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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2012

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A N A C T

RELATING TO TOWNS AND CITIES - RETIREMENT OF MUNICIPAL EMPLOYEES

Introduced By: Representatives Carnevale, DaSilva, Guthrie, Hull, and Menard

Date Introduced: February 16, 2012

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 45-21-52 of the General Laws in Chapter 45-21 entitled
2 "Retirement of Municipal Employees" is hereby amended to read as follows:

3 **45-21-52. Automatic increase in service retirement allowance.** -- (a) The local
4 legislative bodies of the cities and towns may extend to their respective employees automatic
5 adjustment increases in their service retirement allowances, by a resolution accepting any of the
6 plans described in this section:

7 (1) Plan A. - All employees and beneficiaries of those employees receiving a service
8 retirement or disability retirement allowance under the provisions of this chapter on December 31
9 of the year their city or town accepts this section, receive a cost of living adjustment equal to one
10 and one-half percent (1 1/2%) per year of the original retirement allowance, not compounded, for
11 each calendar year the retirement allowance has been in effect. This cost of living adjustment is
12 added to the amount of the retirement allowance as of January 1 following acceptance of this
13 provision, and an additional one and one-half percent (1 1/2%) is added to the original retirement
14 allowance in each succeeding year during the month of January, and provided, further, that this
15 additional cost of living increase is three percent (3%) for the year beginning January 1 of the
16 year the plan is accepted and each succeeding year.

17 (2) Plan B. - All employees and beneficiaries of those employees receiving a retirement
18 allowance under the provisions of this chapter on December 31 of the year their municipality
19 accepts this section, receive a cost of living adjustment equal to three percent (3%) of their

1 original retirement allowance. This adjustment is added to the amount of the retirement allowance
2 as of January 1 following acceptance of this provision, and an additional three percent (3%) of the
3 original retirement allowance, not compounded, is payable in each succeeding year in the month
4 of January.

5 (3) Plan C. - All employees and beneficiaries of those employees who retire on or after
6 January 1 of the year following acceptance of this section, on the first day of January next
7 following the date of the retirement, receive a cost of living adjustment in an amount equal to
8 three percent (3%) of the original retirement allowance.

9 (b) In each succeeding year in the month of January, the retirement allowance is
10 increased an additional three percent (3%) of the original retirement allowance, not compounded.

11 (c) (1) Notwithstanding any other paragraphs of this section, and subject to paragraph
12 (c)(2) below, for all present and former employees, active and retired members, and beneficiaries
13 receiving any retirement, disability or death allowance or benefit of any kind by reason of
14 adoption of this section by their employer, the annual benefit adjustment provided in any calendar
15 year under this section shall be equal to (A) multiplied by (B) where (A) is equal to the
16 percentage determined by subtracting five and one-half percent (5.5%) (the "subtrahend") from
17 the Five-Year Average Investment Return of the retirement system determined as of the last day
18 of the plan year preceding the calendar year in which the adjustment is granted, said percentage
19 not to exceed four percent (4%) and not to be less than zero percent (0%), and (B) is equal to the
20 lesser of the member's retirement allowance or the first twenty-five thousand dollars (\$25,000) of
21 retirement allowance, such twenty-five thousand dollars (\$25,000) amount to be indexed annually
22 in the same percentage as determined under (c)(1)(A) above. The "Five-Year Average Investment
23 Return" shall mean the average of the investment returns of the most recent five (5) plan years as
24 determined by the retirement board. Subject to paragraph (c)(2) below, the benefit adjustment
25 provided by this paragraph shall commence upon the third (3rd) anniversary of the date of
26 retirement or the date on which the retiree reaches his or her Social Security retirement age,
27 whichever is later; or for municipal police and fire retiring under the provisions of chapter 45-
28 21.2, the benefit adjustment provided by this paragraph shall commence on ~~the later of the third~~
29 ~~(3rd) anniversary of the date of retirement. or the date on which the retiree reaches age fifty five~~
30 ~~(55)~~. In the event the retirement board adjusts the actuarially assumed rate of return for the
31 system, either upward or downward, the subtrahend shall be adjusted either upward or downward
32 in the same amount.

33 (2) Except as provided in paragraph (c)(3) the benefit adjustments provided under this
34 section for any plan year shall be suspended in their entirety for each municipal plan within the

1 municipal employees retirement system unless the municipal plan is determined to be funded at a
2 GASB Funded Ratio equal to or greater than eighty percent (80%) as of the end of the
3 immediately preceding plan year in accordance with the retirement system's actuarial valuation
4 report as prepared by the system's actuary, in which event the benefit adjustment will be
5 reinstated for all members for such plan year.

