

Study Commission
April 9, 2012
Minutes of the Meeting

A Study Commission meeting was held in Room 313 of the State House, 82 Smith Street, Providence, Rhode Island on Monday, April 9, 2012.

At 1:09 p.m., Rosemary Booth Gallogly, Director of Revenue and Chairperson of the Commission called the meeting to order.

Commission members present included: Rosemary Booth Gallogly, Jean Bouchard, Paul Doughty, Allan Fung, Dennis Hoyle, Bruce Keiser, J. Michael Lenihan, Kelly Mahoney representing Richard Licht, Antonio Pires, Joseph Polisen, Steven St. Pierre, Mark Dingley representing Gina Raimondo, John Simmons and Angel Taveras.

There were no members absent.

Others present included: Joseph E. Connarton, Executive Director of the Massachusetts Public Employee Retirement Administration Commission, Susanne Greschner, Chief from the Division of Municipal Finance and members of the public.

Agenda Item #1 – Approval of Minutes from March 26, 2012

Chairperson Booth Gallogly referred to the agenda for the meeting and, as such, stated that the first order of business was approval of the minutes from the Study Commission meeting held on March 26, 2012. She asked if the Commission members had any corrections, adjustments or additions to the draft minutes. There were none. Mayor Polisen from the Town of Johnston made a motion to accept the minutes as written. The motion was seconded by Mayor Fung from the City of Cranston. The motion passed all in favor.

Agenda Item #2 – Presentation by Joseph E. Connarton, Executive Director, Public Employee Retirement Administration Commission, Massachusetts

Mr. Connarton went through his PowerPoint presentation and provided an overview of the Public Employee Retirement Administration Commission (PERAC) in Massachusetts. He responded to various questions from Commission members. Please refer to the [Division of Municipal Finance's website](#) for a copy of the presentation.

Agenda Item #3 – Preliminary Overview of Finding from the Submission of Experience Studies and Actuarial Valuation by Municipalities

- a. Update on studies received, Attachment B
- b. Draft letter to municipalities regarding studies not submitted, Attachment C – For Vote
- c. Draft “Notice of Critical Status”, Attachment D – For Vote

d. Issues to be addressed

Susanne Greschner, Chief of the Division of Municipal Finance, indicated that the following overview is an initial and preliminary analysis, and that it will take some time to go through all of the submitted actuarial valuations and experience studies. She thanked Dennis Hoyle, Acting Auditor General and Rina DiBenedetto, Senior Audit Manager, who have also worked on the preliminary analysis.

Ms. Greschner said this is an overview of the Experience Studies and Valuations that she has received as of April 9, 2012, and all these reports are on the Division's website at: <http://www.muni.info.state.ri.us/finances/ExpActTable.php> to review. A few are missing: Cumberland's experience study and valuation, Little Compton's experience study, Narragansett's experience study for the Police, and Warwick Public Schools' experience study. However, one should be aware that the data is still being reviewed by the Division of Municipal Finance and the Auditor General's Office and that the Study Commission has not had time to review them. From the data that Ms. Greschner has received, there are differences in how the communities responded. For example, some communities included updated valuation information as part of the experience study while others submitted letters updating the previous valuations. Therefore, when one looks at an individual community, Ms. Greschner recommends that one looks at both the experience study and the valuation.

It is not always clear that any recommendations in the experience study were adopted by the local governing body. The Division of Municipal Finance and the Office of the Auditor General are presently reviewing the studies to analyze whether or not these recommendations were adopted. It doesn't necessarily mean that any changes, for example an increase or reduction in investment rate of return, will be recommended by the local governing body; therefore, both offices will have to go through each study.

Based on her very preliminary results, the unfunded liability for these locally-administered pension plans is going up by \$170 million. Mr. Hoyle reported in his September 2011 report an unfunded liability of \$ 2.1 billion. Based on the valuations received to date, the unfunded liability is up to \$ 2.3 billion. However, this number may have to be adjusted as the analysis of the valuations progresses. For example, if some of the investment rates of return are lowered, that of course will have an impact on the unfunded liability. Some communities have done that. She is aware that the City of Warwick adopted the states' investment rate of return; therefore, you will see an increase in the unfunded liability in Warwick just because of that. And based on some recommendations that she has seen, Ms. Greschner would suspect that the unfunded liability would go up if communities were to adopt a lower investment rate of return.

