



Historical Context - PFM

Presentation to Providence Pension Task Force

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Overview of Prior Work - PFM

- ◆ In 2015/2016, PFM – through the National Resource Network – created a Strategic & Financial Management Plan for the City. This work included a significant review of retiree benefits and liabilities – including benchmarking Providence to numerous other entities.
- ◆ In 2019, PFM – again, through the National Resource Network – facilitated an internal working group focused on retiree liabilities and opportunities.
- ◆ Collectively, the engagements were used by the City to help guide actions that were under consideration then, and now.
- ◆ The following slides provide a high-level overview of select analyses from these engagements. The slides reflect historical data that were accurate as of the time of project completion (e.g., 2016 and 2019, respectively).
- ◆ As part of this Task Force, PFM is updating similar information with more current data. The updated information will be presented at a subsequent Task Force meeting.

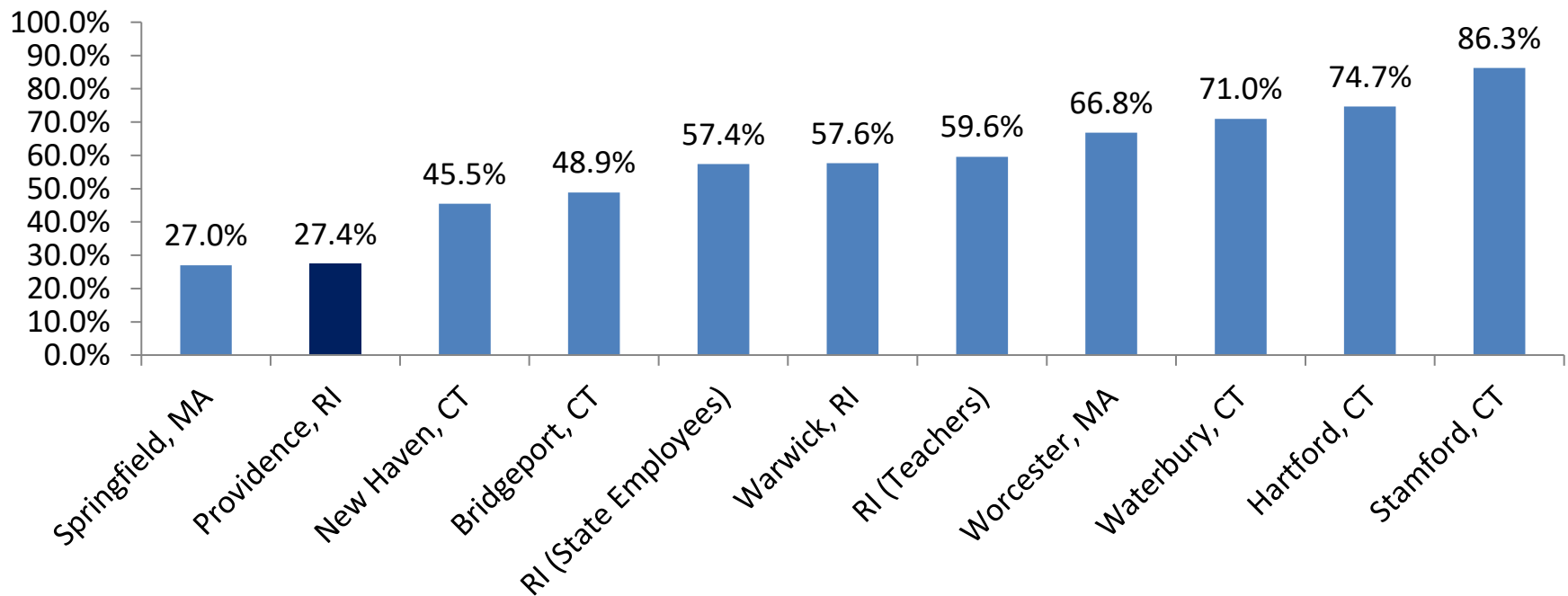


2016 Context

Factors Driving the Gap: *Unsustainable Funded Ratio*

- Among New England comparators, Providence is one of two benchmarked pension funds with less than 30% funded status – which significantly impacts the long-term sustainability and affordability of the City’s retirement system

