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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2017

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A N A C T

RELATING TO PUBLIC OFFICES AND EMPLOYEES - RETIREMENT SYSTEM -  
CONTRIBUTIONS AND BENEFITS

Introduced By: Representatives O'Brien, Marshall, Fogarty, Blazejewski, and  
McKiernan

Date Introduced: March 23, 2017

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 36-10-35 of the General Laws in Chapter 36-10 entitled  
2 "Retirement System-Contributions and Benefits" is hereby amended to read as follows:

3 **36-10-35. Additional benefits payable to retired employees.**

4 (a) All state employees and all beneficiaries of state employees receiving any service  
5 retirement or ordinary or accidental disability retirement allowance pursuant to the provisions of  
6 this title on or before December 31, 1967, shall receive a cost of living retirement adjustment  
7 equal to one and one-half percent (1.5%) per year of the original retirement allowance, not  
8 compounded, for each calendar year the retirement allowance has been in effect. For the purposes  
9 of computation, credit shall be given for a full calendar year regardless of the effective date of the  
10 retirement allowance. This cost of living adjustment shall be added to the amount of the  
11 retirement allowance as of January 1, 1968, and an additional one and one-half percent (1.5%)  
12 shall be added to the original retirement allowance in each succeeding year during the month of  
13 January, and provided further, that this additional cost of living increase shall be three percent  
14 (3%) for the year beginning January 1, 1971, and each year thereafter, through December 31,  
15 1980. Notwithstanding any of the above provisions, no employee receiving any service retirement  
16 allowance pursuant to the provisions of this title on or before December 31, 1967, or the  
17 employee's beneficiary, shall receive any additional benefit hereunder in an amount less than two  
18 hundred dollars (\$200) per year over the service retirement allowance where the employee retired

1 prior to January 1, 1958.

2 (b) All state employees and all beneficiaries of state employees retired on or after January  
3 1, 1968, who are receiving any service retirement or ordinary or accidental disability retirement  
4 allowance pursuant to the provisions of this title shall, on the first day of January next following  
5 the third anniversary date of the retirement, receive a cost of living retirement adjustment, in  
6 addition to his or her retirement allowance, in an amount equal to three percent (3%) of the  
7 original retirement allowance. In each succeeding year thereafter through December 31, 1980,  
8 during the month of January, the retirement allowance shall be increased an additional three  
9 percent (3%) of the original retirement allowance, not compounded, to be continued during the  
10 lifetime of the employee or beneficiary. For the purposes of computation, credit shall be given for  
11 a full calendar year regardless of the effective date of the service retirement allowance.

12 (c) (1) Beginning on January 1, 1981, for all state employees and beneficiaries of the  
13 state employees receiving any service retirement and all state employees, and all beneficiaries of  
14 state employees, who have completed at least ten (10) years of contributory service on or before  
15 July 1, 2005 pursuant to the provisions of this chapter, and for all state employees, and all  
16 beneficiaries of state employees who receive a disability retirement allowance pursuant to §§ 36-  
17 10-12 -- 36-10-15, the cost of living adjustment shall be computed and paid at the rate of three  
18 percent (3%) of the original retirement allowance or the retirement allowance as computed in  
19 accordance with § 36-10-35.1, compounded annually from the year for which the cost of living  
20 adjustment was determined to be payable by the retirement board pursuant to the provisions of  
21 subsection (a) or (b) of this section. Such cost of living adjustments are available to members who  
22 retire before October 1, 2009 or are eligible to retire as of September 30, 2009.

23 (2) The provisions of this subsection shall be deemed to apply prospectively only and no  
24 retroactive payment shall be made.

