

2019 -- H 5382

=====
LC001207
=====

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2019

—————
A N A C T

RELATING TO PUBLIC OFFICERS AND EMPLOYEES -- RETIREMENT SYSTEM
CONTRIBUTIONS AND BENEFITS

Introduced By: Representatives Lima, O'Brien, Amore, Solomon, and Casey

Date Introduced: February 14, 2019

Referred To: House Finance

(General Treasurer)

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 8-3-16 and 8-3-17 of the General Laws in Chapter 8-3 entitled
2 "Justices of Supreme, Superior, and Family Courts" are hereby amended to read as follows:

3 **8-3-16. Retirement contribution.**

4 (a) Judges engaged after December 31, 1989 shall have deducted from total salary
5 beginning December 31, 1989 and ending June 30, 2012 an amount equal to a rate percent of
6 compensation as specified in § 36-10-1 relating to member contributions to the state retirement
7 system. Effective July 1, 2012, all active judges whether engaged before or after December 31,
8 1989 shall have deducted from compensation as defined in subsection 36-8-1(8) an amount equal
9 to twelve percent (12%) of compensation, except active Supreme Court Judges as of June 30,
10 2012 who shall have deducted from compensation as defined in section 36-8-1(8) an amount
11 equal to the percent of compensation in effect on June 30, 2012. Proceeds deposited shall be held
12 in trust for the purpose of paying retirement benefits to participating judges or their beneficiaries
13 on the date contributions are withheld but no later than three (3) business days following the pay
14 period ending in which contributions were withheld. The retirement board shall establish rules
15 and regulations to govern the provisions of this section.

16 (b) The state is required to deduct and withhold member contributions and to transmit
17 same to the retirement system and is hereby made liable for the contribution. In addition, any
18 amount of employee contributions actually deducted and withheld shall be deemed to be a special

1 [fund in trust for the benefit of the member and shall be transmitted to the retirement system as set](#)
2 [forth herein.](#)

3 ~~(b)~~(c) A member of the judiciary who withdraws from service or ceases to be a member
4 for any reason other than retirement, shall be paid on demand a refund consisting of the
5 accumulated contributions standing to his or her credit in his or her individual account in the
6 judicial retirement benefits account. Any member receiving a refund shall thereby forfeit and
7 relinquish all accrued rights as a member of the system together with credits for total service
8 previously granted to the member; provided, however, that if any member who has received a
9 refund shall subsequently reenter the service and again become a member of the system, he or she
10 shall have the privilege of restoring all money previously received or disbursed to his or her credit
11 as refund of contributions plus regular interest for the period from the date of refund to the date of
12 restoration. Upon the repayment of the refund as herein provided, the member shall again receive
13 credit for the amount of total service which he or she had previously forfeited by the acceptance
14 of the refund.

15 ~~(e)~~(d) Whenever any judge dies from any cause before retirement and has no surviving
16 spouse, domestic partner or minor child(ren), a payment shall be made of the accumulated
17 contributions standing to his or her credit in his or her individual account in the judicial
18 retirement benefits account. The payment of the accumulated contributions of the judge shall be
19 made to such person as the judge shall have nominated by written designation duly executed and
20 filed with the retirement board, or if the judge has filed no nomination, or if the person so
21 nominated has died, then to the estate of the deceased judge.

22 **8-3-17. State contributions.**

23 The state of Rhode Island shall make its contribution for the maintaining of the system
24 established by § 8-3-16 and providing the annuities, benefits, and retirement allowances in
25 accordance with the provisions of this chapter by annually appropriating an amount which will
26 pay a rate percent of the compensation paid after December 31, 1989 to judges engaged after
27 December 31, 1989. Such rate percent shall be computed and certified in accordance with the
28 procedures set forth in §§ 36-8-13 and 36-10-2 under rules and regulations promulgated by the
29 retirement board pursuant to § 36-8-3. The amounts that would have been contributed shall be
30 deposited in a special fund and not used for any purpose [on the date contributions are withheld](#)
31 [but no later than three \(3\) business days following the pay period ending in which contributions](#)
32 [were withheld.](#)

33 SECTION 2. Sections 8-8-10.1 and 8-8-10.2 of the General Laws in Chapter 8-8 entitled
34 "District Court" are hereby amended to read as follows:

1 **8-8-10.1. Retirement contribution.**

2 (a) Judges engaged after December 31, 1989 shall have deducted from total salary
3 beginning December 31, 1989 and ending June 30, 2012 an amount equal to a rate percent of
4 compensation as specified in § 36-10-1 relating to member contributions to the state retirement
5 system. Effective July 1, 2012, all active judges whether engaged before or after December
6 31,1989 shall have deducted from compensation as defined in subsection 36-8-1(8) an amount
7 equal to twelve percent (12%) of compensation. The receipts collected under this provision shall
8 be deposited in a restricted revenue account entitled "Judicial retirement benefits" " on the date
9 contributions are withheld but no later than three (3) business days following the pay period
10 ending in which contributions were withheld. Proceeds deposited in this account shall be held in
11 trust for the purpose of paying retirement benefits to participating judges or their beneficiaries.
12 The retirement board shall establish rules and regulations to govern the provisions of this section.

