is a Class A employee who first becomes a member prior to July 1, 1996, a pension which together with his/her normal annuity, exclusive of any excess annuity, shall be equal to one-fortieth (1/40) of his/her final compensation multiplied by the first twenty (20) years of his/her total service credited and equal to one-fiftieth (1/50) of his/her final compensation multiplied by the number of years of his/her total service credited in excess of twenty (20) years; and, in addition, an excess annuity which shall be the actuarial equivalent of his/her accumulated excess contributions at the time of his/her retirement. If the member is a Class A employee who first becomes a member on or after July 1, 1996, a pension which together with his/her normal annuity, exclusive of any excess annuity, shall be equal to one-fiftieth (1/50) of his final compensation multiplied by the number of years of his/her total service credited; and, in addition, an excess annuity which shall be the actuarial equivalent of his/her accumulated excess contributions at the time of his/her retirement, provided, however, that no Class A employee shall receive a service retirement allowance, exclusive of any excess annuity, in excess of one hundred (100) percentum of his/her final compensation.
- (c) If the member is a Class B employee, a pension which together with his/her normal annuity, exclusive of any excess annuity, shall be equal to one-fortieth (1/40) of his/her final compensation multiplied by the first twenty (20) years of his/her total service credited, and equal to one-fiftieth (1/50) of his/her final compensation multiplied by the number of years of his/her total service credited in excess of twenty (20) years; and, in addition, an excess annuity which shall be the actuarial equivalent of his/her accumulated excess contributions at the time of his/her retirement, provided, however, that no Class B employee shall receive a service retirement allowance, exclusive of any excess annuity, in excess of seventy-five (75) percentum of his/her final compensation.

(3) *Disability Application Process:* Notwithstanding any other ordinance, prior collective bargaining agreement, or prior interest arbitration award to the contrary:

- (a) Members will have sixty (60) days from the date of application, in which to file with the Pension Administrator/Retirement Office a complete application. A completed application shall include the following: (1) disability application, (2) a statement from a physician stating that the member is physically or mentally incapacitated for the performance of duty and he or she shall be retired (3) a copy of a birth certificate, passport, or other documentation to establish date of birth. If applying for an accidental disability benefits, the applicant must provide an injury report of the incident. If after thirty (30) days, the Board has not received a completed application, the Board shall send by registered mail, a notice to the member indicating that the outstanding documentation needed in order to complete the application and that after thirty (30) additional days an incomplete application will be returned and that the Board shall not consider that member's request for a disability benefit. Any member unable to submit a complete application within the sixty (60) day period may request additional time to complete an application and said request shall be granted provided there is good cause for the request and the timeframe is reasonable. The Disability Subcommittee may approve the continuation of all such incomplete applications. A member may re-apply for disability benefits as long as the application is complete and submitted in its entirety to the Pension Administrator/Retirement Office within the time period as prescribed by this Act.
- (b) Upon receipt of such completed application, the Pension Administrator shall schedule medical examinations for said applicant with a physician certified in the field reasonably related to the pensioner's alleged injury. Said medical examinations shall be made and reports of the same filed with the Pension Administrator. During said period the Pension Administrator shall compile such other documents or evidence as he or she shall deem appropriate in order that the Board shall have available all reasonably pertinent information so as to review said application.

- (c) The Board shall approve or deny said application within sixty (60) days of receipt of the completed application. Once the application has been submitted to the Board, said application may be continued for an additional thirty (30) days provided good cause is shown for the request. In no event shall the application be continued beyond ninety (90) days of the Board's receipt of the completed application. In the event that the Board does not approve said application within ninety (90) days of its receipt of the completed application, the application shall be automatically be deemed denied without prejudice.
- (d) Additional time shall be granted and the application shall appear on the Retirement Board Agenda every thirty (30) days for a status report until additional information has been provided to complete said application for, but not limited to, the following: all cases of delayed medical reports, or where subsequent amendment of the issues is necessary, or where re-examination of said applicant is determined through no fault of the applicant.

(4) *Ordinary disability retirement:* Notwithstanding any other ordinance, prior collective bargaining agreement, or prior interest arbitration award to the contrary, medical examination of a member for ordinary disability shall be made upon application of the head of the department in which said member is employed, or upon the application of said member or of a person acting in his/her behalf, stating that said member is physically or mentally incapacitated for the performance of duty and that he ought to be retired, provided that the member has had ten (10) or more years of total service. A medical examination of the member shall be made by three (3) physicians with a physician certified in the field reasonably related to the pensioner's alleged injury engaged by the director of personnel for this purpose, and should such medical examination show that said member is physically or mentally incapacitated for the performance of duty and ought to be retired, the physicians shall so report and certify to the retirement board and the retirement board shall retire the member for ordinary disability forthwith.

(5) *Allowance upon ordinary disability retirement:* Notwithstanding any other ordinance, prior collective bargaining agreement, or prior interest arbitration award to the contrary, upon retirement for ordinary disability a member shall receive a retirement allowance, which shall consist of:

- (a) An annuity which shall be the actuarial equivalent of his/her accumulated contributions at the time of his/her retirement; and
- (b) If the member is a Class A employee, a pension which together with his/her normal annuity, exclusive of any excess annuity, shall be equal to nine-tenths (9/10) of one-fiftieth (1/50) of his/her final compensation multiplied by the number of years of the total service which would have been credited at minimum retirement age had he remained in service to such age; and in addition, an excess annuity which shall be the actuarial equivalent of his/her accumulated excess contributions at the time of his/her retirement; provided, however that no Class A employee shall receive an ordinary disability retirement allowance, exclusive of any excess annuity, in excess of forty-five (45) percentum of his/her final compensation.
- (c) If the member is a Class B employee, a pension which together with his/her normal annuity, exclusive of any excess annuity, shall be equal to nine-tenths (9/10) of one-fortieth (1/40) of his/her final compensation multiplied by the number of years of total service which would have been credited at minimum retirement age had he remained in service at such age; and, in addition, an excess annuity which shall be the actuarial equivalent of his/her accumulated excess contributions at the time of his/her retirement, provided, however, that no Class B employee shall receive an ordinary disability retirement allowance, exclusive of any excess annuity, in excess of forty-five (45) percentum of his/her final compensation.

(6) *Accidental disability retirement:* Notwithstanding any other ordinance, prior collective bargaining agreement, or prior interest arbitration award to the contrary, medical examination of a member for accidental disability and investigation of all statements and certifications by said member or in his or her behalf in connection therewith shall be made upon the application of the head of the department in which such member is employed, or upon the application of the member, or of a person acting in his or her behalf, stating that such member is physically or mentally incapacitated for the performance of the duties the member was performing at the time of the accident, as a natural and proximate result of an accident while in the performance of duty, and certifying the definite time, place and conditions of such duty performed by said member resulting in such alleged disability and that such alleged disability is not the result of willful negligence or misconduct on the part of said member and is not the result of age or length of service and that said member should, therefore, be retired. If a medical examination conducted by three (3) physicians certified in the field reasonably related to the member's alleged injury engaged by the director of personnel and such investigation as the director of personnel may desire to make shall show that said member is physically or mentally incapacitated for the performance of service any as a natural and proximate result of an accident, while in the performance of duty, and that such disability is not the result of willful negligence or misconduct on the part of said member and is not the result of age or length of service, and that such member should be retired, and the physicians who conducted the examination shall so certify to the retirement board stating the time, place and conditions of such service performed by said member resulting in such disability, the retirement board shall retire the said

member for accidental disability. The application to accomplish such retirement must be filed within eighteen (18) months of the date of the accident, unless a waiver is granted through a resolution approved by a majority of the city council. Notwithstanding any provision hereof, the director of personnel may use a physician who was engaged by the department to conduct an independent medical examination of the applicant provided that the physician is authorized to conduct independent medical examinations for Injured on Duty (IOD) for Class B members and/or approved by the Medical Advisory Board as an impartial medical examiner in the Workers' Compensation Court for Class A members.

(7) *Allowance on accidental disability retirement:* Notwithstanding any other ordinance, prior collective bargaining agreement, or prior interest arbitration award to the contrary, upon retirement for accidental disability a member shall receive a retirement allowance, which shall consist of:

- (a) An annuity which shall be the actuarial equivalent of his/her accumulated contributions at the time of his/her retirement, and
- (b) A pension, in addition to the annuity, of sixty-six and two-thirds (66 2/3) percentum of his/her final compensation, or a pension equal to the amount of retirement allowance provided in subsection (2) of this section, whichever is greater.
- (c) Any member who retires pursuant to section 17-189(6) Accidental Disability Retirement, in light of said member's receipt of an unreduced pension in the amount of Sixty-six and two-thirds (66 2/3%) of retirement pay, said member shall not be entitled to his/her accumulated pension contributions, with interest, in any form, including but not limited to a lump sum or an actuarially calculated annuity.
- (d) Upon the death of a member within five (5) years after accidental disability retirement, provided that evidence shall be submitted to the retirement board proving that the death of such member was the natural and proximate result of an accident while in the performance of duty at some definite time and place, and that such death was not the result of willful negligence on his/her part, and upon application by or on behalf of the dependents of such deceased member the retirement board shall grant a pension of one-half the final compensation of such member:
 1. To his/her widow/widower, to continue during his/her widowhood/widowhood; or
 2. If there be no widow/widower, or if the widow/widower dies or remarries before any child dependent of such deceased member shall have attained the age of nineteen (19) years, then to his/her child or children under said age, divided in such manner as the retirement board in its discretion, shall determine, to continue as a joint and survivor pension of one-half of his/her final compensation until every such child dies or attains said age; or
 3. If there be no widow/widower or child under the age of nineteen (19) years surviving such deceased member, then to his/her dependent father or mother, as the deceased member shall have nominated by written designation, duly acknowledged and filed with the retirement board; or if there be no such nomination, then to his/her dependent father or to his/her dependent mother, as the retirement board in its discretion shall direct, to continue for life.

(8) *Re-examination of members retired on account of disability:*

Notwithstanding any other ordinance, prior collective bargaining agreement, or prior interest arbitration award to the contrary:

- (a) Re-examination of members retired on account of disability: Once each year the director of personnel may require all pensioners to undergo a medical examination, such examination to be made at the place of residence of the pensioner or other place mutually agreed upon, by a physician or physicians engaged by the director of personnel. In accordance with this section, each pensioner shall annually provide certification from a physician of their disability. Should any such pensioner refuse to submit to such examination his or her pension shall be discontinued until his or her withdrawal of such refusal, and should his or her refusal continue for a year, all his or her rights in and to such pension shall be revoked by the retirement board. If the said examination indicates that the disability of the pensioner has been removed and said pensioner has attained the age of service retirement said pension will be converted to the normal retirement benefit as if he or she had not been disabled. If the examination indicates that the disability of the pensioner has been removed and said pensioner is under the age of service retirement, his or her name shall be placed on such appropriate lists of candidates as are prepared for appointment to a position in his department for which he is stated to be qualified in a salary grade comparable to that from which he or she was last retired or upon reinstatement to active service at a salary grade comparable to that from which he or she was last retired, he or she shall be reinstated as a member and participate in the benefits of the retirement system with credit for service rendered prior to disability retirement, and for the period during which he received the disability retirement allowance, provided that he or she did not refuse to accept such reinstatement when it was first offered to him or her; in the event of such refusal, the pension shall be

discontinued and any rights to further benefits under the retirement system shall be based solely on his or her service rendered prior to his or her disability retirement.

