

SAM
ZURIER

October 11, 2011

Dear Fellow East Siders:

Last week, the City Council announced the formation of the Subcommittee on Pension Sustainability, and I was pleased to be named to serve. Councilman David Salvatore, a leader in this area, will chair the subcommittee. We have heard much discussion on the State level concerning the increasing costs of pensions, which are now compromising government's ability to provide essential services to its citizens. While the State-level issues are difficult and complex, those facing the City of Providence are significantly worse for two major reasons. First, while the State's pension system has around 60% of the savings needed to pay future pensions, the Providence system is only around 30% funded. Second, while the State pension system is codified in a series of laws, the Providence pension system is a mixture of enacted ordinances and provisions in collective bargaining agreements, the latter of which have stronger legal protections against change.

The Pension Subcommittee will begin its work on four measures that represent the easiest place to get started. The first will eliminate, beginning in 2015, the second pension the City awards to elected officials. (When I took office, I submitted a letter to opt out of this pension, as did Councilman Salvatore and Councilwoman Matos, who also will serve on the subcommittee). The proposed ordinance would prevent future elected officials from opting into this system.) The second proposed ordinance would discontinue the practice of allowing years of service on the City Council from counting as credit for a City pension for full-time employment. The third measure would change a City ordinance which exempts active employees from making further contributions to the pension system after their 25th year of service, even as their benefits continue to accrue. The fourth measure broadens the base on which final salary is computed to be the average of the highest five years of service from the employee's final decade (rather than the previous highest three years of service).

While parts of these ordinances will generate some controversy, they are easier to enact because they apply primarily on a going-forward basis. The first two ordinances also have the advantage of addressing the City Council's pension first to address the consistency issue. Hopefully, the initial package will provide a running start on a much bigger problem. I believe the next step will be to perform a more systematic review, perhaps with the benefit of legislation the General Assembly enacts in their special session this fall.

Going forward, the Council soon will receive an auditor's report concerning recipients of disability pensions. This report may help to identify individual issues to address immediately, and better compliance systems going forward. The Retirement Board has proposed reforms to current disability ordinances that can also aid in limiting these pensions to their designated purpose. Given some of the "horror stories" reported in the press from time to time, I am hopeful that this portion of the pension system will be a productive area for potential reform.

As much as the State of Rhode Island needs pension reform to preserve its ability to function, we need it even more in the City of Providence.

Sincerely,



www.samzurier.com