13 **(b) The state is required to deduct and withhold member contributions and to transmit**
14 **same to the retirement system and is hereby made liable for the contribution. In addition, any**
15 **amount of employee contributions actually deducted and withheld shall be deemed to be a special**
16 **fund in trust for the benefit of the member and shall be transmitted to the retirement system as set**
17 **forth herein.**

18 ~~(b)~~(c) A member of the judiciary who withdraws from service or ceases to be a member
19 for any reason other than retirement shall be paid on demand a refund consisting of the
20 accumulated contributions standing to his or her credit in his or her individual account in the
21 judicial retirement benefits account. Any member receiving a refund shall thereby forfeit and
22 relinquish all accrued rights as a member of the system together with credits for total service
23 previously granted to the member; provided, however, that if any member who has received a
24 refund shall subsequently reenter the service and again become a member of the system, the
25 member shall have the privilege of restoring all money previously received or disbursed to his or
26 her credit as refund of contributions plus regular interest for the period from the date of refund to
27 the date of restoration. Upon the repayment of the refund as herein provided, the member shall
28 again receive credit for the amount of total service which he or she had previously forfeited by
29 the acceptance of the refund.

30 ~~(c)~~(d) Whenever any judge dies from any cause before retirement and has no surviving
31 spouse, domestic partner or minor child(ren), a payment shall be made of the accumulated
32 contributions standing to his or her credit in his or her individual account in the judicial
33 retirement benefits account. The payment of the accumulated contributions of the judge shall be
34 made to such person as the judge shall have nominated by written designation duly executed and

1 filed with the retirement board, or if the judge has filed no nomination, or if the person so
2 nominated has died, then to the estate of the deceased judge.

3 **8-8-10.2. State contributions.**

4 The state of Rhode Island shall make its contribution for the maintaining of the system
5 established by § 8-8-10.1 and providing the annuities, benefits, and retirement allowances in
6 accordance with the provisions of this chapter by annually appropriating an amount which will
7 pay a rate percent of the compensation paid after December 31, 1989 to judges engaged after
8 December 31, 1989. The rate percent shall be computed and certified in accordance with the
9 procedures set forth in § 36-8-13 and § 36-10-2 under rules and regulations promulgated by the
10 retirement board pursuant to § 36-8-3 and shall be transmitted on the date contributions are
11 withheld but no later than three (3) business days following the pay period ending in which
12 contributions were withheld.

13 SECTION 3. Sections 8-8.2-7 and 8-8.2-8 of the General Laws in Chapter 8-8.2 entitled
14 "Traffic tribunal" are hereby amended to read as follows:

15 **8-8.2-7. Retirement contribution.**

16 (a) Judges of the administrative adjudication court engaged after December 31, 1989 who
17 are reassigned by this chapter to the traffic tribunal shall have deducted from their total salary
18 beginning December 31, 1989 and ending June 30, 2012, an amount equal to a rate percent of
19 compensation as specified in § 36-10-1 relating to member contributions to the state retirement
20 system. Effective July 1, 2012, all active judges whether engaged before or after December
21 31,1989 shall have deducted from compensation as defined in 36-8-1(8) an amount equal to
22 twelve percent (12%) of compensation. The receipts collected under this provision shall be
23 deposited in a restricted revenue account entitled "administrative adjudication retirement
24 benefits" on the date contributions are withheld but no later than three (3) business days following
25 the pay period ending in which contributions were withheld. Proceeds deposited in this account
26 shall be used to pay judges' retirement costs. The retirement board shall establish rules and
27 regulations to govern the provisions of this section.

28 (b) The state is required to deduct and withhold member contributions and to transmit
29 same to the retirement system and is hereby made liable for the contribution. In addition, any
30 amount of employee contributions actually deducted and withheld shall be deemed to be a special
31 fund in trust for the benefit of the member and shall be transmitted to the retirement system as set
32 forth herein.

33 ~~(b)~~(c) A judge of the administrative adjudication court reassigned by this chapter to the
34 traffic tribunal who withdraws from service or ceases to be a member for any reason other than

1 death or retirement, shall be paid on demand a refund consisting of the accumulated contributions
2 standing to his or her credit in his or her individual account in the administrative adjudication
3 retirement benefits account. Any member receiving a refund shall thereby forfeit and relinquish
4 all accrued right as a member of the system together with credits for total service previously
5 granted to the member; provided, however, that if any member who has received a refund shall
6 subsequently reenter the service and again become a member of the system, he or she shall have
7 the privilege of restoring all moneys previously received or disbursed to his or her credit as a
8 refund of contributions plus regular interest for the period from the date of refund to the date of
9 restoration. Upon the repayment of the refund as herein provided, such member shall again
10 receive credit for the amount of total service which he or she had previously forfeited by the
11 acceptance of the refund.

12 ~~(e)~~(d) Whenever any judge of the administrative adjudication court dies from any cause
13 before retirement and has no surviving spouse or domestic partner or minor child(ren), a payment
14 shall be made of the accumulated contributions standing to his or her credit in his or her
15 individual account in the administrative adjudication court judges' retirement account. The
16 payment of the accumulated contributions of the judge shall be made to such person as the judge
17 shall have nominated by written designation duly executed and filed with the retirement board, or
18 if the judge has no filed nomination, or if the person so nominated has died, then to the estate of
19 the deceased judge.