25 (3) The retirement allowance of all state employees and all beneficiaries of state  
26 employees who have not completed at least ten (10) years of contributory service on or before  
27 July 1, 2005 or were not eligible to retire as of September 30, 2009, shall, on the month following  
28 the third anniversary date of retirement, and on the month following the anniversary date of each  
29 succeeding year be adjusted and computed by multiplying the retirement allowance by three  
30 percent (3%) or the percentage of increase in the Consumer Price Index for all Urban Consumers  
31 (CPI-U) as published by the United States Department of Labor Statistics determined as of  
32 September 30 of the prior calendar year, whichever is less; the cost of living adjustment shall be  
33 compounded annually from the year for which the cost of living adjustment was determined  
34 payable by the retirement board; provided, that no adjustment shall cause any retirement

1 allowance to be decreased from the retirement allowance provided immediately before such  
2 adjustment.

3 (d) For state employees not eligible to retire in accordance with this chapter as of  
4 September 30, 2009 and not eligible upon passage of this article, and for their beneficiaries, the  
5 cost of living adjustment described in subsection (3) above shall only apply to the first thirty-five  
6 thousand dollars (\$35,000) of retirement allowance, indexed annually, and shall commence upon  
7 the third (3rd) anniversary of the date of retirement or when the retiree reaches age sixty-five  
8 (65), whichever is later. The thirty-five thousand dollar (\$35,000) limit shall increase annually by  
9 the percentage increase in the Consumer Price Index for all Urban Consumers (CPI-U) as  
10 published by the United States Department of Labor Statistics determined as of September 30 of  
11 the prior calendar year or three percent (3%), whichever is less. The first thirty-five thousand  
12 dollars (\$35,000) of retirement allowance, as indexed, shall be multiplied by the percentage of  
13 increase in the Consumer Price Index for all Urban Consumers (CPI-U) as published by the  
14 United States Department of Labor Statistics determined as of September 30 of the prior calendar  
15 year or three percent (3%), whichever is less, on the month following the anniversary date of each  
16 succeeding year. For state employees eligible to retire as of September 30, 2009 or eligible upon  
17 passage of this article, and for their beneficiaries, the provisions of this subsection (d) shall not  
18 apply.

19 (e) All legislators and all beneficiaries of legislators who are receiving a retirement  
20 allowance pursuant to the provisions of § 36-10-9.1 for a period of three (3) or more years, shall,  
21 commencing January 1, 1982, receive a cost of living retirement adjustment, in addition to a  
22 retirement allowance, in an amount equal to three percent (3%) of the original retirement  
23 allowance. In each succeeding year thereafter during the month of January, the retirement  
24 allowance shall be increased an additional three percent (3%) of the original retirement  
25 allowance, compounded annually, to be continued during the lifetime of the legislator or  
26 beneficiary. For the purposes of computation, credit shall be given for a full calendar year  
27 regardless of the effective date of the service retirement allowance.

28 (f) The provisions of §§ 45-13-7 -- 45-13-10 shall not apply to this section.

29 (g) This subsection (g) shall be effective for the period July 1, 2012 through June 30,  
30 2015.

31 (1) Notwithstanding the prior paragraphs of this section, and subject to paragraph (g)(2)  
32 below, for all present and former employees, active and retired members, and beneficiaries  
33 receiving any retirement, disability or death allowance or benefit of any kind, the annual benefit  
34 adjustment provided in any calendar year under this section shall be equal to (A) multiplied by

1 (B) where (A) is equal to the percentage determined by subtracting five and one-half percent  
2 (5.5%) (the "subtrahend") from the Five-Year Average Investment Return of the retirement  
3 system determined as of the last day of the plan year preceding the calendar year in which the  
4 adjustment is granted, said percentage not to exceed four percent (4%) and not to be less than  
5 zero percent (0%), and (B) is equal to the lesser of the member's retirement allowance or the first  
6 twenty-five thousand dollars (\$25,000) of retirement allowance, such twenty-five thousand  
7 dollars (\$25,000) amount to be indexed annually in the same percentage as determined under  
8 (g)(1)(A) above. The "Five-Year Average Investment Return" shall mean the average of the  
9 investment returns of the most recent five (5) plan years as determined by the retirement board.  
10 Subject to paragraph (g)(2) below, the benefit adjustment provided by this paragraph shall  
11 commence upon the third (3rd) anniversary of the date of retirement or the date on which the  
12 retiree reaches his or her Social Security retirement age, whichever is later. In the event the  
13 retirement board adjusts the actuarially assumed rate of return for the system, either upward or  
14 downward, the subtrahend shall be adjusted either upward or downward in the same amount.

