

2021 -- S 0293

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2021

A N A C T

RELATING TO TOWNS AND CITIES - MUNICIPAL INCENTIVE AID

Introduced By: Senators Pearson, Seveney, and DiPalma

Date Introduced: February 18, 2021

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 45-13.2-6 of the General Laws in Chapter 45-13.2 entitled
2 "Municipal Incentive Aid" is hereby amended to read as follows:

3 **45-13.2-6. Distributions.**

4 (a) Municipal Incentive Aid described in this chapter shall be distributed to eligible
5 municipalities on the basis of the most recent population estimate for each municipality as a share
6 of the total state population reported by the U.S. Department of Commerce, Bureau of the Census
7 as of January 1 in the year of the payment. Such payments shall be made to eligible communities
8 in March of each year to the extent that funds are appropriated.

9 (b) For fiscal year 2014, municipalities shall be eligible to receive aid under this chapter if:

10 (1) the municipality has no locally-administered pension; or (2) the municipality notified plan
11 participants, beneficiaries and others pursuant to chapter 45-65, and submitted to the state's
12 department of revenue a Funding Improvement Plan ("FIP"), pursuant to § 45-65-6, for every
13 locally-administered pension plan in that municipality, and each FIP had been approved by the plan
14 sponsor and the local governing body no later than June 1, 2013; or (3) there existed a locally-
15 administered pension plan(s) in that municipality, but either: (i) no FIP was required pursuant to
16 chapter 45-65; or (ii) a FIP is required pursuant to chapter 45-65, but, the due date for the FIP
17 submission is after the March payment of state aid.

18 (c) For fiscal year 2015 and each fiscal year thereafter that municipal incentive aid is
19 distributed to eligible municipalities under this chapter, municipalities shall be eligible to receive

1 aid under this chapter, if: (1) the municipality has no locally-administered pension; or (2) the
2 municipality has transitioned all locally-administered pension plans into MERS by June 30, 2014;
3 or (3) the municipality had notified plan participants, beneficiaries and others pursuant to chapter
4 45-65 and had submitted to the state's department of revenue a FIP, pursuant to chapter 45-65, for
5 every locally-administered pension plan and each submitted FIP meets the guidelines of the Study
6 Commission on Locally-Administered Pension Plans created pursuant to § 45-65-8 or otherwise
7 applicable guidelines or regulations and each FIP has been approved by the plan sponsor and the
8 local governing body; or (4) the municipality has implemented the original recommended FIP or
9 an amended FIP pursuant to chapter 45-65 within one month after the close of the fiscal year and
10 made the required funding payment (formerly referred to as Annually Required Contribution, or
11 ARC) in compliance with the municipality's adopted FIP(s) and the funding guidelines established
12 by the Pension Study Commission and the FIPs are approved by the plan sponsor and the local
13 governing body; or (5) there existed a locally-administered pension plan in that municipality, but
14 either: (i) no FIP was required pursuant to chapter 45-65 and either: (A) the municipality is funding
15 one hundred percent (100%) of its required funding payment; or (B) if a lesser funding payment is
16 made, the municipality has maintained a funded ratio of at least one hundred percent (100%); ~~the~~
17 ~~municipality has a funded ratio of one hundred percent (100%) or greater;~~ or (ii) FIP is required
18 pursuant to chapter 45-65, however, the due date for the FIP submission or implementation is after
19 the March payment of this municipal incentive aid.

20 (d) For fiscal year 2014, and in any year thereafter that a municipality is not eligible to
21 receive a distribution under this chapter, the distribution that said municipality would have received
22 had it been eligible shall be reappropriated to the immediately following fiscal year, at which time
23 the amount reappropriated shall be distributed to said municipality provided that said municipality
24 has satisfied the eligibility requirements of both the prior fiscal year and the then current fiscal year.
25 In the event that said municipality fails to satisfy the eligibility requirements for the prior and the
26 then current fiscal year by the time that eligibility to receive distributions in the next fiscal year is
27 determined, then the amount that would have been distributed to the municipality for said prior
28 year will be distributed in the month of May among the municipalities that received a distribution
29 in the prior fiscal year, with the share to be received by each municipality calculated in the same
30 manner as distributions were calculated in the prior fiscal year.

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

33 **45-65-7. Failure to comply.**

34 **(a)**(1) With respect to any municipality that fails to comply with the requirements of this

1 chapter including, the implementation of a funding improvement plan within the prescribed time,
2 the general treasurer is authorized to withhold ~~moneys~~ monies due to the municipality from the
3 state for any purpose other than education, including, but not limited to, municipal aid and other
4 aid provided under §§ 45-13-5.1, 45-13-12, 44-34.1-2, 44-13-13, 44-18-18.1, 44-18-36.1(b) and
5 42-63.1-3.

6 (b) Monies withheld by the general treasurer pursuant to this section shall be placed in an
7 interest-bearing escrow account. Such funds may be held for a period of up to one year commencing
8 from the date said funds are deposited, at the end of which time the funds plus any interest earned
9 shall be deposited by the general treasurer directly into the town's locally-administered pension
10 plan. Provided, if the general treasurer determines that said plan is insolvent, non-existent, or is no
11 longer utilized by the municipality, the general treasurer may hold such funds and request
12 instructions from the general assembly as to where to deposit said funds. Provided further, after
13 withholding, if the municipality becomes compliant with this chapter, the general treasurer shall
14 deposit into the locally-administered pension plan the required funding payment necessary to
15 become compliant and release any remaining funds withheld to the municipality.

16 (c) The general treasurer shall provide at least fourteen (14) business days written notice
17 to the municipality prior to depositing the funds into the municipality's locally-administered
18 pension plan or of releasing the funds to the municipality. A municipality may elect to waive such
19 notice.

20 SECTION 3. Chapter 45-65 of the General Laws entitled "Retirement Security Act for
21 Locally Administered Pension Funds" is hereby amended by adding thereto the following section:

22 **45-65-11. Report on the status of funds withheld.**

23 On or before April 30 of each year, the general treasurer and the department of revenue
24 shall jointly provide to the governor's office and to both chambers of the general assembly an
25 annual report that includes an itemized description of the amount of funds held pursuant to this
26 section, listed by municipality, amount, an identification of the locally-administered pension plan,
27 the amount of underfunding of such plan, and a brief statement of why such funds were withheld,
28 as applicable.

29 SECTION 4. 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 - MUNICIPAL INCENTIVE AID

1 This act would authorize the general treasurer to withhold state aid to municipalities which
2 do not meet certain requirements regarding locally-administered pension plans and, if applicable,
3 funding improvement plans. This act would direct the general treasurer to place said funds in an
4 interest-bearing account until the municipality meets certain requirements for their locally-
5 administered pension plan, transitioned the plan into the municipal employee retirement system, or
6 implemented a funding improvement plan. In the event these requirements are not met, the general
7 treasurer would be directed to deposit the withheld funds directly into the locally-administered
8 pension plan. The general treasurer and the department of revenue would also be directed to make
9 annual reports on the status of locally-administered pension plans to the governor and the general
10 assembly.

11 This act would take effect upon passage.

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