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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2013

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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, Satchell, Cool Rumsey, and Bates

Date Introduced: February 28, 2013

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 45-65-7 of the General Laws in Chapter 45-65 entitled "Retirement
2 Security Act for Locally Administered Pension Funds" is hereby amended to read as follows:

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

8 (b) The general treasurer is also authorized to withhold moneys due to the municipality
9 from the state for any purpose other than education, including, but not limited to, municipal aid
10 and other aid provided under sections 45-13-5.1, 45-13-12, 44-34.1-2, 44-13-13, 44-18-18.1, 44-
11 18-36.1(b) and 42-63.1-3, as to any municipality that does not fully fund their annual required
12 contribution (ARC) to any locally administered pension plan that the municipality and/or its
13 employees participates in. As used herein, the term “fully fund” means that the municipality
14 makes one hundred percent (100%) of its annually required ARC payment. Provided, that the
15 general treasurer may consider a municipality’s capacity to pay and any local plans to fund,
16 replenish, and otherwise bring the pension fund to an acceptable level, in determining whether to
17 withhold such monies under this subsection (b).

18 (1) Monies withheld by the general treasurer pursuant to this subsection (b) shall be

1 placed in an interest-bearing escrow account. Such funds may be held for a period of up to one
2 year commencing from the date said funds are deposited, at the end of which time the funds plus
3 any interest earned thereon shall be deposited by the general treasurer directly into the town's
4 locally administered pension plan. Provided, if the general treasurer determines that said plan is
5 insolvent, non-existent, is no longer utilized by the municipality, or for any other reason
6 determines that deposit into the plan would be fiscally unsound, the general treasurer may hold
7 such funds and request instructions from the general assembly as to where to deposit said funds.
8 Provided further, if the municipality presents a funding plan or proposal to fund the locally
9 administered pension plan prior to the end of the year, and the general treasurer finds that such
10 plan provides a reasonably adequate method for the municipality to fund the locally administered
11 plan and meet its obligations, then the general treasurer may release the withheld monies to the
12 municipality.

13 (2) The general treasurer shall provide at least seven (7) business days notice written
14 notice to the municipality prior to depositing the funds into the municipality's locally
15 administered pension plan or of releasing the funds to the municipality. A municipality may elect
16 to waive such notice.

17 (c) On or before March 30 of each year, the general treasurer shall annually provide to
18 the governor's office and to both chambers of the general assembly an annual report that includes
19 the following:

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

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

25 (i) Fund performance for each plan's most recently completed fiscal year;

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

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

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

30 (v) The municipality's or community's capacity to pay the municipality's ARC as a
31 percent of their tax levy ratio.

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

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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RELATING TO TOWNS AND CITIES -- RETIREMENT SECURITY ACT FOR LOCALLY
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1 This act would permit the general treasurer to withhold state aid to municipalities which
2 do not fully fund their annual required contribution to a locally administered pension plan. The
3 act directs the general treasurer to place said funds in an interest-bearing account until the
4 municipality presents a plan for funding that is satisfactory to the general treasurer. In the event
5 no such plan is prepared within one year, the general treasurer is directed to deposit the withheld
6 funds directly into the locally administered pension plan. The general treasurer is also directed to
7 make annual reports on those withheld funds to the governor and the general assembly.

8 This act would take effect upon passage.

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