Funded Ratio



*Bridgeport, CT switched to the State of Connecticut CMERS Plan in FY2013. Figures shown in the above chart shows the Cities' plan for retirees retired before the switch
Source: 2014 CAFRs

Factors Driving the Gap:

Significant Pension Liability and Contribution

- Providence's unfunded liability per capita, annual required contribution (ARC) per capita, and unfunded liability as a percentage of covered payroll are among the highest compared to other New England cities

	Annual Required Contribution	ARC Per Capita	Unfunded Liability (UAAL)	UAAL Per Capita	UAAL as a % of Covered Payroll
Providence, RI	\$62,140,000	\$348	\$894,336,839	\$5,006	639.30%
Hartford, CT	\$42,710,000	\$341	\$325,692,000	\$2,601	225.20%
New Haven, CT	\$41,285,083	\$316	\$541,315,700	\$4,146	491.10%
Springfield, MA	\$42,866,226	\$279	\$731,048,417	\$4,752	523.40%
Stamford, CT	\$33,290,000	\$265	\$52,905,000	\$422	49.10%
Worcester, MA	\$40,415,585	\$221	\$407,846,543	\$2,235	241.50%
Waterbury, CT	\$16,085,000	\$146	\$165,629,000	\$1,507	201.90%
Bridgeport, CT	\$12,489,803	\$85	\$232,475,383	\$1,585	14,332.60%
Median Excl. Providence	\$40,415,585	\$265	\$325,692,000	\$2,235	241.50%
Rank	1 of 8	1 of 8	1 of 8	1 of 8	2 of 8

*Bridgeport, CT switched to the State of Connecticut CMERS Plan in FY2013. Figures shown in the above table shows the Cities' plan for retirees retired before the switch; therefore covered payroll is only a fraction of total City payroll

Note: Rank is measured from highest to lowest

Source: FY2014 CAFRs

Factors Driving the Gap:

Significant, Growing OPEB Liability and Contribution

- When compared with other New England cities' OPEB liabilities and costs, Providence has one of the highest annual contributions as well as one of the highest unfunded liabilities as a percentage of covered payroll

	Unfunded Liability (UAAL)	UAAL as a % of Covered Payroll	Annual OPEB Cost	Annual OPEB Cost per Capita	Annual Contribution Per Capita
Providence, RI	\$1,032,887,000	386.40%	\$65,830,000	\$369	\$365
Waterbury, CT	\$889,600,000	495.10%	\$71,601,000	\$651	\$669
Springfield, MA	\$873,436,035	330.50%	\$56,635,785	\$369	\$442
Worcester, MA	\$737,522,000	218.70%	\$48,269,000	\$265	\$258
Bridgeport, CT	\$723,711,649	326.80%	\$53,928,632	\$370	\$351
New Haven, CT	\$444,143,000	155.80%	\$37,127,900	\$285	\$296
Hartford, CT	\$262,716,000	73.60%	\$20,144,000	\$161	\$160
Stamford, CT	\$259,804,000	105.40%	\$27,955,000	\$225	\$224
Median Excl. Providence	\$723,711,649	218.70%	\$48,269,000	\$284	\$295
Rank:	1 of 8	2 of 8	2 of 8	3 of 8	3 of 8

Note: Rank is measured from highest to lowest

Source: FY2014 CAFRs

Expenditure Initiatives:

Sustainable, Affordable Retiree Benefits

- Providence's average benefit compared to other New England cities is above average (\$31,212) but lower than the median (\$32,419)
- The distribution of pension amounts suggests that most recipients may be below the average and accidental disability recipients may be disproportionately above the average benefit

