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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2025

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A N A C T

RELATING TO PUBLIC OFFICERS AND EMPLOYEES -- RETIREMENT SYSTEM--
ADMINISTRATION

Introduced By: Senators Felag, LaMountain, Gallo, Britto, Bissaillon, Sosnowski,
Murray, Ciccone, and Lauria

Date Introduced: February 13, 2025

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 36-8-1 of the General Laws in Chapter 36-8 entitled "Retirement
2 System — Administration" is hereby amended to read as follows:

3 **36-8-1. Definition of terms.**

4 The following words and phrases as used in chapters 8 to 10 of this title unless a different
5 meaning is plainly required by the context, shall have the following meanings:

6 (1) "Accumulated contributions" shall mean the sum of all the amounts deducted from the
7 compensation of a member and credited to their individual pension account.

8 (2) "Active member" shall mean any employee of the state of Rhode Island as defined in
9 this section for whom the retirement system is currently receiving regular contributions pursuant to
10 §§ 36-10-1 and 36-10-1.1.

11 (3) "Actuarial equivalent" shall mean an allowance or benefit of equal value to any other
12 allowance or benefit when computed upon the basis of the actuarial tables in use by the system.

13 (4) "Annuity reserve" shall mean the present value of all payments to be made on account
14 of any annuity, benefit, or retirement allowance granted under the provisions of chapter 10 of this
15 title computed upon the basis of such mortality tables as shall be adopted from time to time by the
16 retirement board with regular interest.

17 (5)(a) "Average compensation" for members eligible to retire as of September 30, 2009,
18 shall mean the average of the highest three (3) consecutive years of compensation, within the total

1 service when the average compensation was the highest. For members eligible to retire on or after
2 October 1, 2009, “Average compensation” shall mean the average of the highest five (5)
3 consecutive years of compensation within the total service when the average compensation was the
4 highest.

5 (b) For members eligible to and who retire on or after July 1, ~~2024~~ 2012, “average
6 compensation” means the average of the highest three (3) consecutive years of compensation within
7 the total service when the average compensation was the highest.

8 (c) For members who become eligible to retire on or after July 1, 2012, if more than one-
9 half (½) of the member’s total years of service consist of years of service during which the member
10 devoted less than thirty (30) business hours per week to the service of the state, but the member’s
11 average compensation consists of three (3) or more years during which the member devoted more
12 than thirty (30) business hours per week to the service of the state, such member’s average
13 compensation shall mean the average of the highest ten (10) consecutive years of compensation
14 within the total service when the average compensation was the highest; provided however,
15 effective July 1, 2015, if such member’s average compensation as defined in subsection (a) above
16 is equal to or less than thirty-five thousand dollars (\$35,000), such amount to be indexed annually
17 in accordance with § 36-10-35(h)(1)(B), such member’s average compensation shall mean the
18 greater of: (i) The average of the highest ten (10) consecutive years of compensation within the
19 total service when the average compensation was the highest; or (ii) The member’s average
20 compensation as defined in subsection (a) above. To protect a member’s accrued benefit on June
21 30, 2012, under this § 36-8-1(5)(c), in no event shall a member’s average compensation be lower
22 than the member’s average compensation determined as of June 30, 2012.

23 (6) “Beneficiary” shall mean any person in receipt of a pension, an annuity, a retirement
24 allowance, or other benefit as provided by chapter 10 of this title.

25 (7) “Casual employee” shall mean those persons hired for a temporary period, a period of
26 emergency, or an occasional period.

27 (8) “Compensation” as used in chapters 8 — 10 of this title, chapters 16 and 17 of title 16,
28 and chapter 21 of title 45 shall mean salary or wages earned and paid for the performance of duties
29 for covered employment, including regular longevity or incentive plans approved by the board, but
30 shall not include payments made for overtime or any other reason other than performance of duties,
31 including but not limited to the types of payments listed below:

32 (i) Payments contingent on the employee having terminated or died;

33 (ii) Payments made at termination for unused sick leave, vacation leave, or compensatory
34 time;

1 (iii) Payments contingent on the employee terminating employment at a specified time in
2 the future to secure voluntary retirement or to secure release of an unexpired contract of
3 employment;

4 (iv) Individual salary adjustments which are granted primarily in anticipation of the
5 employee's retirement;

6 (v) Additional payments for performing temporary or extra duties beyond the normal or
7 regular work day or work year.