20 **8-8.2-8. State contributions.**

21 The state of Rhode Island shall make its contribution for maintaining the system
22 established by § 8-8.2-7 and providing the annuities, benefits, and retirement allowances in
23 accordance with the provisions of this chapter, by annually appropriating an amount which will
24 pay a rate percent of the compensation paid after December 31, 1989 to judges of the
25 administrative adjudication court engaged after December 31, 1989 who are reassigned by this
26 chapter to the traffic tribunal. The rate percent shall be computed and certified in accordance with
27 the procedures set forth in § 36-8-13 and § 36-10-2 under rules and regulations promulgated by
28 the retirement board pursuant to § 36-8-3 and shall be transmitted on the date contributions are
29 withheld but no later than three (3) business days following the pay period ending in which
30 contributions were withheld.

31 SECTION 4. Sections 16-16-22 and 16-16-22.1 of the General Laws in Chapter 16-16
32 entitled "Teachers' Retirement [See Title 16 Chapter 97 - The Rhode Island Board of Education
33 Act]" are hereby amended to read as follows:

34 **16-16-22. Contributions to state system.**

1 (a) Prior to July 1, 2012, each teacher shall contribute into the system nine and one-half
2 percent (9.5%) of compensation as his or her share of the cost of annuities, benefits, and
3 allowances. Effective July 1, 2012, each teacher shall contribute an amount equal to three and
4 three quarters percent (3.75%) of his or her compensation. Effective July 1, 2015, each teacher
5 with twenty (20) or more years of total service as of June 30, 2012, shall contribute an amount
6 equal to eleven percent (11%) of his or her compensation. The employer contribution on behalf of
7 teacher members of the system shall be in an amount that will pay a rate percent of the
8 compensation paid to the members, according to the method of financing prescribed in the State
9 Retirement Act in chapters 8 -- 10 and 10.3 of title 36. This amount shall be paid forty percent
10 (40%) by the state, and sixty percent (60%) by the city, town, local educational agency, or any
11 formalized commissioner approved cooperative service arrangement by whom the teacher
12 members are employed, with the exception of teachers who work in federally funded projects and
13 further with the exception of any supplemental contributions by a local municipality employer
14 under chapter 36-10.3 which supplemental employer contributions shall be made wholly by the
15 local municipality. Provided, however, that the rate percent paid shall be rounded to the nearest
16 hundredth of one percent (.01%).

17 (b) The employer contribution on behalf of teacher members of the system who work in
18 fully or partially federally funded programs shall be prorated in accordance with the share of the
19 contribution paid from the funds of the federal, city, town, or local educational agency, or any
20 formalized commissioner approved cooperative service arrangement by whom the teacher
21 members are approved.

22 (c) In case of the failure of any city, town, or local educational agency, or any formalized
23 commissioner approved cooperative service arrangement to pay to the state retirement system the
24 amounts due from it under this section within the time prescribed, the general treasurer is
25 authorized to deduct the amount from any money due the city, town, or local educational agency
26 from the state.

27 (d) The employer's contribution shared by the state shall be paid in the amounts
28 prescribed in this section for the city, town, or local educational agency and under the same
29 payment schedule. Notwithstanding any other provisions of this chapter, the city, town, or local
30 educational agency or any formalized commissioner approved cooperative service arrangement
31 shall remit to the general treasurer of the state the local employer's share of the teacher's
32 retirement ~~payments on a monthly basis, payable by the fifteenth (15th) of the following month~~
33 on the date contributions are withheld but no later than three (3) business days following the pay
34 period ending in which contributions were withheld. The amounts that would have been

1 contributed shall be deposited by the state in a special fund and not used for any purpose. The
2 general treasurer, upon receipt of the local employer's share, shall effect transfer of a matching
3 amount of money from the state funds appropriated for this purpose by the general assembly into
4 the retirement fund.

5 Upon reconciliation of the final amount owed to the retirement fund for the employer
6 share, the state shall ensure that any local education aid reduction assumed for the FY 2010
7 revised budget in excess of the actual savings is restored to the respective local entities.

8 (e) This section is not subject to §§ 45-13-7 through 45-13-10.

9 **16-16-22.1. City or town payment of teacher member contributions.**

10 (a) Each city or town, pursuant to the provisions of § 414(h)(2) of the United States
11 Internal Revenue Code, 26 U.S.C. § 414(h)(2), may, pursuant to appropriate local action by the
12 city or town, pick up and pay the contributions which would be payable by the employees as
13 teacher members under § 16-16-22. The contributions so picked up shall be treated as employer
14 contributions in determining tax treatment under the United States Internal Revenue Code.
15 Employee contributions picked up pursuant to this section shall be treated and identified as
16 teacher member contributions for all purposes of the retirement system except as specifically
17 provided to the contrary in this section.

