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ARTICLE 11

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 ten million dollars (\$10,000,000) 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 submitted to
12 the state's department of revenue a Funding Improvement Plan ("FIP"), pursuant to chapter 45-
13 65, for every locally-administered pension plan in that municipality, and each FIP had been
14 approved by the plan sponsor and the local governing body no later than May 1, 2013; or (3)
15 there existed a locally-administered pension plan(s) in that municipality, but no FIP was required
16 pursuant to chapter 45-65.

17 (c) For fiscal years 2015 and 2016, municipalities shall be eligible to receive aid under
18 this chapter, if: (1) all locally-administered pension plans are in the state- administered Municipal
19 Employee Retirement System ("MERS"); or (2) the municipality has transitioned all locally-
20 administered pension plans into MERS by June 30, 2014; or (3) the municipality had submitted to
21 the state's department of revenue a FIP, pursuant to chapter 45-65, for every locally-administered
22 pension plan and a submitted FIP meets the guidelines of the Study Commission on Locally-
23 Administered Pension Plans or otherwise applicable guidelines or regulations; the municipality
24 has implemented the original recommended FIP or an amended FIP pursuant to chapter 45-65;
25 and the FIPs are approved by the plan sponsor and the local governing body by June 1, 2014; or
26 (4) if there existed a locally-administered pension plan in that municipality, but no FIP was
27 required, pursuant to chapter 45-65, and the municipality is funding one hundred percent (100%)
28 of its Annually Required Contribution (ARC).

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

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