

**WEBEX HEARING DATE:
FRIDAY, MARCH 31, 2023 AT 10:00 AM
PROVIDENCE COUNTY BUSINESS CALENDAR BEFORE JUDGE STERN**

**STATE OF RHODE ISLAND
PROVIDENCE, SC.**

SUPERIOR COURT

St. Joseph Health Services of Rhode Island,
Inc.

Petitioner

vs.

St. Josephs Health Services of Rhode Island
Retirement Plan, as amended

Respondent

Bank of America, in its capacity as Trustee of
Respondent

Nominal Respondent

PC-2017-3856

**RECEIVER’S TWENTY-SIXTH INTERIM REPORT AND TWENTY-FIFTH INTERIM
REQUEST FOR APPROVAL OF FEES, COSTS AND EXPENSES**

NOW COMES Stephen F. Del Sesto, Esq., solely in his capacity as the Receiver (the “Receiver”) for St. Josephs Health Services of Rhode Island Retirement Plan (the “Plan”), and hereby submits this Twenty-Sixth Interim Report (the “Twenty-Sixth Report”) and Twenty-Fifth Interim Request for Approval of Fees, Costs and Expenses (the “Twenty-Fifth Fee Application”). In support of the Twenty-Sixth Report and Twenty-Fifth Fee Application the Receiver states as follows:

1. This case was commenced on August 17, 2017, upon the Petition for the Appointment of a Receiver (the “Petition”) filed by St. Joseph Health Services of Rhode Island, Inc. (“Petitioner”). As a result of that Petition, on August 18, 2017, this Court appointed Stephen F. Del Sesto, Esq. as Temporary Receiver of the Plan under surety bond ordered by this Court in the amount of One Million and 00/100 (\$1,000,000.00) Dollars (the “Temporary Receiver Order”).

2. The Plan is a defined benefit plan organized by Petitioner on or about July 1, 1965, for the benefit of Petitioner's employees. As of the date of the Petition, the Plan had approximately 2,729 vested participants¹ of which approximately 1,229 were then receiving monthly benefits payments. Based on the benefits payments issued by Bank of America as of March 1, 2023, 1,539 participants are currently receiving monthly benefits payments. The total amount of benefits paid in March 2023 equals \$953,440.51.

3. Typically, a hearing on permanent receiver is set for a date approximately twenty (20) days after the appointment of temporary receiver. Here however, the Petitioner requested that the Court set a hearing date no sooner than thirty (30) days to afford the Temporary Receiver time to consider the Petitioner's suggested 40% uniform benefit reduction. Based on that request, the Court docketed the hearing on permanent receiver for October 11, 2017.

4. Immediately upon appointment, in order to provide pension holders with a direct means to obtain answers to questions and access to information, the Receiver established a dedicated email address (stjosephretirementplan@pierceatwood.com) and two dedicated phone lines (401-490-3436 and 401-865-6249). In addition, the Receiver established a dedicated, public website (<https://www.pierceatwood.com/st-joseph-health-services-rhode-island-retirement-plan>) where all pleadings and other information would be posted for easy accessibility to pension holders and other interested parties. Notice of the dedicated email, phone lines and website was sent to all Plan participants via first class mail. The Receiver believes that establishing these various means of communication has been invaluable to the pension holders and the Receiver. Since establishing the email address and phone lines the Receiver has received hundreds of email and voicemail communications from pension holders. The dedicated website has been revised and is updated regularly to include access to filings made in both the State and Federal litigation matters as well as other related litigation and liquidating receivership matters related to this proceeding, including, without limitation, the Liquidating Receivership (PC-2019-11756).

¹ According to documents reviewed by the Receiver, excluding United Nurses and Allied Professionals Local 5110 ("UNAP") members hired before October 1, 2008, the Plan was closed to all employees on or about October 1, 2007. Thereafter, benefit accruals were frozen for non-union employees on September 30, 2009, for Federation of Nurses and Health Professionals and other non UNAP union employees on September 30, 2011 and for UNAP employees on June 19, 2014.