8 (9) "Employee" shall mean any officer or employee of the state of Rhode Island whose
9 business time is devoted exclusively to the services of the state, but shall not include one whose
10 duties are of a casual or seasonal nature. The retirement board shall determine who are employees
11 within the meaning of this chapter. The governor of the state, the lieutenant governor, the secretary
12 of state, the attorney general, the general treasurer, and the members of the general assembly, ex
13 officio, shall not be deemed to be employees within the meaning of that term unless and until they
14 elect to become members of the system as provided in § 36-9-6, but in no case shall it deem as an
15 employee, for the purposes of this chapter, any individual who devotes less than twenty (20)
16 business hours per week to the service of the state, and who receives less than the equivalent of
17 minimum wage compensation on an hourly basis for their services, except as provided in § 36-9-
18 24. Any commissioner of a municipal housing authority or any member of a part-time state,
19 municipal, or local board, commission, committee, or other public authority shall not be deemed to
20 be an employee within the meaning of this chapter.

21 (10) "Full actuarial costs" or "full actuarial value" shall mean the lump sum payable by a
22 member claiming service credit for certain employment for which that payment is required which
23 is determined according to the age of the member and the employee's annual rate of compensation
24 at the time the member applies for service credit and which is expressed as a rate percent of the
25 employee's annual rate of compensation to be multiplied by the number of years for which the
26 member claims service credit as prescribed in a schedule adopted by the retirement board from time
27 to time on the basis of computation by the actuary. Except as provided in §§ 16-16-7.1, 36-5-3, 36-
28 9-31, 36-10-10.4, 45-21-53, 36-10-8, 45-21-29, 8-3-16(c), 8-8-10.1(c), 42-28-22.1(d), and 28-30-
29 18.1(c):

30 (i) All service credit purchases requested after June 16, 2009, and prior to July 1, 2012,
31 shall be at full actuarial value; and

32 (ii) All service credit purchases requested after June 30, 2012, shall be at full actuarial
33 value which shall be determined using the system's assumed investment rate of return minus one
34 percent (1%).

1 The rules applicable to a service credit purchase shall be the rules of the retirement system
2 in effect at the time the purchase application is submitted to the retirement system.

3 (11) "Funded ratio" shall mean the ratio of the actuarial value of assets to the actuarial
4 accrued liability consistent with the funding policy of the retirement board as defined in § 36-8-4.

5 (12) "Inactive member" shall mean a member who has withdrawn from service as an
6 employee but who has not received a refund of contributions.

7 (13) "Members" shall mean any person included in the membership of the retirement
8 system as provided in §§ 36-9-1 — 36-9-7.

9 (14) "Prior service" shall mean service as a member rendered before July 1, 1936, certified
10 on the member's prior service certificate and allowable as provided in § 36-9-28.

11 (15) "Regular interest" shall mean interest at the assumed investment rate of return,
12 compounded annually, as may be prescribed from time to time by the retirement board.

13 (16) "Retirement allowance" shall mean annual payments for life made after retirement
14 under and in accordance with chapters 8 to 10 of this title. All allowances shall be paid in equal
15 monthly installments beginning as of the effective date thereof; provided, that a smaller pro rata
16 amount may be paid for part of a month where separation from service occurs during the month in
17 which the application was filed, and when the allowance ceases before the last day of the month.

18 (17) "Retirement board" or "board" shall mean the board provided in § 36-8-3 to administer
19 the retirement system.

20 (18) "Retirement system" shall mean the employees' retirement system of the state of
21 Rhode Island as defined in § 36-8-2.

22 (19) "Service" shall mean service as an employee of the state of Rhode Island as described
23 in subdivision (9) of this section.

24 (20) "Social Security retirement age" shall mean a member's full retirement age as
25 determined in accordance with the federal Old Age, Survivors and Disability Insurance Act, not to
26 exceed age sixty-seven (67).

27 (21) "Total service" shall mean prior service as defined above, plus service rendered as a
28 member on or after July 1, 1936.