18 (b) Teacher member contributions picked up by a city or town shall be paid from the
19 same source of funds used for the payment of compensation to a teacher member. A deduction
20 shall be made from a teacher member's compensation equal to the amount of his or her
21 contributions picked up by his or her city or town employer. This deduction, however, shall not
22 reduce his or her compensation for purposes of computing benefits under the retirement system
23 pursuant to this chapter or chapter 10 of title 36. Picked up contributions shall be transmitted to
24 the retirement system in accordance with the provisions of § 16-16-22 and § 36-10-1 on the date
25 contributions are withheld but no later than three (3) business days following the pay period
26 ending in which contributions were withheld.

27 (c) Every employer is required to deduct and withhold member contributions and to
28 transmit same to the retirement system and is hereby made liable for the contribution. In addition,
29 any amount of employee contributions actually deducted and withheld shall be deemed to be a
30 special fund in trust for the benefit of the member and shall be transmitted to the retirement
31 system as set forth herein.

32 (d) The liability of an employer who fails to segregate such trust funds, or refuses to
33 deduct and withhold member contributions from its employees, is enforceable by the retirement
34 board through an appropriate action in the superior court. The general treasurer is also authorized

1 [to deduct the amount due from any money due the employer from the state.](#)

2 SECTION 5. Sections 28-30-18.1 and 28-30-18.2 of the General Laws in Chapter 28-30
3 entitled "Workers' Compensation Court" are hereby amended to read as follows:

4 **28-30-18.1. Retirement contribution.**

5 (a) Workers' compensation judges engaged after December 31, 1989, shall have deducted
6 from total salary beginning December 31, 1989 and ending on June 30, 2012, an amount equal to
7 a rate percent of compensation as specified in § 36-10-1 relating to member contributions to the
8 state retirement system. Effective July 1, 2012, all active workers' compensation judges whether
9 engaged before or after December 31, 1989, shall have deducted from compensation as defined in
10 § 36-8-1(8) an amount equal to twelve percent (12%) of compensation. The receipts collected
11 under this provision shall be deposited in a restricted revenue account entitled "workers'
12 compensation judges' retirement benefits" [on the date contributions are withheld but no later than](#)
13 [three \(3\) business days following the pay period ending in which contributions were withheld.](#)
14 Proceeds deposited in this account shall be held in trust for the purpose of paying retirement
15 benefits to participating judges or their beneficiaries. The retirement board shall establish rules
16 and regulations to govern the provisions of this section.

17 [\(b\) The state is required to deduct and withhold member contributions and to transmit](#)
18 [same to the retirement system and is hereby made liable for the contribution. In addition, any](#)
19 [amount of employee contributions actually deducted and withheld shall be deemed to be a special](#)
20 [fund in trust for the benefit of the member and shall be transmitted to the retirement system as set](#)
21 [forth herein.](#)

22 ~~(b)~~(c) A judge of the court who withdraws from service or ceases to be a judge for any
23 reason other than retirement shall be paid on demand a refund consisting of the accumulated
24 contributions standing to his or her credit in his or her individual account in the workers'
25 compensation judges' retirement benefits account. Any judge receiving a refund shall forfeit and
26 relinquish all accrued rights as a member of the system together with credits for total service
27 previously granted to the judge; provided, that if any judge who has received a refund
28 subsequently reenters the service and again becomes a member of the system, he or she shall have
29 the privilege of restoring all money previously received or disbursed to his or her credit as refund
30 of contributions, together with regular interest for the time period from the date of refund to the
31 date of restoration. Upon the repayment of the refund, the judge shall again receive credit for the
32 amount of total service that he or she had previously forfeited by the acceptance of the refund.

33 ~~(c)~~(d) Whenever any judge of the workers' compensation court dies from any cause
34 before retirement and has no surviving spouse, domestic partner or minor child(ren), a payment

1 shall be made of the accumulated contributions standing to his or her credit in his or her
2 individual account in the workers' compensation judges' retirement account. The payment of the
3 accumulated contributions of the judge shall be made to such person as the judge shall have
4 nominated by written designation duly executed and filed with the retirement board, or if the
5 judge has filed no nomination, or if the person so nominated has died, then to the estate of the
6 deceased judge.

7 **28-30-18.2. State contributions.**

8 The state of Rhode Island shall make its contribution for the maintaining of the system
9 established by § 28-30-18.1 and providing the annuities, benefits, and retirement allowances in
10 accordance with the provisions of this chapter by annually appropriating an amount which will
11 pay a rate percent of the compensation paid after December 31, 1989, to judges engaged after
12 December 31, 1989. The rate percent shall be computed and certified in accordance with the
13 procedures set forth in §§ 36-8-13 and 36-10-2 under rules and regulations promulgated by the
14 retirement board pursuant to § 36-8-3 [and shall be transmitted on the date contributions are](#)
15 [withheld but no later than three \(3\) business days following the pay period ending in which](#)
16 [contributions were withheld.](#)

17 SECTION 6. Sections 36-10-1.1 and 36-10-2 of the General Laws in Chapter 36-10
18 entitled "Retirement System - Contributions and Benefits" are hereby amended to read as follows:

19 **36-10-1.1. Department payment of member contributions.**

20 (a) Each department, pursuant to the provisions of § 414(h)(2) of the United States
21 Internal Revenue Code, 26 U.S.C. § 414(h)(2), shall pick up and pay the contributions which
22 would be payable by the employees as members under §§ 36-10-1, 8-3-16, 8-8-10.1, 8-8.2-7, 28-
23 30-18.1, and 42-28-22.1. The contributions so picked up shall be treated as employer
24 contributions in determining tax treatment under the United States Internal Revenue Code; and
25 shall not be included as gross income of the employee until such time as they are distributed.
26 Employee contributions which are picked up pursuant to this section shall be treated and
27 identified as member contributions for all purposes of the retirement system except as specifically
28 provided to the contrary in this section.