	Benefits per Capita	Benefit Payments	# Retirees	Average Benefits per Retiree
Manchester, NH	\$120	\$13,156,502	833	\$15,794
Bridgeport, CT	\$271	\$39,770,533	1,032	\$38,537
Stamford, CT	\$295	\$37,017,337	1,309	\$28,279
Waterbury, CT	\$425	\$46,667,000	2,139	\$21,817
Warwick, RI	\$432	\$35,430,652	926	\$38,262
Providence, RI	\$541	\$96,570,000	3,094	\$31,212
New Haven, CT	\$576	\$75,244,289	2,321	\$32,419
Hartford, CT	\$754	\$94,458,000	2,911	\$32,449
Median Excl. Providence	\$425	\$39,770,533	1,309	\$32,419
Rank	6 of 8	8 of 8	8 of 8	4 of 8

Source: 2014 CAFRs

Notes: Bridgeport, CT switched to the State of Connecticut CMERS Plan in FY2013. Figures shown in the above table shows the Cities' plan for retirees retired before the switch. Manchester, NH plan information does not include police and fire retirees hired since 1974, who are in the state plan; Worcester, MA and Springfield, MA are excluded because insufficient benefits information were available.

Expenditure Initiatives:

Sustainable, Affordable Retiree Benefits

- When compared with other New England cities, Providence ranks high in unfunded liability per capita, annual required contribution (ARC) per capita as well as unfunded liability as a percentage of covered payroll

	Unfunded Liability (UAAL)	UAAL Per Capita	UAAL as a % of Covered Payroll	Annual Required Contribution	ARC Per Capita
Stamford, CT	\$52,905,000	\$422	49.10%	\$33,290,000	\$265
Waterbury, CT	\$165,629,000	\$1,507	201.90%	\$16,085,000	\$146
Bridgeport, CT	\$232,475,383	\$1,585	14,332.60%	\$12,489,803	\$85
Worcester, MA	\$407,846,543	\$2,235	241.50%	\$40,415,585	\$221
Hartford, CT	\$325,692,000	\$2,601	225.20%	\$42,710,000	\$341
Warwick, RI	\$277,441,629	\$3,381	599.10%	\$33,144,730	\$404
New Haven, CT	\$541,315,700	\$4,146	491.10%	\$41,285,083	\$316
Springfield, MA	\$731,048,417	\$4,752	523.40%	\$42,866,226	\$279
Providence, RI	\$894,336,839	\$5,009	639.30%	\$62,140,000	\$348
Median Excl. Providence	\$301,566,815	\$2,418	366.30%	\$36,852,793	\$272
Rank	9 of 9	9 of 9	8 of 9	9 of 9	8 of 9

Source: 2014 CAFRs.

Note: Manchester, NH excluded because uniformed police and fire employees are part of a state retirement system; Bridgeport, CT switched to the State of Connecticut CMERS Plan in FY2013. Figure shown in the above table shows the Cities' plan for retirees retired before the switch. Rank shown from least to greatest



2019 Context

The Present

The Severity of the Situation Makes Providence an Outlier

- Providence’s pension liabilities are among the most distressed among benchmarked jurisdictions
 - The City’s high ADC per capita, unfunded liability per capita, and unfunded liability as a percentage of covered payroll suggest significant constraints to meet liabilities within the current construct without endangering services, tax rates, or both

PENSION (FY2018)	Assumed Rate of Return	Funded Status	ADC Per Capita	ADC as % of Covered Payroll	Unfunded Liability (UAAL) Per Capita	UAAL as % of Covered Payroll
Providence, RI	8.00%	25.54%	\$426	52.43%	\$5,677	698.18%
Waterbury, CT	8.00%	63.29%	\$164	22.81%	\$2,186	303.76%
Springfield, MA	7.40%	28.36%	\$372	37.32%	\$5,593	561.33%
Worcester, MA	6.90%	65.13%	\$248	25.26%	\$2,743	278.90%
New Haven, CT	7.40% (P&F) 7.35% (ERF)	39.16%	\$432	47.80%	\$6,167	683.21%
Warwick, RI	7.00% (CEP) 6.90% (Police II)	60.75%	\$394	57.73%	\$3,897	570.64%
Hartford, CT	7.375% (MERF)	71.73%	\$368	31.83%	\$3,356	290.58%
State of RI (Excl. Teachers)	7.0% (ERS, SPRBT)	52.54%	\$186	27.19%	\$2,325	339.37%
Median Excl. Providence	7.40%	60.75%	\$368	31.83%	\$3,356	339.37%
Rank (of 8):	1	8	2	2	2	1

Sources: FY2018 CAFRs and Actuarial Valuation Reports.