(9) *Accidental death benefit:* Upon the accidental death of a member before retirement, provided that evidence shall be submitted to the retirement board providing that the death of such member was the natural and proximate result of an accident while in the performance of duty at some definite time and place and that such death was not the result of willful negligence on his part, his accumulated contributions shall be paid to his estate, or to such person having an insurable interest in his life as he shall have nominated by written designation, duly executed and filed with the retirement board; and upon application by or on behalf of the dependents of such deceased member the retirement board shall grant a pension of one-half (½) the final compensation of such member:

- (a) To his/her widow/widower, to continue during his/her widowhood/widowhood; or
- (b) If there be no widow/widower, or if the widow/widower dies or remarries before any child of such deceased member shall have attained the age of nineteen (19) years, then to his child or children under said age, divided in such manner as the retirement board in its discretion, shall determine, to continue as a joint and survivor pension of one-half (½) of his final compensation until every such child dies or attains said age; or
- (c) If there be no widow/widower or child under the age of nineteen (19) years surviving such deceased member, then to his dependent father or mother, as the deceased member shall have nominated by written designation, duly acknowledged and filed with the retirement board; or if there be no such nomination, then to his dependent father or to his dependent mother, as the retirement board in its discretion shall direct, to continue for life.

(10) *Deferred retirement benefit:* Any employee who has ten (10) or more years of total service may retire upon his written application to the retirement board setting forth at what time, not less than thirty (30) nor more than ninety (90) days subsequent to the execution and filing thereof, he desires to be retired, provided that the member, at the time so specified for his retirement, shall have fulfilled the above service requirement and notwithstanding that, during such period of notification, he may have separated from service.

(11) *Allowance upon deferred retirement:* Upon deferred retirement a member shall receive a deferred retirement allowance commencing at minimum retirement age calculated in the same manner as provided in subsection (2) of this section.

(12) *Restoration to service:* Should a beneficiary retired on a service retirement allowance or a deferred retirement benefit be restored to service the individual shall again become a member and any election of an optional benefit shall be null and void. If payment of his retirement allowance has commenced, such allowance shall cease. Upon subsequent retirement, if the individual has completed one (1) year of service following his restoration, the individual shall receive a retirement allowance based on the individual's total service before and after the individual's restoration to service; otherwise, the individual's retirement allowance shall be equal to the sum of the retirement allowance computed as of the date of the individual's previous retirement and the retirement allowance computed on the basis of the individual's service subsequent to restoration.

(13) *Withdrawal and ordinary death benefit:* Benefits upon withdrawal and ordinary death shall be payable as follows:

- (a) A member who withdraws from service or ceases to be a member for any reason other than death or retirement shall be paid on demand the accumulated contributions standing to the credit of his individual account in the annuity savings fund which were credited prior to the effective date of City of Providence's assumption of the employee's contributions pursuant to Section 17-185(1). A member retired on a deferred retirement benefit may elect, prior to the date upon which the first payment on account of his retirement allowance becomes normally due, to receive in lieu of his retirement allowance the amount of the accumulated contributions standing to the credit of his individual account in the annuity savings fund which were credited prior to the effective date of City of Providence's assumption of the employee's contributions pursuant to Section 17-185(1). Payment of such amount shall constitute a full and complete discharge of any further claim by him or any beneficiary claiming through him for benefits under this article. In either instance, a member may withdraw the accumulated contributions standing to the credit of his individual account in the annuity fund which were credited on or following the effective date of City of Providence's assumption of the employee's contributions pursuant to Section 17-185(1), but as to such funds, the employee will be liable for any taxable consequences including penalties for such a withdrawal.

- (b) Should a member die before retirement or should a retired member die within thirty (30) days after the date upon which the first payment on account of his retirement allowance becomes normally due, his accumulated contributions less the amount of any retirement allowance payments he may have received, shall be paid to his estate, or to such person as he shall have nominated by written designation, duly executed and filed with the retirement board.
- (c) Should a member who has attained minimum retirement age and who dies before retirement without his having made an election under the provisions of section 17-190 of this article be survived by a spouse, such spouse shall be entitled, in lieu of return of the member's accumulated contributions as provided under paragraph (b) of this subsection, to a benefit determined in the same manner as it would have been determined had the member retired from service on the date of his death and made an effective election of a reduced retirement allowance in accordance with option 2 under section 17-190 of this article and nominated his spouse as his designated beneficiary.
- (d) Upon the death of a retired member who has not made an optional selection as provided in section 17-190 of this article or upon the death of the survivor of a retired member and the beneficiary under an optional selection as provided in section 17-190 of this article, if such optional selection has been made and become effective, a payment shall be made to the estate of the retired member, or to the estate of the survivor as the case may be, or to such person as the retired member shall have nominated by written designation duly executed and filed with the retirement board in an amount equal to the excess, if any, of the retired member's normal accumulated contributions at retirement over the sum of the payment made on account of his pension and normal annuity, plus the excess, if any, of the retired member's excess accumulated contributions at retirement over the payments made on account of his excess annuity.
- (e) Upon the death of any Class B member who at the time of his death was eligible to retire from service, if no accidental death benefit is payable and if an effective election of an optional benefit has not been made under section 17-190, a retirement allowance equal to sixty-seven and one-half (67½) percent of the retirement allowance, exclusive of any excess annuity, that would have been paid to such member had he retired shall be paid to his surviving spouse for her lifetime until she remarries, or if there be no surviving spouse or the surviving spouse remarries, then to his dependent children until they attain eighteen (18) years of age. The benefit provided under this paragraph (c) shall be in lieu of any benefit under paragraph (c) of this subdivision (12) and shall be payable only if it exceeds the benefit otherwise provided under said paragraph (c).
- (f) Upon the death of any Class B member who has retired from service, if no pension is payable pursuant to paragraph (c) of subdivision (6) of this section, a pension equal to sixty-seven and one-half (67½) percent of the retirement allowance, exclusive of any excess annuity, paid to such retired member shall be paid to his surviving spouse, for her lifetime until she remarries, or if there be no surviving spouse or the surviving spouse remarries, then to his dependent children until they attain the age of eighteen (18).

(14) *Eligibility for an allowance:* The eligibility for a retirement allowance and the amount of such allowance shall be determined in accordance with the provisions of the ordinance to provide for the retirement of employees of the city as in effect on the last day of a member's employment.

(15) *Additional benefits for retired Class A employees and their beneficiaries:* Effective January 1, 1993, the benefits for any retired Class A employee who retired prior to January 1, 1993 or his beneficiary shall be adjusted to provide a minimum monthly retirement allowance of six hundred eighteen dollars (\$618.00); provided, however, if the member elected to receive a reduced retirement allowance in accordance with the available options, said six hundred eighteen dollar (\$618.00) minimum monthly allowance shall be reduced to reflect the option elected. In the event the retired Class A employee has completed less than twenty-five (25) years of service, he or his beneficiary shall be entitled to receive one twenty-fifth (1/25) of the minimum monthly retirement allowance for each year of his service.

(16) *Additional benefits for retired Class B employees and their beneficiaries:* Effective January 1, 1993, the benefit for any retired Class B employee who retired prior to January 1, 1993 or his beneficiary shall be adjusted to provide a minimum monthly retirement allowance of six hundred thirty dollars (\$630.00); provided, however, if the member elected to receive a reduced retirement allowance in accordance with the available options, said six hundred-thirty dollar (\$630.00) minimum monthly allowance shall be reduced to reflect the option elected.

In the event the retired Class B employee has completed less than twenty-five (25) years of service, he or his beneficiary shall be entitled to receive one twenty-fifth (1/25) of the minimum monthly retirement allowance for each year of his service.

Sec. 17-189.1. - Revocation or reduction of retirement benefits of employees for dishonorable service.

(a) Payment of retirement allowance or annuity or other benefit or payments as provided in chapter 17 shall be for "honorable service" only.

(b) Definitions. For purposes of this section:

(1) "board" shall mean the Retirement Board of the Employees' Retirement System of the City of Providence;

(2) "crime related to his or her public employment" shall constitute "dishonorable service," and shall include any of the following conduct, whether or not the conduct results in a criminal conviction:

(A) committing or aiding or abetting the commission of embezzlement of public funds;

(B) committing or aiding or abetting the commission of any felonious theft by a public employee from his or her employer;

(C) committing or aiding or abetting the commission of bribery in connection with, or involving, a public employee;

(D) committing or aiding or abetting the commission of any felony by a public employee who willfully, and with the intent to defraud, realizes or obtains, or attempts to realize or obtain, a profit, gain, or advantage for himself or herself or for some other person through the use or attempted use of power, rights, privileges, duties, or position of his or her public office or employment; and

(E) any other misconduct or crime which the Board, by a majority vote, determines is "dishonorable service," after weighing and balancing the following factors:

- (i) the employee's length of service;
- (ii) the basis for retirement i.e., age service, disability, etc.;
- (iii) the extent to which the employee's pension has vested;
- (iv) the duties of the particular employment;
- (v) the employee's public employment history and record;
- (vi) the employee's other public employment and service;
- (vii) the nature of the misconduct or crime, whether it involved an isolated act or multiple acts, and its gravity or substantiality;
- (viii) the relationship between the misconduct or crime and the employee's public duties;
- (ix) the quality of moral turpitude or the degree of guilt and culpability, including the employee's motives and reasons, personal gain, and the like;
- (x) the availability and adequacy of penal sanctions; and
- (xi) other personal circumstances relating to the employee bearing upon the justness of forfeiture.

(3) "Employee" shall mean any current or former city elected official, or any appointed official or employee of the city, or of a city board, commission or agency, who is otherwise entitled to receive a pension.

(4) "Pension" shall include an employee's retirement allowance or annuity or other benefit or payment as provided in chapter 17.

(c) *Mandatory Board Action.* Notwithstanding any other provision of law, a pension shall be revoked or reduced by the Board under this section if an employee is convicted of, or pleads guilty or *nolo contendere*, to any crime related to his or her public employment. Any such conviction or plea shall be deemed to be "dishonorable service" and a breach of the employee's contract with his or her employer; however, for purposes of this section, "pleads guilty or *nolo contendere*" shall not include any plea of guilty or *nolo contendere* which does not result in a conviction by virtue of G.L. 1956, § 12-10-12 or § 12-18-3, as amended.

(d) *Permissive Board Action.* Notwithstanding any other provision of law, a pension may be revoked or reduced by the Board under this section if a majority of the Board determines by a preponderance of the evidence that an employee has engaged in "dishonorable service" after weighing and balancing the factors set forth in section (b)(1)(E).

(e) *Due Process.* If a majority of the members of the Board vote to consider any action to revoke or reduce any pension, the Board, before taking any such action, shall:

- (1) conduct a meeting with the involved employees and inform the employee of the alleged conduct forming the basis of the contemplated Board action; and thereafter,
- (2) provide the employee, and his or her spouse or domestic partner, dependents and/or designated beneficiaries, with ample notice of the relevant alleged conduct and an opportunity to be heard.

(f) *Balancing Test; Calculations.* This ordinance is intended to be equitable, rather than penal, in nature. Thus, when deciding to revoke or reduce a pension, the Board shall weigh and balance the factors set forth in section (b)(1)(E). In addition:

- (1) the Board need not compare an employee's periods of dishonorable service with periods of allegedly honorable service, other than as may be required to determine the legitimate interest of an innocent spouse, domestic partner, dependent, and/or designated beneficiary, and the Board may revoke or reduce a pension even if the evidence of "dishonorable service" is limited to an isolated act by an employee who had separate periods of city employment;
- (2) the Board shall decide whether the revocation or reduction shall take effect (and be calculated) from the date: (A) of the dishonorable service; or (B) the date notice was provided under section (e)(2); or (C) the date of the Board's decision under section (g); and
- (3) if the Board determines to revoke or reduce a pension, the employee's contribution to the pension system shall be refunded, without interest; however, if, as of the date of the Board decision, the employee: (A) has not made full restitution for any loss proximately caused by his or her dishonorable service (including, but not limited, to, the fees and costs incurred by the Board), and/or (B) has already received pension payments, the amount of the unreimbursed loss and/or the pension payments received shall be deducted from any such refund.