29 (b) Member contributions picked up by a department shall be paid from the same source
30 of funds used for the payment of compensation to a member. A deduction shall be made from a
31 member's compensation equal to the amount of his or her contributions picked up by his or her
32 departmental employer. This deduction, however, shall not reduce his or her compensation for
33 purposes of computing benefits under the applicable retirement system. Picked up contributions
34 shall be transmitted to the retirement system in accordance with the provisions of § 36-10-1, [on](#)

1 [the date contributions are withheld but no later than three \(3\) business days following the pay](#)
2 [period ending in which contributions were withheld.](#)

3 [\(c\) The state is required to deduct and withhold member contributions and to transmit](#)
4 [same to the retirement system and is hereby made liable for the contribution. In addition, any](#)
5 [amount of employee contributions actually deducted and withheld shall be deemed to be a special](#)
6 [fund in trust for the benefit of the member and shall be transmitted to the retirement system as set](#)
7 [forth herein.](#)

8 **36-10-2. State contributions.**

9 (a) The State of Rhode Island shall make its contribution for the maintenance of the
10 system, including the proper and timely payment of benefits in accordance with the provisions of
11 this chapter and chapters 8, 16, 28, 31 and 42 of this title, by annually appropriating an amount
12 equal to a percentage of the total compensation paid to the active membership. The percentage
13 shall be computed by the actuary employed by the retirement system and shall be certified by the
14 retirement board to the director of administration on or before the fifteenth day of October in each
15 year. In arriving at the yearly employer contribution the actuary shall determine the value of:

16 (1) The contributions made by the members;

17 (2) Income on investments; and

18 (3) Other income of the system.

19 (b) The Actuary shall thereupon compute the yearly employer contribution that will:

20 (1) Pay the actuarial estimate of the normal cost for the next succeeding fiscal year;

21 (2) Amortize the unfunded liability of the system in accordance with section 36-10-
22 2.1(b).

23 (c) The State of Rhode Island shall remit to the general treasurer the employer's share of
24 the contribution for state employees, state police, and judges on a payroll frequency basis, [on the](#)
25 [date contributions are withheld but no later than three \(3\) business days following the pay period](#)
26 [ending in which contributions were withheld,](#) and for teachers in a manner pursuant to § 16-16-
27 22.

28 (d)(1) In accordance with the intent of § 36-8-20 that the retirement system satisfy the
29 requirements of § 401(a) of the Internal Revenue Code of 1986, the state shall pay to the
30 retirement system:

31 (i) By June 30, 1995, an amount equal to the sum of the benefits paid to state legislators
32 pursuant to § 36-10-10.1 in excess of ten thousand dollars (\$10,000) per member (plus accrued
33 interest on such amount at eight percent (8%)) for all fiscal years beginning July 1, 1991, and
34 ending June 30, 1995, but this amount shall be paid only if § 36-10-10.1(e) becomes effective

1 January 1, 1995; and

2 (ii) By December 31, 1994, twenty million seven hundred eighty eight thousand eight
3 hundred twelve dollars and nineteen cents (\$20,788,812.19) plus accrued interest on that amount
4 at eight percent (8%) compounded monthly beginning March 1, 1991, and ending on the date this
5 payment is completed (reduced by amortized amounts already repaid to the retirement system
6 with respect to the amounts withdrawn by the state during the fiscal year July 1, 1990 -- June 30,
7 1991); and

8 (iii) By June 30, 1995, the sum of the amounts paid by the retirement system for retiree
9 health benefits described in § 36-12-4 for all fiscal years beginning July 1, 1989, and ending June
10 30, 1994, to the extent that the amounts were not paid from the restricted fund described in
11 subsection (c).

12 (2) Any and all amounts paid to the retirement system under this subsection shall not
13 increase the amount otherwise payable to the system by the state of Rhode Island under
14 subsection (a) for the applicable fiscal year. The actuary shall make such adjustments in the
15 amortization bases and other accounts of the retirement system as he or she deems appropriate to
16 carry out the provisions and intent of this subsection.

17 (e) In addition to the contributions provided for in subsection (a) through (c) and in order
18 to provide supplemental employer contributions to the retirement system, commencing in fiscal
19 year 2006, and each year thereafter:

20 (1) Except for fiscal year 2009, fiscal year 2010 and fiscal year 2011, for each fiscal year
21 in which the actuarially determined state contribution rate for state employees, including state
22 contributions under chapter 36-10.3, is lower than that for the prior fiscal year, the governor shall
23 include an appropriation to that system equivalent to twenty percent (20%) of the rate reduction
24 for the state's contribution rate for state employees to be applied to the actuarial accrued liability
25 of the state employees' retirement system for state employees for each fiscal year;

26 (2) Except for fiscal year 2009, fiscal year 2010 and fiscal year 2011, for each fiscal year
27 in which the actuarially determined state contribution rate for teachers, including state
28 contributions under chapter 36-10.3, is lower than that for the prior fiscal year, the governor shall
29 include an appropriation to that system equivalent to twenty percent (20%) of the rate reduction
30 for the state's share of the contribution rate for teachers to be applied to the actuarial accrued
31 liability of the state employees' retirement system for teachers for each fiscal year;

32 (3) The amounts to be appropriated shall be included in the annual appropriation bill and
33 shall be paid by the general treasurer into the retirement system.

