

2020 -- S 2798

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LC003925  
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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2020

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A N A C T

RELATING TO TOWNS AND CITIES - MUNICIPAL INCENTIVE AID

Introduced By: Senator Ryan W. Pearson

Date Introduced: March 12, 2020

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 45-13.2-6 of the General Laws in Chapter 45-13.2 entitled  
2 "Municipal Incentive Aid" is hereby amended to read as follows:

3 **45-13.2-6. Distributions.**

4 (a) Municipal Incentive Aid described in this chapter shall be distributed to eligible  
5 municipalities on the basis of the most recent population estimate for each municipality as a share  
6 of the total state population reported by the U.S. Department of Commerce, Bureau of the Census  
7 as of January 1 in the year of the payment. Such payments shall be made to eligible communities  
8 in March of each year to the extent that funds are appropriated.

9 (b) For fiscal year 2014, municipalities shall be eligible to receive aid under this chapter  
10 if: (1) the municipality has no locally-administered pension; or (2) the municipality notified plan  
11 participants, beneficiaries and others pursuant to chapter 45-65, and submitted to the state's  
12 department of revenue a Funding Improvement Plan ("FIP"), pursuant to § 45-65-6, for every  
13 locally-administered pension plan in that municipality, and each FIP had been approved by the  
14 plan sponsor and the local governing body no later than June 1, 2013; or (3) there existed a  
15 locally-administered pension plan(s) in that municipality, but either: (i) no FIP was required  
16 pursuant to chapter 45-65; or (ii) a FIP is required pursuant to chapter 45-65, but, the due date for  
17 the FIP submission is after the March payment of state aid.

18 (c) For fiscal year 2015 and each fiscal year thereafter that municipal incentive aid is  
19 distributed to eligible municipalities under this chapter, municipalities shall be eligible to receive

1 aid under this chapter, if: (1) the municipality has no locally-administered pension; or (2) the  
2 municipality has transitioned all locally-administered pension plans into MERS by June 30, 2014;  
3 or (3) the municipality had notified plan participants, beneficiaries and others pursuant to chapter  
4 45-65 and had submitted to the state's department of revenue a FIP, pursuant to chapter 45-65, for  
5 every locally-administered pension plan and each submitted FIP meets the guidelines of the Study  
6 Commission on Locally-Administered Pension Plans created pursuant to § 45-65-8 or otherwise  
7 applicable guidelines or regulations and each FIP has been approved by the plan sponsor and the  
8 local governing body; or (4) the municipality has implemented the original recommended FIP or  
9 an amended FIP pursuant to chapter 45-65 within one month after the close of the fiscal year and  
10 made the required funding payment (formerly referred to as Annually Required Contribution, or  
11 ARC) in compliance with the municipality's adopted FIP(s) and the funding guidelines  
12 established by the Pension Study Commission and the FIPs are approved by the plan sponsor and  
13 the local governing body; or (5) there existed a locally-administered pension plan in that  
14 municipality, but either: (i) no FIP was required pursuant to chapter 45-65 and either: (A) the  
15 municipality is funding one hundred percent (100%) of its required funding payment; or (B) if a  
16 lesser funding payment is made, the municipality has maintained a funded ratio of at least one  
17 hundred percent (100%); ~~the municipality has a funded ratio of one hundred percent (100%) or~~  
18 ~~greater;~~ or (ii) FIP is required pursuant to chapter 45-65, however, the due date for the FIP  
19 submission or implementation is after the March payment of this municipal incentive aid.

20 (d) For fiscal year 2014, and in any year thereafter that a municipality is not eligible to  
21 receive a distribution under this chapter, the distribution that said municipality would have  
22 received had it been eligible shall be reappropriated to the immediately following fiscal year, at  
23 which time the amount reappropriated shall be distributed to said municipality provided that said  
24 municipality has satisfied the eligibility requirements of both the prior fiscal year and the then  
25 current fiscal year. In the event that said municipality fails to satisfy the eligibility requirements  
26 for the prior and the then current fiscal year by the time that eligibility to receive distributions in  
27 the next fiscal year is determined, then the amount that would have been distributed to the  
28 municipality for said prior year will be distributed in the month of May among the municipalities  
29 that received a distribution in the prior fiscal year, with the share to be received by each  
30 municipality calculated in the same manner as distributions were calculated in the prior fiscal  
31 year.

32 SECTION 2. Section 45-65-7 of the General Laws in Chapter 45-65 entitled "Retirement  
33 Security Act for Locally Administered Pension Funds" is hereby amended to read as follows:

34 **45-65-7. Failure to comply.**

1           (a)(1) With respect to any municipality that fails to comply with the requirements of this  
2 chapter including, the implementation of a funding improvement plan within the prescribed time,  
3 the general treasurer is authorized to withhold ~~moneys~~ monies due to the municipality from the  
4 state for any purpose other than education, including, but not limited to, municipal aid and other  
5 aid provided under §§ 45-13-5.1, 45-13-12, 44-34.1-2, 44-13-13, 44-18-18.1, 44-18-36.1(b) and  
6 42-63.1-3.

7           (b) Monies withheld by the general treasurer pursuant to this section shall be placed in an  
8 interest-bearing escrow account. Such funds may be held for a period of up to one year  
9 commencing from the date said funds are deposited, at the end of which time the funds plus any  
10 interest earned shall be deposited by the general treasurer directly into the town's locally-  
11 administered pension plan. Provided, if the general treasurer determines that said plan is  
12 insolvent, non-existent, or is no longer utilized by the municipality, the general treasurer may  
13 hold such funds and request instructions from the general assembly as to where to deposit said  
14 funds. Provided further, after withholding, if the municipality becomes compliant with this  
15 chapter, the general treasurer shall deposit into the locally-administered pension plan the required  
16 funding payment necessary to become compliant and release any remaining funds withheld to the  
17 municipality.

18           (c) The general treasurer shall provide at least fourteen (14) business days written notice  
19 to the municipality prior to depositing the funds into the municipality's locally-administered  
20 pension plan or of releasing the funds to the municipality. A municipality may elect to waive  
21 such notice.

22           SECTION 3. Chapter 45-65 of the General Laws entitled "Retirement Security Act for  
23 Locally Administered Pension Funds" is hereby amended by adding thereto the following section:

24           **45-65-11. Report on the status of funds withheld.**

25           On or before April 30 of each year, the general treasurer and the department of revenue  
26 shall jointly provide to the governor's office and to both chambers of the general assembly an  
27 annual report that includes an itemized description of the amount of funds held pursuant to this  
28 section, listed by municipality, amount, an identification of the locally-administered pension plan,  
29 the amount of underfunding of such plan, and a brief statement of why such funds were withheld,  
30 as applicable.

31           SECTION 4. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO TOWNS AND CITIES - MUNICIPAL INCENTIVE AID

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1           This act would authorize the general treasurer to withhold state aid to municipalities  
2 which do not meet certain requirements regarding locally-administered pension plans and, if  
3 applicable, funding improvement plans. This act would direct the general treasurer to place said  
4 funds in an interest-bearing account until the municipality meets certain requirements for their  
5 locally-administered pension plan, transitioned the plan into the municipal employee retirement  
6 system, or implemented a funding improvement plan. In the event these requirements are not met,  
7 the general treasurer would be directed to deposit the withheld funds directly into the locally-  
8 administered pension plan. The general treasurer and the department of revenue would also be  
9 directed to make annual reports on the status of locally-administered pension plans to the  
10 governor and the general assembly.

11           This act would take effect upon passage.

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