(g) *Appeal and Standard of Review.*

- (1) If the Board determines by a majority vote that revocation or reduction of a pension is warranted, it shall make specific factual findings in support thereof and shall render a written decision, which shall be appealable to the Superior Court as long as such an appeal is filed within twenty (20) calendar days from the date the Board decision was rendered. Such appeals shall be decided by the Superior Court sitting without a jury, and there shall be no automatic stay pending appeal.
- (2) When reviewing a Board decision, the Superior Court shall not substitute its judgment for that of the Board as to the weight of evidence on questions of fact. The court may affirm the decision of the Board, or alternatively, may remand the case for further proceedings or reverse or modify the decision, if the substantial rights of the employee have been prejudiced because of findings, inferences, conclusions, or decisions of the board which are:
 - (A) in violation of constitutional, statutory or ordinance provisions;
 - (B) in excess of the authority granted to the board by ordinance;
 - (C) made upon unlawful procedure;
 - (D) affected by other error of law;
 - (E) clearly erroneous in view of the reliable, probative and substantial evidence of the whole record; or
 - (F) arbitrary or capricious or characterized by abuse of discretion or clearly unwarranted exercise of discretion.

(h) *Separability.* The unconstitutionality or invalidity of any section or part of this ordinance shall not invalidate or impair the validity, force or effect of any other section or part thereof, which shall remain in full force and effect.

(i) *Effective Date.* This amended ordinance shall apply to all applications for pension benefits made on or after January 1, 2011.

Sec. 17-190. - Options.

Until the first payment on account of a retirement allowance becomes normally due, any member may elect to convert the retirement allowance, otherwise payable on his account after retirement, into a retirement allowance of equivalent actuarial value of one (1) of the optional forms named below. However, an election of an optional benefit shall not be effective until sixty (60) days after the date of the filing of the election thereof with the retirement board, or until thirty (30) days after the date upon which the first payment on account of his retirement allowance becomes normally due, whichever is the later, and should the member die before such election becomes effective, the benefits payable on his account shall be the same as though his election had not been filed and he had not been retired. Such optional retirement allowances shall be payable throughout life with the provisions that:

- (1) *Option 1.* If he dies before he has received in payments the present value of his retirement allowance as it was at the time of his retirement, the balance shall be paid to his legal representatives, or such person having an insurable interest in his life, as he, his spouse, or his guardian so electing shall nominate by written designation duly acknowledged and filed with the retirement board.
- (2) *Option 2.* Upon his death, his lesser retirement allowance shall be continued throughout the life of and paid to such person having an insurable interest in his life, as he, his spouse, or his guardian so electing shall nominate by written designation duly acknowledged and filed with the retirement board at the time of his retirement.
- (3) *Option 3.* Upon his death, one-half of his lesser retirement allowance shall be continued throughout the life of and paid to such person having an insurable interest in his life, as he, his spouse, or his guardian so electing shall nominate by written designation duly acknowledged and filed with the retirement board at the time of his retirement.
- (4) *Option 4.* Some other benefit or benefits shall be paid to either the beneficiary or to such person or persons as he, his spouse, or his guardian, so electing, shall nominate, provided such other benefit or benefits together with such lesser retirement allowance, shall be certified by the actuary of the retirement system to be of equivalent actuarial value to his benefit and shall be approved by the retirement board.

Notwithstanding the foregoing provisions of this section, any member who has attained minimum retirement age may elect, in accordance with option 2, 3, or 4 above, a reduced retirement allowance with provision for benefits to his spouse or to a person having an insurable interest in his life other than his spouse. Such benefits shall be determined as of the date of his death or retirement, if prior thereto, in accordance with the provisions of the option elected and shall be in lieu of the return of the member's accumulated contributions as provided under paragraph (b) of subsection (12) of section 17-189 of this article. In the event of death prior to retirement, the benefit payable to the designated beneficiary shall be determined in the same manner as it would have been determined had the member retired from service on the date of his death. However, such election of an optional benefit shall not be effective until sixty (60) days after the date of the filing of the election thereof with the retirement board. After such election shall have become effective it shall be irrevocable except in the event that the designated beneficiary predeceases the member prior to his retirement.

Sec. 17-191. - Pensions offset by compensation benefits.

Any amounts paid or payable under the provisions of any worker's compensation law, or as the result of any action for damages for personal injuries against the city, on account of death or disability of a member, shall be offset against and payable in lieu of any benefits payable out of funds provided by the city under the provisions of this article on account of the death or disability of the member. If the value of the total commuted benefits under any such worker's compensation law or action is less than the present value on an actuarial basis of the benefits otherwise payable under this article, then the difference shall be payable under the provisions of this article.

Sec. 17-192. - Elective officers.

- (1) Subject to the limitations of section 9, persons who have served as mayor, or as a city council member, for at least eight (8) full legislative years since hereinafter collectively referred to as elective officers, and who have reached the age of fifty-two (52), or have served twenty (20) consecutive years as an elective officer of the city prior to reaching such age, or have become totally and permanently disabled prior to reaching such age, shall be entitled to a retirement allowance as provided in this section.

- (2) Said retirement allowance shall be computed at the rate of three hundred fifty dollars (\$350.00) per annum for each year, or fraction thereof, as an elective officer of the city, and since any withdrawal of the elective officer's contributions as provided in subsection (6) of this section; provided, however, that the total number of full years of service for which an allowance shall be paid shall not exceed twenty (20) years. Said retirement allowance shall include credit for each year or portion of any year served by said elective officer on active duty with the United States Armed Forces which credit shall be computed at the rate of three hundred fifty dollars (\$350.00) per annum for each full year or portion thereof of said military service.
- (3) Said retirement allowance shall not be paid to any elective officer otherwise entitled thereto while the elective officer is receiving compensation from the city or any of its agencies, commissions or boards, except to the extent that said retirement allowance may exceed such compensation.
- (4) Said retirement allowance shall not be paid to any elective officer who has been removed from office pursuant to the provisions of the Providence Home Rule Charter of 1980 or who, while receiving said retirement allowance, is finally convicted of a felony or other crime involving moral turpitude.
- (5) Eligibility for and the continuance of any benefit payable under this section on account of total and permanent disability shall be subject to medical examinations in accordance with the provisions of subsections (3), (5) and (7) of section 17-189 of this article.
- (6) Each elective officer of the city, shall contribute three hundred fifty dollars (\$350.00) per annum of the elective officer's compensation toward the cost of the benefits provided hereunder. Such contributions with accumulated interest may be withdrawn at any time prior to the commencement of payments hereunder, provided that upon such withdrawal all rights accrued under this section with respect to any service rendered prior to the date of such withdrawal shall terminate. Should a former elective officer elect not to withdraw such contributions with interest as above provided, no interest shall be credited to the elective officer's contributions after four (4) years shall have elapsed since the elective officer ceased to be an elective officer. Required contributions hereunder from elective officers shall cease after twenty (20) years of service.
- (7) Contributions under this section of
- (a) an elective officer who dies before retirement allowance payments commence as provided hereunder, shall be repaid with accumulated interest to the elective officer's estate or designated beneficiary. Upon the death after retirement of an elective officer who has not made an optional selection as provided in subsection (9) of this section or upon the death of the survivor of a retired elective officer and the beneficiary under an optional selection as provided in said subsection (9) of this section, if such optional selection has been made and become effective, a payment shall be made to the estate of the retired elective officer, or to the estate of the survivor as the case may be, or to such person as the retired elective officer shall have nominated by written designation duly executed and filed with the retirement board in an amount equal to the excess, if any, of the retired elective officer's contributions as an elective officer with interest accumulated to the date of commencement of the elective officer's retirement allowance over the retirement allowance payments made in accordance with the provisions of this section.
 - (b) In the event a person who was an elective officer shall be deceased and who:
 1. Served the required number of years necessary for benefits as an elective officer under this article but had not yet attained the age of fifty-two (52) years; or
 2. Was collecting benefits under the provisions of this act; then and in such events, upon the date of the elective officer's death, a benefit of one-half of that amount to which said person should have been entitled under the provisions hereof had the elective officer survived or the elective officer was collecting, will be paid to the elective officer's surviving widow/widower so long as said surviving widow/widower shall remain sole and unmarried and said benefits shall cease immediately upon the death or remarriage of surviving widow/widower.
- (8) An elective officer may make an optional selection under the same terms and conditions as provided in section 17-190 of this article in respect to the retirement allowance otherwise payable to him in accordance with the provisions of this section.
- (9) Elective officers shall no longer be entitled to the retirement allowance provided for in this section, except as provided for as follows:
- (a) Elective officers holding office prior to January 2015 shall be eligible to receive said allowance, in accordance with subsection (2) of this section, and shall be permitted to continue making contributions as provided for in subsection (6) of this section.
 - (b) Retired elective officers whose term ended January 2015 or earlier, and who have served at least eight (8) full legislative years as of January 2015, shall be entitled to receive said retirement allowance, as provided for in this section.

(10) The provisions of this section are in addition to and supplemental to the benefits provided under any other sections of this article and nothing contained in this section shall adversely affect any present or future rights arising out of membership in any city or state retirement system including that provided in this article. Any conflict or inconsistency between this section and any other sections of this article shall be resolved in favor of accomplishing the intention of this section and said conflict or inconsistent provisions shall be waived or superseded insofar as the other sections of this article are concerned.

(11) The city council of the City of Providence shall, from time to time, upon the advice of the finance director, appropriate such sums as may be necessary to carry out the provisions of this section. Any such sums thus appropriated shall be separately administered for the payment of the retirement allowances provided in this section.

Sec. 17-193. - Protection against fraud.

Every person who knowingly or willfully makes or presents or in any way procures the making or presentation of any false or fraudulent affidavit or affirmation concerning any claim for a service pension, an ordinary disability pension or an accidental disability pension or payment thereof, shall in every case forfeit a sum not exceeding two thousand five hundred dollars (\$2,500), to be sued and recovered by and in the name of the city on behalf of the employee retirement system, and when recovered, paid over to and thereupon become a part of the funds of the retirement system.

Sec. 17-194. - Cost of living adjustment.

(1) Any retired class B employee and any beneficiary of such employee who receives any service or any ordinary disability retirement allowance or any accidental disability retirement allowance pursuant to the provisions of this article shall, on the first day of January next following the third anniversary date of his/her retirement, receive a cost-of-living adjustment, in addition to the retirement allowance, in an amount equal to three (3) percent of his/her monthly retirement allowance, not compounded, on up to the first one thousand dollars (\$1,000.00) of said retirement allowance. For the purpose of said computation, credit shall be given for a full calendar year, regardless of the effective date of said retirement allowance. In each succeeding year thereafter, on the first day of January, the monthly retirement allowance shall be increased by three (3) percent, not compounded, on up to the first one thousand dollars (\$1,000.00) of the said retirement allowance, to be continued during the lifetime of said retired employee or beneficiary.

(2) Any cost-of-living adjustment granted to a retired employee or any beneficiary of said employee under this section shall be considered a voluntary gratuity. The payment of such voluntary gratuity may be reduced or suspended by ordinance at any time.

(3) Notwithstanding any other ordinance, prior collective bargaining agreement, or prior interest arbitration award, all retired employees and any beneficiary of such employee who receives any service or any ordinary disability retirement allowance or any accidental disability retirement allowance pursuant to the provisions of this article, except for retirement allowances provided for in Sections 17-189(7)(d) and 17-189(9), shall have their cost-of-living adjustment suspended as of December 31 following the plan year in which the actuary's annual valuation determines the retirement system to be in critical status. Suspension of the annual cost of living adjustment shall continue until such time as the actuary determines in the annual actuarial valuation study that the plan's funded percentage is greater than or equal to seventy percent (70%). Within thirty (30) days of the actuary reporting in the annual actuarial valuation study that the plan's funded percentage is greater than or equal to seventy percent (70%), written notice shall be provided to all members that the cost-of-living adjustment shall be restored on the following January 1.

Sec. 17-195. - Limits on post-retirement benefits.

Notwithstanding any other ordinance, prior collective bargaining agreement, or prior interest arbitration award:

(1) As a condition of receiving or continuing to receive retirement payments and health benefits, all retired individuals and spouses of retired individuals shall enroll in Medicare immediately upon eligibility. Any health benefits provided by the city to Medicare-eligible individuals shall be secondary to the Medicare benefits.