The next steps for the Division of Municipal Finance, as well as Mr. Hoyle's office are that they develop a template in terms of the fiscal analysis and the assumption rate of return.

Antonio Pires inquired about the investment rate of return. Pawtucket has been using 7.875 percent. He asked what type of range Ms. Greschner has been seeing in the valuations. Ms. Greschner indicated that she could not answer that question yet, but this will be an important part of the analysis.

Mayor Fung asked about the increase on the unfunded liability and whether it includes any changes in the assumptions. For instance, in Cranston, he won't be implementing new assumptions until the next budget year, and because of that, he knows that there will be a significant increase in his unfunded liability.

Ms. Greschner stated that in her preliminary analysis she only compared the data as reported last year by the Auditor General's Office with the valuations that she received to date. Therefore, with the exception of Warwick, the increase in the unfunded liability is mainly related to updated valuations, and not to any changes in assumptions. Mayor Fung said that by looking at Cranston's study, for instance, an increase in the unfunded liability would depend on whether he took all of the recommended assumption changes (because there were two recommendations that came from his actuaries) or not. Ms. Greschner stated that for Cranston she had included an unfunded liability of \$256 million.

Chairperson Booth Gallogly indicated that part of the problem was that when they received the experience studies and actuarial valuations, it isn't necessarily clear whether a municipality incorporated any changes in assumptions into the actuarial valuations. Also, it is not clear if the governing body took any action to adopt any changes, which could impact the funded status and the certification of critical status.

Mayor Taveras from the City of Providence suggested a need for an actuary to advise the commission. He said when the Commission starts to look at these reports and tries to make determinations as to what are proper and improper assumptions he thinks that the help of an actuary to assist the commission would be helpful. It gives the Commission an opportunity to ask questions to make a determination relative to the assumptions different localities are using. Mayor Fung agreed. Chairperson Booth Gallogly also agreed that an actuary would be very helpful; therefore she will take action on that.

John Simmons, executive director for the Rhode Island Public Expenditure Council, asked about the funded status and if there were any changes. He would assume none of the plans in critical status had improved. Ms. Greschner replied that based on the preliminary analysis Jamestown is above the critical status of 60%, based on the valuation submitted. This is the only change she is aware of to date. It appears that there will be no major change in the funded ratios. However, at this point she is hesitant to release any data by community because the analysis has not been completed.

Senator J. Michael Lenihan said that at the last meeting he raised the issue of fire districts, sewer and water districts and that up until that point we had not solicited any information from them. The definition of municipality includes any city or town, housing authority, fire, water, sewer district, regional school district or public building authority. So it's a broader definition of municipality that in his opinion, most of us started out working with. His question to Ms. Greschner is whether any of these entities had been surveyed. Ms. Greschner indicated that it had not been done yet, but that the Division will look into it.

Paul Doughty, President of the Providence Firefighters' Union Local 799, inquired about the communities that had responded and asked if Ms. Greschner had a sense of how many made 100% of their ARC and what the cause of the increase in the unfunded liability was? Ms. Greschner indicated that she could not answer that question yet, but answering these questions will be part of the analysis that is being done.

Chairperson Booth Gallogly indicated that one of the tables that are being updated with Mr. Hoyle's help is a table that shows the trend, what the actual contributions were, what the ARC is, and the percent funded. This data will be shared with the Commission.

Jean Bouchard, President of Local 1651 of Council 94 of the American Federation of State, County and Municipal Employees, asked Chairperson Booth Gallogly if the analysis will show the plans that have taken on different assumptions. Chairperson Booth Gallogly said that the major assumptions will be identified by plan. For example, the analysis would include a column that would show assumptions from the previous valuation, from the experience study, and from the most recent valuation. Therefore, the Study Commission would be able to assess what the assumptions were previously, what the actuary recommended in the experience study, and then what municipalities included in their most recent valuation or letter. However, one of the biggest challenges will be figuring out whether or not municipalities have or are planning to adopt changes in assumptions: some may be in the process of deciding that at the pension board level, some of them may have already decided what to do and took action, while others may not plan on changing any assumptions. It will take some time to complete this analysis and, as Ms. Greschner indicated, communities will have to confirm the analysis.

