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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2023

A N A C T

RELATING TO EDUCATION -- TEACHERS' RETIREMENT

Introduced By: Representatives McEntee, Caldwell, Fogarty, Serpa, Phillips, Casimiro,
O'Brien, Bennett, Edwards, and Morales

Date Introduced: January 25, 2023

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 16-16-40 of the General Laws in Chapter 16-16 entitled "Teachers'
2 Retirement [See Title 16 Chapter 97 — The Rhode Island Board of Education Act]" is hereby
3 amended to read as follows:

4 **16-16-40. Additional benefits payable to retired teachers.**

5 (a) All teachers and all beneficiaries of teachers receiving any service retirement or
6 ordinary or accidental disability retirement allowance pursuant to the provisions of this chapter and
7 chapter 17 of this title, on or before December 31, 1967, shall receive a cost of living retirement
8 adjustment equal to one and one-half percent (1.5%) per year of the original retirement allowance,
9 not compounded, for each year the retirement allowance has been in effect. For purposes of
10 computation credit shall be given for a full calendar year regardless of the effective date of the
11 retirement allowance. This cost of living retirement adjustment shall be added to the amount of the
12 service retirement allowance as of January 1, 1970, and payment shall begin as of July 1, 1970. An
13 additional cost of living retirement adjustment shall be added to the original retirement allowance
14 equal to three percent (3%) of the original retirement allowance on the first day of January, 1971,
15 and each year thereafter through December 31, 1980.

16 (b) All teachers and beneficiaries of teachers receiving any service retirement or ordinary
17 disability retirement allowance pursuant to the provisions of this title who retired on or after January
18 1, 1968, shall, on the first day of January, next following the third (3rd) year on retirement, receive
19 a cost of living adjustment, in addition to his or her retirement allowance, an amount equal to three

1 percent (3%) of the original retirement allowance. In each succeeding year thereafter, on the first
2 day of January, the retirement allowance shall be increased an additional three percent (3%) of the
3 original retirement allowance, not compounded, to be continued through December 31, 1980.

4 (c)(1) Beginning on January 1, 1981, for all teachers and beneficiaries of teachers receiving
5 any service retirement and all teachers and all beneficiaries of teachers who have completed at least
6 ten (10) years of contributory service on or before July 1, 2005, pursuant to the provisions of this
7 chapter, and for all teachers and beneficiaries of teachers who receive a disability retirement
8 allowance pursuant to §§ 16-16-14 — 16-16-17, the cost of living adjustment shall be computed
9 and paid at the rate of three percent (3%) of the original retirement allowance or the retirement
10 allowance as computed in accordance with § 16-16-40.1, compounded annually from the year for
11 which the cost of living adjustment was determined to be payable by the retirement board pursuant
12 to the provisions of subsection (a) or (b) of this section. Such cost of living adjustments are available
13 to teachers who retire before October 1, 2009, or are eligible to retire as of September 30, 2009.

14 (2) The provisions of this subsection shall be deemed to apply prospectively only and no
15 retroactive payment shall be made.

16 (3) The retirement allowance of all teachers and all beneficiaries of teachers who have not
17 completed at least ten (10) years of contributory service on or before July 1, 2005, or were not
18 eligible to retire as of September 30, 2009, shall, on the month following the third anniversary date
19 of the retirement, and on the month following the anniversary date of each succeeding year be
20 adjusted and computed by multiplying the retirement allowance by three percent (3%) or the
21 percentage of increase in the Consumer Price Index for all Urban Consumers (CPI-U) as published
22 by the United States Department of Labor Statistics, determined as of September 30 of the prior
23 calendar year, whichever is less; the cost of living adjustment shall be compounded annually from
24 the year for which the cost of living adjustment was determined payable by the retirement board;
25 provided, that no adjustment shall cause any retirement allowance to be decreased from the
26 retirement allowance provided immediately before such adjustment.