Notes: Bridgeport, CT switched to the State of Connecticut CMERS Plan in FY2013 – excluded from this comparison; New Haven data shows combined funding information for City Employees' Retirement Plan and Police & Firemen Retirement Plan; Warwick data shows combined funding information for City Employees' Pension Plan, Police I and Fire Pension Plan, Police II Pension Plan, and Fire II Pension Plan; Hartford data shows combined funding information for Municipal Employees' Retirement Fund, RAF/PBF, FRF Plan, 415(m) Plan; State of RI data shows combined funding for State Employees' ERS (excl. teachers), SPRBT, JRBT, RIJFT, and SPRFT Plans.

PVD COLAs in Context

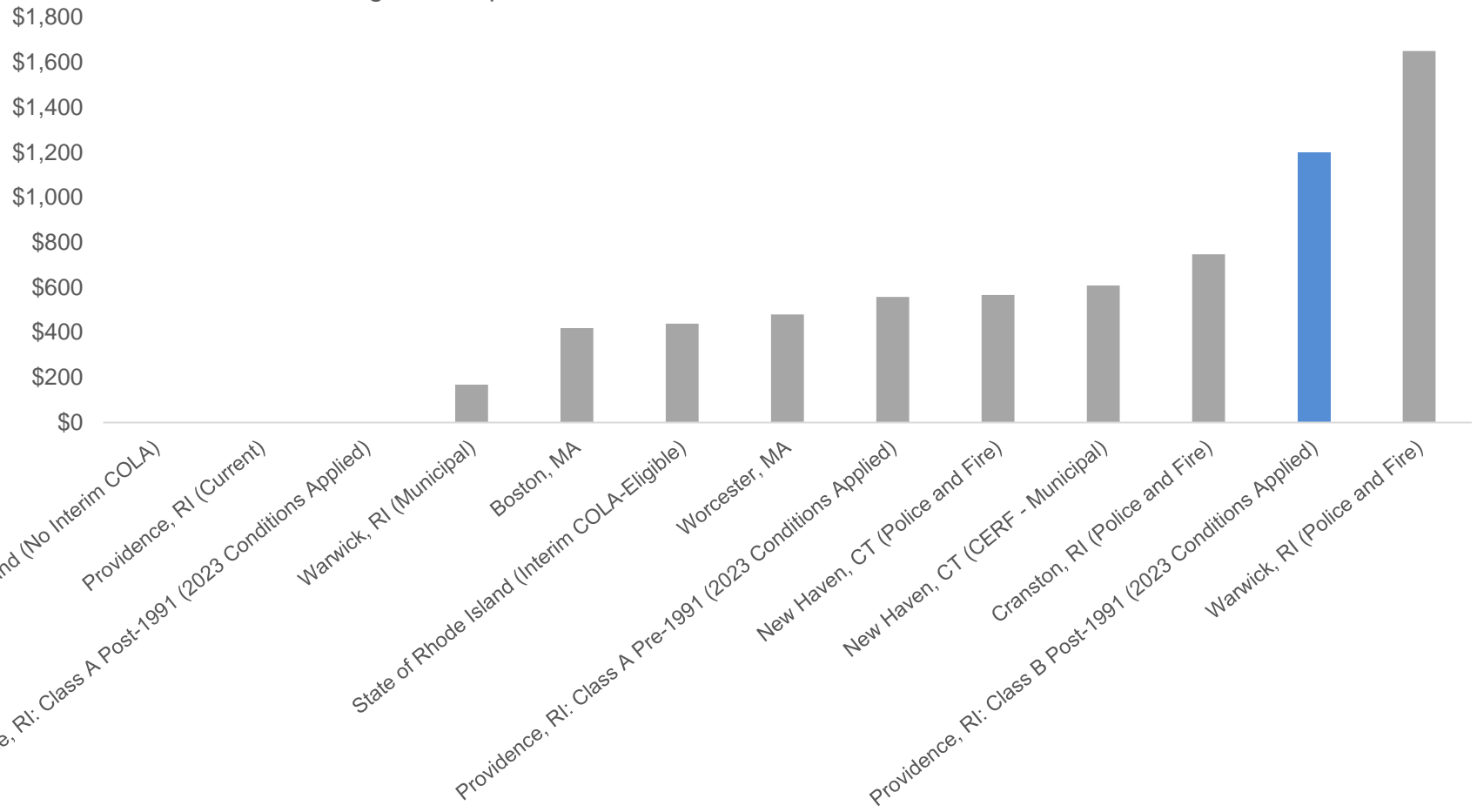
- The frozen Providence COLA is at the low end of regional jurisdictions in the percentage amount of COLA awarded, along with the State’s frozen COLA
 - A key criteria for additional examination is the Social Security participation of each comparative unit
 - Ex: State of RI civilians are in SS; Warwick police and fire do not participate in SS
- Once the freeze period ends, the Class A COLA (0%) would remain at the low end, while the typical Class B COLA of 3.0% would exceed the non-Providence average of 2.0%. In addition, as noted in this document, many of the regional COLAs apply to a capped or limited pension benefit base

