

**2014 -- H 7776 SUBSTITUTE A**

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LC004900/SUB A/2  
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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 TOWNS AND CITIES - RETIREMENT OF MUNICIPAL EMPLOYEES IN  
CENTRAL FALLS

Introduced By: Representatives Silva, Corvese, Guthrie, McLaughlin, and Casey

Date Introduced: February 27, 2014

Referred To: House Finance

It is enacted by the General Assembly as follows:

1           SECTION 1. Chapter 45-21 of the General Laws entitled "Retirement of Municipal  
2 Employees" is hereby amended by adding thereto the following section:

3           **45-21-67. Central Falls retirees - settlement agreement. -- (a) Definitions.- As used in**  
4 **this section:**

5           (1) "Base pension benefit" is the amount listed on Appendix A, Appendix D-A and  
6 Appendix E-A attached to the settlement agreement, under the column labeled "annualized final  
7 base pension" which is the amount each Central Falls retiree was receiving as of July 31, 2011.

8           (2) "Central Falls retirees" are the retirees or the beneficiaries of retirees of the city of  
9 Central Falls listed on Appendix A to the settlement agreement, as amended from time to time  
10 when a retiree or beneficiary dies.

11           (3) "Settlement agreement" shall mean that settlement and release agreement, as set forth  
12 in Article 22 of the public laws of 2012, Chapter 241, signed by and between the receiver of the  
13 city of Central Falls, the director of revenue and the participating retirees, approved by the  
14 bankruptcy court by order dated January 9, 2012.

15           (b) Legislative findings and purpose.

16           (1) Pursuant to Article 22 of the public laws of 2012, chapter 241, which defined the  
17 terms of the initial appropriation, the state made an appropriation of two million six hundred  
18 thirty-six thousand nine hundred thirty-two dollars (\$2,636,932), which was deposited into a

1 restricted account held by the city of Central Falls, for the purpose of supplementing the reduced  
2 pensions of the Central Falls retirees, to enable the city to pay the Central Falls retirees seventy-  
3 five percent (75%) of their base pension benefit as of July 31, 2011 for a five (5) year period,  
4 with the last supplemental appropriation to be paid on July 1, 2016.

5 (2) The drastic pension reductions experienced by the Central Falls retirees provided a  
6 harsh example of the risks of unfunded pension liabilities, which in turn provided the primary  
7 incentive toward successful pension negotiations with other municipal, police and fire retirees,  
8 saving the state more than sixty million dollars (\$60,000,000);

9 (3) If said appropriation is not made, as of July 2, 2016, the Central Falls retirees, many  
10 of whom sustained serious and permanent injuries in service to the city, will have their pensions  
11 reduced yet again, in some instances to less than sixty percent (60%) of the pension they were  
12 receiving on July 11, 2011;

13 (4) It is fair and just that the state appropriate sufficient funds to the city to supplement  
14 the city's funding of the pension benefits to the Central Falls retirees to ensure that the Central  
15 Falls retirees continue to receive seventy-five percent (75%) of the base pension benefit, after  
16 taking into account all applicable cost-of-living adjustments, for their lifetime and to the extent  
17 applicable, for the life of their beneficiaries,

18 (c) Appropriation payment.

19 (1) Appropriation payment and restrictions on use. In accordance with the terms set forth  
20 in Article 22 and the settlement agreement, the state shall annually appropriate sufficient funds to  
21 the restricted account for the city of Central Falls to supplement the city's funding for payments to  
22 Central Falls retirees in order that they continue to receive seventy-five percent (75%) of their  
23 base pension benefit as of July 31, 2011, after taking into account all applicable cost-of-living  
24 adjustments, for their lifetime and to the extent applicable, for the life of their beneficiaries. Such  
25 appropriation shall be determined annually by an actuarial valuation ("appropriation amount"),  
26 and it is expected over the life of the existing retirees to total four million eight hundred  
27 seventeen thousand seven hundred eight dollars (\$4,817,708).

28 (2) Deposit of appropriation payment and payments to Central Falls retirees. The  
29 appropriation payment shall be immediately deposited by the city into the previously established  
30 "participating retirees restricted five (5) year account" which shall be redesignated as the  
31 "participating retirees restricted account." The participating retirees account shall be administered  
32 by the city and not by any third-party pension fund manager.

33 (d) Any and all withdrawals, transfers and payments from the participating retirees  
34 account shall be made as set forth in the settlement agreement and accompanying appendices and

1 said Article 22 (c) until the payments are made on July 1, 2016.