27 (d) For teachers not eligible to retire in accordance with this chapter as of September 30,
28 2009, and not eligible upon passage of this article, and for their beneficiaries, the cost of living
29 adjustment described in subsection (3) above shall only apply to the first thirty-five thousand
30 dollars (\$35,000) of retirement allowance, indexed annually, and shall commence upon the third
31 (3rd) anniversary of the date of retirement or when the retiree reaches age sixty-five (65), whichever
32 is later. The thirty-five thousand dollar (\$35,000) limit shall increase annually by the percentage
33 increase in the Consumer Price Index for all Urban Consumer (CPI-U) as published by the United
34 States Department of Labor Statistics determined as of September 30 of the prior calendar year or

1 three percent (3%), whichever is less. The first thirty-five thousand dollars (\$35,000), as indexed,
2 of retirement allowance shall be multiplied by the percentage of increase in the Consumer Price
3 Index for all Urban Consumers (CPI-U) as published by the United States Department of Labor
4 Statistics determined as of September 30 of the prior calendar year or three percent (3%), whichever
5 is less, on the month following the anniversary date of each succeeding year. For teachers eligible
6 to retire as of September 30, 2009, or eligible upon passage of this article, and for their
7 beneficiaries, the provisions of this subsection (d) shall not apply.

8 (e) The provisions of §§ 45-13-7 — 45-13-10 shall not apply to this section.

9 (f) This subsection (f) shall be effective for the period July 1, 2012, through June 30, 2015.

10 (1) Notwithstanding the prior paragraphs of this section, and subject to paragraph (f)(2)
11 below, for all present and former teachers, active and retired teachers, and beneficiaries receiving
12 any retirement, disability or death allowance or benefit of any kind, the annual benefit adjustment
13 provided in any calendar year under this section shall be equal to (A) multiplied by (B) where (A)
14 is equal to the percentage determined by subtracting five and one-half percent (5.5%) (the
15 “subtrahend”) from the Five-Year Average Investment Return of the retirement system determined
16 as of the last day of the plan year preceding the calendar year in which the adjustment is granted,
17 said percentage not to exceed four percent (4%) and not to be less than zero percent (0%), and (B)
18 is equal to the lesser of the teacher’s retirement allowance or the first twenty-five thousand dollars
19 (\$25,000) of retirement allowance, such twenty-five thousand dollars (\$25,000) amount to be
20 indexed annually in the same percentage as determined under paragraph (f)(1)(A) above. The
21 “Five-Year Average Investment Return” shall mean the average of the investment returns of the
22 most recent five (5) plan years as determined by the retirement board. Subject to paragraph (f)(2)
23 below, the benefit adjustment provided by this paragraph shall commence upon the third (3rd)
24 anniversary of the date of retirement or the date on which the retiree reaches his or her Social
25 Security retirement age, whichever is later. In the event the retirement board adjusts the actuarially
26 assumed rate of return for the system, either upward or downward, the subtrahend shall be adjusted
27 either upward or downward in the same amount.

28 (2) Except as provided in paragraph (f)(3), the benefit adjustments under this section for
29 any plan year shall be suspended in their entirety unless the Funded Ratio of the Employees’
30 Retirement System of Rhode Island, the Judicial Retirement Benefits Trust and the State Police
31 Retirement Benefits Trust, calculated by the system’s actuary on an aggregate basis, exceeds eighty
32 percent (80%) in which event the benefit adjustment will be reinstated for all teachers for such plan
33 year.

34 In determining whether a funding level under this paragraph (f)(2) has been achieved, the

1 actuary shall calculate the funding percentage after taking into account the reinstatement of any
2 current or future benefit adjustment provided under this section.

