

1 **ARTICLE 12**

2 RELATING TO STATE POLICE PENSIONS

3 SECTION 1. Section 42-28-22.1 of the General Laws in Chapter 42-28 entitled "State
4 Police" is hereby amended to read as follows:

5 **42-28-22.1 Retirement contribution. -- (a) Legislative findings. The general assembly**
6 **finds that:**

7 (1) A trust was created for retirement purposes for members of the state police who were
8 hired after July 1, 1987; however, as of January 1, 2015, there was an unfunded liability of
9 approximately \$200 million attributable to the retirement benefits for members of the state police
10 hired on or before July 1, 1987, and no trust had been created for them.

11 (2) Unless a trust is established, these members' benefits will continue to be funded on a
12 pay-as-you-go basis and would not be recognized as a liability on the state's financial statements
13 under generally accepted accounting purposes.

14 (3) An investigation of Google, Inc., conducted by the Rhode Island U.S. attorney's
15 office and the Rhode Island task force of the U.S. food and drug administration's office of
16 criminal investigations, the department of the attorney general, and state and local police netted
17 settlement amounts of approximately \$230 million to the state, of which \$45.0 million has been
18 allocated for use by the state police.

19 (4) The allocation of Google settlement monies to the state police presents a unique
20 opportunity to reduce the amount of the unfunded liability attributable to the retirement benefits
21 for members of the state police hired on or before July 1, 1987.

22 (5) It is in the best interests of the members of the state police and the taxpayers of this
23 state to reduce the amount of the unfunded liability attributable to retirement benefits for these
24 police officers by creating a separate trust and to fund those benefits on an actuarial basis.

25 ~~(a)~~(b) Each member of the state police initially hired after July 1, 1987 shall have
26 deducted from "compensation" as defined in § 36-8-1(8) beginning July 1, 1989, an amount equal
27 to a rate percent of such compensation of eight and three quarters percent (8.75%). The receipts
28 collected from members of the state police shall be deposited in a restricted revenue account
29 entitled "state police retirement benefits". The proceeds deposited in this account shall be held in
30 trust for the purpose of paying retirement benefits under this section to participating members of

1 the state police or their beneficiaries. The retirement board shall establish rules and regulations to
2 govern the provisions of this section.

3 ~~(b)~~(c) A member of the state police initially hired after July 1, 1987 who withdraws from
4 service or ceases to be a member for any reason other than death or retirement, will, at the
5 member's request, be paid on demand a refund consisting of the accumulated contributions
6 standing to his or her credit in his or her individual account in the state police retirement benefits
7 account. Any member receiving a refund shall thereby forfeit and relinquish all accrued rights as
8 a member of the system together with credits for total service previously granted to the member;
9 provided, however, that if any member who has received a refund shall subsequently reenter the
10 service and again become a member of the system, he or she shall have the privilege of restoring
11 all moneys previously received or disbursed to his or her credit as refund of contributions, plus
12 regular interest for the period from the date of refund to the date of restoration.

13 ~~(e)~~(d) Upon the repayment of the refund ~~as herein~~ provided in subsection (c) above, the
14 member shall again receive credit for the amount of total service which he or she had previously
15 forfeited by the acceptance of the refund.

16 (e) The state shall deposit contributions for members of the state police initially hired on
17 or before July 1, 1987, from time to time (as provided in § 42-28-22.2) to be held in trust. The
18 proceeds of this trust shall pay retirement benefits under this section to participating members of
19 the state police or their beneficiaries. The retirement board shall establish rules and regulations to
20 govern the provisions of this section.