15 (2) Except as provided in paragraph (g)(3), the benefit adjustments under this section for  
16 any plan year shall be suspended in their entirety unless the Funded Ratio of the Employees'  
17 Retirement System of Rhode Island, the Judicial Retirement Benefits Trust and the State Police  
18 Retirement Benefits Trust, calculated by the system's actuary on an aggregate basis, exceeds  
19 eighty percent (80%) in which event the benefit adjustment will be reinstated for all members for  
20 such plan year.

21 In determining whether a funding level under this paragraph (g)(2) has been achieved, the  
22 actuary shall calculate the funding percentage after taking into account the reinstatement of any  
23 current or future benefit adjustment provided under this section.

24 (3) Notwithstanding paragraph (g)(2), in each fifth plan year commencing after June 30,  
25 2012 commencing with the plan year ending June 30, 2017, and subsequently at intervals of five  
26 plan years, a benefit adjustment shall be calculated and made in accordance with paragraph (g)(1)  
27 above until the Funded Ratio of the Employees' Retirement System of Rhode Island, the Judicial  
28 Retirement Benefits Trust and the State Police Retirement Benefits Trust, calculated by the  
29 system's actuary on an aggregate basis, exceeds eighty percent (80%).

30 (4) Notwithstanding any other provision of this chapter, the provisions of this paragraph  
31 (g) of § 36-10-35 shall become effective July 1, 2012 and shall apply to any benefit adjustment  
32 not granted on or prior to June 30, 2012.

33 (h) This subsection (h) shall become effective July 1, 2015.

34 (1) (A) As soon as administratively reasonable following the enactment into law of this

1 subsection (h)(1)(A), a one-time benefit adjustment shall be provided to members and/or  
2 beneficiaries of members who retired on or before June 30, 2012, in the amount of 2% of the  
3 lesser of either the member's retirement allowance or the first twenty-five thousand dollars  
4 (\$25,000) of the member's retirement allowance. This one-time benefit adjustment shall be  
5 provided without regard to the retiree's age or number of years since retirement.

6 (B) Notwithstanding the prior subsections of this section, for all present and former  
7 employees, active and retired members, and beneficiaries receiving any retirement, disability or  
8 death allowance or benefit of any kind, the annual benefit adjustment provided in any calendar  
9 year under this section for adjustments on and after January 1, 2016, and subject to subsection  
10 (h)(2) below, shall be equal to (I) multiplied by (II):

11 (I) Shall equal the sum of fifty percent (50%) of (i) plus fifty percent (50%) of (ii) where:

12 (i) Is equal to the percentage determined by subtracting five and one-half percent (5.5%)  
13 (the "subtrahend") from the five-year average investment return of the retirement system  
14 determined as of the last day of the plan year preceding the calendar year in which the adjustment  
15 is granted, said percentage not to exceed four percent (4%) and not to be less than zero percent  
16 (0%). The "five-year average investment return" shall mean the average of the investment returns  
17 of the most recent five (5) plan years as determined by the retirement board. In the event the  
18 retirement board adjusts the actuarially assumed rate of return for the system, either upward or  
19 downward, the subtrahend shall be adjusted either upward or downward in the same amount.

20 (ii) Is equal to the lesser of three percent (3%) or the percentage increase in the Consumer  
21 Price Index for all Urban Consumers (CPI-U) as published by the U.S. Department of Labor  
22 Statistics determined as of September 30 of the prior calendar year. In no event shall the sum of  
23 (i) plus (ii) exceed three and one-half percent (3.5%) or be less than zero percent (0%).

24 (II) Is equal to the lesser of either the member's retirement allowance or the first twenty-  
25 five thousand eight hundred and fifty-five dollars (\$25,855) of retirement allowance, such amount  
26 to be indexed annually in the same percentage as determined under subsection (h)(1)(B)(I) above.

