

1 **ARTICLE 22**

2 RELATING TO CENTRAL FALLS

3 SECTION 1. Central Falls Settlement Agreement.

4 (a) Definitions. As used in this public law, the following words and terms shall have the
5 following meaning, unless the context shall indicate otherwise:

6 (1) “Administrative and Financial Officer” is an administration and finance officer
7 appointed by the Director of Revenue under Rhode Island general laws section 45-9-10.

8 (2) “Appropriation Payment” means for purposes of this article the State appropriation
9 set forth in subsection (c)(1) of this section to fund transition payments to Participating Retirees
10 (“Transition Payments”).

11 (3) “Bankruptcy Court” means the United States Bankruptcy Court for the District of
12 Rhode Island.

13 (4) “Central Falls Pension Plan” means the so-called “1% Plan” and the so- called “John
14 Hancock Pension Plan” as restructured after the filing of the Chapter 9 petition for the City.

15 (5) “City” means the City of Central Falls, Rhode Island.

16 (6) “Contract Date” means December 19, 2012.

17 (7) “Director” shall mean the Rhode Island Director of Revenue.

18 (8) “MERS” means the Rhode Island Municipal Employee Retirement System.

19 (9) “Participating Retirees” means the retirees that signed the Settlement Agreement.

20 (10) “Participating Retirees’ Restricted 5-year Account” means the federally-insured
21 interest-bearing account into which the City shall deposit the Appropriation Payment pursuant to
22 Section 4 of the Settlement Agreement.

23 (11) “Plan of Debt Adjustment” means the amended plan of debt adjustment to be filed
24 with the Court by the City.

25 (12) “State” means the State of Rhode Island.

26 (13) “Settlement Agreement” means the Settlement and Release Agreement by and
27 between Receiver, the Director, the Participating Retirees, the Central Falls Police Retirees
28 Association, Inc. and the Central Falls Firefighters Retirees Association entered into on the
29 Contract Date.

30 (14) “Receiver” means Robert J. Flanders, Jr. in his capacity as state-appointed receiver

1 for the City, and any successor receiver appointed by the Director under Rhode Island general
2 laws section 45-9-7.

3 (15) "Transition Payments" means the annual payments made to Participation Retirees
4 from the Appropriation Payment pursuant to the terms of the Settlement Agreement.

5 (b) [Legislative Findings and Purpose.](#)

6 (1) On August 2, 2011, the Receiver filed a Chapter 9 petition on behalf of the City with
7 the Bankruptcy Court. Prior to January 9, 2012, the Settlement Agreement was executed by the
8 Receiver, the Director, the Participating Retirees, the Central Falls Police Retirees Association,
9 Inc. and the Central Falls Firefighters Retirees Association. On January 9, 2012, the Bankruptcy
10 Court entered an Order approving the Settlement Agreement.

11 (2) For purposes of this Article, the key terms of the Settlement Agreement include,
12 without limitation:

13 (i) That the Participating Retirees' pension benefits have been reduced by up to fifty-five
14 (55%) of their pre-bankruptcy pension payments; provided however if the General Assembly
15 authorizes an appropriation in the amount of \$2,636,932, then during Fiscal Years 2012-2016,
16 participating Retirees shall also receive Transition Payments, so that their combined reduced
17 pension payments and Transition Payments shall not aggregate to less than seventy-five percent
18 (75%) of their pre-bankruptcy pension payments;

19 (ii) That the Participating Retirees, the Central Falls Police Retirees Association, Inc. and
20 the Central Falls Firefighters Retirees Association have waived substantially all of their claims
21 against the City and the State; and

22 (iii) That in the event that the General Assembly fails to appropriate a minimum of
23 \$2,000,000 for Transition Payments, the Participating Retirees may "opt out" of the Settlement
24 Agreement and have it declared to be null and void.

