

2016 -- S 2872

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

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A N A C T

RELATING TO TOWNS AND CITIES -- RETIREMENT SECURITY ACT FOR LOCALLY
ADMINISTERED PENSION FUNDS

Introduced By: Senator Ryan W. Pearson

Date Introduced: March 31, 2016

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 as of January 1 in the year of the payment. Such payments shall
7 be made to eligible communities in March of each year 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 § 45-65-6, for every
12 locally-administered pension plan in that municipality, and each FIP had been approved by the
13 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 year 2015 and each fiscal year thereafter that ~~municipal incentive aid is~~
18 ~~distributed to eligible municipalities under this chapter~~ funds are appropriated, municipalities

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

20 (d) For fiscal year 2014, and in any year thereafter that a municipality is not eligible to
21 receive a distribution under this chapter, the distribution that said municipality would have
22 received had it been eligible shall be reappropriated to the immediately following fiscal year, at
23 which time the amount reappropriated shall be distributed to said municipality provided that said
24 municipality has satisfied the eligibility requirements of both the prior fiscal year and the then
25 current fiscal year. In the event that said municipality fails to satisfy the eligibility requirements
26 for the prior and the then current fiscal year by the time that eligibility to receive distributions in
27 the next fiscal year is determined, then the amount that would have been distributed to the
28 municipality for said prior year will be distributed in the month of May among the municipalities
29 that received a distribution in the prior fiscal year, with the share to be received by each
30 municipality calculated in the same manner as distributions were calculated in the prior fiscal
31 year.

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

34 **45-65-7. Failure to comply.** -- (a)(1) With respect to any municipality that fails to

1 comply with the requirements of this chapter including the implementation of a funding
2 improvement plan within the prescribed time, the general treasurer is authorized to withhold
3 ~~moneys~~ monies due to the municipality from the state for any purpose other than education,
4 including, but not limited to, municipal aid and other aid provided under §§ 45-13-5.1, 45-13-12,
5 44-34.1-2, 44-13-13, 44-18-18.1, 44-18-36.1(b) and 42-63.1-3.

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

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

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

23 **45-65-10. Report on the status of locally administered pension plans. -- (a) On or**
24 **before April 30 of each year, the general treasurer and the department of revenue shall jointly**
25 **provide to the governor's office and to both chambers of the general assembly an annual report**
26 **that includes the following:**

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

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

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

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

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

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

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

6 (b) Cities and towns shall supply the information requested by the department of revenue
7 or general treasurer to furnish this report.

8 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

1 This act would authorize the general treasurer to withhold state aid to municipalities
2 which do not 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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