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ARTICLE 11 AS AMENDED

RELATING TO MUNICIPAL INCENTIVE AID

SECTION 1. Title 45 of the General Laws entitled "TOWNS AND CITIES" is hereby amended by adding thereto the following chapter:

CHAPTER 13.2

MUNICIPAL INCENTIVE AID

45-13.2-1. Short title. -- This chapter shall be known as the "Municipal Incentive Aid Act."

45-13.2-2. Legislative Findings. -- It is hereby found and declared as follows:

(a) The fiscal health of its municipalities is of paramount importance to the state of Rhode Island;

(b) Local municipalities in Rhode Island are facing ever-increasing costs for retirement related expenses;

(c) Retirement plans represent significant cost drivers for municipal budgets;

(d) Many municipalities currently have significantly under-funded retirement plans;

(e) These unfunded liabilities either jeopardize or threaten to jeopardize the fiscal stability of municipalities;

(f) Fiscal instability in a municipality adversely affects the state's financial interests; and

(g) Local municipalities should be encouraged to improve the sustainability of their retirement plans by reducing the unfunded liabilities thereunder and by funding the plans in a fiscally responsible manner.

45-13.2-3. Definitions. -- For purposes of this chapter "municipality" means any city or town of the state.

45-13.2-4. State Aid Incentive Program Appropriated. -- There are hereby appropriated funds for a state aid program entitled "Municipal Incentive Aid Program." For fiscal year 2014 the amount of five million dollars (\$5,000,000) shall be appropriated, and an amount of ten million dollars (\$10,000,000) will be requested for appropriation for fiscal year 2015 and for fiscal year 2016. Municipal Incentive Aid shall be administered and managed by the division of municipal finance within the department of revenue.

45-13.2-5. Purpose of the Municipal Incentive Aid Program. -- The purpose of this

1 Municipal Incentive Aid program, shall be to encourage municipalities to improve the
2 sustainability of their retirement plans and to reduce unfunded liabilities thereunder, by providing
3 additional state aid to those municipalities that comply with the requirements and provisions of
4 this chapter.

5 **45-13.2-6. Distributions.** -- (a) Municipal Incentive Aid described in this chapter shall be
6 distributed to eligible municipalities on the basis of the most recent population estimate for each
7 municipality as a share of the total state population reported by the U.S. Department of
8 Commerce, Bureau of the Census. Such payments shall be made to eligible communities in
9 March 2014, March 2015, and March 2016.

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

19 (c) For fiscal years 2015 and 2016, municipalities shall be eligible to receive aid under
20 this chapter, if: (1) the municipality has no locally-administered pension; or (2) the municipality
21 has transitioned all locally-administered pension plans into MERS by June 30, 2014; or (3) the
22 municipality had notified plan participants, beneficiaries and others pursuant to chapter 45-65 and
23 had submitted to the state's department of revenue a FIP, pursuant to chapter 45-65, for every
24 locally-administered pension plan and each submitted FIP meets the guidelines of the Study
25 Commission on Locally-Administered Pension Plans created pursuant to section 45-65-8 or
26 otherwise applicable guidelines or regulations and each FIP has been approved by the plan
27 sponsor and the local governing body; or (4) the municipality has implemented the original
28 recommended FIP or an amended FIP pursuant to chapter 45-65 within eighteen (18) months
29 after an actuary has certified that a locally administered plan is in critical status for a plan year;
30 and the FIPs are approved by the plan sponsor and the local governing body; or (5) there existed a
31 locally-administered pension plan in that municipality, but either: (i) no FIP was required
32 pursuant to chapter 45-65 and the municipality is funding one hundred percent (100%) of its
33 Annually Required Contribution (ARC); or (ii) FIP is required pursuant to chapter 45-65,
34 however, the due date for the FIP submission or implementation is after the March payment of

1 this municipal incentive aid.

2 (d) In any fiscal year that a municipality does not receive an appropriation under this
3 chapter, the amount that would have been allocated to the municipality will be distributed in the
4 month of May among the other eligible municipalities for that fiscal year, on the basis of the most
5 recent population estimate for each municipality as a share of the total state population reported
6 by the U.S. Department of Commerce, Bureau of the Census.

7 SECTION 2. This article shall take effect upon passage.