(2) With the exception of Medicare supplement or gap coverage, the city shall not provide Medicare-eligible retirees or Medicare-eligible spouses of retirees with health care benefits. The cost of said Medicare supplement or gap coverage shall be paid by the city and/or retiree as otherwise provided by ordinance or contract.

(3) Nothing contained in this section shall be construed to confer healthcare benefits on a retiree or retiree's spouse, which are not otherwise provided by ordinance or contract.

Sec. 17-196. – Pensions not to exceed 150% of state median household income

Notwithstanding any other ordinance, prior collective bargaining agreement, or prior interest arbitration award:

(1) For all employees retiring on or after June 30, 2012, there shall be no pensions awarded in an amount greater than one hundred and fifty percent (150%) of the state median household income as determined by the American Community Survey, administered annually by the U.S. Census Bureau. The retirement board shall post annually on its website the amount equaling one hundred and fifty percent (150%) of the state median household income.

(2) All retired employees and any beneficiary of such employee who receives any service or any ordinary disability retirement allowance or any accidental disability retirement allowance pursuant to the provisions of this article, except for retirement allowances provided for in Sections 17-189(7)(d) and 17-189(9), shall have their cost-of-living adjustment suspended as of December 31 if their cost-of-living adjustment would increase their pension compensation to be greater than one hundred and fifty percent (150%) of the state median household income as determined by the retirement board based on data from the American Community Survey, administered annually by the U.S. Census Bureau.

Sec. 17-197. – Conflicts with other laws.

Notwithstanding any general or special law to the contrary, unless otherwise specified, the provisions of this chapter shall supersede any conflicting provisions in ordinance, prior collective bargaining agreement or prior interest arbitration award.

Sec. 17-198. – Severability; Indispensable Party.

The holding of any section or sections or parts hereof to be void, ineffective, or unconstitutional for any cause shall not be deemed to affect any other section or part hereof. The city shall be an indispensable party in any action contesting the validity of this chapter.

Sec. 17-199. – Effective Date.

The amendments to this chapter shall take effect upon passage.

Section 2.

The city council shall review the Cost of Living adjustments five years from the date of this passage and every subsequent five years.

IN CITY COUNCIL
MAR 21 2013
FIRST READING
READ AND PASSED


CLERK

RESOLUTION OF THE CITY COUNCIL

No.

Approved

RESOLVED, That the Providence City Council hereby endorses and ratifies those certain consent judgments dated December 11, 2012, December 21, 2012, and February 5, 2013, copies of which are attached, resolving certain pension issues related to both currently serving and retired police and fire personnel both individually and collectively.

STATE OF RHODE ISLAND
PROVIDENCE, SC.

SUPERIOR COURT

THE CITY OF PROVIDENCE,

Plaintiff,

vs.

THE PROVIDENCE LODGE NO. 3,
FRATERNAL ORDER OF POLICE,

Defendant.

C.A. No. _____

CONSENT JUDGMENT

RECITALS

A. This action was commenced by the City of Providence (the "City") against The Providence Lodge No. 3, Fraternal Order of Police, (the "Union;" together with the City, the "Parties") to confirm the validity of two ordinances passed by the City. The first ordinance at issue, Ordinance 2011-32, No. 422, requires all retired employees of the City who are age 65 or older to enroll in Medicare upon eligibility (the "Medicare Ordinance"). The second ordinance at issue, 2012-20, No. 276, provides, *inter alia*, for the suspension of all cost-of-living adjustments ("COLAs") on all pensions until the retirement pension system reaches a funding level of 70%, and places a cap on the amount of annual pensions (the "Pension Ordinance").

B. In its complaint, the City seeks a declaratory judgment confirming that the Medicare Ordinance and the Pension Ordinance are constitutional under the United States and Rhode Island constitutions, and enforceable, notwithstanding any of the City's obligations

created under other ordinances, interest arbitration awards, collective bargaining agreements, settlement agreements, consent judgments or court judgments.

C. On May 14, 2012, prior to the filing of the complaint in this matter but in conjunction with another matter pending before the Court (*The Providence Retired Police and Firefighters' Association, Inc., et al v. City of Providence*, C.A. No. 11-5853), the Court directed the parties of that action to mediation in an effort to settle.

D. In view of the substantial similarity of issues between the action in mediation and the anticipated issues and the likelihood of litigation between the Parties in this action, the FOP joined in the mediation. During the mediation sessions, the parties agreed to settle their expected claims regarding the Medicare Ordinance and the Pension Ordinance and to enter into this Consent Judgment.

It is hereby:

ORDERED, ADJUDGED AND DECREED as follows:

As to the Medicare Ordinance:

1. For purposes of this Consent Judgment, the term "Class Members" shall mean all current, and future FOP Members and their eligible spouses. All such Class Members are bound by the terms of the Final Judgment entered simultaneously herewith in The Providence Retired Police and Firefighters' Association, Inc., et al., v. The City of Providence, et al., C.A. No. 11-5853, and The Providence Retired Police and Firefighters' Association, Inc., et al., v. The City of Providence, et al., C. A. No. 12-3590.

2. Except as modified by the terms of this Consent Judgment, the Medicare Ordinance shall remain in full force and effect with respect to the City, the Union and its members; provided, however, that if any provision of the Ordinance is contrary to any past, present, or future collective bargaining agreement by and between the City and the Union, the

applicable provision of the collective bargaining agreement solely in respect to any healthcare or pension right or benefit shall prevail unless specifically modified by this Consent Judgment.

3. Class Members turning Medicare-eligible age shall enroll in Medicare during their initial enrollment period (three months prior to their birth month and 3 months after their birth month). If the member has not enrolled during their initial enrollment period, then they need to enroll in the 2013 general enrollment period (January 1, 2012 to March 31, 2013).

4. Any retired Class Member not eligible to enroll in Medicare shall continue to receive fully paid healthcare benefits as they presently exist with the full cost of said healthcare benefits being paid for by the City as such costs are currently paid for by the City. Any such retired Class Member shall provide to the City's Benefits Department a copy of the official denial letter. Class Members retiring after March 25, 2008 shall be subject to annual healthcare co-share and co-payments all as provided in the 2005-2006 Interest Arbitration Award.

5. Whether a retired Class Member is eligible to enroll in Medicare shall be determined by whether that individual qualifies under Medicare Part A without paying a premium.

6. Pursuant to current City policy and the collective bargaining agreement by and between the City and the Union, "spouses" shall include same sex domestic partners.

7. Retired Class Members who have enrolled in Medicare shall be responsible to pay the monthly premium for Part B.

8. The City shall be responsible to pay for the following in connection with Medicare benefits for the retired Class Members:

(a) Penalties associated with the late enrollment fees for Part B for those retired Class Members who enrolled in Medicare during the 2012 general enrollment period.

(b) A plan as summarized in Exhibit A hereto to supplement Medicare Parts A and B which will be equivalent to the current Blue Cross coverage. In the alternative, the city may create a self-insured plan to supplement Medicare Parts A and B which will be equivalent to the current Blue Cross coverage.

(c) The City is responsible for the payment of the premium for Blue Medicare Rx (PDP). A plan for Medicare Rx (PDP) is attached hereto as Exhibit B which includes the Summary of Benefits and the Evidence of Coverage.

9. Any retired Class Members who should have enrolled for the July 1, 2012 effective date but did not and those turning 65 after July 1, 2012 who do not enroll when they should will be personally responsible to pay any penalty associated with late enrollment.

10. (a) The parties acknowledge that some retired and/or other Class Members (including, but not limited to, third party beneficiaries such as ex-spouses entitled to healthcare coverage because of a family court order/judgment) may not have been notified of the change-over to Medicare or the need to enroll in Medicare on or before March 31, 2012, and/or if notified of the need to enroll in Medicare by March 31, 2012, may have been confused by the Court's issuance of a preliminary injunction on January 30, 2012 and thus, failed to enroll in Medicare by the deadline.

(b) It being the intent of the Parties that no retired and/or other Class Member who did not intentionally fail to timely enroll be left without healthcare coverage, the following process shall apply with respect to such Class Members who did not intentionally fail to timely enroll:

(i) The City shall continue to provide health insurance coverage and benefits to these retired and/or other Class Members under their current Blue Cross plan until June 30,

2013. However, the City shall be allowed to deduct from each such Class Member's retirement check \$99.90 per month (i.e. the cost of Medicare Part B).

(ii) Once these retired and/or other Class Members begin being covered by Medicare on July 1, 2013, they shall be provided the same coverage and benefits given to other retired Class Members. In addition, the City shall pay all penalties associated with their late enrollment into Medicare Part B.

(iii) The City shall notify each of these retired and/or other Class Members by certified mail, return receipt requested of their continued coverage as set forth above; the need to timely enroll in Medicare during the first quarter of 2013 so that they will be covered by Medicare on July 1, 2013; and the City will pay the cost of all late enrollment fees for each such Class Member once the Class Member begins receiving Medicare benefits on July 1, 2013.

Any disputes involving these retired and/or other Class Members shall be resolved by arbitration process with the Honorable Mark Pfeiffer serving as the single arbitrator.

11. In the event that a receiver is appointed for the City or if the City files any insolvency proceedings, and in either event there is an attempt to change any of the terms of this Consent Judgment, then the Union shall have the option to have this Consent Judgment vacated and then be able to contend that all previous healthcare benefits that were in place on or before June 29, 2011 be available, with full reservation by the City of its rights, claims and defenses in any such case, including, without limitation, the right to reject, impair or otherwise modify any executory or other form of contract under applicable federal or state law; except that the defenses of laches or the statute of limitations shall not be available to the City. The remedy set forth in this paragraph is not intended to be the sole and exclusive remedy of the parties, but shall be in addition to any other remedy that may be available to the parties under law.

12. The City also agrees that in the event that it files any insolvency proceedings, then any plan with respect to the Union's healthcare benefits until there is a formal Plan of Adjustment, shall be governed by this Consent Judgment. In addition, and to the extent allowable by law, this Consent Judgment shall be deemed to be the Plan of Adjustment with respect to the Union's healthcare benefits during any insolvency proceedings.

As to the Pension Ordinance:

13. Except as modified by the terms of this Consent Judgment, the Pension Ordinance shall remain in full force and effect with respect to the City, the Union and its members; provided, however, that if any provision of the Ordinance is contrary to any past, present, or future collective bargaining agreement by and between the City and the Union, the applicable provision of the collective bargaining agreement solely in respect to any pension right or benefit shall prevail unless specifically modified by this Consent Judgment. The City agrees to take no action against the Union and its members that is contrary to the terms hereof. In the event the City does take such action, in such case the Union and its members will be deemed to have suffered irreparable injury.

14. Pursuant to City policy and the collective bargaining agreement by and between the City and the Union, "spouses" shall include same sex domestic partners.

15. COLAs shall be suspended between January 1, 2013 and December 31, 2022.

16. On or before January 31, 2018, a \$1,500 stipend will be paid to all retired Class Members whose pensions are less than \$100,000. Any stipend paid will not be paid from the Retirement Fund and will not increase a retired Class Members' base pension.

17. On or before September 30, 2020, a stipend of up to \$1,500 may be paid to all retired Class Members whose pensions are less than \$100,000. Payment of this stipend is

conditioned upon the achievement of a mutually acceptable agreement for the City to enter into a self-insured or other dental plan and the achievement of savings thereunder. The savings from any such plan shall be cumulative.

18. On January 1, 2023, COLAs will be restored to the retired Class Members at the rate of 3% compounded annually or what the Class Members are entitled to under his/her collective bargaining agreement—whichever is less. The resumption of the calculation and payment of the COLA as of January 1, 2023 shall be irrespective of the funding level of the pension fund.

19. Once restored, COLAs shall not be paid to any retired Class Member whose pension—as a result of the COLA payment—would exceed the lesser of 150% of the State of Rhode Island median household income (as determined by the 2011 American Community Survey of the United States Census Bureau in that year) or the compensation of a then-current bargaining unit employee of the Police Department holding the same rank that the retired Class Members held at the time of his/her retirement. In all events, the cap provided herein shall not be lower than 150% of the state median household income (as defined above) as of 2011.