Attachment C:

Ms. Greschner indicated that this is the letter, which was discussed at the last meeting. This letter will be sent to the communities that have not submitted either the experience study and/or the actuarial valuation, and as today, April 9th they are: Cumberland (experience study and actuarial valuation), Little Compton (experience study), Narragansett (experience study for closed plan) and Warwick Public Schools (experience study).

Chairperson Booth Gallogly added that the analysis of the submitted studies warrant that additional letters be sent to other communities for clarification purposes.

There was a vote on approval of Attachment C to be sent out to all the communities that did not respond. Mayor Polisenia made a motion to approve. The motion passed all agreed in favor.

Attachment D:

Ms. Greschner indicated that as of today, she has received a few Critical Status notices, including Johnston and Coventry Schools.

Mayor Fung indicated that the notice can be sent out, but he questioned some of the requirements that are being asked which seems to go beyond what is required under the statute. His actuary has actually sent the notice to him certifying that the plan is in critical status and he is supposed to send it to the

Governor and all the state officials as per the requirement of the law, which he is in the process of doing.

Chairperson Booth Gallogly said that she wants to ensure that the Study Commission knows what each municipality's funded ratio is. If, for example, the experience study shows various scenarios, it may not be clear what the adopted funding ratio is.

Mayor Fung said that in his case, the updated valuation was done within the context of his experience study. He had the actuary run those updated numbers, which he will not be applying until next fiscal year because of his budgetary time frames. In any event, the actuary is the one that certified in his letter to him, dated April 1st, that Cranston's plan is in critical status. However, Cranston will be in critical status, regardless of which assumptions are being used. It will be incumbent upon the city or town to notify the pensioners, beneficiaries and all the state officials that are outlined in the statute.

Chairperson Booth Gallogly stated that based on the submitted studies, it's not clear what the governing body intends to adopt because in some cases there are several scenarios presented. Mayor Fung said he understands the problem, but he isn't sure this critical status certification is the venue to address these concerns.

Chairperson Booth Gallogly indicated that Mr. Hoyle and Ms. Greschner may have to work with those municipalities directly in order to identify which assumptions will be used.

Mayor Fung said he thought that this may be a better approach because every community is on different time frames and the questions that need to be followed-up include which assumptions communities intend to apply in their valuations.

Chairperson Booth Gallogly indicated that the study commission would need this information before the November deadline. Mayor Fung agreed.

Mayor Taveras suggested language to simplify the notice. It could read as follows: The first sentence may say "based on the most recent actuarial valuation report, as of (date), the plan actuary determined that the plan is less than 60% funded as of that (date). The funded ratio is (ratio)." He would not refer to the assumptions until the study commission had a chance to examine them more closely. In addition, because of the 30 day deadline, many municipalities may not have had an opportunity to have all the assumptions adopted by their retirement board. So, he further suggested including a section on next steps: "Pursuant to the Law as passed by the General Assembly, the city will be submitting the corrected plan by November (indicate date)." This plan would outline the steps taken.

Both Chairperson Booth Gallogly and Ms. Greschner commented that this was a good suggestion. Mayor Fung also suggested that it may be helpful to send a reminder to communities regarding what the obligations are under the statute.

Agenda Item #4 – Governor's Proposed Bills, Attachment E – Vote may be taken

- a. Critical Plan Empowerment Act, 2012-S 2825, 2012-H 8009

- b. Disability Pension Reform, 2012-S 2828, 2012-H 8011
- c. Local Pension Benefit Cap, 2012-S 2824, 2012-H 8010

Due to time constraints, Agenda Item #4 was not discussed at the meeting.

Agenda Item #5 – Public Comments

Robert Cushman, former Warwick Councilman and former Chairman of the Warwick School Committee requested permission to address the Commission in the future on some of his analysis.

Agenda Item #6 – Adjourn

Mayor Polisena made a motion to adjourn that was seconded by Mr. Simmons. The meeting adjourned at 3:09 p.m.

Rosemary Booth-Sally
Chairperson

4/23/12
Date

PSC/sm

Attachment B

Below is an overview of the experience studies, actuarial valuations, or letters updating the valuations that have been submitted by municipalities to the Study Commission as required under Rhode Island General Law Chapter 45-65. Please note that in some instances municipalities updated actuarial valuation information as part of their experience studies. This information you will then find under the heading "Experience Study." In other cases, this updated information can be found under the heading "Actuarial Valuation." A few municipalities did not submit either the experience study or the actuarial valuation.