21 SECTION 2. Section 42-28-22.2 of the General Laws in Chapter 42-28 entitled "State
22 Police" is hereby amended to read as follows:

23 **42-28-22.2 State contributions.** -- The state of Rhode Island shall make its contribution
24 for the maintaining of the system established by § 42-28-22.1 and providing the annuities,
25 benefits, and retirement allowances in accordance with the provisions of this chapter by (a)
26 annually appropriating an amount which will pay a rate percent of the compensation paid after
27 July 1, 1989 to members of the state police hired after July 1, 1987 and (b) appropriating an
28 amount which will amortize the unfunded liability associated with the benefits payable to
29 members of the state police hired on or before July 1, 1987. ~~This rate percent~~ The dollar amount
30 specified in subsection (b) above shall be computed on an actuarial basis using an eighteen (18)
31 year amortization schedule commencing on July 1, 2015, taking into account an initial
32 supplemental contribution from the state, and certified in accordance with the procedures set forth
33 in §§ 36-8-13 and 36-10-2 under rules and regulations promulgated by the retirement board
34 pursuant to § 36-8-3.

1 SECTION 3. Section 36-8-1 of the General Laws in Chapter 36-8 entitled "Retirement
2 System – Administration" is hereby amended to read as follows:

3 **36-8-1 Definition of terms.** – The following words and phrases as used in chapters 8 to
4 10 of this title unless a different meaning is plainly required by the context, shall have the
5 following meanings:

6 (1) "Accumulated contributions" shall mean the sum of all the amounts deducted from
7 the compensation of a member and credited to his or her individual pension account.

8 (2) "Active member" shall mean any employee of the state of Rhode Island as defined in
9 this section for whom the retirement system is currently receiving regular contributions pursuant
10 to §§ 36-10-1 and 36-10-1.1.

11 (3) "Actuarial equivalent" shall mean an allowance or benefit of equal value to any other
12 allowance or benefit when computed upon the basis of the actuarial tables in use by the system.

13 (4) "Annuity reserve" shall mean the present value of all payments to be made on account
14 of any annuity, benefit, or retirement allowance granted under the provisions of chapter 10 of this
15 title computed upon the basis of such mortality tables as shall be adopted from time to time by the
16 retirement board with regular interest.

17 (5)(a) "Average compensation" for members eligible to retire as of September 30, 2009
18 shall mean the average of the highest three (3) consecutive years of compensation, within the total
19 service when the average compensation was the highest. For members eligible to retire on or after
20 October 1, 2009, "Average compensation" shall mean the average of the highest five (5)
21 consecutive years of compensation within the total service when the average compensation was
22 the highest.

23 (b) For members who become eligible to retire on or after July 1, 2012, if more than one
24 half (1/2) of the member's total years of service consist of years of service during which the
25 member devoted less than thirty (30) business hours per week to the service of the state, but the
26 member's average compensation consists of three (3) or more years during which the member
27 devoted more than thirty (30) business hours per week to the service of the state, such member's
28 average compensation shall mean the average of the highest ten (10) consecutive years of
29 compensation within the total service when the average compensation was the highest.

30 (6) "Beneficiary" shall mean any person in receipt of a pension, an annuity, a retirement
31 allowance, or other benefit as provided by chapter 10 of this title.

32 (7) "Casual employee" shall mean those persons hired for a temporary period, a period of
33 emergency or an occasional period.

34 (8) "Compensation" as used in chapters 8 – 10 of this title, chapters 16 and 17 of title 16,

1 and chapter 21 of title 45 shall mean salary or wages earned and paid for the performance of
2 duties for covered employment, including regular longevity or incentive plans approved by the
3 board, but shall not include payments made for overtime or any other reason other than
4 performance of duties, including but not limited to the types of payments listed below:

5 (i) Payments contingent on the employee having terminated or died;

6 (ii) Payments made at termination for unused sick leave, vacation leave, or compensatory
7 time;

8 (iii) Payments contingent on the employee terminating employment at a specified time in
9 the future to secure voluntary retirement or to secure release of an unexpired contract of
10 employment;

11 (iv) Individual salary adjustments which are granted primarily in anticipation of the
12 employee's retirement;

13 (v) Additional payments for performing temporary or extra duties beyond the normal or
14 regular work day or work year.