25 (3) For the following and other reasons, this Article shall not be deemed a precedent that
26 would require the General Assembly to make similar appropriations to any other Rhode Island
27 distressed city or town:

28 (i) The City alone must pay 100% of the legal fees incurred in the litigation that
29 established the constitutionality of the Fiscal Stability Act (Rhode Island general laws section 45-
30 9-1 et seq.) and several important bankruptcy precedents, these precedents which have conferred
31 a significant benefit on all Rhode Island cities and towns;

32 (ii) Participating Retirees have agreed to reductions in their annual pension benefits of up
33 to 55%; and

34 (iii) The Settlement Agreement was approved by the Bankruptcy Court in order to make a

1 Chapter 9 plan of debt adjustment feasible.

2 (4) The requested Appropriation Payment which will ease the Participating Retirees’
3 transition to a pension benefit that has been reduced by up to fifty-five percent (55%) is fair and
4 appropriate.

5 (5) The Settlement Agreement is hereby incorporated into this Article by reference.

6 (c) [Appropriation Payment.](#)

7 (1) Appropriation Payment and Restrictions on Use. There is hereby provided to the City
8 of Central Falls a one-time lump-sum Appropriation Payment in the amount of \$2,636,932 to be
9 used solely for the purposes and subject to the restrictions set forth in the Settlement Agreement
10 to fund Transition Payment to Participating Retirees.

11 (2) Deposit of Appropriation Payment and Payments to Participating Retirees. The
12 Appropriation Payment shall be immediately deposited by the City into a restricted federally
13 backed or federally insured interest-bearing account under the name of the City and denominated
14 the “Participating Retirees’ Restricted 5-Year Account.” Within thirty (30) days after receipt of
15 the Appropriation Payment from the State, for fiscal year ending 2012, the City (jointly with
16 either the Receiver or an Administrative and Finance Officer for the City appointed by the
17 Director) shall withdraw from the Participating Retirees’ Restricted 5-Year Account exactly the
18 amount required to promptly pay and distribute to Participating Retirees the Transition Payments.
19 Thereafter, during the months of July in fiscal years ending 2013, 2014, 2015, and 2016, the City
20 (jointly with either the Receiver or an Administrative and Finance Officer for the City appointed
21 by the Director) shall withdraw from the Participating Retirees’ Restricted 5-Year Account
22 exactly the amount required to promptly pay and distribute to Participating Retirees the
23 Appropriation Transition Payments.

24 Any and all withdrawals, transfers and payments from the Participating Retirees’
25 Restricted 5-Year Account shall require the signature of two (2) persons, one of whom shall be
26 either the Receiver or an Administrative and Finance Officer of the City after the Receiver’s
27 duties are completed. Participating Retirees’ Restricted 5-Year Account shall remain under the
28 control of the City jointly with either the Receiver or an Administrative and Finance Officer and
29 that it shall be segregated from and shall not be controlled or managed by any third party
30 managing the single Central Falls Pension Plan, whether administered by the City or if
31 transitioned into MERS. Further, the Transition Payments shall be paid to Participating Retirees
32 jointly by the City and the Receiver or an Administrative and Finance Officer and not by any
33 third-party pension fund manager. Such Transition Payments shall cease after the distribution at
34 the end of fiscal year ending 2016.

1 (3) Relationship to Base Pension Payments. The Transition Payments shall not be
2 included in the calculation of the base pension benefits of Participating Retirees for purposes of
3 determining a Participating Retiree’s COLA. However, a spouse or statutory beneficiary under
4 Rhode Island general laws section 45-21.3-1 shall be entitled to sixty-seven and one-half percent
5 (67.5%) of a deceased Participating Retiree’s Transition Payment.

6 (4) Distribution of Balance. Within thirty (30) days of the end of fiscal year ending 2016,
7 the City shall withdraw the balance of the funds in the Participating Retirees’ Restricted 5-Year
8 Account (i.e. the accumulated interest and any remaining sums) and shall pay and distribute those
9 funds to each Participating Retiree based on the percentage assigned to each Participating Retiree
10 in accordance with the requirements set forth in APPENDIX B of the Settlement Agreement.
11 After all of the funds in the Participating Retirees’ Restricted 5-Year Account have been
12 appropriately distributed, the City shall promptly close the Participating Retirees’ Restricted 5-
13 Year Account.

