

2016 -- S 2496

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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: Senators McCaffrey, and Lombardi

Date Introduced: February 25, 2016

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 45-65-4 and 45-65-6 of the General Laws in Chapter 45-65
2 entitled "Retirement Security Act for Locally Administered Pension Funds" are hereby amended
3 to read as follows:

4 **45-65-4. Definitions.** -- As used in this chapter the following terms shall have the
5 following meanings:

6 (1) "Actuarial experience study" means a report provided by an actuary that includes a
7 recent discussion of plan experience, recommendations for actuarial assumptions and methods,
8 and information about the actuarial impact of these recommendations on the liabilities and other
9 key actuarial measures.

10 (2) "Annual actuarial valuation study" means a valuation of a locally administered plan
11 completed by an actuary, and a certification based on that valuation indicating whether such plan
12 is or is not in critical status, on an annual basis. The report shall include a twenty (20) year
13 amortization schedule of annual required contribution from municipal employees, annual
14 contribution from taxpayers, actuarial accrued liability, unfunded actuarial accrued liability, and
15 the plan funding percentage for each individual plan.

16 (3) "Critical status" means that, as determined by its actuary, as of the beginning of the
17 plan year, a plan's funded percentage for such plan year is less than sixty percent (60%).

18 (4) "Locally administered plan" or "plan" means any defined benefit pension plan

1 established by a municipality for its employees, other than: (a) A plan that is part of the
2 Employees' Retirement System of Rhode Island as defined in chapter 36-8 or the Municipal
3 Employees' Retirement System of Rhode Island as defined in chapter 45-21; or (b) A plan
4 established by a municipality that has filed for bankruptcy protection pursuant to chapter 9 of title
5 11 of the United States Code, a plan established by a municipality for which a receiver has been
6 appointed pursuant to chapter 45-9 or a plan established by a municipality for which a fiscal
7 overseer has been appointed pursuant to chapter 45-9.

8 (5) "Municipality" means any town or city in the State of Rhode Island, any city or town
9 housing authority, fire, water, sewer district or authority, regional school district or public
10 building authority as established by chapter 14 of title 37 or by Rhode Island public law.

11 **45-65-6. Certification and notice requirements.** -- (1) Every municipality that
12 maintains a locally administered plan shall submit its initial annual actuarial valuation study to
13 the study commission created herein under § 45-64-8 on or before April 1, 2012, and for each
14 plan year ending on or after December 31, 2012, within six (6) months of completing such plan
15 year. The initial actuarial experience study shall be submitted to the study commission on or
16 before April 1, 2012, ~~and subsequent~~

17 (2) Subsequent actuarial experience studies and actuarial valuation studies shall be
18 completed by the municipality administrating such a plan ~~must be submitted to the study~~
19 ~~commission~~ no less frequently than once every three (3) years, at least by January 1 of every third
20 year.

21 ~~(2)~~(3) In any case in which an actuary certifies that a locally administered plan is in
22 critical status for a plan year, the municipality administering such a plan shall, not later than thirty
23 (30) business days following the certification, provide notification of the critical status to the
24 participants and beneficiaries of the plan and to the general assembly, the governor, the general
25 treasurer, the director of revenue, and the auditor general. The notification shall also be posted
26 electronically on the general treasurer's website and on the municipality's website, and both
27 postings shall be maintained until the critical status no longer exists. Within one hundred eighty
28 (180) days of sending the critical status notice, the municipality shall submit to the general
29 treasurer, the director of revenue, and the auditor general, and shall post and maintain on the
30 municipality's website, ~~study commission~~ a reasonable alternative funding improvement plan to
31 emerge from critical status which includes the effect on each of the other plans administered by
32 the municipality, the effect on the next municipal budget, and the effect on municipal tax rates.
33 Prior to this submission and website posting, and after a public hearing is held and closed, the
34 alternative funding improvement plan shall be approved by the mayor or town administrator and

1 city or town council. The funding improvement plan shall be implemented in the next municipal
2 budget.

3 ~~(3) The state shall reimburse every municipality for fifty percent (50%) of the cost of~~
4 ~~undertaking its annual actuarial valuation study, which is due on April 1, 2012.~~

5 (4) Notwithstanding any other law to the contrary, the funding improvement plans,
6 notification of critical status, actuarial experience studies and actuarial valuation studies prepared
7 ~~submitted~~ pursuant to this section shall be public records.

8 SECTION 2. 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 require municipalities that manage locally administered pension funds, to
2 submit reports as part of the annual actuarial valuation study. The report would require that the
3 municipality include a 20 year amortization schedule of annual required contributions from its
4 employees, from taxpayers, actuarial accrued liability and unfunded actuarial accrued liability
5 and plan funding percentage for each individual plan. It would also require that upon a finding
6 that a plan is in critical status, that the municipality post the status on its municipal website and
7 maintain it until the fund is no longer in critical status. Further, within 180 days of critical status
8 notice, the municipality would be required to submit to the general treasurer, the director of
9 revenue and the auditor general a reasonable funding alternative which includes the effect on
10 other plans administered by the municipality, the effect on the municipal budget and the effect on
11 municipal taxes.

12 This act would take effect upon passage.

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