5. Due to their day-to-day involvement with the Plan, the Receiver initially had consistent and regular communications with Bank of America (the Plan's Trustee and custodian of the assets) and Angell Pension Group (the Plan's actuary and benefits administrator at the time) regarding the management and administration of the Plan. The Receiver has reviewed quarterly reports and had regular, periodic discussions with Mercer Investment (the Plan's discretionary Investment Manager) regarding the performance of asset investments, the allocation of the asset investments and market conditions and projections that may impact those investments. The Receiver is aware that, among the pension holders and other interested parties, there existed a level of distrust and concern regarding the pre-receivership administration and oversight of the Plan. As a result, the Receiver made changes regarding the day-to-day management and administration of the Plan and its assets and will continue to evaluate and make changes as may be prudent or necessary.

6. In the Order Appointing Permanent Receiver (the "Permanent Receiver Order") entered on October 27, 2017, this honorable Court established the Receiver's duties with respect to the St. Joseph Health Services of Rhode Island Retirement Plan (the "Plan"). The Order generally authorizes the Receiver to monitor, manage and administer the Plan and its assets on behalf of its participants and beneficiaries. Among other actions, the Receiver may engage actuaries, investment advisors, benefit administrators and other professionals to perform various administrative tasks and services for the Plan. The Receiver may also initiate and litigate claims against third parties on the Plan's behalf, acquire and dispose of property, direct investments and pay Plan-related expenses from the assets held in trust.

7. The Receiver continues to receive and review documents related to the Plan and its history. The Receiver and GRS, the Receiver's Plan actuary, are fully engaged regarding benefits administration of the Plan and address multiple inquiries, applications, and questions on a daily basis.

8. Prior to the COVID pandemic, approximately every 4-6 weeks throughout this proceeding the Receiver hosted "town-hall" style, informational meetings at Rhodes on the Pawtuxet in Cranston, Rhode Island. At these meetings the Receiver provided a current status of the receivership proceedings. In addition and in an effort to assure complete transparency of the receivership process and the Receiver's efforts, the Receiver responds to questions raised by the

meeting participants regarding various aspects of the receivership and the Plan. Understanding that not all participants can attend these meetings, the Receiver digitally records each meeting and a link to the meeting recordings are posted to the Receiver's dedicated website and available for unrestricted viewing.

Due to the State gathering restrictions imposed at the beginning of the pandemic in 2020 and in order to continue to provide pension holders with information, the Receiver moved from an in-person to virtual, via Zoom, town-hall meeting format. The Receiver has conducted ten (10) meetings under this format and intends to continue this format every 4-6 weeks. The most recent meeting was held on March 23, 2023, and the next meeting is likely to be scheduled for some time in late April/early May 2023.

9. Prior to this Twenty-Sixth Report and Twenty-Fifth Request for Approval of Fees, the Receiver has filed twenty-five (25) prior reports with the Court and twenty-four (24) prior requests for approval of fees. Rather than set forth summaries for each prior Report, copies of the First Report through the Twenty-Fifth Report and related Orders are on file with the Clerk of the Court and accessible on the Receiver's dedicated website and all are incorporated by reference and made a part of this Twenty-Sixth Interim Report as if fully set forth herein.

10. On or about June 28, 2018, as part of the Fourth Report, the Receiver advised the Court that litigation had been initiated in both State Court (*Stephen Del Sesto, et. al. v. Prospect CharterCARE, LLC, CharterCARE Community Board; St. Joseph Health Services of Rhode Island; Prospect CharterCARE SJHSRI, LLC; Prospect CharterCARE RWMC, LLC; Prospect East Holdings, Inc.; Prospect Medical Holdings, Inc.; Roger Williams Hospital; CharterCARE Foundation; The Rhode Island Community Foundation; Roman Catholic Bishop of Providence; Diocesan Administration Corporation; Diocesan Service Corporation; and The Angell Pension Group, Inc.* (PC-2018-4386)) (the "State Litigation") and Federal Court (*Stephen Del Sesto, et. al. v. Prospect CharterCARE, LLC, CharterCARE Community Board; St. Joseph Health Services of Rhode Island; Prospect CharterCARE SJHSRI, LLC; Prospect CharterCARE RWMC, LLC; Prospect East Holdings, Inc.; Prospect Medical Holdings, Inc.; Roger Williams Hospital; CharterCARE Foundation; The Rhode Island Community Foundation; Roman Catholic Bishop of*

Providence; Diocesan Administration Corporation; Diocesan Service Corporation; and The Angell Pension Group, Inc. (1:18-cv-00328-WES-LDA)) (the “Federal Litigation” together with the State Litigation shall be referred to as the “Litigation”) against various defendants and Special Counsel provided the Court with a status update of those actions and related next steps for the Litigation.

