

Providence sues actuary over pension calculations

ERIKA NIEDOWSKI - Associated Press - Associated Press

The city of Providence sued its longtime actuary Tuesday, claiming it made "fundamental and inexcusable errors" in calculating the projected savings from a pension system overhaul that will cost the capital more than \$10 million.

The lawsuit against Buck Consultants was filed in U.S. District Court. It alleges breach of contract, breach of fiduciary duty, negligence and violation of the Rhode Island False Claims Act.

The suit says the city relied on Buck's projections for how much it would save by freezing pension increases for 10 years and that Mayor Angel Taveras used the flawed assumptions in negotiations with unions and retirees. According to the suit, Buck in making its calculations failed to account for a year's worth of cost-of-living payments made by the city and used the wrong date for when the freeze would start, leaving its projections "wholly incorrect."

"The city relied upon Buck's projections as the basis for its final resolution with the retirees and unions regarding COLA suspensions," the lawsuit says. "Had the city known that Buck's calculations were simply wrong, the city would never have agreed with its union employees and retirees to the pension modifications to which it is now bound."

The suit says Buck overstated the city's savings by \$700,000 a year, meaning its pension liability is \$10.8 million more than it expected, when spread out over 28 years.

David Ortiz, a spokesman for Taveras, said the city is seeking \$10.8 million in damages. The mayor said the city would not alter the settlement it reached with the unions and retirees or seek future concessions to make up for the loss in expected savings.

"Buck's mistake is inexcusable, and I will not allow Providence residents to pay for their mistake," Taveras said. "Buck needs to make the city whole and we believe that after trial a jury will agree with the city."

Buck Consultants, a New York-based subsidiary of Xerox Corp., said in a statement provided to The Associated Press that it valued its longstanding relationship with the city but that it hadn't yet been served with the lawsuit and had no immediate comment.

WPRI-TV first reported on the lawsuit Tuesday.

Providence sues actuary over pension calculations

Published on Electronic Component News (<http://www.ecnmag.com>)

Providence has been using Buck as its actuary since 1920, according to the suit. The city says it now "feels compelled to expend scarce resources scouring decades of actuarial reports for other errors that may have been negatively affecting the city's bottom line for years."

The suit also says that other municipalities in Rhode Island, including Cranston, are considering similar pension changes based on Buck's projections for savings.

Source URL (retrieved on 01/29/2015 - 8:02pm):

<http://www.ecnmag.com/news/2013/02/providence-sues-actuary-over-pension-calculations>