

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **Path to Finalizing R.I. Pension Deal Still Faces Hurdles.**

PROVIDENCE, R.I. — Before a deal can be finalized to resolve years of legal wrangling over Rhode Island's landmark public pension system overhaul, a court, lawmakers and the plaintiffs must sign off on it.

Last week the state struck a deal with most of the public sector unions and retiree coalitions suing over higher retirement ages and cuts to cost-of-living increases. Lawmakers restructured the pension system in 2011 to save \$4 billion over 20 years — an effort that has been used as a model by other states.

Here is a look at what happens next in the pension saga, and what led up to the proposed settlement.

---

### NECESSARY APPROVALS

The plaintiffs must amend their complaints to proceed as a class action for approving the settlement, and all of the class members must be notified about the proposed resolution. They are entitled to object.

The Superior Court judge presiding over the case will determine whether the settlement proposal is fair, and whether the court should approve it.

Separately, the settlement terms have to be approved by the General Assembly.

The pension reform was done legislatively so the terms have to be incorporated into the law. Leading lawmakers support settling, but others say they're reluctant to change the original pension reform law.

The litigation could continue if lawmakers take no action or enact legislation that is different than the terms.

---

### THE SETTLEMENT TERMS

The settlement provides for cost-of-living increases and one-time stipends for retirees. The cap for calculating the benefits would increase for some retirees, and the calculation would be based on a new formula using both the performance of investments and the Consumer Price Index.

Employees would be allowed to retire earlier if they meet set requirements.

Most of the public sector unions and retirees voted to accept the terms, which means that about 59,000 past and present state employees would be affected by the deal.

Unions representing municipal police, Cranston police and Cranston fire, which collectively represent about 800 people, did not. Their lawsuits are continuing and will be addressed by the court after the settlement is implemented.

The total cost of the settlement is about \$300 million. It preserves 90 percent of the savings from the pension reform.

The shortfall in the pension fund would increase from \$4.6 billion to nearly \$4.9 billion.

---

## THE PATH TO A SETTLEMENT

The state agreed to a tentative settlement last year with the unions and retirees that pulled back on some of the changes but preserved most of the overhaul. Ultimately it was rejected after police union members voted it down.

Judge Sarah Taft-Carter ruled in February that the trial would begin April 20, despite both sides asking for more time to prepare.

With the trial date looming, many plaintiffs were receptive to the settlement proposal because they had begun to believe they would lose at trial.

Gov. Gina Raimondo, the architect of the pension reform, said the state has a strong case, but it's better to settle now and provide certainty for public employees, municipalities and the state.

The settlement doesn't prevent future lawmakers from changing the pension system again, but Treasurer Seth Magaziner said he doesn't think another major reform will be necessary.

In light of the settlement with most plaintiffs, the judge vacated the trial date. The parties have until May 18 to implement the settlement.

By THE ASSOCIATED PRESS

APRIL 7, 2015