20. No retired Class Member's annual pension benefit amount, including, if any, COLA, shall exceed the annual base salary in any given applicable year of an active Union member of the same rank at which the Class Member retired. In the event any retired Class Member's annual pension exceeds said active Union member's annual base salary, that retired Class Member's pension amount, including COLA, shall be frozen until it no longer exceeds the active Union member's base salary.

21. The suspension or change in the calculation of the COLA affected by the terms of this Consent Judgment shall not apply to any retired or other Class Members who are the beneficiary of or who are any police officer or firefighter who dies or has died in the line of duty.

22. In FY 12, the City shall fund no less than 80% of the pension's Annual Required Contribution ("ARC"). For the period of 2013-2033, the City will use its best efforts to fully fund the ARC, but in no event shall it be less than 95%. Thereafter, the City shall be required to fund the ARC no less than 95% whenever the pension fund is less than 80% funded as determined by the City's actuary.

23. For the period January 1, 2013 to December 31, 2022, the provisions of City Ordinance Section 17-190(4) which are applicable to Class members shall not, solely with respect to the Union and its members, be amended or rescinded by the City; provided, however, that the City reserves the right to rescind or amend the Ordinance with respect to persons or entities other than the Union or its members.

24. Class Members' "Final Compensation" or "Retirement-Eligible Pay" (as referred to in the collective bargaining agreement by and between the City and the Union), shall mean the average of the highest four (4) years of compensation, including longevity payments and other payments included in Retirement-Eligible Pay pursuant to the collective bargaining agreement by and between the City and the FOP, and excluding overtime and detail pay.

25. Notwithstanding any provision in the Pension Ordinance to the contrary, accidental disability pensions for Class Members shall be awarded at a rate of Sixty Six and Two Thirds Percent (66 $\frac{2}{3}$ %) of each such person's final compensation.

26. The provisions of Section 17-196 of the Pension Ordinance shall apply to Class Members and retirees except that the cap provided therein of One Hundred Fifty Percent (150%)

of the state median household income shall not, in all events, be lower than One Hundred Fifty Percent (150%) of the state median household income as of 2011.

27. In the event that a receiver is appointed for the City or if the City files any insolvency proceedings, and in either event there is an attempt to change any of the terms of this Final Judgment, then the Union shall have the option to have this Final Judgment vacated as it applies to him/her and then be able to contend that all previous pension benefits (including, but not limited to, COLAs) that were in place on or before April 29, 2012 be available with full reservation by the City of its rights, claims and defenses in any such case, including, without limitation, the right to reject, impair or otherwise modify any executory or other form of contract under applicable state or federal law; except that the defenses of laches or the statute of limitations shall not be available to the City. The remedy set forth in this paragraph is not intended to be the sole and exclusive remedy of the Class Members, but shall be in addition to any other remedy that may be available to the Class Members under law.

28. The City also agrees that in the event that it files any insolvency proceedings, then any plan with respect to the Union's pension benefits until there is a formal Plan of Adjustment, shall be governed by this Consent Judgment. In addition, and to the extent permitted by law, this Consent Judgment shall be deemed to be the Plan of Adjustment with respect to the Union's pension benefits during any insolvency proceedings.

29. The severance payments to the thirteen (13) police officers who were induced to take early retirement in 2011-2012 shall be accelerated such that payments due to them on July 1, 2013, shall be paid on or before thirty (30) days after entry of this Consent Judgment by the Court.

30. The City shall raise the charge for police details by \$2.00 per hour, per officer, with \$1.50 thereof going to the officer and \$.50 cents to the City. This increased Detail Rate shall be incorporated into the collective bargaining agreement by and between the City and the Union.

31. Subject to any limitations imposed by applicable law, the parties agree that the terms of the collective bargaining agreement by and between the City and the Union shall be extended for the period of July 1, 2016 to June 30, 2017 with a re-opener for salaries (may be subject to a floor and ceiling).

32. In the event of a breach of this Consent Judgment, any disputes between the City and the Union shall be resolved by binding arbitration pursuant to the arbitration provisions of the collective bargaining agreement by and between the City and the Union. The Parties shall expedite any such arbitration proceedings, reserving the right to apply to this Court for injunctive or other similar relief.

33. The terms and conditions of this Consent Judgment shall be incorporated by reference into the prevailing collective bargaining agreement and shall be approved by the City Council.

34. This Consent Judgment is contingent on the ratification of the 2016-2017 cba, the modification of the 2013-2016 cba, the modification of the 2010-2013 cba, and adoption of the ordinance attached in Exhibit C.

35. This Consent Judgment is contingent upon no less than Fifty-One Percent (51%) of the Fire and Police retirees remaining in the class action and accepting the settlement embodied in the Final Judgment as entered in The Providence Retired Police and Firefighter's Association Inc., et al. v. The City of Providence, et al., C.A. No. 11-5853, and The Providence

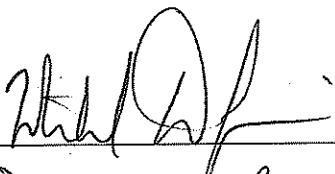
Retired Police and Firefighter's Association, Inc., et al. v. The City of Providence, et al., C.A.

No. 12-3590. In the event that the number of Fire and Police retirees opting out of the aforesaid class action and settlement exceeds Fifty-One Percent, then in such event, the Union shall have the option, exercisable within sixty (60) days of entry of Final Judgment in the aforesaid class actions to waive this contingency and accept the settlement embodied herein.

36. In the event the City settles a lawsuit with any Fire or Police retiree who opts out of the aforesaid class actions and settlement, on terms that are materially better than the settlement effectuated hereby, then in such event the settlement embodied herein will be void from and after the date of any such settlement with any such Fire or Police retiree.

Dated: December 11, 2012

THE CITY OF PROVIDENCE

By: 
Its: DIRECTOR OF ADMINISTRATION
Date: 12/11/12

_____, Judge

**THE PROVIDENCE LODGE NO. 3,
FRATERNAL ORDER OF POLICE**

By: _____
Its: _____
Date: _____

Retired Police and Firefighter's Association, Inc., et al. v. The City of Providence, et al., C.A. No. 12-3590. In the event that the number of Fire and Police retirees opting out of the aforesaid class action and settlement exceeds Fifty-One Percent, then in such event, the Union shall have the option, exercisable within sixty (60) days of entry of Final Judgment in the aforesaid class actions to waive this contingency and accept the settlement embodied herein.

36. In the event the City settles a lawsuit with any Fire or Police retiree who opts out of the aforesaid class actions and settlement, on terms that are materially better than the settlement effectuated hereby, then in such event the settlement embodied herein will be void from and after the date of any such settlement with any such Fire or Police retiree.

Dated: December 11, 2012

THE CITY OF PROVIDENCE

By: [Signature]
Its: DIRECTOR OF ADMINISTRATION
Date: 12/11/12


_____, Judge

THE PROVIDENCE LODGE NO. 3,
FRATERNAL ORDER OF POLICE

By: [Signature]
Its: President FOP 3
Date: 12/11/12

**THE CITY OF PROVIDENCE, by and
through its Treasurer, JAMES J.
LOMBARDI**

By its Attorneys,



William M. Dolan III (#4524)
BROWN RUDNICK LLP
10 Memorial Boulevard, 10th Floor
Providence, RI 02903
(401) 276-2600
(401) 276-2601 Fax

Date: December 11, 2002

**THE PROVIDENCE LODGE NO, 3,
FRATERNAL ORDER OF POLICE**

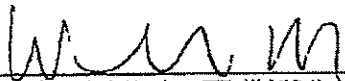
By its Attorneys,

Joseph J. Rodio, Sr., Esq.
David R. Ursillo, Sr., Esq.
RODIO & URSILLO, LTD.
86 Weybosset Street, Suite 400
Providence, RI 02903
(401) 331-6400
(401) 331-0436

Date: _____

THE CITY OF PROVIDENCE, by and
through its Treasurer, JAMES J.
LOMBARDI

By its Attorneys,




William M. Dolan III (#4524)
BROWN RUDNICK LLP
10 Memorial Boulevard, 10th Floor
Providence, RI 02903
(401) 276-2600
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Date: December 11, 2012

THE PROVIDENCE LODGE NO, 3,
FRATERNAL ORDER OF POLICE

By its Attorneys,



Joseph J. Rodio, Sr., Esq.
David R. Ursillo, Sr., Esq.
RODIO & URSILLO, LTD.
86 Weybosset Street, Suite 400
Providence, RI 02903
(401) 331-6400
(401) 331-0436

Date: December 11, 2012

STATE OF RHODE ISLAND
PROVIDENCE, SC.

SUPERIOR COURT

THE CITY OF PROVIDENCE,

Plaintiff

vs.

LOCAL 799 OF THE IAFF, AFL-CIO,

Defendant

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C.A. No. _____

CONSENT JUDGMENT

RECITALS

A. This action was commenced by the City of Providence (the “City”) against Local 799 of the International Association of Firefighters, AFL-CIO (the “Union;” together with the City, the “Parties”) to confirm the validity of two ordinances passed by the City. The first ordinance at issue, Ordinance 2011-32, No. 422, requires all retired employees of the City who are age 65 or older to enroll in Medicare upon eligibility (the “Medicare Ordinance”). The second ordinance at issue, 2012-20, No. 276, provides, *inter alia*, for the suspension of all cost-of-living adjustments (“COLAs”) on all pensions until the retirement pension system reaches a funding level of 70%, and places a cap on the amount of annual pensions (the “Pension Ordinance”).

B. In its complaint, the City seeks a declaratory judgment confirming that the Medicare Ordinance and the Pension Ordinance are constitutional under the United States and Rhode Island constitutions, and enforceable, notwithstanding any of the City’s obligations created under other ordinances, interest arbitration awards, collective bargaining agreements,

settlement agreements, consent judgments or court judgments.

C. On May 14, 2012, prior to the filing of the complaint in this matter but in conjunction with another matter pending before the Court (*The Providence Retired Police and Firefighters' Association, Inc., et al v. City of Providence*, C.A. No. 11-5853), the Court directed the parties of that action to mediation in an effort to settle.

D. In view of the substantial similarity of issues between the action in mediation and the anticipated issues and the likelihood of litigation between the Parties in this action, the Union joined in the mediation. During the mediation sessions, the parties agreed to settle their expected claims regarding the Medicare Ordinance and the Pension Ordinance and to enter into this Consent Judgment.

It is hereby:

ORDERED, ADJUDGED AND DECREED as follows:

As to the Medicare Ordinance:

1. For purposes of this Consent Judgment, the term "Class Members" shall mean all current and future Members of the Union and their eligible spouses. All such Class Members are bound by the terms of the Final and Consent Judgment entered simultaneously herewith in *The Providence Retired Police and Firefighters' Association, Inc., et al., v. The City of Providence, et al.*, C.A. No. 11-5853, and *The Providence Retired Police and Firefighters' Association, Inc., et al., v. The City of Providence, et al.*, C. A. No. 12-3590.

2. Except as modified by the terms of this Consent Judgment, the Medicare Ordinance shall remain in full force and effect with respect to the City, the Union and its members; provided, however, that if any provision of the Ordinance is contrary to any past, present or future collective bargaining agreement by and between the City and the Union, the

provision of the collective bargaining agreement solely in respect to any healthcare right or benefit shall prevail unless specifically modified by this Consent Judgment.

3. Retired Class Members turning Medicare eligible shall enroll in Medicare during their initial enrollment period (three months prior to their birth month and 3 months after their birth month). If the member has not enrolled during their initial enrollment period, then they need to enroll in the 2013 general enrollment period (January 1, 2012 to March 31, 2013).

4. Any retired Class Member not eligible to enroll in Medicare shall continue to receive fully paid healthcare benefits as they then presently exist with the full cost of said healthcare benefits being paid for by the City as such costs are currently paid for by the City. Any such retired Class Member shall provide to the City's Benefits Department a copy of the official denial letter.