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

31 **45-21-2. Definitions.**

32 The following words and phrases as used in this chapter have the following meanings
33 unless a different meaning is plainly required by the context:

34 (1) "Accumulated contributions" means the sum of all amounts deducted from the

1 compensation of a member and credited to the member's individual account in the members'
2 contribution reserve account.

3 (2) "Active member" means any employee of a participating municipality as defined in this
4 section for whom the retirement system is currently receiving regular contributions pursuant to §
5 45-21-41, § 45-21-41.1, or § 45-21.2-14.

6 (3) "Actuarial reserve" means the present value of all payments to be made on account of
7 any annuity, retirement allowance, or benefit, computed upon the basis of mortality tables adopted
8 by the retirement board with regular interest.

9 (4) "Beneficiary" means any person in receipt of a retirement allowance, annuity, or other
10 benefit as provided by this chapter.

11 (5) For purposes of this chapter, "domestic partner" shall be defined as a person who, prior
12 to the decedent's death, was in an exclusive, intimate, and committed relationship with the
13 decedent, and who certifies by affidavit that their relationship met the following qualifications:

14 (i) Both partners were at least eighteen (18) years of age and were mentally competent to
15 contract;

16 (ii) Neither partner was married to anyone else;

17 (iii) Partners were not related by blood to a degree which would prohibit marriage in the
18 state of Rhode Island;

19 (iv) Partners resided together and had resided together for at least one year at the time of
20 death; and

21 (v) Partners were financially interdependent as evidenced by at least two (2) of the
22 following:

23 (A) Domestic partnership agreement or relationship contract;

24 (B) Joint mortgage or joint ownership of primary residence;

25 (C) Two (2) of: (I) Joint ownership of motor vehicle; (II) Joint checking account; (III) Joint
26 credit account; (IV) Joint lease; and/or

27 (D) The domestic partner had been designated as a beneficiary for the decedent's will,
28 retirement contract, or life insurance.

29 (6) "Effective date of participation" means the date on which the provisions of this chapter
30 have become applicable to a municipality accepting the provisions of the chapter in the manner
31 stated in § 45-21-4.

32 (7) "Employee" means any regular and permanent employee or officer of any municipality,
33 whose business time at a minimum of twenty (20) hours a week is devoted to the service of the
34 municipality, including elective officials and officials and employees of city and town housing

1 authorities. Notwithstanding the previous sentence, the term “employee,” for the purposes of this
2 chapter, does not include any person whose duties are of a casual or seasonal nature. The retirement
3 board shall decide who are employees within the meaning of this chapter, but in no case shall it
4 deem as an employee any individual who annually devotes less than twenty (20) business hours per
5 week to the service of the municipality and who receives less than the equivalent of minimum wage
6 compensation on an hourly basis for their services, except as provided in § 45-21-14.1 [repealed].
7 Casual employees mean those persons hired for an occasional period or a period of emergency to
8 perform special jobs or functions not necessarily related to the work of regular employees. Any
9 commissioner of a municipal housing authority, or any member of a part-time state board
10 commission, committee, or other authority is not deemed to be an employee within the meaning of
11 this chapter.

12 (8)(a) “Final compensation” for members who are eligible to retire on or prior to June 30,
13 2012, means the average annual compensation, pay, or salary of a member for services rendered
14 during the period of three (3) consecutive years within the total service of the member when the
15 average was highest, and as the term average annual compensation is further defined in § 36-8-
16 1(5)(a). For members eligible to retire on or after July 1, 2012, “final compensation” means the
17 average of the highest five (5) consecutive years of compensation within the total service when the
18 final compensation was the highest. For members eligible to and who retire on or after July 1, ~~2012~~
19 2012, “final compensation” means the average of the highest three (3) consecutive years of
20 compensation within the total service when the final compensation was the highest.