6 In determining whether a funding level under this paragraph (c)(2) has been achieved,
7 the actuary shall calculate the funding percentage after taking into account the reinstatement of
8 any current or future benefit adjustment provided under this section. "GASB Funded Ratio" shall
9 mean the ratio of the actuarial value of assets to the actuarial accrued liability.

10 (3) Notwithstanding paragraph (c)(2), for each municipal plan that has a GASB Funded
11 Ratio of less than eighty percent (80%) as of June 30, 2012, in each fifth plan year commencing
12 after June 30, 2012 commencing with the plan year ending June 30, 2017, and subsequently at
13 intervals of five (5) plan years, a benefit adjustment shall be calculated and made in accordance
14 with paragraph (c)(1) above until the municipal plan's GASB Funded Ratio exceeds eighty
15 percent (80%).

16 (d) Upon acceptance of any of the plans in this section, each employee shall on January 1
17 next succeeding the acceptance, contribute by means of salary deductions, pursuant to section 45-
18 21-41, one percent (1%) of the employee's compensation concurrently with and in addition to
19 contributions otherwise being made to the retirement system.

20 (e) The city or town shall make any additional contributions to the system, pursuant to
21 the terms of section 45-21-42, for the payment of any benefits provided by this section.

22 (f) The East Greenwich town council shall be allowed to accept Plan C of section 45-21-
23 52(a)(3) for all employees of the town of East Greenwich who either, pursuant to contract
24 negotiations, bargain for Plan C, or who are non-union employees who are provided with Plan C
25 and who shall all collectively be referred to as the "Municipal-COLA Group" and shall be
26 separate from all other employees of the town and school department, union or non-union, who
27 are in the same pension group but have not been granted Plan C benefits. Upon acceptance by the
28 town council, benefits in accordance with this section shall be available to all such employees
29 who retire on or after January 1, 2003.

30 SECTION 2. Section 45-21.2-5 of the General Laws in Chapter 45-21.2 entitled
31 "Optional Retirement for Members of Police Force and Fire Fighters" is hereby amended to read
32 as follows:

33 **45-21.2-5. Retirement on service allowance.** -- (a) Retirement of a member on a service
34 retirement allowance for members eligible to retire on or before June 30, 2012 shall be made,

1 subject to paragraph (a)(11) below, by the retirement board as follows:

2 (1) Any member who has attained or attains age seventy (70) shall be retired as stated in
3 section 45-21-16 subject to the discretions contained in that section; provided, that any member
4 who is a member of the Woonsocket fire department who has attained or attains an age of sixty-
5 five (65) years shall be retired. Retirement occurs on the first day of the next succeeding calendar
6 month in which the member has attained the age of sixty-five (65) years.

7 (2) Any member may retire pursuant to this subdivision upon written application to the
8 board stating at what time the member desires to retire; provided, that the member at the specified
9 time for retirement has attained an age of fifty-five (55) years and has completed at least ten (10)
10 years of total service, and notwithstanding that the member may have separated from service.

11 (3) Any member may retire pursuant to this subdivision upon written application to the
12 board stating at what time the member desires to retire; provided, that the member at the specified
13 time for retirement has completed at least twenty-five (25) years of total service, and
14 notwithstanding that the member may have separated from service.

15 (4) Any member may retire pursuant to this subdivision upon written application to the
16 board stating at what time the member desires to retire; provided, that the member at the specified
17 time for retirement has attained an age of fifty (50) years and has completed at least twenty (20)
18 years of total service, notwithstanding that the member may have separated from service;
19 provided, that the service retirement allowance, as determined according to the formula provided
20 in section 45-21.2-6, is reduced one-half of one percent (1/2%) for each month that the age of the
21 member is less than fifty-five (55) years.

22 (5) Any member of the South Kingstown police department may retire pursuant to this
23 subdivision upon written application to the board stating at what time the member desires to
24 retire; provided, that the member at the specified time for retirement has earned a service
25 retirement allowance of fifty percent (50%) of final compensation pursuant to section 45-21.2-
26 6.1.

27 (6) Any member of the Johnston police department may retire pursuant to this
28 subdivision upon written application to the board stating at what time the member desires to
29 retire; provided, that the member at the specified time for retirement has earned a service
30 retirement allowance of fifty percent (50%) of final compensation pursuant to section 45-21.2-
31 6.2.

32 (7) Any member of the Cranston fire department hired after July 1, 1995, or any member
33 of the Cranston fire department with five (5) years or less of service effective July 1, 1995, may
34 retire pursuant to this subdivision upon written application to the board stating at what time the

1 member desires to retire; provided, that the member at the specified time for retirement has
2 earned a service retirement allowance of fifty percent (50%) of final compensation for at least
3 twenty (20) years service; final compensation for Cranston fire department members is based on
4 the compensation components of weekly salary, longevity and holidays with longevity of the
5 members highest year of earnings and members shall receive a three percent (3%) escalation of
6 their pension payment compounded each year on January 1st following the year of retirement and
7 continuing on an annual basis on that date; further, any illness or injury not covered in title 45 of
8 the general laws relating to the presumption of disability is governed by the collective bargaining
9 agreement between the City of Cranston and members of the Cranston fire department.

