

**2014 -- S 2049 SUBSTITUTE A**

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LC003427/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 SECURITY ACT FOR LOCALLY  
ADMINISTERED PENSION FUNDS

Introduced By: Senators Pearson, Picard, DaPonte, Bates, and Cool Rumsey

Date Introduced: January 15, 2014

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1           SECTION 1. Section 45-13.2-6 of the General Laws in Chapter 45-13.2 entitled  
2 "Municipal Incentive Aid" is hereby amended to read as follows:

3           **45-13.2-6. Distributions.** -- (a) Municipal Incentive Aid described in this chapter shall be  
4 distributed to eligible municipalities on the basis of the most recent population estimate for each  
5 municipality as a share of the total state population reported by the U.S. Department of  
6 Commerce, Bureau of the Census. Such payments shall be made to eligible communities in  
7 March 2014, March 2015, and ~~March 2016~~ each March to the extent that funds are appropriated.

8           (b) For fiscal year 2014, municipalities shall be eligible to receive aid under this chapter  
9 if: (1) the municipality has no locally-administered pension; or (2) the municipality notified plan  
10 participants, beneficiaries and others pursuant to chapter 45-65, and submitted to the state's  
11 department of revenue a Funding Improvement Plan ("FIP"), pursuant to section 45-65-6, for  
12 every locally-administered pension plan in that municipality, and each FIP had been approved by  
13 the plan sponsor and the local governing body no later than June 1, 2013; or (3) there existed a  
14 locally-administered pension plan(s) in that municipality, but either: (i) no FIP was required  
15 pursuant to chapter 45-65; or (ii) a FIP is required pursuant to chapter 45-65, but, the due date for  
16 the FIP submission is after the March payment of state aid.

17           (c) For fiscal years 2015 ~~and 2016~~ and each year thereafter that funds are appropriated,  
18 municipalities shall be eligible to receive aid under this chapter, if: (1) the municipality has no

1 locally-administered pension; or (2) the municipality has transitioned all locally-administered  
2 pension plans into MERS by June 30, 2014; or (3) the municipality had notified plan participants,  
3 beneficiaries and others pursuant to chapter 45-65 and had submitted to the state's department of  
4 revenue a FIP, pursuant to chapter 45-65, for every locally-administered pension plan and each  
5 submitted FIP meets the guidelines of the Study Commission on Locally-Administered Pension  
6 Plans created pursuant to section 45-65-8 or otherwise applicable guidelines or regulations and  
7 each FIP has been approved by the plan sponsor and the local governing body; or (4) the  
8 municipality has implemented the original recommended FIP or an amended FIP pursuant to  
9 chapter 45-65 within one month after the close of the fiscal year and made the required funding  
10 payments (formerly referred to as annually required contributions or "ARC") in compliance with  
11 the municipality's adopted FIP(s) and the funding guidelines established by the pension study  
12 commission ~~eighteen (18) months after an actuary has certified that a locally administered plan is~~  
13 ~~in critical status for a plan year~~; and the FIPs are approved by the plan sponsor and the local  
14 governing body; or (5) there existed a locally-administered pension plan in that municipality, but  
15 either: (i) no FIP was required pursuant to chapter 45-65 and either: (A) The ~~the~~ municipality is  
16 funding one hundred percent (100%) of its required funding payment; or ~~Annually Required~~  
17 ~~Contribution (ARC)~~ (B) If a lesser funding payment is made, the municipality has maintained a  
18 funded ratio of at least one hundred percent (100%); or (ii) FIP is required pursuant to chapter 45-  
19 65, however, the due date for the FIP submission or implementation is after the March payment  
20 of this municipal incentive aid.

21 (d) In any fiscal year that a municipality does not receive an appropriation under this  
22 chapter, the amount that would have been allocated to the municipality will be distributed in the  
23 month of May among the other eligible municipalities for that fiscal year, on the basis of the most  
24 recent population estimate for each municipality as a share of the total state population reported  
25 by the U.S. Department of Commerce, Bureau of the Census.