15 (9) "Employee" shall mean any officer or employee of the state of Rhode Island whose
16 business time is devoted exclusively to the services of the state, but shall not include one whose
17 duties are of a casual or seasonal nature. The retirement board shall determine who are employees
18 within the meaning of this chapter. The governor of the state, the lieutenant governor, the
19 secretary of state, the attorney general, the general treasurer, and the members of the general
20 assembly, ex officio, shall not be deemed to be employees within the meaning of that term unless
21 and until they elect to become members of the system as provided in § 36-9-6, but in no case shall
22 it deem as an employee, for the purposes of this chapter, any individual who devotes less than
23 twenty (20) business hours per week to the service of the state, and who receives less than the
24 equivalent of minimum wage compensation on an hourly basis for his or her services, except as
25 provided in § 36-9-24. Any commissioner of a municipal housing authority or any member of a
26 part-time state, municipal or local board, commission, committee or other public authority shall
27 not be deemed to be an employee within the meaning of this chapter.

28 (10) "Full actuarial costs" or "full actuarial value" shall mean the lump sum payable by a
29 member claiming service credit for certain employment for which that payment is required which
30 is determined according to the age of the member and the employee's annual rate of compensation
31 at the time he or she applies for service credit and which is expressed as a rate percent of the
32 employee's annual rate of compensation to be multiplied by the number of years for which he or
33 she claims service credit as prescribed in a schedule adopted by the retirement board from time to
34 time on the basis of computation by the actuary. Except as provided in §§ 16-16-7.1, 36-5-3, 36-

1 9-31, 36-10-10.4, 45-21-53, 36-10-8, 45-21-29, 8-3-16(b), 8-8-10.1(b), 42-28-22.1~~(b)~~(c) and 28-
2 30-18.1(b);

3 (i) all service credit purchases requested after June 16, 2009 and prior to July 1, 2012,
4 shall be at full actuarial value; and

5 (ii) all service credit purchases requested after June 30, 2012 shall be at full actuarial
6 value which shall be determined using the system's assumed investment rate of return minus one
7 percent (1%).

8 The rules applicable to a service credit purchase shall be the rules of the retirement
9 system in effect at the time the purchase application is submitted to the retirement system.

10 (11) "Inactive member" shall mean a member who has withdrawn from service as an
11 employee but who has not received a refund of contributions.

12 (12) "Members" shall mean any person included in the membership of the retirement
13 system as provided in §§ 36-9-1 – 36-9-7.

14 (13) "Prior service" shall mean service as a member rendered before July 1, 1936,
15 certified on his or her prior service certificate and allowable as provided in § 36-9-28.

16 (14) "Regular interest" shall mean interest at the assumed investment rate of return,
17 compounded annually, as may be prescribed from time to time by the retirement board.

18 (15) "Retirement allowance" shall mean annual payments for life made after retirement
19 under and in accordance with chapters 8 to 10 of this title. All allowances shall be paid in equal
20 monthly installments beginning as of the effective date thereof; provided, that a smaller pro rata
21 amount may be paid for part of a month where separation from service occurs during the month
22 in which the application was filed, and when the allowance ceases before the last day of the
23 month.

24 (16) "Retirement board" or "board" shall mean the board provided in § 36-8-3 to
25 administer the retirement system.

26 (17) "Retirement system" shall mean the employees' retirement system of the state of
27 Rhode Island as defined in § 36-8-2.

28 (18) "Service" shall mean service as an employee of the state of Rhode Island as
29 described in subdivision (9) of this section.

30 (19) "Social Security retirement age" shall mean a member's full retirement age as
31 determined in accordance with the federal Old Age, Survivors and Disability Insurance Act, not
32 to exceed age sixty-seven (67).

33 (20) "Total service" shall mean prior service as defined above, plus service rendered as a
34 member on or after July 1, 1936.

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SECTION 4. This article shall take effect upon passage.