3 (3) Notwithstanding paragraph (f)(2), in each fifth plan year commencing after June 30,
4 2012, commencing with the plan year ending June 30, 2017, and subsequently at intervals of five
5 plan years, a benefit adjustment shall be calculated and made in accordance with paragraph (f)(1)
6 above until the Funded Ratio of the Employees' Retirement System of Rhode Island, the Judicial
7 Retirement Benefits Trust and the State Police Retirement Benefits Trust, calculated by the
8 system's actuary on an aggregate basis, exceeds eighty percent (80%).

9 (4) Notwithstanding any other provisions of this chapter, the provisions of this paragraph
10 (f) of § 16-16-40 shall become effective July 1, 2012, and shall apply to any benefit adjustments
11 not granted on or prior to June 30, 2012.

12 (g) This subsection (g) shall become effective July 1, 2015.

13 (1)(A) As soon as administratively reasonable following the enactment into law of this
14 subsection (g)(1)(A), a one-time benefit adjustment shall be provided to teachers and/or
15 beneficiaries of teachers who retired on or before June 30, 2012, in the amount of two percent (2%)
16 of the lesser of either the teacher's retirement allowance or the first twenty-five thousand dollars
17 (\$25,000) of the teacher's retirement allowance. This one-time benefit adjustment shall be provided
18 without regard to the retiree's age or number of years since retirement.

19 (B) Notwithstanding the prior subsections of this section, for all present and former
20 teachers, active and retired teachers, and beneficiaries receiving any retirement, disability or death
21 allowance or benefit of any kind, the annual benefit adjustment provided in any calendar year under
22 this section for adjustments on and after January 1, 2016, and subject to subsection (g)(2) below,
23 shall be equal to (I) multiplied by (II):

24 (I) Shall equal the sum of fifty percent (50%) of (i) plus fifty percent (50%) of (ii) where:

25 (i) Is equal to the percentage determined by subtracting five and one-half percent (5.5%)
26 (the "subtrahend") from the five-year average investment return of the retirement system
27 determined as of the last day of the plan year preceding the calendar year in which the adjustment
28 is granted, said percentage not to exceed four percent (4%) and not to be less than zero percent
29 (0%). The "five-year average investment return" shall mean the average of the investment returns
30 of the most recent five (5) plan years as determined by the retirement board. In the event the
31 retirement board adjusts the actuarially assumed rate of return for the system, either upward or
32 downward, the subtrahend shall be adjusted either upward or downward in the same amount.

33 (ii) Is equal to the lesser of three percent (3%) or the percentage increase in the Consumer
34 Price Index for all Urban Consumers (CPI-U) as published by the U.S. Department of Labor

1 Statistics determined as of September 30 of the prior calendar year.

2 In no event shall the sum of (i) plus (ii) exceed three and one-half percent (3.5%) or be less
3 than (0%) percent.

4 (II) is equal to the lesser of either the teacher's retirement allowance or the first twenty-
5 five thousand eight hundred and fifty-five dollars (\$25,855) of retirement allowance, such amount
6 to be indexed annually in the same percentage as determined under subsection (g)(1)(B)(I) above.

7 The benefit adjustments provided by this subsection (g)(1)(B) shall be provided to all
8 retirees entitled to receive a benefit adjustment as of June 30, 2012, under the law then in effect,
9 and for all other retirees the benefit adjustments shall commence upon the third anniversary of the
10 date of retirement or the date on which the retiree reaches his or her Social Security retirement age,
11 whichever is later.

12 (2) ~~Except as provided in subsection (g)(3), the~~ The benefit adjustments under subsection
13 (g)(1)(B) for any plan year shall be ~~suspended in their entirety~~ reduced to twenty-five percent (25%)
14 of the benefit adjustment unless the funded ratio of the employees' retirement system of Rhode
15 Island, the judicial retirement benefits trust and the state police retirement benefits trust, calculated
16 by the system's actuary on an aggregate basis, exceeds eighty percent (80%) in which event the
17 benefit adjustment will be reinstated for all teachers for such plan year.