5. Whether a retired Class Member is eligible to enroll in Medicare shall be determined by whether that individual qualifies under Medicare Part A without paying a premium and is above sixty-five (65) years of age.

6. Pursuant to current City policy and the collective bargaining agreement by and between the City and the Union, "spouses" shall include same sex domestic partners.

7. Retired Class Members who have enrolled in Medicare shall be responsible to pay the monthly premium for Part B.

8. The City shall be responsible to pay for the following in connection with Medicare benefits for the retired Class Members:

(a) Penalties associated with the late enrollment fees for Part B for those Class Members who enrolled in Medicare during the 2012 general enrollment period.

(b) The plan as summarized in Exhibit A hereto to supplement Medicare Parts A and B which will be equivalent to the current Blue Cross coverage. In the alternative, the City may create a self-insured plan to supplement Medicare Parts A and B which will be equivalent to the current Blue Cross coverage.

(c) The City is responsible for the payment of the premium for Blue Medicare Rx (PDP). The plan for Medicare Rx (PDP) is attached hereto as Exhibit B which includes the Summary of Benefits and the Evidence of Coverage.

9. Any retired Class Members who should have enrolled for the July 1, 2012 effective date but did not and those turning Medicare eligible after July 1, 2012 who do not enroll when they should will be personally responsible to pay any penalty associated with late enrollment.

10. (a) The parties acknowledge that some retired and/or other Class Members (including, but not limited to, third party beneficiaries such as ex-spouses entitled to healthcare coverage because of a family court order/judgment) may not have been notified of the changeover to Medicare or the need to enroll in Medicare on or before March 31, 2012, and/or if notified of the need to enroll in Medicare by March 31, 2012, may have been confused by the Court's issuance of a preliminary injunction on January 30, 2012 and thus, failed to enroll in Medicare by the deadline.

(b) It being the intent of the Parties that no retired and/or other Class Member who did not intentionally fail to timely enroll be left without healthcare coverage, the following process shall apply with respect to Class Members who did not intentionally fail to timely enroll:

(i) The City shall continue to provide health insurance coverage and benefits to these retired and/or other Class Members under their current Blue Cross plan until

June 30, 2013. However, the City shall be allowed to deduct from each such Class Member's retirement check \$99.90 per month (i.e. the cost of Medicare Part B).

(ii) Once these retired and/or other Class Members begin being covered by Medicare on July 1, 2013, they shall be provided the same coverage and benefits given to other Class Members. In addition, the City shall pay all penalties associated with their late enrollment into Medicare Part B.

(iii) The City shall notify each of these retired and/or other Class Members by certified mail, return receipt requested of their continued coverage as set forth above; the need to timely enroll in Medicare during the first quarter of 2013 so that they will be covered by Medicare on July 1, 2013; and that the City will pay the cost of all late enrollment fees for each such Class Member once the Class Member begins receiving Medicare benefits on July 1, 2013.

Any disputes involving these retired and/or other Class Members shall be resolved by arbitration process with the Honorable Mark Pfeiffer serving as the single arbitrator in accordance with the arbitration procedures set forth in the current collective bargaining agreement between the City and the Union.

11. In the event that a receiver is appointed for the City or if the City files any insolvency proceedings, and in either event there is an attempt to change any of the terms of this Consent Judgment, then the Union shall have the option to have this Consent Judgment vacated and then be able to contend that all previous healthcare benefits that were in place on or before June 29, 2011 be available, with full reservation by the City of its rights, claims and defenses in any such case, including, without limitation, the right to reject, impair or otherwise modify any executory or other form of contract under applicable federal or state law; except that the defenses

of laches or the statute of limitations shall not be available to the City. The remedy set forth in this paragraph is not intended to be the sole and exclusive remedy of the Parties, but shall be in addition to any other remedy that may be available to the Parties under law.

12. The City also agrees that in the event that it files any insolvency proceedings, then any plan with respect to the Union's healthcare benefits until there is a formal Plan of Adjustment, shall be governed by this Consent Judgment. In addition, and to the extent allowable by law, this Consent Judgment shall be deemed to be the Plan of Adjustment with respect to the Union's healthcare benefits during any insolvency proceedings.

As to the Pension Ordinance:

13. Except as modified by the terms of this Consent Judgment, the Pension Ordinance shall remain in full force and effect with respect to the City, the Union and its members; provided, however, that if any provision of the Ordinance is contrary to any past, present or future collective bargaining agreement, the provision of the collective bargaining agreement by and between the City and the Union solely in respect to any pension right or benefit shall prevail unless specifically modified by this Consent Judgment. The City agrees to take no action against the Union and its members that is contrary to the terms hereof. In the event the City does take such action, in such case the Union and its members will be deemed to have suffered irreparable injury.

14. Pursuant to City policy and the collective bargaining agreement by and between the City and the Union, "spouses" shall include same sex domestic partners.

15. COLAs shall be suspended between January 1, 2013 and December 31, 2022.

16. On or before January 31, 2018, a \$1,500 stipend will be paid to all retired Class Members whose pensions are less than \$100,000. Any stipend paid will not be paid from the Retirement Fund and will not increase a Class Member's base pension.

17. On or before September 30, 2020, a stipend of up to \$1,500 may be paid to all retired Class Members whose pensions are less than \$100,000. Payment of this stipend is conditioned upon the achievement of a mutually acceptable agreement for the City to enter into a self-insured or other dental plan and the achievement of savings thereunder. The savings from any such plan shall be cumulative.

18. On January 1, 2023, COLAs will be restored to the retired Class Members at the rate of 3% compounded annually or what the retired Class Members is entitled to under his/her collective bargaining agreement-whichever is less. The resumption of the calculation and payment of the COLA as of January 1, 2023 shall be irrespective of the funding level of the pension fund.

19. Once restored, COLAs shall not be paid to any retired Class Member whose pension-as a result of the COLA payment-would exceed the lesser of 150% of the State of Rhode Island median household income (as determined by the American Community Survey of the United States Census Bureau in that year) or the compensation including longevity (defined as that person's base salary excluding overtime or payments for temporary or extra duty beyond the normal or regular work day) of a then current bargaining unit employee of the Providence Fire Department holding the same rank that the retired Class Members held at the time of his/her retirement. In all events, the cap provided herein shall not be lower than 150% of the state median household income (as defined above) as of 2011.

20. No retired Class Member's annual pension benefit amount, including, if any, COLA, shall exceed the annual base salary (including longevity) in any given year of an active Union member of the same rank at which the Class Member retired. In the event any retired Class Member's annual pension exceeds said active Union member's annual base salary, that retired Class Member's pension amount, including COLA, shall be frozen until it no longer exceeds the active Union member's base salary.

21. The suspension or change in the calculation of the COLA affected by the terms of this Consent Judgment shall not apply to any retired and/or other Class Members who are the beneficiary of, or who are any police officer or firefighter that dies or has died in the line of duty.

22. In FY 12, the City shall fund no less than 80% of the pension's Annual Required Contribution ("ARC"). For the period of 2013-2033, the City will use its best efforts to fully fund the ARC, but in no event shall it be less than 95%. Thereafter, the City shall be required to fund the ARC no less than 95% whenever the pension fund is less than 80% funded as determined by the City's actuary.

23. At the end of the 10-year suspension of the COLAs, the Union may enter into negotiations with the City which may, at its sole option and discretion, agree to adjust the base of the retired Class Members' pensions depending on the financial stability of the pension plan for Class B retirees.

24. Notwithstanding any provision in the Pension Ordinance to the contrary, disability pensions for retired Class Members shall be awarded at a rate of Sixty Six and Two Thirds Percent ($66\frac{2}{3}\%$) of each such person's final compensation.

25. The provisions of Section 17-196 of the Pension Ordinance shall apply to Class Members and retirees except that the cap provided therein of One Hundred Fifty Percent (150%)

of the state median household income shall not, in all events, be lower than One Hundred Fifty Percent (150%) of the state median household income (as defined above) as of 2011.

26. In the event that a receiver is appointed for the City or if the City files any insolvency proceedings, and in either event there is an attempt to change any of the terms of this Consent Judgment, then the Union shall have the option to have this Consent Judgment vacated and then be able to contend that all previous pension benefits (including, but not limited to, COLAs) that were in place on or before April 29, 2012 be available with full reservation by the City of its rights, claims and defenses in any such case, including, without limitation, the right to reject, impair or otherwise modify any executing or other form of contract under applicable state or federal law; except that the defenses of laches or the statute of limitations shall not be available to the City. The remedy set forth in this paragraph is not intended to be the sole and exclusive remedy of the Union, but shall be in addition to any other remedy that may be available to the Union under law.

27. The City also agrees that in the event that it files any insolvency proceedings, then any plan with respect to the Union's pension benefits until there is a formal Plan of Adjustment, shall be governed by this Consent Judgment. In addition, and to the extent permitted by law, this Consent Judgment shall be deemed to be the Plan of Adjustment with respect to the Union's benefits during any insolvency proceedings.

28. Subject to any limitations imposed by applicable law, the parties agree that the terms of the collective bargaining agreement by and between the City and the Union shall be extended for the period of July 1, 2016 to June 30, 2017 with a re-opener for salaries (may be subject to a floor and ceiling) and healthcare co-share payments subject to an agreement on a floor and a ceiling.

29. In the event of a breach of this Consent Judgment, any disputes between the City and the Union shall be resolved by binding arbitration pursuant to the arbitration provisions of the collective bargaining agreement by and between the City and the Union. The Parties shall expedite any such arbitration proceedings, reserving the right to apply to this Court for injunctive or other similar relief.

30. The terms and conditions of this Consent Judgment shall be incorporated by reference into the prevailing collective bargaining agreement and shall be approved by the City Council.

31. This consent decree is contingent on the ratification of the 2016-2017 collective bargaining agreement by and between the City and the Union, the modification of the 2011-2013 collective bargaining agreement by and between the City and the Union, the modification of the 2013-2016 collective bargaining agreement by and between the City and the Union, and the adoption of the ordinances attached in Exhibit C.

32. This Consent Judgment is contingent upon no less than Fifty-One Percent (51%) of the Fire and Police retirees remaining in the class action and accepting the settlement embodied in the Final Judgment as entered in The Providence Retired Police and Firefighter's Association Inc., et al. v. The City of Providence, et al., C.A. No. 11-5853, and The Providence Retired Police and Firefighter's Association, Inc., et al. v. The City of Providence, et al., C.A. No. 12-3590. In the event that the number of Fire and Police retirees opting out of the aforesaid class action and settlement exceeds Fifty-One Percent, then in such event, the Union shall have the option, exercisable within sixty (60) days of entry of Final and Consent Judgment in the aforesaid class actions to waive this contingency and accept the settlement embodied herein.

33. In the event the City settles a lawsuit with any Fire or Police retiree who opts out

of the aforesaid class actions and settlement, on terms that are materially better than the settlement effectuated hereby, then in such event the settlement embodied herein will be void from and after the date of any such settlement with any such Fire or Police retiree.

_____, Judge

Date: December 21, 2012

THE CITY OF PROVIDENCE

By: [Signature]

Its: DIRECTOR OF ADMINISTRATION

Date: 12/21/12

LOCAL 799 OF THE INTERNATIONAL ASSOCIATION OF FIREFIGHTERS, AFL-CIO

By: [Signature]

Its: President

Date: 21 Dec 12

THE CITY OF PROVIDENCE, by and through its Treasurer, JAMES J. LOMBARDI

By its Attorneys,

William M. Dolan III (#4524)
BROWN RUDNICK LLP
10 Memorial Boulevard, 10th Floor
Providence, RI 02903
(401) 276-2600
(401) 276-2601 Fax

Date: _____

LOCAL 799 OF THE INTERNATIONAL ASSOCIATION OF FIREFIGHTERS, AFL-CIO

By its Attorneys,

Edward C. Roy, Jr. (#____)
1130 Ten Rod Road, A-103
North Kingstown, RI 02852
(401) 667-7878
(401) 667-7112 Fax

Date: _____

THE PROVIDENCE RETIRED POLICE AND
FIREFIGHTER ASSOCIATION, INC., et al.,

Plaintiffs,

v.