The data submitted by the municipalities for their locally administered pension plans is in the process of being reviewed and summarized for the Pension Study Commission. This may result in requests for additional information or clarification of the information submitted. The Commission has not reviewed or made a determination regarding whether the information submitted complies with the section of the General Laws requiring such information.

LOCALLY-ADMINISTERED MUNICIPAL PENSION PLANS

Submission of Actuarial Valuation and Experience Study (as of April 5, 2012)

City or Town	Pension Plan	Experience Study	Valuation
Bristol	Police	X	letter submitted
Central Falls	John Hancock & 1% Plan	exempted	X
Coventry	Municipal Employees	X	X
	Police Officers	X	X
	School Employees	X	X
Cranston	Police & Fire (prior to 7/1/95)	X	X
Cumberland	Town		
East Providence	Police & Fire	X	Preliminary
Jamestown	Police	X	X
Johnston	Police (prior to 7/1/99)	X	X
	Fire (prior to 7/1/99)	X	X
Lincoln	Town	X	X
Little Compton	Town Employees (not teachers)		X
Middletown	Town Employees (prior to 7/1/1)	X	X
Narragansett	Police (prior to 7/1/78)	none	X
	Town Employees	X	X
Newport	Police	X	X
	Fire	X	X
North Providence	Police	X	letter submitted
Pawtucket	Police & Fire (pre 1974 & post 1974)	X	X
Portsmouth	Municipal, Police & Fire	X	X Letter
Providence	City Employees (not teachers)	X	X
Scituate	Police	X	X
Smithfield	Police (prior to 7/1/99)	X	X
	Fire	X	X
Tiverton	Police	X Review	X
Warwick	Municipal Employees	X Info	X
	Firefighters/Police I	X Info	X
	Police II	X Info	X
	Fire II	X Info	X
	School Employees (not teachers)		X
West Warwick	Town Employees (not teachers)	X	X
Westerly	Police	X	X
Woonsocket	Police and Fire	X	X

DRAFT ATTACHMENT C

As of April 5, 2012, this letter would go to Cumberland, Little Compton, Narragansett and Warwick Public Schools

April 9, 2012

Dear Mayor/Town Manager _____ ,

Pursuant to Section 45-64-6 of RI General Laws, each Rhode Island municipality that maintains a locally administered plan is required to submit an experience study and actuarial valuation by April 1, 2012.

At the Pension Study Commission meeting held on March 27, 2012, the results of the city and town survey were discussed. Members of the Study Commission asked that I request an explanation for the delay of your experience study and/or valuation. Please address the reasons and timeframe associated with your circumstances in order that I can share your response with the commission members. Failure to comply may cause the provisions of Rhode Island General Laws § 45-65-7(see Appendix) to be implemented.

Sincerely,

Rosemary Booth Gallogly
Chair, Pension Study Commission

DRAFT ATTACHMENT C

Appendix

§ 45-65-6 Certification and notice requirements. – (1) Every municipality that maintains a locally administered plan shall submit its initial annual actuarial valuation study to the study commission created herein under § 45-64-8 on or before April 1, 2012, and for each plan year ending on or after December 31, 2012, within six (6) months of completing such plan year. The initial actuarial experience study shall be submitted to the study commission on or before April 1, 2012, and subsequent actuarial experience studies must be submitted to the study commission no less frequently than once every three (3) years.

(2) In any case in which an actuary certifies that a locally administered plan is in critical status for a plan year, the municipality administering such a plan shall, not later than thirty (30) business days following the certification, provide notification of the critical status to the participants and beneficiaries of the plan and to the general assembly, the governor, the general treasurer, the director of revenue, and the auditor general. The notification shall also be posted electronically on the general treasurer's website. Within one hundred eighty (180) days of sending the critical status notice, the municipality shall submit to the study commission a reasonable alternative funding improvement plan to emerge from critical status.

(3) The state shall reimburse every municipality for fifty percent (50%) of the cost of undertaking its annual actuarial valuation study.

(4) Notwithstanding any other law to the contrary, the funding improvement plans and actuarial valuation studies submitted pursuant to this section shall be public records.