18 In determining whether a funding level under this subsection (g)(2) has been achieved, the
19 actuary shall calculate the funding percentage after taking into account the reinstatement of any
20 current or future benefit adjustment provided under this section.

21 (3) ~~Notwithstanding subsection (g)(2), in each fourth plan year commencing after June 30,~~
22 ~~2012, commencing with the plan year ending June 30, 2016, and subsequently at intervals of four~~
23 ~~plan years: (i) A benefit adjustment shall be calculated and made in accordance with subsection~~
24 ~~(g)(1)(B) above; and (ii)~~ Effective for teachers and/or beneficiaries of teachers who retired on or
25 before June 30, 2015, the dollar amount in subsection (g)(1)(B)(II) of twenty-five thousand eight
26 hundred and fifty-five dollars (\$25,855) shall be replaced with thirty-one thousand and twenty-six
27 dollars (\$31,026) until the funded ratio of the employees' retirement system of Rhode Island, the
28 judicial retirement benefits trust and the state police retirement benefits trust, calculated by the
29 system's actuary on an aggregate basis, exceeds eighty percent (80%).

30 (4) Effective for teachers and or beneficiaries of teachers who have retired on or before
31 July 1, 2015, a one-time stipend of five hundred dollars (\$500) shall be payable within sixty (60)
32 days following the enactment of the legislation implementing this provision, and a second one-time
33 stipend of five hundred dollars (\$500) in the same month of the following year. These stipends
34 shall be payable to all retired teachers or beneficiaries receiving a benefit as of the applicable

1 payment date and shall not be considered cost of living adjustments under the prior provisions of
2 this § 16-16-40.

3 SECTION 2. Section 36-10-35 of the General Laws in Chapter 36-10 entitled "Retirement
4 System — Contributions and Benefits" is hereby amended to read as follows:

5 **36-10-35. Additional benefits payable to retired employees.**

6 (a) All state employees and all beneficiaries of state employees receiving any service
7 retirement or ordinary or accidental disability retirement allowance pursuant to the provisions of
8 this title on or before December 31, 1967, shall receive a cost of living retirement adjustment equal
9 to one and one-half percent (1.5%) per year of the original retirement allowance, not compounded,
10 for each calendar year the retirement allowance has been in effect. For the purposes of computation,
11 credit shall be given for a full calendar year regardless of the effective date of the retirement
12 allowance. This cost of living adjustment shall be added to the amount of the retirement allowance
13 as of January 1, 1968, and an additional one and one-half percent (1.5%) shall be added to the
14 original retirement allowance in each succeeding year during the month of January, and provided
15 further, that this additional cost of living increase shall be three percent (3%) for the year beginning
16 January 1, 1971, and each year thereafter, through December 31, 1980. Notwithstanding any of the
17 above provisions, no employee receiving any service retirement allowance pursuant to the
18 provisions of this title on or before December 31, 1967, or the employee's beneficiary, shall receive
19 any additional benefit hereunder in an amount less than two hundred dollars (\$200) per year over
20 the service retirement allowance where the employee retired prior to January 1, 1958.

21 (b) All state employees and all beneficiaries of state employees retired on or after January
22 1, 1968, who are receiving any service retirement or ordinary or accidental disability retirement
23 allowance pursuant to the provisions of this title shall, on the first day of January next following
24 the third anniversary date of the retirement, receive a cost of living retirement adjustment, in
25 addition to his or her retirement allowance, in an amount equal to three percent (3%) of the original
26 retirement allowance. In each succeeding year thereafter through December 31, 1980, during the
27 month of January, the retirement allowance shall be increased an additional three percent (3%) of
28 the original retirement allowance, not compounded, to be continued during the lifetime of the
29 employee or beneficiary. For the purposes of computation, credit shall be given for a full calendar
30 year regardless of the effective date of the service retirement allowance.