THE CITY OF PROVIDENCE, by and through its
Treasurer, JAMES J. LOMBARDI,

Defendant.

C.A. No. 11-5853

Consolidated

THE PROVIDENCE RETIRED POLICE AND
FIREFIGHTER ASSOCIATION, INC.,

Plaintiff,

v.

THE CITY OF PROVIDENCE, by and through its
Treasurer, JAMES J. LOMBARDI,

Defendant.

C.A. No. 12-3590

FINAL AND CONSENT JUDGMENT

This matter came before the Court for hearing on _____, 2013 for entry of this Final and Consent Judgment. In connection therewith, the Court makes the following findings of fact:

A. On or about October 11, 2012, The Providence Retired Police and Firefighters' Association, Inc. ("Association"), on behalf of retirees of the City (the "Retirees"), commenced a lawsuit against the City of Providence (the "City") (C.A. No. 11-5853).

B. In their complaint in C.A. No. 11-5853, as amended, the Plaintiffs sought declaratory judgment, injunctive relief and damages.

C. More specifically, the Plaintiffs in C.A. No. 11-5853 alleged that the State of Rhode Island's enactment of R.I.G.L. §28-4-1 (the "Statute") and the City's subsequent enactment of Chapter 2011-32 Ordinance No. 422 (the "Medicare Ordinance") resulted in the unilateral change of healthcare benefits for the Retirees notwithstanding the City's obligations

created under any other statute, ordinance, interest arbitration award or collective bargaining agreement to the contrary.

D. In response, the City alleged that the Statute and the Medicare Ordinance were a valid exercise of the police power of the State of Rhode Island and of the City and comported with the requirements of the State of Rhode Island and United States Constitutions.

E. On January 30, 2012, the Plaintiffs' request for a preliminary injunction in C.A. No. 11-5853 was granted and the matter was scheduled for trial on May 21, 2012.

F. On or about April 30, 2012, the Providence City Council passed and the Mayor signed into law, Chapter 2012-20 Ordinance No. 276 (the "Pension Ordinance") amending Article VI, Section 17 of the Providence Code of Ordinances dealing with its retirement system (the "Retirement Ordinances"). Among other things, the Pension Ordinance suspends certain cost-of-living adjustments and places caps on the amount of pensions payable to Retirees.

G. On May 14, 2012, the Court entered an order directing the parties in C.A. No. 11-5853 to mediate the issues and further directed that representatives of Local 799 of the IAFF, AFL-CIO, representing the active city firefighters (the "Fire Union"), and of the Providence Fraternal Order of Police Lodge No. 3, representing active city police (the "Police Union"), attend the mediation.

H. On or about May 24, 2012, this Court certified C.A. No. 11-5853 as a class action pursuant to Superior Court Rule of Civil Procedure 23 with respect to the following sub-classes of plaintiffs: City police retirees living in the State of Rhode Island; City firefighter retirees living in the State of Rhode Island; widows/widowers of City police retirees living in the State of Rhode Island; widows/widowers of City firefighter retirees living in the State of Rhode Island; City police retirees living outside the State of Rhode Island; City firefighter retirees living outside the State of Rhode Island; widows/widowers of City police retirees living outside the State of Rhode Island; and widows/widowers of City firefighter retirees living outside the State of Rhode Island (the "Medicare Class").

I. Mediation sessions were held on May 17, 22 and 25, 2012 with the Honorable Mark A. Pfeiffer (Ret.) serving as the mediator. Additional mediation sessions were held between the City and the Fire Union and the City and the Police Union on various dates between June 1, 2012 and October 9, 2012.

J. As a result of the May 2012 mediation sessions, the City, the Association, the Fire Union and the Police Union entered into Memoranda of Understanding settling in principal all of their issues, claims and defenses, with respect to both the Medicare Ordinance and the Pension Ordinance as embodied in this Final and Consent Judgment.

K. In connection with and in order to effectuate the aforesaid settlements, on or about July 12, 2012, a second lawsuit styled *The Providence Retired Police and Firefighter Association, Inc., v. The City of Providence, by and through its Treasurer, James J. Lombardi*, C.A. No. 12- 3590, was commenced by the Plaintiffs therein against the City with respect to the

Pension Ordinance. On September 28, 2012, the Court entered an order certifying C.A. No. 12-3590, as a class action pursuant to Superior Court Rule of Civil Procedure 23 with the following sub-classes of plaintiffs comprising of all persons or entities who on January 1, 2013 are:

- (i) retired from employment with the Providence Police Department and are entitled to a city-paid pension with mandatory cost of living adjustments (“COLA” or “COLAs”) for the remainder of his/her life under a collective bargaining agreement (“CBA”), ordinance, judgment, court decision, consent judgment, arbitration award, or settlement agreement as a result of that employment;
- (ii) retired from employment with the Providence Fire Department and are entitled to a city-paid pension with mandatory COLAs for the remainder of his/her life under a CBA, ordinance, judgment, court decision, consent judgment, arbitration award, or settlement agreement as a result of that employment;
- (iii) were married to a person who retired from the Providence Police Department and is entitled to a city-paid pension with mandatory COLAs for the remainder of his/her life under a CBA, ordinance, judgment, court decision, consent judgment, arbitration award, or settlement agreement as a result of that marriage; or
- (iv) were married to a person who retired from the Providence Fire Department and is entitled to a city-paid pension with mandatory COLAs for the remainder of his/her life under a CBA, ordinance, judgment, court decision, consent judgment, arbitration award, or settlement agreement as a result of that marriage.

All such putative members, being referred to as the “Pension Class” (the “Medicare Class” and the Pension Class shall hereinafter be collectively referred to as the “Class” and the members thereof as the “Class Members”).

L. As a condition precedent to the settlement, on or about June 26, 2012, the members of the Association voted to approve the settlement embodied in this Final and Consent Judgment.

M. As a condition precedent to the settlement, on or about January 2, 2013, the Fire Union voted to approve the settlement.

N. As a condition precedent to the settlement, on or about December 13, 2012, the Police Union voted to approve the settlement.

O. In connection with and in order to effectuate the aforesaid settlements, by order dated January 8, 2013, these class actions were consolidated.

P. By Order dated January 25, 2013 (the “Order of Notice”), the Court approved and directed two forms of notice to the Class Members, the first consisting of a Notice of Class Action Lawsuits and Proposed Settlements of Claims and of Hearing Thereon (the “First

Notice”), and the second consisting of a Notice of Approved Settlement, Deadline For Exclusion From Class, and Hearing on Entry of Final and Consent Judgment (the “Second Notice”).

Q. Based upon an Affidavit of Compliance of William M. Dolan III filed prior hereto, the First Notice was timely mailed to the Class Members on January 29, 2013 and published on February 5, 2013 in accordance with the terms of the Order of Notice.

R. The Court held a hearing (the “Fairness Hearing”) to consider the settlement embodied in this Final and Consent Judgment (the “Settlement”) and any objections thereto and, for the reasons stated on the record at the hearing, the Court overruled any objections and found the Settlement fair and reasonable.

S. Based upon an Affidavit of Compliance of William M. Dolan III filed prior hereto, the Second Notice was timely mailed to the Class Members on March 12, 2013 in accordance with the terms of the Order of Notice.

T. As evidenced by an Affidavit of William M. Dolan III filed simultaneously herewith, certain Class Members have timely opted-out and excluded themselves from the Class as hereinafter identified.

Accordingly, it is thereby:

ORDERED, ADJUDGED AND DECREED as follows:

General Provisions Applicable to Medicare Ordinance and Pension Ordinance Settlements

1. The Court has jurisdiction over the subject matter of these Class Actions and over all parties, including all Class Members. The Court is a proper and convenient venue for the consideration, approval, and administration of the Settlement.

2. The findings and decrees contained in the previous Orders of the Superior Court in these consolidated cases certifying the Class, are incorporated herein by reference as if fully set forth.

3. The First Notice and the Second Notice were disseminated and published in accordance with the Order of Notice. The notice given thereby was the best notice to the Class practicable under the circumstances, and provided due and adequate notice of the terms of the Settlement, the hearings thereon and the terms and conditions of this Final and Consent Judgment, and all other matters set forth herein to all persons entitled to notice, and satisfied the requirements of Rule 23 of the Superior Court Rules of Civil Procedure and the requirements of due process.

4. A full opportunity having been offered to Class Members to participate in the Fairness Hearing, it is hereby determined that all Class Members, other than those persons and entities who have opted-out of and requested exclusion from the Class in accordance with the terms of the Notice (as set forth in Exhibit A), are bound by this Final and Consent Judgment.

Persons who opt-out of, and are thereby excluded from, the Settlement are bound by the Medicare Ordinance and the Pension Ordinance, subject to their right to challenge the Medicare Ordinance and the Pension Ordinance.

5. The Court grants final approval of the Settlement set forth herein and, as the Court ruled at the Fairness Hearing, finds and determines that the Settlement is fair, adequate and reasonable in all respects to the City and Class Members, and hereby orders the parties to consummate the Settlement in accordance with the terms of this Final and Consent Judgment.

6. Upon the entry of this Final and Consent Judgment, without any further action by anyone, each of the Class Members who has not duly requested exclusion from the Class, for good and sufficient consideration, by operation of this Final and Consent Judgment, shall be deemed to have released and forever discharged all of the claims against the City in respect to the Medicare Ordinance and Sections 17-194 and 17-196 of the Pension Ordinance.

7. Upon entry of this Final and Consent Judgment, the Class Members who have not timely requested exclusion from the Class, by operation of this Final and Consent Judgment, shall be severally and permanently barred and enjoined from instituting, maintaining, prosecuting or enforcing against the City any of the claims settled hereby, in respect to the Medicare Ordinance and Sections 17-194 and 17-196 of the Pension Ordinance, except for enforcement of this Final and Consent Judgment. Further, in no event shall any such Class Member materially, financially or otherwise assist any person in the commencement or maintenance of any lawsuit against the City to challenge Sections 17-194 and 17-196 of the Pension Ordinance.

8. The Persons listed on Exhibit A hereto have properly excluded themselves from the Class. All persons listed on Exhibit A are not bound by this Final and Consent Judgment, and they shall not share in the benefits of the settlement effected hereby as Class Members.

9. None of the terms in this Final and Consent Judgment, nor any of the negotiations or proceedings connected with it, nor any of the documents or statements referred to therein shall be: (a) offered or received against the City as evidence of or construed as or deemed to be evidence of any presumption, concession, or admission by the City with respect to the truth of any fact alleged by the Plaintiffs or the validity of any claim that had been or could have been asserted in the Class Actions or in any litigation, or of any liability, negligence, fault, or wrongdoing of the City; (b) be offered or received against the City as evidence of a presumption, concession or admission of any fault, misrepresentation or omission with respect to any statement or written document approved or made by the City or against the Plaintiffs or any member of the Class as evidence of any infirmity in the claims of the Plaintiffs or any member of the Class; (c) be offered or received against the City or against the Plaintiffs or any member of the Class as evidence of a presumption, concession or admission with respect to any liability, negligence, fault or wrongdoing, or in any way referred to for any other reason as against any of the parties hereto, in any other civil, criminal or administrative action or proceedings; (d) be construed against the City, the Plaintiffs or any member of the Class as an admission or concession that the consideration to be given hereunder represents the amount that could be or would have been recovered after trial; or (e) be construed as, or received in evidence as, an

admission, concession or presumption against the Plaintiffs or any member of the Class or any of them that any of their claims are without merit or that relief sought under the Complaint would not have exceeded the value of the Settlement effectuated hereby.

10. The Court retains jurisdiction over the Plaintiffs, the Class and the City for all matters relating to the Class Actions, including the administration, interpretation, effectuation or enforcement of the Settlement and the Final and Consent Judgment.