11. Since the filing of the Receiver’s Twenty-Fifth Interim Report and Twenty-Fourth Interim Request for Approval of Fees, Costs and Expenses in this Superior Court Receivership action the following hearings and filings have occurred:

- a. On or about December 13, 2022, this Court held a hearing via WebEx on the Twenty-Fifth Report. Upon conclusion of the hearing, the Court approved the Twenty-Fifth Report and the Twenty-Fourth Fee Request and an Order to that effect entered on December 16, 2022.
- b. On or about November 17, 2022, the Plan Receiver and the Liquidating Receiver in the Liquidating Receivership matter (PC-2019-11756) filed the *Joint Petition to Appoint Plan Receiver as Liquidating Receiver of CCCB, SJHSRI and RWH*. Upon conclusion of the December 13, 2022 WebEx hearing, on December 16, 2022, this Court entered an Order appointing the Plan Receiver as Permanent Liquidating Receiver.
- c. On or about January 9, 2023, your Receiver, acting as both Plan Receiver and Liquidating Receiver, filed a *Petition to Partially Distribute Corpora of Certain Trusts*. The Rhode Island Attorney General filed a Response and Bank of America, as Trustee, filed an Opposition to the Petition. The Receiver filed Replies to both the Attorney General’s and Bank of America’s filings. Upon conclusion of a hearing and argument by all parties, on March 21, 2023, this Court entered an Order denying, without prejudice, the Petition, and advising the Court will review its decision in twelve months or at such a time as there is a material change to the Plan.
- d. On or about January 19, 2023, the Plan Receiver filed a *Motion to Enforce Subpoena Duces Tecum on Repwest Insurance Company*. Upon conclusion of a

hearing on January 31, 2023, and with no objection having been filed, this Court entered an Order granting the Receiver's Motion.

12. Since the filing of and hearing on the Twenty-Fifth Report, the following has occurred in the Federal Litigation (CA No.: 1:18-CV-00328-S-LDA):

- a. The Court conducted a status conference on December 21, 2022.
- b. In accordance with the Court's directive to return to mediation, the Federal Litigation plaintiffs and Diocesan Defendants continued mediation efforts with sessions held on December 23, 2022 and March 23, 2023.

13. Since the filing of and hearing on the Twenty-Fifth Report, the following has occurred in the Liquidating Receivership (PC-2019-11756) action:

- a. On or about November 17, 2022, the Plan Receiver and the Liquidating Receiver filed the *Joint Petition to Appoint Plan Receiver as Liquidating Receiver of CCCB, SJHSRI and RWH*. After hearing thereon, on December 16, 2022, this Court entered an Order appointing the Plan Receiver as Permanent Liquidating Receiver. Your Receiver has worked with the original Liquidating Receiver to transition all outstanding matters related to the Liquidating Receivership action.
- b. On March 24, 2023, the original Liquidating Receiver filed his Final Report and Accounting and Request for Final Compensation which is scheduled for WebEx hearing on Tuesday, April 18, 2023.

14. As previously reported to this Court, under the Receiver's Settlement with the legacy hospitals, (all for the ultimate benefit of the Plan and its participants) the Receiver was assigned the rights to a \$750,000 escrow fund held by RI Department of Labor and Training. This escrow serves as security for potential self-insured obligations of legacy Roger Williams Hospital ("RWH"). With the assistance of Special Counsel, your Receiver is trying to have this escrow released for the benefit of the Plan.

15. As the Court may recall, as of the start of this proceeding, the Plan assets totaled approximately \$85,795,641.99. In months since (as of February 28, 2023) and as a result of the

receipt of the NET Settlement funds, the Plan assets totaled approximately \$61,929,989.81.² The largest factor in the reduction of the Plan assets is monthly benefit payments and other payments required for the administration of the Plan (i.e. accountant fees, actuarial fees, investment manager fees, benefits administration fees, etc.). It is important to note that during the months since the inception of this proceeding the Plan paid out monthly benefit payments, retroactive benefit payments and other payments and fees related to Plan maintenance and services at an average rate of approximately \$967,000 per month.