34 (4) Assessments pursuant to § 42-149-3.1 shall be included in the annual appropriation

1 bill and shall be paid by the general treasurer into the retirement system beginning FY2013.

2 (f) While the retirement system's actuary shall not adjust the computation of the annual
3 required contribution for the year in which supplemental contributions are received, such
4 contributions once made may be treated as reducing the actuarial liability remaining for
5 amortization in the next following actuarial valuation to be performed.

6 SECTION 7. Sections 36-10.3-4, 36-10.3-5 and 36-10.3-6 of the General Laws in
7 Chapter 36-10.3 entitled "Defined Contribution Retirement Plan" are hereby amended to read as
8 follows:

9 **36-10.3-4. Member contributions.**

10 (1) Each regular member shall contribute to the member's individual account in the plan
11 an amount equal to five percent (5%) of the member's compensation from July 1 to the following
12 June 30.

13 (2) Each public safety member not participating in Social Security under the Federal Old
14 Age, Survivors and Disability Income program, shall contribute to the member's individual
15 account an amount equal to three percent (3%) of the member's compensation from July 1 to the
16 following June 30.

17 (3) Contributions by supplemental members shall be governed by § 36-10.3-6.

18 (4) The employer shall deduct the contribution from the member's compensation at the
19 end of each payroll period, and shall remit such contributions on the date contributions are
20 withheld but no later than three (3) business days following the pay period ending in which
21 contributions were withheld, and the contribution shall be credited by the plan to the member's
22 individual account. The contributions shall be deducted from the member's compensation before
23 the computation of applicable federal taxes and shall be treated as employer contributions under
24 26 U.S.C. § 414(h)(2). A member shall not have the option of making the payroll deduction
25 directly in cash instead of having the contribution picked up by the employer.

26 (5) Contributions of employees shall be made by payroll deductions. Every member shall
27 be considered to consent to payroll deductions. It is of no consequence that a payroll deduction
28 may cause the compensation paid in cash to an employee to be reduced below the minimum
29 required by law. Payment of an employee's compensation, less payroll deductions, is a full and
30 complete discharge and satisfaction of all claims and demands by the employee relating to
31 remuneration of services during the period covered by the payment, except with respect to the
32 benefits provided under the plan.

33 (6) Additional voluntary member contributions may be permitted in accordance with this
34 section in such manner as determined in the discretion of the commission.

1 (7) Every employer is required to deduct and withhold member contributions and to
2 transmit same to the retirement system and is hereby made liable for the contribution. In addition,
3 any amount of employee contributions actually deducted and withheld shall be deemed to be a
4 special fund in trust for the benefit of the member and shall be transmitted to the retirement
5 system as set forth herein.

6 **36-10.3-5. Employer contributions.**

7 (1) An employer shall contribute to each regular member's individual account the
8 following amounts on the date contributions are withheld but no later than three (3) business days
9 following the pay period ending in which contributions were withheld:

10 (i) For members with fewer than ten (10) years of total service as of June 30, 2012, an
11 amount equal to one percent (1%) of the member's compensation at the end of each payroll period
12 from July 1 to the following June 30;

13 (ii) For members with ten (10) or more, but fewer than fifteen (15) years of total service
14 as of June 30, 2012, an amount equal to one percent (1%) of the member's compensation at the
15 end of each payroll period from July 1, 2012 through June 30, 2015, and effective July 1, 2015,
16 an amount equal to one and one-quarter percent (1.25%) of the member's compensation at the end
17 of each payroll period; and

18 (iii) For members with fifteen (15) or more, but fewer than twenty (20) years of total
19 service as of June 30, 2012, an amount equal to one percent (1%) of the member's compensation
20 at the end of each payroll period from July 1, 2012 through June 30, 2015, and effective July 1,
21 2015, an amount equal to one and one-half percent (1.5%) of the member's compensation at the
22 end of each payroll period from July 1 to the following June 30.

23 (2) An employer shall contribute to the individual account of each public safety member,
24 not participating in Social Security under the Federal Old Age, Survivors and Disability Income
25 program, an amount equal to three percent (3%) of the member's compensation from July 1 to the
26 following June 30.

27 (3) Contributions by supplemental employers shall be governed by § 36-10.3-6.

28 **36-10.3-6. Supplemental employer and member contributions.**

29 (a) A supplemental member shall contribute to the member's individual account an
30 amount equal to two percent (2%) of the member's compensation from July 1 to the following
31 June 30 in addition to the requirements of § 36-10.3-4. For such members, a supplemental
32 employer shall contribute to the member's individual account an amount equal to two percent
33 (2%) of the member's compensation from July 1 to the following June 30 in addition to the
34 requirements of § 36-10.3-5.