31 (c)(1) Beginning on January 1, 1981, for all state employees and beneficiaries of the state
32 employees receiving any service retirement and all state employees, and all beneficiaries of state
33 employees, who have completed at least ten (10) years of contributory service on or before July 1,
34 2005, pursuant to the provisions of this chapter, and for all state employees, and all beneficiaries

1 of state employees who receive a disability retirement allowance pursuant to §§ 36-10-12 — 36-
2 10-15, the cost of living adjustment shall be computed and paid at the rate of three percent (3%) of
3 the original retirement allowance or the retirement allowance as computed in accordance with §
4 36-10-35.1, compounded annually from the year for which the cost of living adjustment was
5 determined to be payable by the retirement board pursuant to the provisions of subsection (a) or (b)
6 of this section. Such cost of living adjustments are available to members who retire before October
7 1, 2009, or are eligible to retire as of September 30, 2009.

8 (2) The provisions of this subsection shall be deemed to apply prospectively only and no
9 retroactive payment shall be made.

10 (3) The retirement allowance of all state employees and all beneficiaries of state employees
11 who have not completed at least ten (10) years of contributory service on or before July 1, 2005, or
12 were not eligible to retire as of September 30, 2009, shall, on the month following the third
13 anniversary date of retirement, and on the month following the anniversary date of each succeeding
14 year be adjusted and computed by multiplying the retirement allowance by three percent (3%) or
15 the percentage of increase in the Consumer Price Index for all Urban Consumers (CPI-U) as
16 published by the United States Department of Labor Statistics determined as of September 30 of
17 the prior calendar year, whichever is less; the cost of living adjustment shall be compounded
18 annually from the year for which the cost of living adjustment was determined payable by the
19 retirement board; provided, that no adjustment shall cause any retirement allowance to be decreased
20 from the retirement allowance provided immediately before such adjustment.

21 (d) For state employees not eligible to retire in accordance with this chapter as of
22 September 30, 2009, and not eligible upon passage of this article, and for their beneficiaries, the
23 cost of living adjustment described in subsection (c)(3) of this section shall only apply to the first
24 thirty-five thousand dollars (\$35,000) of retirement allowance, indexed annually, and shall
25 commence upon the third (3rd) anniversary of the date of retirement or when the retiree reaches
26 age sixty-five (65), whichever is later. The thirty-five thousand dollar (\$35,000) limit shall increase
27 annually by the percentage increase in the Consumer Price Index for all Urban Consumers (CPI-
28 U) as published by the United States Department of Labor Statistics determined as of September
29 30 of the prior calendar year or three percent (3%), whichever is less. The first thirty-five thousand
30 dollars (\$35,000) of retirement allowance, as indexed, shall be multiplied by the percentage of
31 increase in the Consumer Price Index for all Urban Consumers (CPI-U) as published by the United
32 States Department of Labor Statistics determined as of September 30 of the prior calendar year or
33 three percent (3%), whichever is less, on the month following the anniversary date of each
34 succeeding year. For state employees eligible to retire as of September 30, 2009, or eligible upon

1 passage of this article, and for their beneficiaries, the provisions of this subsection (d) shall not
2 apply.

3 (e) All legislators and all beneficiaries of legislators who are receiving a retirement
4 allowance pursuant to the provisions of § 36-10-9.1 for a period of three (3) or more years, shall,
5 commencing January 1, 1982, receive a cost of living retirement adjustment, in addition to a
6 retirement allowance, in an amount equal to three percent (3%) of the original retirement allowance.
7 In each succeeding year thereafter during the month of January, the retirement allowance shall be
8 increased an additional three percent (3%) of the original retirement allowance, compounded
9 annually, to be continued during the lifetime of the legislator or beneficiary. For the purposes of
10 computation, credit shall be given for a full calendar year regardless of the effective date of the
11 service retirement allowance.

12 (f) The provisions of §§ 45-13-7 — 45-13-10 shall not apply to this section.