14 (5) Access to Account Information and Records. The City, as overseen by the Receiver or
15 an Administrative and Finance Officer, as the case may be, shall maintain appropriate account
16 information and records relating to all receipts into, maintenance of, and distributions from the
17 Participating Retirees’ Restricted 5-Year Account, and shall allow at all reasonable times for the
18 full inspection of and copying and sharing of information about such account and any and all
19 Transition Payments by and with any Participating Retiree.

20 (6) Unclaimed Payments. Any money distributed to a Participating Retiree from the
21 Participating Retirees’ Restricted 5-Year Account and not claimed by a Participating Retiree after
22 the City has exercised good faith attempts over a six (6) month period to deliver it to the best last
23 known address of such Participating Retiree shall not escheat under state law, but shall be
24 deposited in the “Participating Retirees Wyatt Payments Account” which shall thereafter be
25 distributed in accordance with Section 5.3 of the Settlement Agreement.

26 (7) Liability and Penalties for Improper Use of Appropriation Payment. Any person,
27 whether in his/her individual or official capacity, who uses, appropriates or takes or instructs or
28 causes another to use, appropriate or take, the Appropriation Payment, or any portion thereof, that
29 is not specifically used for making Transition Payments to Participating Retirees as required
30 hereunder and under the terms, provisions and/or restrictions of the Settlement Agreement, shall
31 be personally liable for repayment of said funds and further shall be subject to any and all other
32 applicable civil and criminal sanctions and/or penalties for such act(s).

33 (8) *Return of Appropriations*. Notwithstanding anything set forth herein to the contrary,
34 in the event that the Settlement Agreement becomes legally void and/or of no further legal force

1 and effect, whether because the retirees have "opted out" of the Settlement Agreement, or because
2 a party duly declares the Settlement Agreement to be null and void pursuant to the terms of the
3 Settlement Agreement, or because a court determines the Settlement Agreement to be void, then
4 all remaining amounts of the Appropriation Payment held by the City shall be returned to the
5 State of Rhode Island.

6 SECTION 2. Section 28-9.1-6 of the General Laws in Chapter 28-9.1 entitled
7 "Firefighters' Arbitration" is hereby amended to read as follows:

8 **28-9.1-6. Obligation to bargain.** -- It shall be the obligation of the city or town, acting
9 through its corporate authorities, to meet and confer in good faith with the representative or
10 representatives of the bargaining agent within ten (10) days after receipt of written notice from
11 the bargaining agent of the request for a meeting for collective bargaining purposes. This
12 obligation shall include the duty to cause any agreement resulting from the negotiations to be
13 reduced to a written contract, provided that no contract shall exceed the term of one year, unless a
14 longer period is agreed upon in writing by the corporate authorities and the bargaining agents, but
15 in no event shall the contract exceed the term of three (3) years unless a budget commission or a
16 receiver has been appointed for a municipality pursuant to Chapter 45-9, in which case the
17 contract shall not exceed the term of five (5) years. An unfair labor practice charge may be
18 complained of by either the employer's representative or the bargaining agent to the state labor
19 relations board which shall deal with the complaint in the manner provided in chapter 7 of this
20 title.

21 SECTION 3. Section 28-9.2-6 of the General Laws in Chapter 28-9.2 entitled "Municipal
22 Police Arbitration" is hereby amended to read as follows:

23 **28-9.2-6. Obligation to bargain.** -- It shall be the obligation of the city or town, acting
24 through its corporate authorities, to meet and confer in good faith with the designated
25 representative or representatives of the bargaining agent, including any legal counsel selected by
26 the bargaining agent, within ten (10) days after receipt of written notice from the bargaining agent
27 of the request for a meeting for collective bargaining purposes. This obligation includes the duty
28 to cause any agreement resulting from the negotiations to be reduced to a written contract,
29 provided that no contract shall exceed the term of one year, unless a longer period is agreed upon
30 in writing by the corporate authorities and the bargaining agent, but in no event shall the contract
31 exceed the term of three (3) years unless a budget commission or a receiver has been appointed
32 for a municipality pursuant to chapter 45-9, in which case the contract shall not exceed the term
33 of five (5) years. An unfair labor charge may be complained of by either the employer's
34 representative or the bargaining agent to the state labor relations board which shall deal with the

1 complaint in the manner provided in chapter 7 of this title.