27 The benefit adjustments provided by this subsection (h)(1)(B) shall be provided to all  
28 retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect,  
29 and for all other retirees the benefit adjustments shall commence upon the third anniversary of the  
30 date of retirement or the date on which the retiree reaches his or her Social Security retirement  
31 age, whichever is later.

32 (2) Except as provided in subsection (h)(3) of this section, the benefit adjustments under  
33 subsection (h)(1)(B) for any plan year shall be suspended in their entirety unless the funded ratio  
34 of the employees' retirement system of Rhode Island, the judicial retirement benefits trust and the

1 state police retirement benefits trust, calculated by the system's actuary on an aggregate basis,  
2 exceeds eighty percent (80%) in which event the benefit adjustment will be reinstated for all  
3 members for such plan year.

4 In determining whether a funding level under this subsection (h)(2) has been achieved,  
5 the actuary shall calculate the funding percentage after taking into account the reinstatement of  
6 any current or future benefit adjustment provided under this section.

7 (3) Notwithstanding subsection (h)(2), in each fourth plan year commencing after June  
8 30, 2012 commencing with the plan year ending June 30, 2016, and subsequently at intervals of  
9 four plan years:

10 (i) A benefit adjustment shall be calculated and made in accordance with subsection  
11 (h)(1)(B) above; and

12 (ii) Effective for members and/or beneficiaries of members who retired on or before June  
13 30, 2015, the dollar amount in subsection (h)(1)(B)(II) of twenty-five thousand eight hundred and  
14 fifty-five dollars (\$25,855) shall be replaced with thirty-one thousand and twenty-six dollars  
15 (\$31,026) until the funded ratio of the employees' retirement system of Rhode Island, the judicial  
16 retirement benefits trust and the state police retirement benefits trust, calculated by the system's  
17 actuary on an aggregate basis, exceeds eighty percent (80%).

18 (i) Effective for members and or beneficiaries of members who have retired on or before  
19 July 1, 2015, a one-time stipend of five hundred dollars (\$500) shall be payable within sixty (60)  
20 days following the enactment of the legislation implementing this provision, and a second one-  
21 time stipend of five hundred dollars (\$500) in the same month of the following year. These  
22 stipends shall be payable to all retired members or beneficiaries receiving a benefit as of the  
23 applicable payment date and shall not be considered cost of living adjustments under the prior  
24 provisions of ~~this § 36-10-3~~ [§36-10-35](#).

25 [\(j\)\(1\) Notwithstanding the prior subsections of this section, for all present and former](#)  
26 [employees, active and retired members, and beneficiaries receiving any retirement, disability, or](#)  
27 [death allowance or benefit of any kind, the annual benefit adjustment provided in any calendar](#)  
28 [under this section for adjustments on and after January 1, 2018, shall be three percent \(3%\) and](#)  
29 [applied to the first fifty thousand dollars \(\\$50,000\) of the member's retirement allowance](#)  
30 [provided that the prior year investment return shall yield a gain of ten percent \(10%\) or more.](#)

31 [\(2\) In the event that the funding ratio of the employee's retirement system of Rhode](#)  
32 [Island, the judicial retirement benefits trust and the state police retirement benefits trust,](#)  
33 [calculated by the system's actuary on an aggregate basis exceeds eighty percent \(80%\), this](#)  
34 [subsection shall become null and void and the annual benefit adjustment shall be awarded](#)

1 [pursuant to the provisions of subsection \(h\) of this section.](#)

2 SECTION 2. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

A N A C T

RELATING TO PUBLIC OFFICES AND EMPLOYEES - RETIREMENT SYSTEM -  
CONTRIBUTIONS AND BENEFITS

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1           This act would award all members of the pension system a three percent (3%) annual  
2 benefit adjustment (COLA) applied to the first fifty thousand dollars (\$50,000) of a member's  
3 retirement allowance on and after January 1, 2018, provided the prior year investment return  
4 yields a gain of ten percent (10%) or more until the pension system funding ratio exceeds eighty  
5 percent (80%).

6           This act would take effect upon passage.

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