1 (b) A supplemental employer may request a different level of supplemental member
2 contributions and supplemental employer contributions subject to the approval of the state
3 investment commission.

4 (c) Such contributions shall be transmitted on the date contributions are withheld but no
5 later than three (3) business days following the pay period ending in which contributions were
6 withheld and every employer is required to deduct and withhold member supplemental
7 contributions and to transmit same to the retirement system and is hereby made liable for the
8 contribution. In addition, any amount of employee contributions actually deducted and withheld
9 shall be deemed to be a special fund in trust for the benefit of the member and shall be
10 transmitted to the retirement system as set forth herein.

11 SECTION 8. Sections 42-28-22.1 and 42-28-22.2 of the General Laws in Chapter 42-28
12 entitled "State Police" are hereby amended to read as follows:

13 **42-28-22.1. Retirement contribution.**

14 (a) Legislative findings. The general assembly finds that:

15 (1) A trust was created for retirement purposes for members of the state police who were
16 hired after July 1, 1987; however, as of January 1, 2015, there was an unfunded liability of
17 approximately \$200 million attributable to the retirement benefits for members of the state police
18 hired on or before July 1, 1987, and no trust had been created for them.

19 (2) Unless a trust is established, these members' benefits will continue to be funded on a
20 pay-as-you-go basis and would not be recognized as a liability on the state's financial statements
21 under generally accepted accounting purposes.

22 (3) An investigation of Google, Inc., conducted by the Rhode Island U.S. attorney's office
23 and the Rhode Island task force of the U.S. food and drug administration's office of criminal
24 investigations, the department of the attorney general, and state and local police netted settlement
25 amounts of approximately \$230 million to the state, of which \$45.0 million has been allocated for
26 use by the state police.

27 (4) The allocation of Google settlement monies to the state police presents a unique
28 opportunity to reduce the amount of the unfunded liability attributable to the retirement benefits
29 for members of the state police hired on or before July 1, 1987.

30 (5) It is in the best interests of the members of the state police and the taxpayers of this
31 state to reduce the amount of the unfunded liability attributable to retirement benefits for these
32 police officers by creating a separate trust and to fund those benefits on an actuarial basis.

33 (b) Each member of the state police initially hired after July 1, 1987 shall have deducted
34 from "compensation" as defined in § 36-8-1(8) beginning July 1, 1989, an amount equal to a rate

1 percent of such compensation of eight and three quarters percent (8.75%). The receipts collected
2 from members of the state police shall be deposited in a restricted revenue account entitled "state
3 police retirement benefits" on the date contributions are withheld but no later than three (3)
4 business days following the pay period ending in which contributions were withheld. The
5 proceeds deposited in this account shall be held in trust for the purpose of paying retirement
6 benefits under this section to participating members of the state police or their beneficiaries. The
7 retirement board shall establish rules and regulations to govern the provisions of this section.

8 (c) The state is required to deduct and withhold member contributions and to transmit
9 same to the retirement system and is hereby made liable for the contribution. In addition, any
10 amount of employee contributions actually deducted and withheld shall be deemed to be a special
11 fund in trust for the benefit of the member and shall be transmitted to the retirement system as set
12 forth herein.

13 ~~(d)~~ A member of the state police initially hired after July 1, 1987 who withdraws from
14 service or ceases to be a member for any reason other than death or retirement, will, at the
15 member's request, be paid on demand a refund consisting of the accumulated contributions
16 standing to his or her credit in his or her individual account in the state police retirement benefits
17 account. Any member receiving a refund shall thereby forfeit and relinquish all accrued rights as
18 a member of the system together with credits for total service previously granted to the member;
19 provided, however, that if any member who has received a refund shall subsequently reenter the
20 service and again become a member of the system, he or she shall have the privilege of restoring
21 all moneys previously received or disbursed to his or her credit as refund of contributions, plus
22 regular interest for the period from the date of refund to the date of restoration.

23 ~~(d)~~~~(e)~~ Upon the repayment of the refund provided in subsection (c) above, the member
24 shall again receive credit for the amount of total service which he or she had previously forfeited
25 by the acceptance of the refund.

26 (f) The state shall deposit contributions for members of the state police initially hired on
27 or before July 1, 1987, from time to time (as provided in § 42-28-22.2) to be held in trust. The
28 proceeds of this trust shall pay retirement benefits under this section to participating members of
29 the state police or their beneficiaries. The retirement board shall establish rules and regulations to
30 govern the provisions of this section.

31 **42-28-22.2. State contributions.**

32 The state of Rhode Island shall make its contribution for the maintaining of the system
33 established by § 42-28-22.1 and providing the annuities, benefits, and retirement allowances in
34 accordance with the provisions of this chapter by (a) annually appropriating an amount which will

1 pay a rate percent of the compensation paid after July 1, 1989 to members of the state police hired
2 after July 1, 1987 and (b) appropriating an amount which will amortize the unfunded liability
3 associated with the benefits payable to members of the state police hired on or before July 1,
4 1987. The dollar amount specified in subsection (b) above shall be computed on an actuarial basis
5 using an eighteen (18) year amortization schedule commencing on July 1, 2015, taking into
6 account an initial supplemental contribution from the state, and certified in accordance with the
7 procedures set forth in §§ 36-8-13 and 36-10-2 under rules and regulations promulgated by the
8 retirement board pursuant to § 36-8-3. Such contributions shall be transmitted on the date
9 contributions are withheld but no later than three (3) business days following the pay period
10 ending in which contributions were withheld.

