

2014 -- H 7213

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

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A N A C T

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

Introduced By: Representatives McLaughlin, Hull, Bennett, and Dickinson

Date Introduced: January 29, 2014

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.** -- (a) All state employees
4 and all beneficiaries of state employees receiving any service retirement or ordinary or accidental
5 disability retirement allowance pursuant to the provisions of this title on or before December 31,
6 1967, shall receive a cost of living retirement adjustment equal to one and one-half percent
7 (1.5%) per year of the original retirement allowance, not compounded, for each calendar year the
8 retirement allowance has been in effect. For the purposes of computation, credit shall be given for
9 a full calendar year regardless of the effective date of the retirement allowance. This cost of living
10 adjustment shall be added to the amount of the retirement allowance as of January 1, 1968, and an
11 additional one and one-half percent (1.5%) shall be added to the original retirement allowance in
12 each succeeding year during the month of January, and provided further, that this additional cost
13 of living increase shall be three percent (3%) for the year beginning January 1, 1971, and each
14 year thereafter, through December 31, 1980. Notwithstanding any of the above provisions, no
15 employee receiving any service retirement allowance pursuant to the provisions of this title on or
16 before December 31, 1967, or the employee's beneficiary, shall receive any additional benefit
17 hereunder in an amount less than two hundred dollars (\$200) per year over the service retirement
18 allowance where the employee retired prior to January 1, 1958.

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

11 (c) (1) Beginning on January 1, 1981, for all state employees and beneficiaries of the
12 state employees receiving any service retirement and all state employees, and all beneficiaries of
13 state employees, who have completed at least ten (10) years of contributory service on or before
14 July 1, 2005 pursuant to the provisions of this chapter, and for all state employees, and all
15 beneficiaries of state employees who receive a disability retirement allowance pursuant to
16 sections 36-10-12 -- 36-10-15, the cost of living adjustment shall be computed and paid at the rate
17 of three percent (3%) of the original retirement allowance or the retirement allowance as
18 computed in accordance with section 36-10-35.1, compounded annually from the year for which
19 the cost of living adjustment was determined to be payable by the retirement board pursuant to
20 the provisions of subsection (a) or (b) of this section. Such cost of living adjustments are
21 available to members who retire before October 1, 2009 or are eligible to retire as of September
22 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 section 36-10-9.1 for a period of three (3) or more years,
21 shall, commencing January 1, 1982, receive a cost of living retirement adjustment, in addition to
22 a 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 sections 45-13-7 -- 45-13-10 shall not apply to this section.

29 (g)(1) Notwithstanding the prior paragraphs of this section, and subject to paragraph
30 (g)(2) below, for all present and former employees, active and retired members, and beneficiaries
31 receiving any retirement, disability or death allowance or benefit of any kind, the annual benefit
32 adjustment provided in any calendar year under this section shall be ~~equal to (A) multiplied by~~
33 ~~(B) where (A) is equal to the percentage determined by subtracting five and one half percent~~
34 ~~(5.5%) (the "subtrahend") from the Five Year Average Investment Return of the retirement~~

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

14 The cost-of-living adjustment ("COLA") provided for herein shall be a simple COLA,
15 not compounded, and shall be based on the annual social security adjustment for the year.

16 Effective July 1, 2014:

<u>Amount of annual benefit before application</u>	<u>Amount of COLA</u>
<u>\$1 to \$30,000</u>	<u>3%</u>
<u>\$30,001 to \$60,000</u>	<u>1.5%</u>
<u>\$60,001 to \$90,000</u>	<u>1%</u>
<u>Over \$90,000</u>	<u>No COLA</u>

22 For the purposes of clarity, the cost-of-living adjustment is capped at ninety thousand
23 dollars (\$90,000), and no cost-of-living adjustment shall be provided to any person whose annual
24 retirement benefits exceed the sum of ninety thousand dollars (\$90,000). The general assembly in
25 conjunction with the general treasurer shall review these percentages at least every five (5) years.

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

32 In determining whether a funding level under this paragraph (g)(2) has been achieved, the
33 actuary shall calculate the funding percentage after taking into account the reinstatement of
34 current or future benefits adjustment provided under this section. "GASB Funded Ratio" shall

1 mean the ratio of the actuarial value of assets to the actuarial accrued liability.

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

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

11 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 OFFICERS AND EMPLOYEES -- RETIREMENT SYSTEM--
CONTRIBUTIONS AND BENEFITS

- 1 This act would provide for a cost-of-living adjustment for retirees whose benefit is
- 2 ninety thousand dollars (\$90,000) per year or less.
- 3 This act would take effect upon passage.

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