

2016 -- H 8303

=====  
LC006108  
=====

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

—————  
A N A C T

RELATING TO TOWNS AND CITIES -- RETIREMENT OF MUNICIPAL EMPLOYEES

Introduced By: Representatives McLaughlin, Maldonado, Phillips, and Messier

Date Introduced: June 08, 2016

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 45-21-67 of the General Laws in Chapter 45-21 entitled  
2 "Retirement of Municipal Employees" is hereby amended to read as follows:

3 **45-21-67. Central Falls retirees -- Settlement agreement. --** (a) Definitions. - As used  
4 in 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~~" "amount prior to reduction" which is the amount each Central Falls retiree was  
8 receiving as of July 31, 2011.

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

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

16 (b) Legislative findings and purpose.

17 (1) Pursuant to Article 22 of the public laws of 2012, chapter 241, which defined the  
18 terms of the initial appropriation, the state made an appropriation of two million six hundred  
19 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-year (5) period,  
4 with the last supplemental appropriation to be paid on or within thirty (30) days of July 1, ~~2016~~  
5 2015.

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

10 (3) If said appropriation is not made, ~~as of~~ prior to July ~~21~~, 2016, the Central Falls  
11 retirees, many of whom sustained serious and permanent injuries in service to the city, will have  
12 their pensions reduced yet again, in some instances to less than sixty percent (60%) of the pension  
13 they were receiving on July 11, 2011;

14 (4) It is fair and just that the state appropriate sufficient funds to the city to supplement  
15 the city's funding of the pension benefits to the Central Falls retirees to ensure that the Central  
16 Falls retirees continue to receive no less than seventy-five percent (75%) of the base pension  
17 benefit, after taking into account all applicable cost-of-living adjustments, for their lifetime, and  
18 to the extent applicable, for the life of their beneficiaries,

19 (c) Appropriation payment.

20 (1) Appropriation payment and restrictions on use. - In accordance with the terms set  
21 forth in Article 22 and the settlement agreement, the state shall annually appropriate sufficient  
22 funds to the restricted account for the city of Central Falls to supplement the city's funding for  
23 payments to Central Falls retirees in order that they continue to receive no less than seventy-five  
24 percent (75%) of their base pension benefit as of July 31, 2011, after taking into account all  
25 applicable cost-of-living adjustments, for their lifetime, and to the extent applicable, for the life of  
26 their beneficiaries. Such appropriation shall be determined annually by an actuarial valuation  
27 ("appropriation amount"), and it is expected over the life of the existing retirees to total four  
28 million eight hundred seventeen thousand seven hundred eight dollars (\$4,817,708).

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

34 (d) Any and all withdrawals, transfers, and payments from the participating ~~retirees~~

1 retirees' account shall be made as set forth in the settlement agreement and accompanying  
2 appendices and said Article 22 (c) until the payments are made on July 1, ~~2016~~ 2015.

3 (e) Beginning on or within thirty (30) days of July 1, ~~2017~~ 2016, and ~~bi-annually~~  
4 annually thereafter, with payments to be paid each retiree or beneficiary as applicable on or  
5 within thirty (30) days of July 1 ~~and January 1~~ of each year they are eligible for benefits under the  
6 Central Falls pension plan, the city shall distribute to each participating retiree or beneficiary ~~one~~  
7 ~~half (1/2)~~ the annual amount listed on the actuarial spreadsheets prepared by Sherman Actuarial  
8 Services, which shall supplement the pension payments paid by the city in order that each retiree  
9 will receive no less than seventy-five percent (75%) of ~~his or her~~ their base pension benefit, after  
10 taking into account all applicable cost-of-living adjustments, for ~~his or her~~ their lifetime, and to  
11 the extent applicable, sixty-seven and one-half percent (67.5%) of the base pension benefit, after  
12 taking into account all applicable cost-of-living adjustments, to ~~his or her~~ their beneficiaries for  
13 their lifetime. Such supplemental distributions shall be made by the city when the funds  
14 appropriated by the state are made available to the city, which shall be as close to July 1 as  
15 practicable.

16 (f) Relationship to base pension payments. - The supplemental payments to the Central  
17 Falls retirees from the participating retirees' restricted account shall not be included in the  
18 calculation of base pension benefits for the purposes of determining a retiree's or ~~beneficiaries'~~  
19 beneficiary's cost-of-living adjustment.

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

23 (h) The following provision shall amend and supersede Article 22 (c)(4) regarding the  
24 balance in the participating ~~retirees~~ retirees' restricted account as of ~~July 2, 2016~~ August 1, 2015:

25 (1) Distribution of balance. - As of ~~July 2, 2016~~ August 1, 2015, no further supplemental  
26 payments shall be distributed to the Central Falls retirees under the terms of the settlement  
27 agreement. The balance of monies in the participating ~~retirees~~ retirees' restricted account shall be  
28 distributed in accordance with this Article, in the amounts and to those retirees and beneficiaries  
29 listed on the actuarial spreadsheets prepared by Sherman Actuarial Services, LLC and maintained  
30 and administered by the city. The amounts set forth on the actuarial spreadsheets will supplement  
31 the pension payments being made by the city in order that each retiree will receive no less than  
32 seventy-five percent (75%) of their base pension benefit, after taking into account all applicable  
33 cost-of-living adjustments, for their lifetime, and to the extent applicable, sixty-seven and one-  
34 half percent (67.5%) of the base pension benefit, after taking into account all applicable cost-of-

1 living adjustments, to their beneficiaries for their lifetime.

2 (2) Any monies remaining in the participating ~~retirees~~ retirees' restricted account after  
3 the last living retiree attains seventy-five percent (75%) of the base pension benefit, after taking  
4 into account all applicable cost-of-living adjustments, or last living beneficiary attains sixty-seven  
5 and one-half percent (67.5%) of the base pension benefit, after taking into account all applicable  
6 cost-of-living adjustments, shall be returned to the state under state law.

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

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

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

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

=====  
LC006108  
=====

EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO TOWNS AND CITIES -- RETIREMENT OF MUNICIPAL EMPLOYEES

\*\*\*

- 1           This act would make certain technical and date-related revisions regarding the settlement
- 2 agreement of municipal retirees in the city of Central Falls.
- 3           This act would take effect upon passage.

=====  
LC006108  
=====