Specific Provisions Pertaining to the Medicare Ordinance

11. Except as modified by the terms of this Final and Consent Judgment, the Medicare Ordinance shall remain in full force and effect. Persons who opt-out of and are thereby excluded from the Settlement embodied herein shall remain bound by the Medicare Ordinance subject to their right to challenge the Medicare Ordinance.

12. Class Members turning age 65 shall enroll in Medicare during their initial enrollment period (three months prior to their birth month and 3 months after their birth month). If the Class Member has not enrolled during their initial enrollment period, then they shall enroll in the 2013 general enrollment period (January 1, 2012 to March 31, 2013).

13. Any Class Member not eligible to enroll in Medicare shall continue to receive fully paid healthcare benefits as they presently exist with the full cost of said healthcare benefits being paid for by the City as such costs are currently paid for by the City with any current co-pays remaining extant. Any such Class Member shall provide to the City's Benefits Department a copy of the official denial letter. Any person who has opted-out of the Class Actions and Settlement shall continue to receive healthcare benefits as they presently exist until said person becomes Medicare eligible at age 65 at which time he/she would be bound by the Medicare Ordinance subject to their right to challenge the Medicare Ordinance. This provision shall not prohibit the City from effecting changes to the healthcare benefits of the retirees who opt-out of the Class and Settlement and who are not Medicare eligible, subject to such retiree's right to challenge any such changes.

14. Whether a Class Member is eligible to enroll in Medicare shall be determined by whether that individual qualifies under Medicare Part A without paying a premium and is at least sixty-five (65) years of age.

15. Pursuant to current City policy, "spouses" shall include same sex domestic partners.

16. Class Members who have enrolled in Medicare shall be responsible to pay the monthly premium for Medicare Part B.

17. The City shall be responsible to pay for the following in connection with Medicare benefits for the Class Members:

(a) Penalties associated with the late enrollment fees for Part B for those Class Members who enrolled in Medicare during the 2012 general enrollment period.

(b) A plan as summarized in Exhibit B hereto to supplement Medicare Parts A and B, the terms of which have been agreed to by the parties, and which will be equivalent to the Blue Cross coverage in effect on June 29, 2011. A summary of the terms is attached hereto as Exhibit B.

(c) The City is responsible for the payment of the premium for Blue Medicare Rx (PDP) with a \$10/\$20 co-payment. A summary of benefits is attached as Exhibit C. This plan covers anyone living in the United States. There is no donut hole under this plan. Where a particular drug was previously covered under Caremark (the "original drug"), but is not covered under this plan, then the following process shall take place: (a) The retiree shall first try an alternative medically equivalent drug; (b) if thereafter the retiree's physician deems the original drug medically necessary, then the City shall be required to pay the cost of the original drug.

18. Except as provided in paragraph 19, Class Members: (a) who should have enrolled for the July 1, 2012 effective date but did not, and (b) those turning 65 after July 1, 2012 who do not enroll when they should, will be personally responsible to pay their own penalties.

19. (a) The parties acknowledge that some Class Members (including, but not limited to, third party beneficiaries such as ex-spouses entitled to healthcare coverage because of a family court order/judgment) may not have been notified of the changeover to Medicare or the need to enroll in Medicare on or before March 31, 2012, and/or if notified of the need to enroll in Medicare by March 31, 2012, may have been confused by the Court's issuance of a preliminary injunction on January 30, 2012 and thus, failed to enroll in Medicare by the deadline.

(b) It being the intent of the Parties that no Class Member who did not intentionally fail to timely enroll be left without healthcare coverage, the following process shall apply with respect to Class Members who did not intentionally fail to timely enroll:

(i) The City shall continue to provide health insurance coverage and benefits to these Class Members under their current Blue Cross plan until June 30, 2013. However, the City shall be allowed to deduct from each such Class Member's retirement check \$99.90 per month (i.e. the cost of Medicare Part B).

(ii) Once these Class Members begin being covered by Medicare on July 1, 2013, they shall be provided the same coverage and benefits given to other Class Members. In addition, the City shall pay all penalties associated with their late enrollment into Medicare Part B.

(iii) The City shall notify each of these Class Members by certified mail, return receipt requested of their continued coverage as set forth above; the need to timely enroll in Medicare during the first quarter of 2013 so that they will be covered by Medicare on July 1, 2013; and that the City will pay the cost of all late enrollment fees for each such Class Member once the class member begins receiving Medicare benefits on July 1, 2013.

(c) To the extent that any of the Class Members referenced in this paragraph 19 are still not enrolled in Medicare so as to be eligible to begin receiving Medicare benefits by July 1, 2013, then when any such Class Member eventually enrolls for said benefits, their coverage shall be governed in the following manner:

(i) Once these Class Members begin being covered by Medicare, they shall be provided the same coverage and benefits given to other Class Members.

(ii) In addition, the City shall pay all penalties associated with their late enrollment into Medicare Part B except for that portion of the penalty associated with the late enrollment after July 1, 2013 (“the post-7/1/13 penalty”).

(iii) In order to be reimbursed for the post-7/1/13 penalty, the City shall be entitled to deduct said penalty from the Class Member’s monthly retirement check.

(iv) By way of example, if a Class Member who should have enrolled in Medicare for a July 1, 2012 effective date does not enroll until 2015 (with a July 1, 2015 effective date), then the City shall be responsible for that portion of the penalty imposed up to July 1, 2013. The Class Member shall be responsible for that portion of the penalty imposed from July 1, 2013 to July 1, 2015 (i.e. the post-7/1/13 penalty). Because the City will be paying these penalties pursuant to an agreement with CMS, then the City shall be entitled to deduct from the Class Member’s monthly retirement check the post-7/1/13 penalty.

Any disputes involving the Class Members identified in this paragraph shall be solely and exclusively resolved by binding arbitration process with the Honorable Mark A. Pfeiffer (Ret.) serving as the single arbitrator. The costs and expenses of any such arbitration shall be shared equally by the parties to the arbitration.

20. In the event that a receiver is appointed for the City or if the City files any insolvency proceedings, and in either event there is an attempt to change any of the terms of this Final and Consent Judgment, then any Class Member shall have the option to have this Final and Consent Judgment vacated as it applies to him/her and then be able to contend that all previous healthcare benefits that were in place on or before June 29, 2011 be available to him/her, with full reservation by the City of its rights, claims and defenses in any such case, including, without limitation, the right to reject, impair or otherwise modify any executory or other form of contract under applicable federal or state law; except that the defenses of laches or the statute of limitations shall not be available to the City. The remedy set forth in this paragraph is not intended to be the sole and exclusive remedy of the parties, but shall be in addition to any other remedy that may be available to the parties under law.

21. The City also agrees that in the event that it files any insolvency proceedings, then any plan with respect to the Class Members’ healthcare benefits until there is a formal Plan of Adjustment, shall be governed by this Final and Consent Judgment. In addition, and to the extent allowable by law, this Final and Consent Judgment shall be deemed to be the Plan of Adjustment with respect to Class Members’ benefits during any insolvency proceedings.

Specific Provisions Pertaining to the Pension Ordinance

22. Except as modified by the terms of this Final and Consent Judgment, the Pension Ordinance shall remain in full force and effect. Persons who opt-out of and are thereby excluded from the Settlement embodied herein shall remain bound by the Pension Ordinance, subject to

their right to challenge the Pension Ordinance. Further, notwithstanding the foregoing, any Class Member who has not opted-out of the Class Actions and Settlement may challenge, at a later date, any provision of the Pension Ordinance except for Sections 17-194 and 17-196.

23. Pursuant to current City policy, "spouses" shall include same sex domestic partners.

24. COLAs shall be suspended between January 1, 2013 and December 31, 2022.

25. On or before January 31, 2018, a \$1,500 stipend will be paid to all Class Members whose pensions are less than \$100,000. Any stipend paid will not be paid from the Retirement Fund and will not increase a Class Member's base pension.

26. On or before September 30, 2020, a stipend of up to \$1,500 may be paid to all Class Members whose pensions are less than \$100,000. Payment of this stipend is conditioned upon the achievement of a mutually acceptable agreement for the City to enter into a self-insured or other dental plan and the achievement of savings thereunder. The savings from any such plan shall be cumulative.

27. On January 1, 2023, COLAs will be restored to the Class Members at the rate of 3% compounded annually or what the Class Member is entitled to under his/her collective bargaining agreement or ordinance—whichever is less. The resumption of the calculation and payment of the COLA as of January 1, 2023 shall be irrespective of the funding level of the pension fund. In the event the City restores the COLA to the Fire Union or the Police Union prior to January 1, 2023, the COLA shall be likewise restored to Class Members on the same terms and conditions.

28. Once restored, COLAs shall not be paid to anyone whose pension—as a result of the COLA payment—would exceed the lesser of 150% of the State of Rhode Island median household income (as determined by the American Community Survey of the United States Census Bureau in that year) or the compensation of a current employee holding the same rank that the Class Members held at the time of his/her retirement. In all events, the cap provided herein shall not be lower than 150% of the State Median Household Income (as defined above) as of 2011.

29. The suspension or change in the calculation of the COLA affected by the terms of this Final and Consent Judgment shall not apply to any Class Member who is the beneficiary of any police officer or firefighter who has died in the line of duty.

30. In FY 12, the City shall fund no less than 80% of the pension's Annual Required Contribution ("ARC"). For the period of 2013-2033, the City will use its best efforts to fully fund the ARC, but in no event shall it be less than 95%. Thereafter, the City shall be required to fund the ARC no less than 95% whenever the pension fund is less than 80% funded as determined by the City's actuary.

31. At the end of the 10-year suspension of the COLAs, the Association or another representative group on behalf of the Class Members may enter into negotiations with the City.

The City may, at its sole option and discretion, agree to make an upward adjustment to the base of the Class Members' pensions depending on the financial stability of the pension plan for Class B retirees, to compensate the Class Members for the suspension of the COLA or the rate of inflation.

32. Notwithstanding any provision in the Pension Ordinance to the contrary, disability pensions shall be awarded at a rate of Sixty Six and Two Thirds Percent (66 $\frac{2}{3}$ %) of each such person's final compensation.

33. The provisions of Section 17-196 of the Pension Ordinance shall apply to Class Members except that the cap provided therein of One Hundred Fifty Percent (150%) of the state median household income shall not, in all events, be lower than One Hundred Fifty Percent (150%) of the state median household income (as defined above) as of 2011.

34. In the event that a receiver is appointed for the City or if the City files any insolvency proceedings, and in either event there is an attempt to change any of the terms of this Final and Consent Judgment, then any Class Members shall have the option to have this Final and Consent Judgment vacated as it applies to him/her and then be able to contend that all previous pension benefits (including, but not limited to, COLAs) that were in place on or before April 29, 2012 be available to him/her with full reservation by the City of its rights, claims and defenses in any such case, including, without limitation, the right to reject, impair or otherwise modify any executing or other form of contract under applicable state or federal law; except that the defenses of laches or the statute of limitations shall not be available to the City. The remedy set forth in this paragraph is not intended to be the sole and exclusive remedy of the Class Members, but shall be in addition to any other remedy that may be available to the Class Members under law.

35. The City also agrees that in the event that it files any insolvency proceedings, then any plan with respect to the Class Members' pension benefits until there is a formal Plan of Adjustment, shall be governed by this Final and Consent Judgment. In addition, and to the extent permitted by law, this Final and Consent Judgment shall be deemed to be the Plan of Adjustment with respect to a Class Member's benefits during any insolvency proceedings.

36. In the event the City settles a claim or lawsuit with any Fire or Police retiree who opts-out of the Class on terms that are materially better than the Settlement effectuated hereby, then in such event, at the election of any retiree who did not opt-out of the Class and Settlement, which election shall be made within ninety (90) days of the Settlement with any such retiree who opted-out, the Settlement embodied herein shall be void as to the retiree making the election herein provided.

37. The terms of this Final and Consent Judgment have been approved by the Providence City Council prior to its submission to the Court for entry.

ENTER:

ORDER:

THE PROVIDENCE RETIRED POLICE
AND FIREFIGHTER ASSOCIATION, INC.,
ET AL.,

By their Attorneys,

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