13 (g) This subsection (g) shall be effective for the period July 1, 2012, through June 30, 2015.

14 (1) Notwithstanding the prior paragraphs of this section, and subject to paragraph (g)(2)
15 below, for all present and former employees, active and retired members, and beneficiaries
16 receiving any retirement, disability or death allowance or benefit of any kind, the annual benefit
17 adjustment provided in any calendar year under this section shall be equal to (A) multiplied by (B)
18 where (A) is equal to the percentage determined by subtracting five and one-half percent (5.5%)
19 (the “subtrahend”) from the Five-Year Average Investment Return of the retirement system
20 determined as of the last day of the plan year preceding the calendar year in which the adjustment
21 is granted, said percentage not to exceed four percent (4%) and not to be less than zero percent
22 (0%), and (B) is equal to the lesser of the member’s retirement allowance or the first twenty-five
23 thousand dollars (\$25,000) of retirement allowance, such twenty-five thousand dollars (\$25,000)
24 amount to be indexed annually in the same percentage as determined under (g)(1)(A) above. The
25 “Five-Year Average Investment Return” shall mean the average of the investment returns of the
26 most recent five (5) plan years as determined by the retirement board. Subject to paragraph (g)(2)
27 below, the benefit adjustment provided by this paragraph shall commence upon the third (3rd)
28 anniversary of the date of retirement or the date on which the retiree reaches his or her Social
29 Security retirement age, whichever is later. In the event the retirement board adjusts the actuarially
30 assumed rate of return for the system, either upward or downward, the subtrahend shall be adjusted
31 either upward or downward in the same amount.

32 (2) Except as provided in paragraph (g)(3), the benefit adjustments under this section for
33 any plan year shall be suspended in their entirety unless the Funded Ratio of the Employees’
34 Retirement System of Rhode Island, the Judicial Retirement Benefits Trust and the State Police

1 Retirement Benefits Trust, calculated by the system's actuary on an aggregate basis, exceeds eighty
2 percent (80%) in which event the benefit adjustment will be reinstated for all members for such
3 plan year.

4 In determining whether a funding level under this paragraph (g)(2) has been achieved, the
5 actuary shall calculate the funding percentage after taking into account the reinstatement of any
6 current or future benefit adjustment provided under this section.

7 (3) Notwithstanding paragraph (g)(2), in each fifth plan year commencing after June 30,
8 2012, commencing with the plan year ending June 30, 2017, and subsequently at intervals of five
9 plan years, a benefit adjustment shall be calculated and made in accordance with paragraph (g)(1)
10 above until the Funded Ratio of the Employees' Retirement System of Rhode Island, the Judicial
11 Retirement Benefits Trust and the State Police Retirement Benefits Trust, calculated by the
12 system's actuary on an aggregate basis, exceeds eighty percent (80%).

13 (4) Notwithstanding any other provision of this chapter, the provisions of this paragraph
14 (g) shall become effective July 1, 2012, and shall apply to any benefit adjustment not granted on or
15 prior to June 30, 2012.

16 (h) This subsection (h) shall become effective July 1, 2015.

17 (1)(A) As soon as administratively reasonable following the enactment into law of this
18 subsection (h)(1)(A), a one-time benefit adjustment shall be provided to members and/or
19 beneficiaries of members who retired on or before June 30, 2012, in the amount of 2% of the lesser
20 of either the member's retirement allowance or the first twenty-five thousand dollars (\$25,000) of
21 the member's retirement allowance. This one-time benefit adjustment shall be provided without
22 regard to the retiree's age or number of years since retirement.