Pension Plan	Most Recent Authorized COLA	Mechanism
Warwick, RI (Police and Fire)	3.00%	Based on active employee salary increases
Providence, RI: Class A Pre-1991 (2023 Conditions Applied)	3.00%	3% compounded; 3% simple for 1033
Providence, RI: Class B Post-1991 (2023 Conditions Applied)	3.00%	Various automatic rates
Worcester, MA	3.00%	CPI-U with caps on benefit base and CPI increase
Boston, MA	3.00%	CPI-U with caps on benefit base and CPI increase
New Haven, CT (CERF - Municipal)	2.30%	CPI-U with caps varying by YOS
State of Rhode Island (Interim COLA-Eligible)	1.69%	Interim COLA based on returns and CPI, benefit base capped, every four years until 80% funded
Cranston, RI (Police and Fire)	1.50%	Ten years of alternating freeze and 3%
New Haven, CT (Police and Fire)	1.40%	CPI-U with various caps, max COLA increase of 20% lifetime
Warwick, RI (Municipal)	0.50%	Based on return gains and active employee salary increases
State of Rhode Island (No Interim COLA)	0.00%	Frozen until 80% funded
Providence, RI (Current)	0.00%	Frozen through CY2022
Providence, RI: Class A Post-1991 (2023 Conditions Applied)	0.00%	None

Source: Actual amount cited for most recent valuation year, if available; or forward assumption cited, in respective actuarial valuation reports; PFM estimates/calculations.