2 (e) Beginning on July 1, 2017 and bi-annually thereafter, with payments to be paid each  
3 retiree or beneficiary as applicable on July 1 and January 1 of each year they are eligible for  
4 benefits under the Central Falls pension plan, the city shall distribute to each participating retiree  
5 or beneficiary one half (½) the annual amount listed on the actuarial spreadsheets prepared by  
6 Sherman Actuarial Services, which shall supplement the pension payments paid by the city in  
7 order that each retiree will receive seventy-five percent (75%) of their base pension benefit, after  
8 taking into account all applicable cost-of-living adjustments, for their lifetime, and to the extent  
9 applicable, sixty-seven and one-half percent (67.5%) of the base pension benefit, after taking into  
10 account all applicable cost-of-living adjustments, to their beneficiaries for their lifetime.

11 (f) Relationship to base pension payments. The supplemental payments to the Central  
12 Falls retirees from the participating retirees' restricted account shall not be included in the  
13 calculation of base pension benefits for the purposes of determining a retiree or beneficiaries cost  
14 of living adjustment.

15 (g) The cost of living adjustments as set forth in the settlement agreement are to be paid  
16 by the city of Central Falls to the Central Falls retirees, and to the extent applicable, their  
17 beneficiaries.

18 (h) The following provision shall amend and supersede Article 22 (c)(4) regarding the  
19 balance in the participating retirees restricted account as of July 2, 2016:

20 (1) Distribution of balance. As of July 2, 2016, no further supplemental payments shall be  
21 distributed to the Central Falls retirees under the terms of the settlement agreement. The balance  
22 of monies in the participating retirees restricted account shall be distributed in accordance with  
23 this Article, in the amounts and to those retirees and beneficiaries listed on the actuarial  
24 spreadsheets prepared by Sherman Actuarial Services, LLC and maintained and administered by  
25 the city. The amounts set forth on the actuarial spreadsheets will supplement the pension  
26 payments being made by the city in order that each retiree will receive seventy-five percent  
27 (75%) of their base pension benefit, after taking into account all applicable cost-of-living  
28 adjustments, for their lifetime, and to the extent applicable, sixty-seven and one-half percent  
29 (67.5%) of the base pension benefit, after taking into account all applicable cost-of-living  
30 adjustments, to their beneficiaries for their lifetime.

31 (2) Any monies remaining in the participating retirees restricted account after the last  
32 living retiree attains seventy-five percent (75%) of the base pension benefit, after taking into  
33 account all applicable cost-of-living adjustments, or last living beneficiary attains sixty-seven and  
34 one-half percent (67.5%) of the base pension benefit, after taking into account all applicable cost-

1 of-living adjustments, shall be returned to the state under state law.

2 (i) Access to account information and records. The city shall maintain appropriate  
3 account information and records relating to all receipts into, maintenance of, and distributions  
4 from the participating retirees' restricted account, and shall allow at all reasonable times for the  
5 full inspection and copying and sharing of information about such account and any and all  
6 payments therefrom with any participating retiree and the state.

7 (j) Unclaimed payments. Any monies distributed to a participating retiree or beneficiary  
8 from the participating retirees' restricted account and not claimed by a participating retiree or  
9 beneficiary after the city has exercised good faith attempts over a six (6) month period to deliver  
10 it to the best last known address of such participating retiree or beneficiary, shall not escheat  
11 under state law, but shall remain in the participating retirees' restricted account until the  
12 conditions of subsection (h) herein have been satisfied.

13 (k) Liabilities and penalties for inappropriate use of appropriation payment. Any person,  
14 whether in his/her individual capacity, who uses, appropriates or takes or instructs another to use,  
15 appropriate or take, the appropriation payment, or any portion thereof, that is not specifically used  
16 for making payments to participating retirees or their beneficiaries as required hereunder and  
17 under the terms of the settlement agreement, shall be personally liable for repayment of said  
18 funds and further shall be subject to any and all applicable civil and criminal sanctions and/or  
19 penalties for such act(s).

20 SECTION2. 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 - RETIREMENT OF MUNICIPAL EMPLOYEES IN  
CENTRAL FALLS

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1           This act would provide for the state to appropriate sufficient funds to the city of Central  
2 Falls for payment to Central Falls' city retirees so that those retirees would continue to receive  
3 seventy-five percent (75%) of their base pension benefit, after taking into account all applicable  
4 cost-of-living adjustments, as of July 31, 2011, for their lifetime, and to the extent applicable, for  
5 the lives of their beneficiaries.

6           This act would take effect upon passage.

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