23 (B) Notwithstanding the prior subsections of this section, for all present and former
24 employees, active and retired members, and beneficiaries receiving any retirement, disability or
25 death allowance or benefit of any kind, the annual benefit adjustment provided in any calendar year
26 under this section for adjustments on and after January 1, 2016, and subject to subsection (h)(2)
27 below, shall be equal to (I) multiplied by (II):

28 (I) Shall equal the sum of fifty percent (50%) of (i) plus fifty percent (50%) of (ii) where:

29 (i) Is equal to the percentage determined by subtracting five and one-half percent (5.5%)
30 (the "subtrahend") from the five-year average investment return of the retirement system
31 determined as of the last day of the plan year preceding the calendar year in which the adjustment
32 is granted, said percentage not to exceed four percent (4%) and not to be less than zero percent
33 (0%). The "five-year average investment return" shall mean the average of the investment returns
34 of the most recent five (5) plan years as determined by the retirement board. In the event the

1 retirement board adjusts the actuarially assumed rate of return for the system, either upward or
2 downward, the subtrahend shall be adjusted either upward or downward in the same amount.

3 (ii) Is equal to the lesser of three percent (3%) or the percentage increase in the Consumer
4 Price Index for all Urban Consumers (CPI-U) as published by the U.S. Department of Labor
5 Statistics determined as of September 30 of the prior calendar year. In no event shall the sum of (i)
6 plus (ii) exceed three and one-half percent (3.5%) or be less than zero percent (0%).

7 (II) Is equal to the lesser of either the member's retirement allowance or the first twenty-
8 five thousand eight hundred and fifty-five dollars (\$25,855) of retirement allowance, such amount
9 to be indexed annually in the same percentage as determined under subsection (h)(1)(B)(I) above.

10 The benefit adjustments provided by this subsection (h)(1)(B) shall be provided to all
11 retirees entitled to receive a benefit adjustment as of June 30, 2012, under the law then in effect,
12 and for all other retirees the benefit adjustments shall commence upon the third anniversary of the
13 date of retirement or the date on which the retiree reaches his or her Social Security retirement age,
14 whichever is later.

15 (2) ~~Except as provided in subsection (h)(3) of this section, the~~ The benefit adjustments
16 under subsection (h)(1)(B) for any plan year shall be ~~suspended in their entirety~~ reduced to twenty-
17 five percent (25%) of the benefit adjustment unless the funded ratio of the employees' retirement
18 system of Rhode Island, the judicial retirement benefits trust and the state police retirement benefits
19 trust, calculated by the system's actuary on an aggregate basis, exceeds eighty percent (80%) in
20 which event the benefit adjustment will be reinstated for all members for such plan year.

21 In determining whether a funding level under this subsection (h)(2) has been achieved, the
22 actuary shall calculate the funding percentage after taking into account the reinstatement of any
23 current or future benefit adjustment provided under this section.

24 (3) ~~Notwithstanding subsection (h)(2), in each fourth plan year commencing after June 30,~~
25 ~~2012, commencing with the plan year ending June 30, 2016, and subsequently at intervals of four~~
26 ~~plan years:~~

27 (i) ~~A benefit adjustment shall be calculated and made in accordance with subsection~~
28 ~~(h)(1)(B) above; and~~

29 (ii) Effective for members and/or beneficiaries of members who retired on or before June
30 30, 2015, the dollar amount in subsection (h)(1)(B)(II) of twenty-five thousand eight hundred and
31 fifty-five dollars (\$25,855) shall be replaced with thirty-one thousand and twenty-six dollars
32 (\$31,026) until the funded ratio of the employees' retirement system of Rhode Island, the judicial
33 retirement benefits trust and the state police retirement benefits trust, calculated by the system's
34 actuary on an aggregate basis, exceeds eighty percent (80%).

1 (i) Effective for members and/or beneficiaries of members who have retired on or before
2 July 1, 2015, a one-time stipend of five hundred dollars (\$500) shall be payable within sixty (60)
3 days following the enactment of the legislation implementing this provision, and a second one-time
4 stipend of five hundred dollars (\$500) in the same month of the following year. These stipends
5 shall be payable to all retired members or beneficiaries receiving a benefit as of the applicable
6 payment date and shall not be considered cost of living adjustments under the prior provisions of
7 this section.