PVD COLAs in Context

Average COLA per Retired Member: Most Recent Valuation





2019 Summary of Benefits

Summary of Providence Benefits

	City ERS					
	Class A: Pre-1996	Class A: New Hire	Class B: Police, Pre-2011	Class B: Police, New Hire	Class B: Fire, Pre-2011	Class B: Fire, New Hire
Benefit Multiplier (% of Compensation Earned per year toward Pension)	2.5% up to 20 yrs, 2% thereafter	2%	2.5% up to 20 yrs, 2% thereafter	2.0% up to 20 yrs, 2.5% thereafter	2.5% up to 20 yrs, 2% thereafter	2.5% up to 20 yrs, 2% thereafter
Max % of AFC	100%	100%	80%	75%	75%	75%
Cost of Living Adjustment (COLA)	3% compounded for pre-Dec 1991 retirees 3% simple on first \$12,000 for Local 1033 pre-Dec 1991 retirees None for those who retired after 12/18/1991	None	3-6% compounded for members who retired prior to 7/1/12, depending on year	CPI-Northeast Region, min 1%, max 3%, and additional ceiling of 150% of RI income	5-6% compounded for members who retired prior to 6/30/95, depending on year; 3% simple on first \$12,000 for members who retired between 1995 and 2006; 3% compounded for members hired before 6/30/12, who retired 3/17/06 or after	CPI-Northeast Region, max 3% simple
Types of Pensionable Compensation	Base + longevity	Base + longevity	Base + longevity	Base + longevity	Base + longevity	Base + longevity
Average Final Compensation (AFC)	Avg of highest 4 yrs	Avg of highest 4 yrs	Avg of highest 4 yrs	Avg of highest 4 yrs	Avg of highest 4 yrs	Avg of highest 4 yrs
Employee Contribution (% of Pay)	8%	8%	8%	8%	8%	9%
Retirement Eligibility	Age 55 or 25 yrs, pre-1995; Age 55 or 30 yrs, hired between 1995 and 2004; Age 60 or 30 yrs, hired between 2004 and 2009	Age 62 and 10 yrs, or 30 yrs	Age 55 or 20 yrs, hired prior to 7/1/04; Age 55 or 23 yrs, hired between 7/1/04 and 6/30/11	Age 55 or 25	Age 55 or 20 yrs, hired prior to 7/1/04; Age 55 or 23 yrs, hired between 7/1/04 and 6/30/12	Age 55 or 25

Summary of Providence COLA Terms

- A retiree first receives a COLA on the January 1 three years following his/her retirement date
- As part of the larger pension settlement, pensioner COLAs were suspended for 10 years – from January 1, 2013 through December 31, 2022 – and COLAs for Class B members hired on/after 7/1/2012 are revised
- Upon resumption, COLAs will be paid at lesser of 3% compounded or percentage received prior to freeze (varies by group and date of hire)
 - No COLA if pension above 150% of RI median income or above salary of active FTE in same rank
 - Class A generally participates in Social Security and Class B does not. As a result, for Class B retirees, the City pension represents the entirety of retirement income (notwithstanding employment opportunities and benefits from non-City employment)

Class A: Pre-1996	Class A: New Hire	Class B: Police, Pre-2011	Class B: Police, New Hire	Class B: Fire, Pre-2011	Class B: Fire, New Hire
3% compounded for pre-Dec 1991 retirees 3% simple on first \$12,000 for Local 1033 pre-Dec 1991 retirees None for those who retired after 12/18/1991	None	3-6% compounded for members who retired prior to 7/1/12, depending on year	CPI-Northeast Region, min 1%, max 3%, and additional ceiling of 150% of RI income	5-6% compounded for members who retired prior to 6/30/95, depending on year; 3% simple on first \$12,000 for members who retired between 1995 and 2006; 3% compounded for members hired before 6/30/12, who retired 3/17/06 or after	CPI-Northeast Region, max 3% simple