10 (8) Any member of the Cranston police department hired after July 1, 1995, or any
11 member of the Cranston police department with five (5) years or less of service effective July 1,
12 1995, may retire pursuant to this subdivision upon written application to the board stating at what
13 time the member desires to retire; provided, that the member at the specified time for retirement
14 has earned a service retirement allowance of fifty percent (50%) of final compensation for at least
15 twenty (20) years service; final compensation for Cranston police department members is based
16 on the compensation components of weekly salary, longevity and holidays with longevity of the
17 members highest year of earnings and members shall receive a three percent (3%) escalation of
18 their pension payment compounded each year on January 1st following the year of retirement and
19 continuing on an annual basis on that date; further, any illness or injury not covered in title 45 of
20 the general laws relating to the presumption of disability is governed by the collective bargaining
21 agreement between the City of Cranston and members of the Cranston police department.

22 (9) Any member of the Hopkinton police department may retire pursuant to this
23 subdivision upon written application to the board stating at what time the member desires to
24 retire; provided, that the member at the specified time for retirement has earned a service
25 retirement allowance of fifty percent (50%) of final compensation for at least twenty (20) years
26 service; final compensation for Hopkinton police department members is based on the
27 compensation components of weekly salary, longevity and holidays with longevity of the
28 members highest year of earnings and members shall receive a three percent (3%) escalation of
29 their pension payment compounded each year on January 1st following the year of retirement and
30 continuing on an annual basis on that date.

31 (10) Any member of the Richmond police department may retire pursuant to this
32 subdivision upon written application to the board stating at what time the member desires to
33 retire; provided, that the member at the specified time for retirement has earned a service
34 retirement allowance of fifty percent (50%) of final compensation for at least twenty-two (22)

1 years' service pursuant to section 45-21.2-6.3.

2 (11) Notwithstanding any provision in this section to the contrary, for any service on or
3 after July 1, 2012, final compensation shall be defined in accordance with section 45-21.2-2, and
4 no benefit adjustments shall be provided except as set forth in subsection 45-21-52(c).

5 (b) Retirement of a member on a service retirement allowance eligible to retire on and
6 after July 1, 2012 shall be made by the retirement board as follows:

7 (1) Any member may retire pursuant to this subdivision upon written application to the
8 board stating at what time the member desires to retire; provided, that the member at the specified
9 time for retirement ~~attained the age of at least fifty-five (55) years and~~ has completed at least
10 twenty-five (25) years of total service, and notwithstanding that the member may have separated
11 from service.

12 (2) Any member with contributory service on or after July 1, 2012, who has completed at
13 least five (5) years of contributory service but who has not completed twenty-five (25) years of
14 service, shall be eligible to retire upon the attainment of the member's Social Security retirement
15 age.

16 (3) If a member had ten (10) or more years of contributory service and attained age
17 forty-five (45) prior to July 1, 2012 and would have been eligible to retire at or prior to age fifty-
18 two (52) in accordance with the rules in effect prior to July 1, 2012, the member may retire upon
19 attainment of age fifty-two (52).

20 (4) A member who has completed twenty (20) or more years of total service who has
21 attained an age within five (5) years of the eligible retirement age under subparagraphs (b)(1) or
22 (b)(2) above, may elect to retire provided that the retirement allowance shall be reduced
23 actuarially for each month that the age of the member is less than the eligible retirement age
24 under subparagraphs (b)(1) or (b)(2) above.

25 (5) Notwithstanding any other provisions of this section, a member on June 30, 2012,
26 may elect to retire at his or her eligible retirement date as determined under the rules in effect on
27 June 30, 2012 provided that a member making an election under this paragraph shall receive the
28 member's retirement benefit determined and calculated based on the member's service and final
29 compensation as of June 30, 2012. This provision shall be interpreted and administered in a
30 manner to protect a member's accrued benefit on June 30, 2012.

31 SECTION 3. 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 - RETIREMENT OF MUNICIPAL EMPLOYEES

1 This act would amend the time when a benefit adjustment would be made for retired
2 municipal employees. The date would be the third (3rd) anniversary of the date of the member's
3 retirement. This act would also amend the specified time for retirement in certain cases for
4 members of the police force and fire fighters by eliminating the requirement that the member has
5 attained at least the age of fifty-five (55) years.

6 This act would take effect upon passage.

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