2 SECTION 4. Section 28-9.3-4 of the General Laws in Chapter 28-9.3 entitled “Certified
3 School Teachers’ Arbitration” is hereby amended to read as follows:

4 **28-9.3-4. Obligation to bargain. --** It shall be the obligation of the school committee to
5 meet and confer in good faith with the representative or representatives of the negotiating or
6 bargaining agent within ten (10) days after receipt of written notice from the agent of the request
7 for a meeting for negotiating or collective bargaining purposes. This obligation includes the duty
8 to cause any agreement resulting from negotiations or bargaining to be reduced to a written
9 contract; provided, that no contract shall exceed the term of three (3) years [unless a budget](#)
10 [commission or a receiver has been appointed for a municipality pursuant to chapter 45-9, in](#)
11 [which case the contract shall not exceed the term of five \(5\) years.](#) An unfair labor practice
12 charge may be complained of by either the bargaining agent or the school committee to the state
13 labor relations board which shall deal with the complaint in the manner provided in chapter 7 of
14 this title.

15 SECTION 5. Section 28-9.4-5 of the General Laws in Chapter 28-9.4 entitled “Municipal
16 Employees’ Arbitration” is hereby amended to read as follows:

17 **28-9.4-5. Obligation to bargain. --** It shall be the obligation of the municipal employer
18 to meet and confer in good faith with the representative or representatives of the negotiating or
19 bargaining agent within ten (10) days after receipt of written notice from the agent of the request
20 for a meeting for negotiating or collective bargaining purposes. This obligation includes the duty
21 to cause any agreement resulting from negotiation or bargaining to be reduced to a written
22 contract; provided, that no contract shall exceed the term of three (3) years [unless a budget](#)
23 [commission or a receiver has been appointed for a municipality pursuant to chapter 45-9, in](#)
24 [which case the contract shall not exceed the term of five \(5\) years.](#) Failure to negotiate or bargain
25 in good faith may be complained of by either the negotiating or bargaining agent or the municipal
26 employer to the state labor relations board, which shall deal with the complaint in the manner
27 provided in chapter 7 of this title. An unfair labor practice charge may be complained of by either
28 the bargaining agent or employer's representative to the state labor relations board, which shall
29 deal with the complaint in the manner provided in chapter 7 of this title.

30 SECTION 6. Under Rhode Island general laws section 45-9-1 et seq. a municipality
31 subject to the jurisdiction of a fiscal overseer, budget commission or receiver is responsible for
32 payment of expenses and costs incurred carrying out the responsibilities of the fiscal overseer,
33 budget commission and/or receiver. During fiscal 2011, the State incurred and paid on behalf of
34 the City of Central Falls expenses totaling \$ 1,073,131. On or about September 15, 2011, the

1 State billed the City of Central Falls for said \$1,073,131 expenses, for which the City of Central
2 Falls is responsible under section 45-9-1 et seq., and which continue to be incurred and paid for
3 by the State on behalf of the city. The State intends to bill the City of Central Falls for those
4 expenses. Recognizing that the City of Central Falls does not currently have the financial ability
5 to reimburse the State in full for said expenses and may need additional time to reimburse the
6 State for expenses reflected in future bills submitted by the State for such expenses, the City of
7 Central Falls shall have up to June 30, 2021 to reimburse the State for all such expenses paid by
8 the State and billed to the city.

9 SECTION 7. Pathway to Retirement System Transition. – The Office of the General
10 Treasurer, in consultation with the Department of Revenue, shall develop a framework for the
11 City of Central Falls to transition its employees and retirees into the Municipal Employees'
12 Retirement System. The Office of the General Treasurer shall report its findings and identified
13 transition mechanisms to the General Assembly by January 1, 2013.

14 SECTION 8. This article shall take effect upon passage.

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