Source: 2018 Actuarial Valuation Report



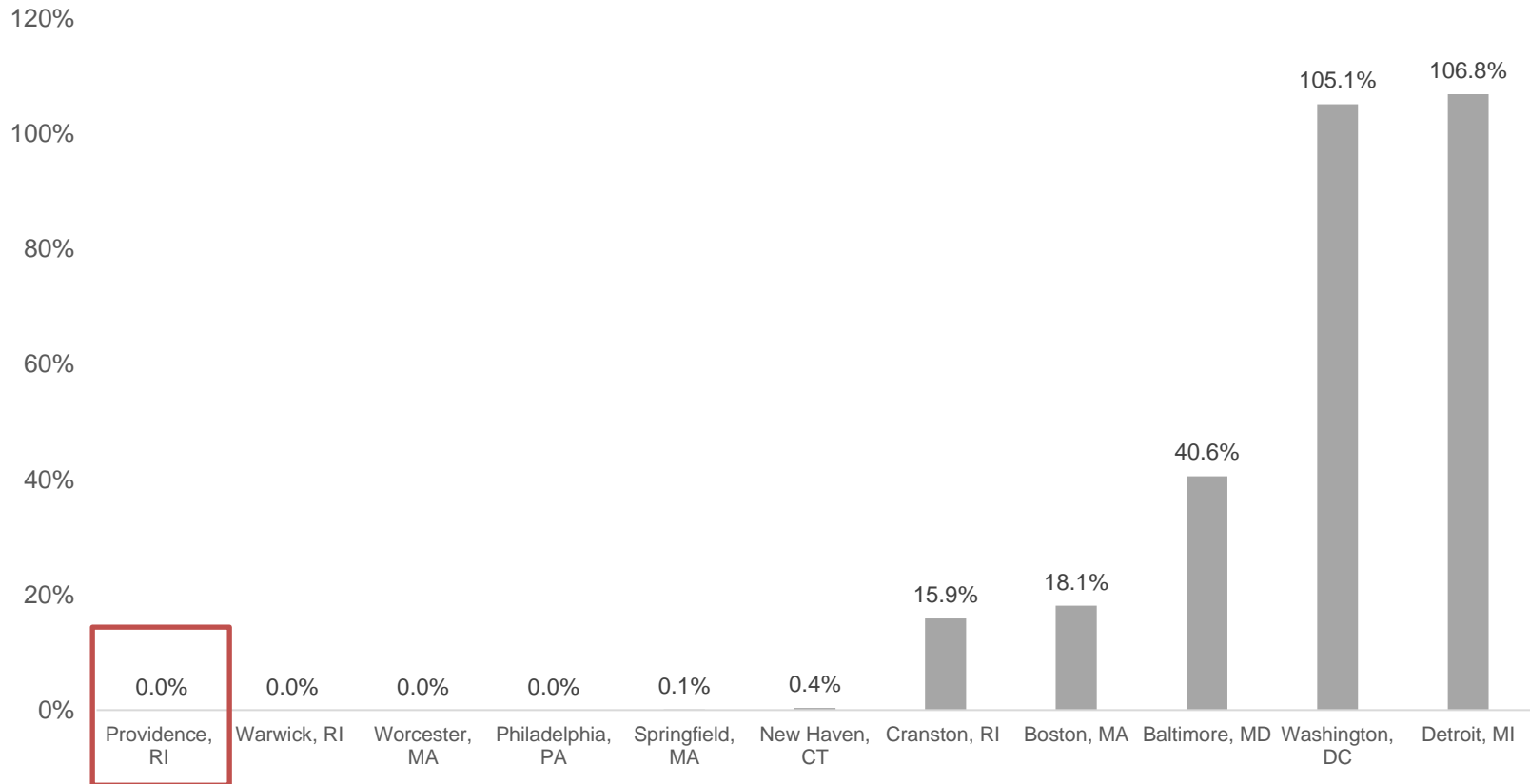
OPEB

Summary of PVD OPEB Benefits

	Class A				Class B			
	Pre-65		Post-65		Pre-65		Post-65	
	Local 1033 City and Non-Union	Other Class A	Local 1033 City and Non-Union	Other Class A	Fire	Police	Fire	Police
Retiree Contribution	20% of projected medical costs, frozen at last day worked	Employer Paid	Local 1033: Hired before 6/30/2008: \$0 Hired after June 30, 2008: \$1,884/year	Employer Paid	Retired before 7/1/2017: \$0 Retired on or after 7/1/2017: 1/2 of Active Health Insurance co-share	Retired 7/1/2018 and after: \$850/year – individual; \$1,600/year – family	Retired before 7/1/2017: \$0 Retired on or after 7/1/2017: 1/2 of Active Health Insurance co-share, net of Medicare Part B Costs	Employer Paid
Prescription Drugs	Retiree Paid	Retiree Paid	Retiree Paid	Retiree Paid	Employer Paid	Employer Paid	Employer Paid	Employer Paid
Vision/Dental	Retiree Paid	Retiree Paid	Retiree Paid	Retiree Paid	Retiree Paid	Retiree Paid	Retiree Paid	Retiree Paid