21 (b) For members who become eligible to retire on or after July 1, 2012, if more than one
22 half (½) of the member’s total years of service consist of years of service during which the member
23 devoted less than thirty (30) business hours per week to the service of the municipality, but the
24 member’s average compensation consists of three (3) or more years during which the member
25 devoted more than thirty (30) business hours per week to the service of a municipality, such
26 member’s average compensation shall mean the average of the highest ten (10) consecutive years
27 of compensation within the total service when the average compensation was the highest; provided
28 however, effective July 1, 2015, if such member’s average compensation as defined in subsection
29 (a) above is equal to or less than thirty-five thousand dollars (\$35,000), such amount to be indexed
30 annually in accordance with § 45-21-52(d)(1)(B), such member’s average compensation shall mean
31 the greater of: (i) The average of the highest ten (10) consecutive years of compensation within the
32 total service when the average compensation was the highest; or (ii) The member’s average
33 compensation as defined in subsection (a) above. To protect a member’s accrued benefit on June
34 30, 2012, under this subsection (8)(b), in no event shall a member’s average compensation be lower

1 than his or her average compensation determined as of June 30, 2012.

2 Notwithstanding the preceding provisions, in no event shall a member's final compensation
3 be lower than the member's final compensation determined as of June 30, 2012.

4 (9) "Fiscal year" means the period beginning on July 1 in any year and ending on June 30
5 of the next succeeding year.

6 (10) "Full actuarial costs" or "full actuarial value" mean the lump sum payable by a
7 member claiming service credit for certain employment for which payment is required, which is
8 determined according to the age of the member and their annual rate of compensation at the time
9 he or she applies for service credit, and which is expressed as a rate percent of the annual rate of
10 compensation to be multiplied by the number of years for which the member claims the service
11 credit, as prescribed in a schedule adopted by the retirement board, from time to time, on the basis
12 of computation by the actuary. Except as provided in §§ 16-16-7.1, 36-5-3, 36-9-31, 36-10-10.4,
13 and 45-21-53: (i) All service credit purchases requested after June 16, 2009, and prior to July 1,
14 2012, shall be at full actuarial value; and (ii) All service credit purchases requested after June 30,
15 2012, shall be at full actuarial value which shall be determined using the system's assumed
16 investment rate of return minus one percent (1%).

17 (11) "Governing body" means any and all bodies empowered to appropriate monies for,
18 and administer the operation of, the units as defined in subdivision (13) of this section.

19 (12) "Member" means any person included in the membership of the retirement system as
20 provided in § 45-21-8.

21 (13) "Municipality" means any town or city in the state of Rhode Island, any city or town
22 housing authority, fire, water, sewer district, regional school district, public building authority as
23 established by chapter 14 of title 37 [repealed], or any other municipal financed agency to which
24 the retirement board has approved admission in the retirement system.

25 (14) "Participating municipality" means any municipality which has accepted this chapter,
26 as provided in § 45-21-4.

27 (15) "Prior service" means service as a member rendered before the effective date of
28 participation as defined in this section, certified on the member's prior service certificate, and
29 allowable as provided in § 45-21-15.

30 (16) "Regular interest" means interest at the assumed investment rate of return,
31 compounded annually, as may be prescribed from time to time by the retirement board.

32 (17) "Retirement allowance" or "annuity" means the amounts paid to any member of the
33 municipal employees' retirement system of the state of Rhode Island, or a survivor of the member,
34 as provided in this chapter. All retirement allowances or annuities shall be paid in equal monthly

1 installments for life, unless otherwise specifically provided.

2 (18) "Retirement board" or "board" means the state retirement board created by chapter 8
3 of title 36.

4 (19) "Retirement system" means the "municipal employees' retirement system of the state
5 of Rhode Island" as defined in § 45-21-32.

6 (20) "Service" means service as an employee of a municipality of the state of Rhode Island
7 as defined in subdivision (7).

8 (21) "Total service" means prior service as defined in subdivision (15) plus service
9 rendered as a member on or after the effective date of participation.

10 (22) Any term not specifically defined in this chapter and specifically defined in chapters
11 8 through 10 of title 36 shall have the same definition as set forth in chapters 8 through 10 of title
12 36.

13 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO PUBLIC OFFICERS AND EMPLOYEES -- RETIREMENT SYSTEM--
ADMINISTRATION

1 This act would, change the teacher and state employees' retirement benefit calculations'
2 cutoff date from July 1, 2024, to July 1, 2012, for all retirement members eligible to and who retire
3 on or after the new July 1, 2012, cutoff date. The average compensation means the average of the
4 highest three (3) consecutive years, of compensation, within the total service, when the average
5 compensation was its highest.

6 This act would take effect upon passage.

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