§ 45-65-7 Failure to comply. – (1) With respect to any municipality that fails to comply with the requirements of this chapter within the prescribed time, the general treasurer is authorized to withhold moneys due to the municipality from the state for any purpose other than education, including, but not limited to, municipal aid and other aid provided under §§ 45-13-5.1, 45-13-12, 44-34.1-2, 44-13-13, 44-18-18.1, 44-18-36.1(b) and 42-63.1-3.

**Notice of Critical Status
For the
Employees' Pension Plan For the
City/Town of _____**

Plan Name: _____

Plan Year Ending _____

Plan Sponsor (Name and Address): _____

Plan Administrator: _____

This is to inform you that on _____ the plan actuary certified to the State of Rhode Island, and also to the plan sponsor, that the plan is in critical status for the plan year beginning _____. Rhode Island General Laws § 45-65-6 requires that you receive this notice.

Critical Status

Based on the most recent Actuarial Valuation Report, as of _____, the plan's actuary determined that the plan is less than 60% funded as of that date. The assumptions were approved on _____ by an action of (Insert Governing Body) _____. Based upon approved assumptions, the funded ratio is _____%.

Reasonableness of Assumptions

The assumptions used were/were not (please circle what is applicable) recommended by the actuary in the experience study dated _____.

Where to Get More Information

For more information about this Notice, you may contact _____ at (Insert Phone #) _____ and address _____.

Name, Enrolled Actuary
EA# _____

Date of Certification

Address of Actuary _____

Chief Executive Officer

President, Council/School Committee

2012 -- S 2825

LC02068

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2012

A N A C T

RELATING TO TOWNS AND CITIES - CRITICAL PLAN EMPOWERMENT ACT -
MUNICIPAL PENSIONS

Introduced By: Senators DaPonte, and Bates

Date Introduced: March 22, 2012

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

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

3 CHAPTER 65.1

4 CRITICAL PLAN EMPOWERMENT ACT

5 45-65.1-1. Short title. -- This chapter shall be known as and may be cited as the "Critical
6 Plan Empowerment Act."

7 45-65.1-2. Legislative findings. -- (a) The general assembly finds and declares that:

8 (1) A significant portion of the unfunded liability for locally administered pension plans,
9 in the aggregate, is attributable to benefits provided to employees who have already retired, and
10 includes projected benefited adjustments for these retirees. In order to ensure: (i) Retirement
11 security for all plan members; (ii) The long-term viability of locally administered plans; and (iii)
12 Retirement benefit programs that offer adequate benefit levels to attract and retain a highly
13 qualified workforce, administrators for locally administered plans must examine the benefits that
14 retirees currently receive under their plans.

15 (2) There is a subset of cities and towns whose financial situations are endangered
16 specifically and disproportionately by the payment of benefit adjustments.

17 (3) In order to maintain the sovereignty and fiscal stability of as many municipalities as
18 possible, as well as safeguard the well-being, public safety, and welfare of the citizens of the state

1 and their property, it is essential that the state take immediate and proactive steps.

2 (b) For the foregoing reasons, the general assembly expressly finds and declares that the
3 critical financial situation currently confronting certain locally administered plans must be
4 addressed with all deliberate speed; each of the locally administered plans has unique features,
5 offers distinctive benefits, and is presented with its own opportunities and challenges, and their
6 administrators are in the best position to understand the financial condition of such plans and
7 choose the tools best suited to remediate them; and the enactment of this chapter is reasonable
8 and necessary to achieve and protect the compelling public interests listed herein.

9 **45-65.1-3. Definitions.** -- As used in this chapter, the following terms shall have the
10 following meanings:

11 (1) "Actuarial experience study" means a report provided by an actuary that includes a
12 recent discussion of plan experience, recommendations for actuarial assumptions and methods,
13 and information about the actuarial impact of these recommendations on the liabilities and other
14 key actuarial measures.

15 (2) "Annual actuarial valuation study" means a valuation of a locally administered plan
16 completed by an actuary, and a certification based on that valuation indicating whether such plan
17 is or is not in critical status, on an annual basis.

18 (3) "Critical status" means that, as determined by its actuary, as of the beginning of the
19 plan year, a plan's funded percentage for such plan year is less than sixty percent (60%).

20 (4) "Locally administered plan" or "plan" means any defined benefit pension plan
21 established by a municipality for its employees, other than: (i) A plan that is part of the
22 employees' retirement system of Rhode Island as defined in chapter 36-8 or the municipal
23 employees' retirement system of Rhode Island as defined in chapter 45-21; or (ii) A plan
24 established by a municipality that has filed for bankruptcy protection pursuant to chapter 9 of title
25 11 of the United States code, a plan established by a municipality for which a receiver has been
26 appointed pursuant to chapter 45-9.