11 SECTION 9. Sections 45-21-41.1 and 45-21-42 of the General Laws in Chapter 45-21
12 entitled "Retirement of Municipal Employees" are hereby amended to read as follows:

13 **45-21-41.1. Municipality payment of member contributions.**

14 (a) Each municipality, pursuant to the provisions of 26 U.S.C. § 414(h)(2) of the United
15 States Internal Revenue Code, may, pursuant to appropriate legal action by the municipality, pick
16 up and pay the contributions which would be payable by the employees as members under § 45-
17 21-41. The contributions so picked up shall be treated as employer contributions in determining
18 tax treatment under the United States Internal Revenue Code; however, each municipality shall
19 continue to withhold federal and state income taxes based upon these contributions until the
20 Internal Revenue Service rules that pursuant to 26 U.S.C. § 414(h)(2) of the United States
21 Internal Revenue Code, these contributions shall not be included as gross income of the employee
22 until the time they are distributed. Employee contributions which are picked up pursuant to this
23 section shall be treated and identified as member contributions for all purposes of the retirement
24 system except as specifically provided to the contrary in this section.

25 (b) Member contributions picked up by a municipality shall be paid from the same source
26 of funds used for the payment of compensation to a member. A deduction shall be made from a
27 member's compensation equal to the amount of the employee's contributions picked up by the
28 employee's municipal employer. This deduction, however, shall not reduce the employee's
29 compensation for purposes of computing benefits under the retirement system pursuant to this
30 chapter. Picked up contributions shall be submitted to the retirement system in accordance with
31 the provisions of § 45-21-41 on the date contributions are withheld but no later than three (3)
32 business days following the pay period ending in which contributions were withheld.

33 (c) Every employer is required to deduct and withhold member contributions and to
34 transmit same to the retirement system and is hereby made liable for the contribution. In addition,

1 any amount of employee contributions actually deducted and withheld shall be deemed to be a
2 special fund in trust for the benefit of the member and shall be transmitted to the retirement
3 system as set forth herein.

4 (d) The liability of an employer who fails to segregate such trust funds, or refuses to
5 deduct and withhold member contributions from its employees, is enforceable by the retirement
6 board through an appropriate action in the superior court. The general treasurer is also authorized
7 to deduct the amount due from any money due the employer from the state.

8 **45-21-42. Contributions by municipalities.**

9 (a) Each municipality shall make contributions to the system to provide for the remainder
10 of the obligation for retirement allowances, annuities, and other benefits provided in this chapter,
11 after applying the accumulated contributions of the members, interest income on investments of
12 the system, and other income accruing to the system. These contributions shall, in any event, be
13 sufficient to establish and maintain a reserve equal to the sum of:

14 (1) The full credits for accumulated contributions in the "members' contribution reserve"
15 described in § 45-21-43,

16 (2) The present value, determined in accordance with the actuarial tables in use by the
17 system, of the retirement allowances, disability allowances, accidental death benefits, and other
18 benefits in force, chargeable to the "retirement reserve" described in § 45-21-43, and

19 (3) The present value of deferred annuities to members who have acquired a vested right
20 under the provisions of § 45-21-18.

21 (b) The rate of contribution on the part of each municipality, to meet its obligations under
22 this chapter, is the rate certified by the retirement board at the date of participation of the
23 municipality. The rate is redetermined at least once every five (5) years and certified by the
24 retirement board, upon recommendation of the actuary, following an evaluation and analysis of
25 the operating experience of the system and of the assets, liabilities, and reserves of the system.
26 Nothing contained in this chapter is deemed to impose any obligation upon any municipality for
27 service which may have been rendered by an employee of one municipality in behalf of another
28 municipality.

29 (c) In case of failure of any city or town to pay to the state the amounts due from it under
30 this title within the time prescribed, the general treasurer is hereby authorized to deduct that
31 amount from any moneys due the city or town from the state for any purpose other than for
32 education.

33 (d) Notwithstanding any other provisions of the general laws, the payment of the
34 contributions for the employers' share shall be remitted to the retirement board ~~on a monthly~~

1 ~~basis, payable by the 15th of the following month~~ on the date contributions are withheld but no
2 later than three (3) business days following the pay period ending in which contributions were
3 withheld.

4 (e) This section is not subject to §§ 45-13-7 -- 45-13-10, as amended.

5 SECTION 10. This act shall take effect on January 1, 2020.

=====
LC001207
=====

EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO PUBLIC OFFICERS AND EMPLOYEES -- RETIREMENT SYSTEM
CONTRIBUTIONS AND BENEFITS

1 This act would require that retirement contributions of judges, teachers, state employees
2 and municipal employees be deposited in the designated account or remitted to the retirement
3 system not later than three (3) business days after the contributions are withheld.

4 This act would take effect on January 1, 2020.

=====
LC001207
=====