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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2019

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A N A C T

RELATING TO TOWNS AND CITIES -- CENTRAL FALLS RETIREES' BENEFICIARIES

Introduced By: Representatives McLaughlin, Hull, Lombardi, Corvese, and Jackson

Date Introduced: April 11, 2019

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 45-21-67 of the General Laws in Chapter 45-21 entitled  
2 "Retirement of Municipal Employees" is hereby amended to read as follows:

3 **45-21-67. Central Falls retirees -- Settlement agreement.**

4 (a) Definitions. As used in this section:

5 (1) "Base pension benefit" is the amount listed on Appendix A, Appendix D-A, and  
6 Appendix E-A, attached to the settlement agreement, under the column labeled "amount prior to  
7 reduction", which is the amount each Central Falls retiree was receiving as of July 31, 2011.

8 (2) "Central Falls retirees" are the retirees, or the beneficiaries of retirees, of the city of  
9 Central Falls, listed on Appendix A to the settlement agreement, as amended from time to time,  
10 when a retiree or beneficiary dies.

11 (3) "Settlement agreement" shall mean that settlement and release agreement, as set forth  
12 in P.L. 2012, Ch. 241, Art. 22, signed by and between the receiver of the city of Central Falls, the  
13 director of revenue and the participating retirees, approved by the bankruptcy court by order  
14 dated January 9, 2012.

15 (b) Legislative findings and purpose.

16 (1) Pursuant to P.L. 2012, Ch. 241, Art. 22, which defined the terms of the initial  
17 appropriation, the state made an appropriation of two million six hundred thirty-six thousand nine  
18 hundred thirty-two dollars (\$2,636,932), which was deposited into a restricted account held by the  
19 city of Central Falls, for the purpose of supplementing the reduced pensions of the Central Falls

1 retirees, to enable the city to pay the Central Falls retirees seventy-five percent (75%) of their  
2 base pension benefit as of July 31, 2011, for a five-year (5) period, with the last supplemental  
3 appropriation to be paid on or within thirty (30) days of July 1, 2015.

4 (2) The drastic pension reductions experienced by the Central Falls retirees provided a  
5 harsh example of the risks of unfunded-pension liabilities, which, in turn, provided the primary  
6 incentive toward successful pension negotiations with other municipal, police, and fire retirees,  
7 saving the state more than sixty million dollars (\$60,000,000).

8 (3) If said appropriation is not made prior to July 1, 2016, the Central Falls retirees, many  
9 of whom sustained serious and permanent injuries in service to the city, will have their pensions  
10 reduced yet again, in some instances to less than sixty percent (60%) of the pension they were  
11 receiving on July 11, 2011.

12 (4) It is fair and just that the state appropriate sufficient funds to the city to supplement  
13 the city's funding of the pension benefits to the Central Falls retirees to ensure that the Central  
14 Falls retirees continue to receive no less than seventy-five percent (75%) of the base pension  
15 benefit, after taking into account all applicable cost-of-living adjustments, for their lifetime, and  
16 to the extent applicable, for the life of their beneficiaries.

17 (c) Appropriation payment.

18 (1) Appropriation payment and restrictions on use. In accordance with the terms set forth  
19 in Article 22 and the settlement agreement, the state shall annually appropriate sufficient funds to  
20 the restricted account for the city of Central Falls to supplement the city's funding for payments to  
21 Central Falls retirees in order that they continue to receive no less than seventy-five percent  
22 (75%) of their base pension benefit as of July 31, 2011, after taking into account all applicable  
23 cost-of-living adjustments, for their lifetime, and to the extent applicable, for the life of their  
24 beneficiaries. Such appropriation shall be determined annually by an actuarial valuation  
25 ("appropriation amount"), and it is expected over the life of the existing retirees to total four  
26 million eight hundred seventeen thousand seven hundred eight dollars (\$4,817,708).

27 (2) Deposit of appropriation payment and payments to Central Falls retirees. The  
28 appropriation payment shall be immediately deposited by the city into the previously established  
29 "participating retirees restricted five-year (5) account", which shall be redesignated as the  
30 "participating retirees' restricted account." The participating retirees' account shall be  
31 administered by the city and not by any third-party pension-fund manager.

32 (d) Any and all withdrawals, transfers, and payments from the participating retirees'  
33 account shall be made as set forth in the settlement agreement and accompanying appendices and  
34 said Article 22 (c) until the payments are made on July 1, 2015.

