

2024 -- H 8282

=====
LC006131
=====

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2024

—————
A N A C T

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

Introduced By: Representatives Messier, Serpa, Ajello, Kazarian, McEntee, Fellela, and
Donovan

Date Introduced: May 16, 2024

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 "Retirement
2 System — Contributions and Benefits" is hereby amended to read as follows:

3 **36-10-35. Additional benefits payable to retired employees. [Effective January 1,**
4 **2024.]**

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

1 the service retirement allowance where the employee retired 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 original
7 retirement allowance. In each succeeding year thereafter through December 31, 1980, during the
8 month of January, the retirement allowance shall be increased an additional three percent (3%) of
9 the original retirement allowance, not compounded, to be continued during the lifetime of the
10 employee or beneficiary. For the purposes of computation, credit shall be given for a full calendar
11 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 state
13 employees receiving any service retirement and all state employees, and all beneficiaries of state
14 employees, who have completed at least ten (10) years of contributory service on or before July 1,
15 2005, pursuant to the provisions of this chapter, and for all state employees, and all beneficiaries
16 of state employees who receive a disability retirement allowance pursuant to §§ 36-10-12 — 36-
17 10-15, the cost of living adjustment shall be computed and paid at the rate of three percent (3%) of
18 the original retirement allowance or the retirement allowance as computed in accordance with §
19 36-10-35.1, compounded annually from the year for which the cost of living adjustment was
20 determined to be payable by the retirement board pursuant to the provisions of subsection (a) or (b)
21 of this section. Such cost of living adjustments are available to members who retire before October
22 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 employees
26 who have not completed at least ten (10) years of contributory service on or before July 1, 2005, or
27 were not eligible to retire as of September 30, 2009, shall, on the month following the third
28 anniversary date of retirement, and on the month following the anniversary date of each succeeding
29 year be adjusted and computed by multiplying the retirement allowance by three percent (3%) or
30 the percentage of increase in the Consumer Price Index for all Urban Consumers (CPI-U) as
31 published by the United States Department of Labor Statistics determined as of September 30 of
32 the prior calendar year, whichever is less; the cost of living adjustment shall be compounded
33 annually from the year for which the cost of living adjustment was determined payable by the
34 retirement board; provided, that no adjustment shall cause any retirement allowance to be decreased

1 from the retirement allowance provided immediately before such adjustment.

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

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

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

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

29 (1) Notwithstanding the prior paragraphs of this section, and subject to subsection (g)(2)
30 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 (B)
33 where (A) is equal to the percentage determined by subtracting five and one-half percent (5.5%)
34 (the “subtrahend”) from the Five-Year Average Investment Return of the retirement system

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

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

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

22 (3) Notwithstanding subsection (g)(2), in each fifth plan year commencing after June 30,
23 2012, commencing with the plan year ending June 30, 2017, and subsequently at intervals of five
24 plan years, a benefit adjustment shall be calculated and made in accordance with subsection (g)(1)
25 above until the Funded Ratio of the Employees' Retirement System of Rhode Island, the Judicial
26 Retirement Benefits Trust and the State Police Retirement Benefits Trust, calculated by the
27 system's actuary on an aggregate basis, exceeds eighty percent (80%).

28 (4) Notwithstanding any other provision of this chapter, the provisions of this subsection
29 (g) shall become effective July 1, 2012, and shall apply to any benefit adjustment not granted on or
30 prior to June 30, 2012.

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

32 (1)(A) As soon as administratively reasonable following the enactment into law of this
33 subsection (h)(1)(A), a one-time benefit adjustment shall be provided to members and/or
34 beneficiaries of members who retired on or before June 30, 2012, in the amount of 2% of the lesser

1 of either the member's retirement allowance or the first twenty-five thousand dollars (\$25,000) of
2 the member's retirement allowance. This one-time benefit adjustment shall be provided without
3 regard to the retiree's age or number of years since retirement.

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

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

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

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

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

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

30 (2) The benefit adjustments under subsection (h)(1)(B) for any plan year shall be reduced
31 to twenty-five percent (25%) of the benefit adjustment unless the funded ratio of the employees'
32 retirement system of Rhode Island, the judicial retirement benefits trust and the state police
33 retirement benefits trust, calculated by the system's actuary on an aggregate basis, exceeds eighty
34 percent (80%) in which event the benefit adjustment will be reinstated for all members for such

1 plan year.

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

5 (3) Effective for members and/or beneficiaries of members who retired on or before June
6 30, 2015, the dollar amount in subsection (h)(1)(B)(II) of twenty-five thousand eight hundred and
7 fifty-five dollars (\$25,855) shall be replaced with thirty-one thousand and twenty-six dollars
8 (\$31,026) until the funded ratio of the employees' retirement system of Rhode Island, the judicial
9 retirement benefits trust and the state police retirement benefits trust, calculated by the system's
10 actuary on an aggregate basis, exceeds eighty percent (80%).

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

18 [\(j\)\(1\) Notwithstanding the prior subsections of this section, for all present and former](#)
19 [employees, active and retired members, and beneficiaries receiving any retirement, disability, or](#)
20 [death allowance or benefit of any kind, the annual benefit adjustment provided in any calendar year](#)
21 [under this section for adjustments on and after January 1, 2025, shall be three and one-half percent](#)
22 [\(3.5%\) and shall be applied to the first thirty thousand dollars \(\\$30,000\) of the member's retirement](#)
23 [allowance; provided that, the prior year investment return shall yield a gain of ten percent \(10%\)](#)
24 [or more. Income received from this three and one-half percent \(3.5%\) annual benefit adjustment](#)
25 [provided for in § 36-10-35\(j\)\(1\) shall be exempt from state income tax.](#)

26 [\(2\) In the event that the funding ratio of the employees' retirement system of Rhode Island,](#)
27 [the judicial retirement benefits trust and the state police retirement benefits trust, calculated by the](#)
28 [system's actuary on an aggregate basis exceeds eighty percent \(80%\), this subsection shall become](#)
29 [null and void and the annual benefit adjustment shall be awarded pursuant to the provisions of](#)
30 [subsection \(h\) of this section.](#)

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

=====
LC006131
=====

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 award all members of the pension system a three and one-half percent
2 (3.5%) annual benefit adjustment (COLA) applied to the first thirty thousand dollars (\$30,000) of
3 a member's retirement allowance on and after January 1, 2025, provided the prior year investment
4 return yields a gain of ten percent (10%) or more, until the pension system funding ratio exceeds
5 eighty percent (80%). This act would also provide that income received from this three and one-
6 half percent (3.5%) annual benefit adjustment would be exempt from the state income tax.

7 This act would take effect upon passage.

=====
LC006131
=====