In an effort to protect and insulate the Plan from dramatic market fluctuations, the Receiver regularly reviews and adjusts the allocation of assets for investment risk. These reallocations have been relatively successful in insulating the Plan from market volatility and losses. The Receiver continues to work with the investment manager to regularly review and assess the allocation of investments so as to maximize the returns for the Plan while at the same time protecting it based on its status and unavoidable, unpredictable fluctuations of the markets.

16. In connection with the administration of the within proceeding, as of the filing of the Twenty-Fifth Report on or about December 5, 2022, your Receiver had cash-on-hand totaling \$4,245,878.28. Since that time, your Receiver has had additional receipts in the amount of \$222,793.84 and has had additional disbursements totaling \$134,880.68, leaving current cash-on-hand in the sum of \$4,333,791.44, all as set forth in the “**Schedule of Receipts and Disbursements**” attached hereto.³

17. In connection with this Twenty-Sixth Report, your Receiver is requesting that the Court approve the Twenty-Fifth Fee Application incurred for the four (4) month period from November 1, 2022, through, and including, February 28, 2023. The Receiver respectfully requests that this Court approve the Twenty-Fifth Fee Application of the Receiver and authorize him to pay himself such approved fees. A copy of your Receiver’s Twenty-Fifth Fee Application Invoice will be presented, in redacted form, under separate cover to the Court for review in advance of the Hearing on this Twenty-Sixth Report. Due to the Litigation and the related descriptions and narratives in

² This amount does include the Settlement “A” NET proceeds totaling approximately \$10,503,180.45 which are held with Schwab for the benefit of the Plan.

³ Cash-on-hand includes the funds received from Settlement “B” and funds transferred from the Liquidating Receiver in compliance with the Court’s April 7, 2022, Order approving the Petition to Apply.

time entries, to avoid any potential disclosure, strategy, attorney-client privileged communications, etc., the Receiver requests that the redacted invoices submitted to the Court be filed under seal.

WHEREFORE, your Receiver prays that this honorable Court enter an order or orders: (1) approving, confirming and ratifying all of the Receiver's acts, doings, and disbursements as Temporary and Permanent Receiver as of the filing of this Twenty-Sixth Report; (2) authorizing the Receiver to satisfy the fees, costs and expenses incurred by the Receiver and presented in connection with the Twenty-Fifth Fee Application for his services as Temporary and Permanent Receiver herein; (3) directing that this proceeding remain open pending final resolution of all the issues identified herein and the general winding down of the Receivership Estate; and (4) granting such further relief as this Honorable Court deems necessary and appropriate.

Respectfully submitted,

/s/ Stephen F. Del Sesto

Stephen F. Del Sesto, Esq. (#6336)
Solely in his capacity as Permanent Receiver
for St. Josephs Health Services of Rhode
Island Retirement Plan, and not individually
One Financial Plaza, 26th Floor
Providence, RI 02903
Tel: 401-490-3415
sdelsesto@pierceatwood.com
Dated: March 27, 2023

CERTIFICATE OF SERVICE

I hereby certify that on the 27th day of March, 2023, I electronically filed and served the within document via the Electronic Case Filing System of the Superior Court with notice to all parties in the system.

/s/ Stephen F. Del Sesto

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

2:45 PM

St Joseph Health Services of RI Retirement Plan Transactions by Account 032723

03/27/23

Accrual Basis

As of March 27, 2023

Date	Num	Name	Memo	Debit	Credit	Balance
BankRI Checking Account						4,245,878.28
12/14/2022	405	Pierce Atwood LLP	Court-approved 24th Interim Fees & Costs		114,467.50	4,131,410.78
01/04/2023			reimbursement from Plan for 24th Interim fees & costs	114,467.50		4,245,878.28
01/18/2023	406	Litgistics	Inv #2927; copying & postage		15,948.78	4,229,929.50
02/15/2023			S. Brown Fund & Horton Trust distributions (rec'd fro...	47,043.92		4,276,973.42
03/02/2023			Combined Townsend Trust Fund (from BoA)	61,282.42		4,338,255.84
03/09/2023	407	Litgistics	Inv #3125; copying & mailing		4,464.40	4,333,791.44
Total BankRI Checking Account				222,793.84	134,880.68	4,333,791.44
TOTAL				222,793.84	134,880.68	4,333,791.44