27 (5) "Municipality" means any town or city in the state of Rhode Island, any city or town
28 housing authority, fire, water, sewer district, regional school district or public building authority
29 as established by chapter 14 of title 37.

30 **45-65.1-4. Eligibility.** -- In order for a locally administered plan in critical status to be
31 eligible for relief under this chapter, its municipal council shall have adopted an ordinance
32 assuming the provisions of this chapter, which ordinance shall be supported by: (1) Numerical
33 data, including, but not limited to, its most recent actuarial experience study, its annual actuarial
34 valuation study, and its annual required contribution of the following plan year, both as reported

1 (pursuant to section 45-10-15) and as adjusted (demonstrating the financial value of suspending
2 benefit adjustments, as such term is used in section 45-21-52); (2) Findings demonstrating that
3 alternatives to suspending benefit adjustments have been considered and/or are being
4 implemented; and (3) A finding that the ordinance is reasonable and necessary to achieve the
5 municipality's fiscal stability and protect its property, and the health, welfare and property of its
6 citizens.

7 **45-65.1-5. Benefit adjustment suspension.** -- Notwithstanding the provisions of any
8 other statute, ordinance, interest arbitration award, or collective bargaining agreement to the
9 contrary, a municipality in critical status shall not be required to provide benefit adjustments,
10 pursuant to the provisions of this chapter. Once the municipality is no longer in critical status, it
11 shall resume providing cost of living adjustments, but such adjustments shall not exceed the
12 consumer price index for all urban consumers (CPI-U) as published by the United States
13 department of labor statistics determined as of September 30 of the prior calendar year until the
14 actuarial value of the locally administered plan's assets is one hundred percent (100%) of the
15 actuarial value of such plan's liabilities, using actuarial assumptions made by the actuary in good
16 faith and in accordance with accepted actuarial standards.

17 **45-65.1-6. Mandatory reinvestment.** -- At least fifty percent (50%) of funds resulting
18 from benefit adjustments suspended pursuant to this chapter shall be reinvested exclusively to
19 increase a plan's funded percentage, at least until the plan is no longer in critical status.

20 **45-65.1-7. Failure to comply.** -- With respect to any municipality that fails to comply
21 with section 45-65.1-4 or 45-65.1-6:

22 (1) The general treasurer is authorized to withhold moneys due from the state for any
23 purpose other than education, including, but not limited to, municipal aid and other aid provided
24 under sections 45-13-5.1, 45-13-12, 44-13-13, 44-34.1-2, 44-18-18.1, 44-18-36.1(b) and 42-63.1-
25 3;

26 (2) Such failure shall be deemed to be an event that threatens the fiscal well-being of the
27 municipality in which it is located, thus subjecting the municipality to the state's powers under
28 chapter 45-9; and

29 (3) The auditor general shall have the power to compel a performance audit in connection
30 with such municipality, as provided under section 22-13-4.

31 **45-65.1-8. Conflicts with other laws.** -- Notwithstanding any general or special law to
32 the contrary, unless otherwise specified, the provisions of this chapter shall supersede any
33 conflicting provisions of a local ordinance, collective bargaining agreement, interest arbitration
34 award or municipal charter.

1 45-65.1-9. Severability. -- The holding of any section or sections or parts hereof to be
2 void, ineffective, or unconstitutional for any cause shall not be deemed to affect any other section
3 or part hereof.

4 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 TOWNS AND CITIES - CRITICAL PLAN EMPOWERMENT ACT -
MUNICIPAL PENSIONS

- 1 This act would allow a municipality with a locally administered pension which is in
2 critical status, to suspend future benefit adjustments to retirees after certain findings are made.
3 This act would take effect upon passage.

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LC02068
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2012 -- S 2828

LC02231

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2012

A N A C T

RELATING TO TOWNS AND CITIES -- ACCIDENTAL DISABILITY ALLOWANCE

Introduced By: Senators DaPonte, and Bates

Date Introduced: March 22, 2012

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 45-21-22 of the General Laws in Chapter 45-21 entitled
2 "Retirement of Municipal Employees" is hereby amended to read as follows:

3 **45-21-22. Accidental disability allowance.** -- (a) Upon retirement for accidental
4 disability submitted on or before June 30, 2012, a member receives a retirement allowance equal
5 to sixty-six and two-thirds percent (66 2/3%) of the rate of the member's compensation at the date
6 of the member's retirement subject to the provisions of section 45-21-31.