Position of Benchmark OPEB Plans

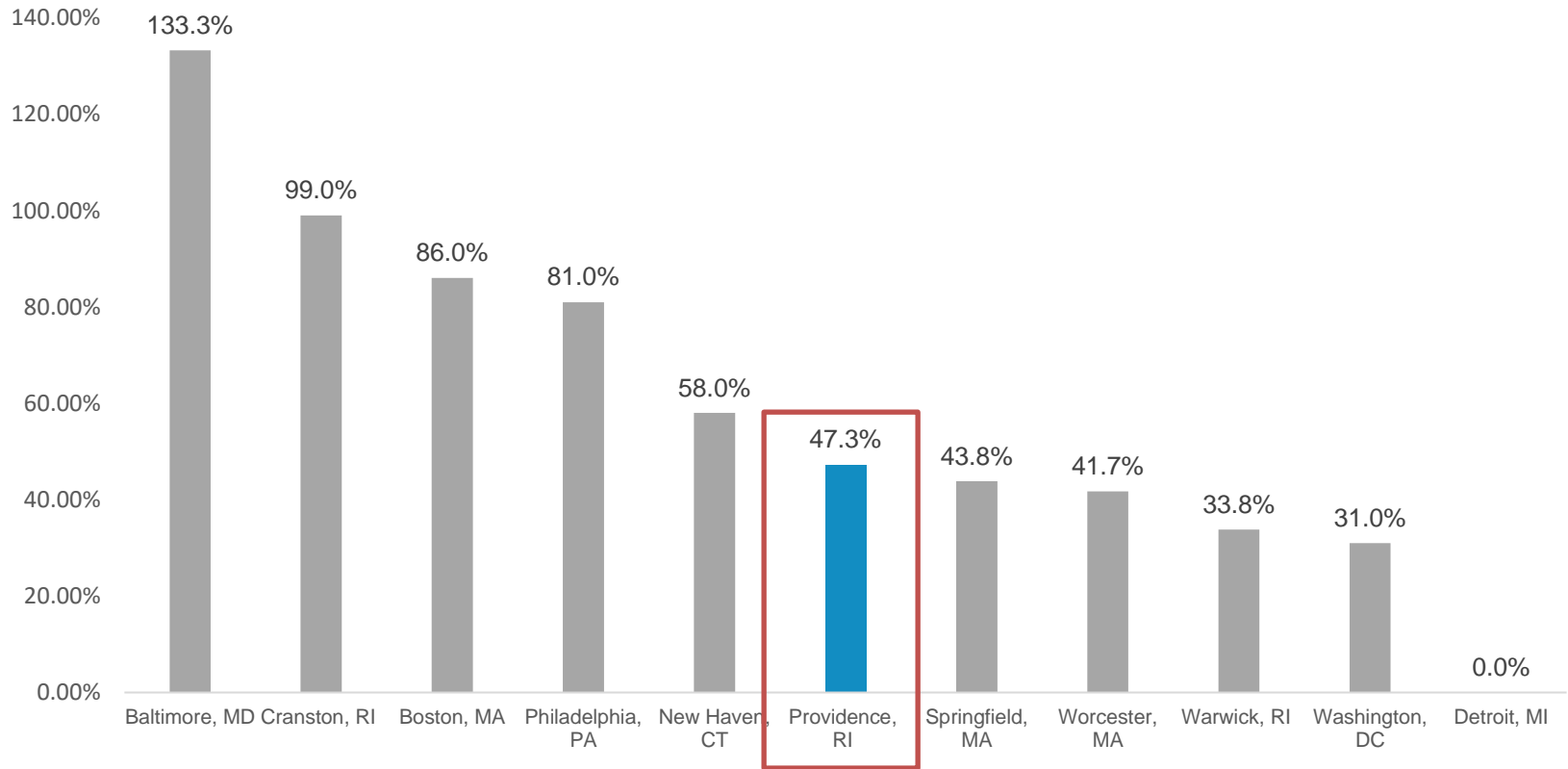
Plan Fiduciary Net Position as a Percent of Total OPEB Liability, FY2018



Source: FY2018 CAFRs

OPEB ADC Contributions Among Benchmarked Entities

Percent of ADC Contributed, FY2017



Source: FY2017 CAFRs