1 (e) Beginning on or within thirty (30) days of July 1, 2016, and annually thereafter, with  
2 payments to be paid each retiree or beneficiary as applicable on or within thirty (30) days of July  
3 1 of each year they are eligible for benefits under the Central Falls pension plan, the city shall  
4 distribute to each participating retiree or beneficiary the annual amount listed on the actuarial  
5 spreadsheets prepared by Sherman Actuarial Services, which shall supplement the pension  
6 payments paid by the city in order that each retiree will receive no less than seventy-five percent  
7 (75%) of his or her base pension benefit, after taking into account all applicable cost-of-living  
8 adjustments, for his or her lifetime, and to the extent applicable, sixty-seven and one-half percent  
9 (67.5%) of the base pension benefit, after taking into account all applicable cost-of-living  
10 adjustments, to his or her beneficiaries for his or her lifetime. Such supplemental distributions  
11 shall be made by the city when the funds appropriated by the state are made available to the city,  
12 which shall be as close to July 1 as practicable.

13 (f) Relationship to base pension payments. The supplemental payments to the Central  
14 Falls retirees from the participating retirees' restricted account shall not be included in the  
15 calculation of base pension benefits for the purposes of determining a retiree's or beneficiary's  
16 cost-of-living adjustment.

17 (g) The cost-of-living adjustments as set forth in the settlement agreement are to be paid  
18 by the city of Central Falls to the Central Falls retirees, and to the extent applicable, their  
19 beneficiaries.

20 (h) The following provision shall amend and supersede P.L. 2012, Ch. 241, Art. 22 (c)(4)  
21 regarding the balance in the participating retirees' restricted account as of August 1, 2015:

22 (1) Distribution of balance. As of August 1, 2015, no further supplemental payments shall  
23 be distributed to the Central Falls retirees under the terms of the settlement agreement. The  
24 balance of monies in the participating retirees' restricted account shall be distributed in  
25 accordance with this Article, in the amounts and to those retirees and beneficiaries listed on the  
26 actuarial spreadsheets prepared by Sherman Actuarial Services, LLC and maintained and  
27 administered by the city. The amounts set forth on the actuarial spreadsheets will supplement the  
28 pension payments being made by the city in order that each retiree will receive no less than  
29 seventy-five percent (75%) of their base pension benefit, after taking into account all applicable  
30 cost-of-living adjustments, for his or her lifetime, and to the extent applicable, sixty-seven and  
31 one-half percent (67.5%) of the base pension benefit, after taking into account all applicable cost-  
32 of-living adjustments, to their beneficiaries for his or her lifetime.

33 (2) Any monies remaining in the participating retirees' restricted account after the last-  
34 living retiree attains seventy-five percent (75%) of the base pension benefit, after taking into

1 account all applicable cost-of-living adjustments, or last-living beneficiary attains sixty-seven and  
2 one-half percent (67.5%) of the base pension benefit, after taking into account all applicable cost-  
3 of-living adjustments, shall be returned to the state under state law.

4 (i) Access to account information and records. The city shall maintain appropriate  
5 account information and records relating to all receipts into, maintenance of, and distributions  
6 from, the participating retirees' restricted account, and shall allow, at all reasonable times, for the  
7 full inspection and copying and sharing of information about such account and any and all  
8 payments therefrom with any participating retiree and the state.

9 (j) Unclaimed payments. Any monies distributed to a participating retiree or beneficiary  
10 from the participating retirees' restricted account and not claimed by a participating retiree or  
11 beneficiary after the city has exercised good faith attempts over a six-month (6) period to deliver  
12 it to the best, last-known address of such participating retiree or beneficiary, shall not escheat  
13 under state law, but shall remain in the participating retirees' restricted account until the  
14 conditions of subsection (h) herein have been satisfied.

15 (k) Liabilities and penalties for inappropriate use of appropriation payment. Any person,  
16 whether in his/her individual capacity, who uses, appropriates, or takes or instructs another to use,  
17 appropriate, or take, the appropriation payment, or any portion thereof, that is not specifically  
18 used for making payments to participating retirees or their beneficiaries as required hereunder and  
19 under the terms of the settlement agreement, shall be personally liable for repayment of said  
20 funds and further shall be subject to any and all applicable civil and criminal sanctions and/or  
21 penalties for such act(s).

22 (l) Retirees' beneficiaries. Upon the death of any retiree covered by this section, their  
23 beneficiary shall receive sixty-seven percent (67%) of the retiree's base pension benefit, as  
24 defined in § 45-21-67(a)(1).

25 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 -- CENTRAL FALLS RETIREES' BENEFICIARIES

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1           This act would provide that the beneficiary of a Central Falls retiree covered under the  
2 city's retiree settlement agreement would receive sixty-seven percent (67%) of the retirement base  
3 pension benefit. The base pension benefit is the base amount each Central Falls retiree was  
4 receiving on July 31, 2011.

5           This act would take effect upon passage.

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