7 (b) Upon any application for accidental disability submitted on or after July 1, 2012, if
8 the member has been found to be permanently and totally disabled from service but has not been
9 found by the board to be permanently and totally disabled from any employment as a result of
10 his/her accidental disability, a member shall receive a retirement allowance equal to fifty percent
11 (50%) of the rate of the member's compensation at the date of the member's retirement, subject to
12 the provisions of section 45-21-31. The retiree shall, as a condition of continued receipt of a
13 disability retirement allowance, on or before a date fixed by the retirement board, annually under
14 penalties of perjury provide the board with such affidavits and accurate evidence of earnings,
15 employment and gainful activity as the board may require, including, but not limited to, joint
16 and/or individual tax returns. Payment of the disability retirement allowance shall continue as
17 long as the individual remains disabled, and regardless of service or age.

18 (c) Upon retirement for accidental disability that has been found by the board to be
19 permanently and totally disabling from any employment, a member shall receive a retirement

1 allowance equal to sixty-six and two-thirds percent (66 2/3%) of the rate of the member's
2 compensation at the date of the member's retirement subject to the provisions of section 45-21-31.
3 The retirement board shall apply the terms of subsection 28-33-17(b) in determining total
4 disability.

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

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LC02231
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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T
RELATING TO TOWNS AND CITIES -- ACCIDENTAL DISABILITY ALLOWANCE

- 1 This act would permit municipalities to provide accidental disability pensions of fifty
2 percent (50%) of salary if the employee is not permanently and totally disabled and sixty-six and
3 two-thirds percent ($66\frac{2}{3}\%$) of salary if the employee is permanently and totally disabled.
4 This act would take effect upon passage.

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2012 -- S 2824

LC02070

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2012

A N A C T

RELATING TO TOWNS AND CITIES

Introduced By: Senators DaPonte, and Bates

Date Introduced: March 22, 2012

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

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

3 CHAPTER 21.4

4 MUNICIPAL RETIREMENT PROGRAMS

5 45-21.4-1. Purpose. – It is the intent of this chapter to ensure that towns and cities have
6 the authority to modify retirement benefits for non-vested municipal employees.

7 45-21.4-2. Definitions. – Terms used in this chapter shall have the same meanings as
8 contained in section 45-21-2.

9 45-21.4-3. Limits on retirement benefits. – Notwithstanding any general law or special
10 law of the state of Rhode Island to the contrary no current municipal ordinance, collective
11 bargaining agreement, or interest arbitration award shall require employee retirement benefits that
12 exceed the actuarial value of benefits afforded under state law for those municipal employees
13 who participate in the municipal employees retirement system as authorized by chapters 45-21,
14 45-21.1, and 45-21.2 of the Rhode Island general laws. For employees who have not already
15 reached their vesting date in a pension plan that provides benefits with greater actuarial value
16 under the municipal employees retirement system as authorized by chapters 45-21, 45-21.1, and
17 45-21.2 of the Rhode Island general laws, and except as further limited by this chapter, town and
18 city councils following normal procedures for approval of an ordinance are authorized to amend
19 the retirement benefits for new and non-vested employees and such action shall take precedence

1 over existing collective bargaining agreements for new and non-vested employees.
2 **45-21.4-4. Reporting.** – Prior to final action on such ordinance, the town or city clerk
3 shall forward to the executive director of the state retirement system an actuarial study by a
4 qualified actuarial firm which shall compute the normal cost of the benefits afforded to new
5 and/or non-vested employees under the proposed ordinance. Such actuarial study shall be a public
6 document and such reports shall be codified by the executive director in an annual report to the
7 retirement board.

8 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 TOWNS AND CITIES

1 This act would prohibit municipal ordinances, collective bargaining agreements, and
2 interest arbitration awards from providing employee retirement benefits which exceed the
3 actuarial value of benefits afforded under the municipal employees retirement system. This act
4 would also authorize town and city councils to amend retirement benefits for new and non-vested
5 employees.

6 This act would take effect upon passage.

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