26 SECTION 2. Section 45-65-7 of the General Laws in Chapter 45-65 entitled "Retirement  
27 Security Act for Locally Administered Pension Funds" is hereby amended to read as follows:

28 **45-65-7. Failure to comply.** – (a)(1) With respect to any municipality that fails to  
29 comply with the requirements of this chapter including the implementation of a funding  
30 improvement plan within the prescribed time, the general treasurer is authorized to withhold  
31 ~~moneys~~ monies due to the municipality from the state for any purpose other than education,  
32 including, but not limited to, municipal aid and other aid provided under sections 45-13-5.1, 45-  
33 13-12, 44-34.1-2, 44-13-13, 44-18-18.1, 44-18-36.1(b) and 42-63.1-3.

34 (b) Monies withheld by the general treasurer pursuant to this section shall be placed in an

1 interest-bearing escrow account. Such funds may be held for a period of up to one year  
2 commencing from the date said funds are deposited, at the end of which time the funds plus any  
3 interest earned thereon shall be deposited by the general treasurer directly into the town's locally-  
4 administered pension plan. Provided, if the general treasurer determines that said plan is  
5 insolvent, non-existent, or is no longer utilized by the municipality, the general treasurer may  
6 hold such funds and request instructions from the general assembly as to where to deposit said  
7 funds. Provided further, after withholding, if the municipality becomes compliant with this  
8 chapter, the general treasurer shall deposit into the locally-administered pension plan the required  
9 funding payment necessary to become compliant and release any remaining funds withheld to the  
10 municipality.

11 (c) The general treasurer shall provide at least fourteen (14) business days written notice  
12 to the municipality prior to depositing the funds into the municipality's locally-administered  
13 pension plan or of releasing the funds to the municipality. A municipality may elect to waive such  
14 notice.

15 SECTION 3. Chapter 45-65 of the General Laws entitled "Retirement Security Act for  
16 Locally Administered Pension Funds" is hereby amended by adding thereto the following section:

17 **45-65-10. Report on the status of locally administered pension plans. -- (a) On or**  
18 **before April 30 of each year, the general treasurer and the department of revenue shall jointly**  
19 **provide to the governor's office and to both chambers of the general assembly an annual report**  
20 **that includes the following:**

21 (1) An itemized description of the amount of funds held pursuant to this section, listed by  
22 municipality, amount, an identification of the locally-administered pension plan, the amount of  
23 underfunding of such plan, and a brief statement of why such funds were withheld, as applicable;

24 (2) A "performance dashboard" of all pension plans used by either the state and/or any  
25 municipality or municipal employees, that sets forth for each plan:

26 (i) Fund performance for each plan's most recently completed and previous five (5) and  
27 ten (10) fiscal years;

28 (ii) The total percentage of the plan that is funded;

29 (iii) The percentage of administrative costs of the fund as measured against the fund's  
30 assets;

31 (iv) Assumed and projected rates of return for the funds; and

32 (v) The municipality's or community's capacity to pay the municipality's required funding  
33 payment as a percentage of their tax levy ratio.

34 (b) Cities and towns shall supply the information requested by the department of revenue

1 [or general treasurer to furnish this report.](#)

2 SECTION 4. 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 SECURITY ACT FOR LOCALLY  
ADMINISTERED PENSION FUNDS

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1           This act would authorize the general treasurer to withhold state aid to municipalities  
2 which do meet certain requirements regarding locally-administered pension plans and, if  
3 applicable, funding improvement plans. This act would direct the general treasurer to place said  
4 funds in an interest-bearing account until the municipality meets certain requirements for their  
5 locally-administered pension plan, transitioned the plan into the municipal employee retirement  
6 system, or implemented a funding improvement plan. In the event these requirements are not met,  
7 the general treasurer would be directed to deposit the withheld funds directly into the locally-  
8 administered pension plan. The general treasurer and the department of revenue would also be  
9 directed to make annual reports on the status of locally-administered pension plans to the  
10 governor and the general assembly.

11           This act would take effect upon passage.

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