

## HIGHLIGHTS FROM THE WARD 2 LETTER PROVIDENCE

9/26/20

### A Sustainable City Requires a Sustainable Pension System

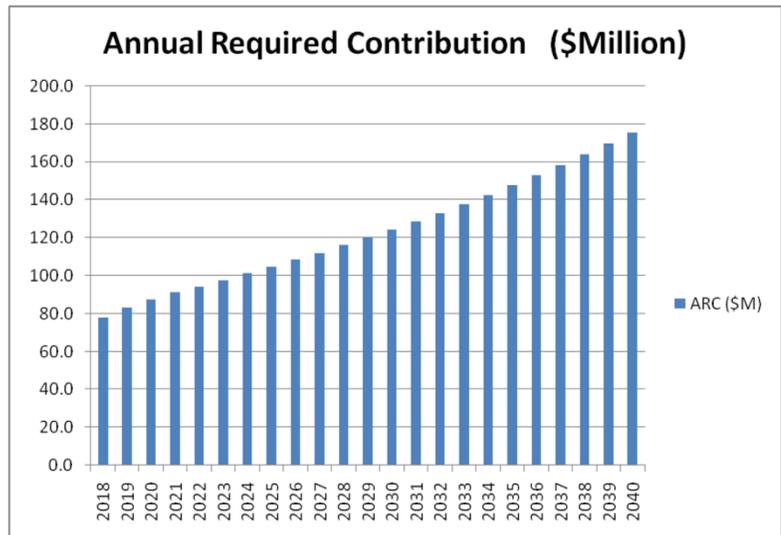
As you may know, I sit on the Council’s Finance Committee. I chose that role because I feel that the fiscal health of our city is the single most important issue we face as a municipality. Critical to that financial health is the status of our city’s pension system.

Some facts:

- Fiscal Year 2020 ended on June 30<sup>th</sup>, and as of that date the pension system is 26.87% funded and the Annual Required Contribution (ARC) is \$86,723,404.
- By 2030, the ARC will be \$123,558,301 and the pension system will be 47.6% funded.
- By 2040, the ARC will be \$174,332,744 and the pension system will be 93.66% funded.

These ARC payments are unsustainable given the city’s current finances. The payments are also preventing needed investments in our infrastructure, schools, housing and quality of life. Without clear action, we face dire choices.

Unfortunately, little has been done since 2012 relative to pension reform. A realistic solution will involve tough decisions and the support of all stakeholders. The goal should be to get the pension out of critical status (to a funding ratio of 60%) over the next ten years. The City Council convened a Pensions Working Group which [released an excellent report in April 2018](#) detailing a number of possible solutions. I am grateful to the council members who served on that committee including the East Side’s Sam Zurier and Nirva LaFortune. I urge you to [read the full report](#) for important context on this issue.



Unfortunately, none of the report’s recommendations have been adopted or acted upon by the City Council. No one solution is going to fix a problem of this magnitude, but we must start implementation of these measures before it’s too late. The recommendations include:

- Increased employee pension contributions,
- Transition to a hybrid pension plan,
- Join the state Municipal Employees’ System of Rhode Island,
- Increased city contributions,
- Monetization of city assets, and
- Reduce assumed rate of return from 8% to 7%.

My fellow Councilman David Salvatore proposed a [Resolution creating a Special Committee for Sustainable Pensions](#) comprised of five council members with a budget of \$25,000 to hire an actuarial consultant. The Resolution was passed by City Council on September 3, 2020. It is my hope that Council President Sabina Matos will convene this Committee as soon as possible. We must discuss this serious matter in a public forum with the support of financial experts.

To receive regular updates from City Councilwoman Helen Anthony, [sign up for the Ward 2 Letter here](#)