8 SECTION 3. Section 45-21-52 of the General Laws in Chapter 45-21 entitled "Retirement
9 of Municipal Employees" is hereby amended to read as follows:

10 **45-21-52. Automatic increase in service retirement allowance.**

11 (a) The local legislative bodies of the cities and towns may extend to their respective
12 employees automatic adjustment increases in their service retirement allowances, by a resolution
13 accepting any of the plans described in this section:

14 (1) Plan A. All employees and beneficiaries of those employees receiving a service
15 retirement or disability retirement allowance under the provisions of this chapter on December 31
16 of the year their city or town accepts this section, receive a cost of living adjustment equal to one
17 and one-half percent (1½%) per year of the original retirement allowance, not compounded, for
18 each calendar year the retirement allowance has been in effect. This cost of living adjustment is
19 added to the amount of the retirement allowance as of January 1 following acceptance of this
20 provision, and an additional one and one-half percent (1½%) is added to the original retirement
21 allowance in each succeeding year during the month of January, and provided, further, that this
22 additional cost of living increase is three percent (3%) for the year beginning January 1 of the year
23 the plan is accepted and each succeeding year.

24 (2) Plan B. All employees and beneficiaries of those employees receiving a retirement
25 allowance under the provisions of this chapter on December 31 of the year their municipality
26 accepts this section, receive a cost of living adjustment equal to three percent (3%) of their original
27 retirement allowance. This adjustment is added to the amount of the retirement allowance as of
28 January 1 following acceptance of this provision, and an additional three percent (3%) of the
29 original retirement allowance, not compounded, is payable in each succeeding year in the month
30 of January.

31 (3) Plan C. All employees and beneficiaries of those employees who retire on or after
32 January 1 of the year following acceptance of this section, on the first day of January next following
33 the date of the retirement, receive a cost of living adjustment in an amount equal to three percent
34 (3%) of the original retirement allowance.

1 (b) In each succeeding year in the month of January, the retirement allowance is increased
2 an additional three percent (3%) of the original retirement allowance, not compounded.

3 (c) This subsection (c) shall be effective for the period July 1, 2012, through June 30, 2015.

4 (1) Notwithstanding any other paragraphs of this section, and subject to paragraph (c)(2)
5 below, for all present and former employees, active and retired members, and beneficiaries
6 receiving any retirement, disability or death allowance or benefit of any kind by reason of adoption
7 of this section by their employer, the annual benefit adjustment provided in any calendar year under
8 this section shall be equal to (A) multiplied by (B) where (A) is equal to the percentage determined
9 by subtracting five and one-half percent (5.5%) (the “subtrahend”) from the Five-Year Average
10 Investment Return of the retirement system determined as of the last day of the plan year preceding
11 the calendar year in which the adjustment is granted, said percentage not to exceed four percent
12 (4%) and not to be less than zero percent (0%), and (B) is equal to the lesser of the member’s
13 retirement allowance or the first twenty-five thousand dollars (\$25,000) of retirement allowance,
14 such twenty-five thousand dollars (\$25,000) amount to be indexed annually in the same percentage
15 as determined under (c)(1)(A) above. The “Five-Year Average Investment Return” shall mean the
16 average of the investment returns of the most recent five (5) plan years as determined by the
17 retirement board. Subject to paragraph (c)(2) below, the benefit adjustment provided by this
18 paragraph shall commence upon the third (3rd) anniversary of the date of retirement or the date on
19 which the retiree reaches his or her Social Security retirement age, whichever is later; or for
20 municipal police and fire retiring under the provisions of chapter 45-21.2, the benefit adjustment
21 provided by this paragraph shall commence on the later of the third (3rd) anniversary of the date of
22 retirement or the date on which the retiree reaches age fifty-five (55). In the event the retirement
23 board adjusts the actuarially assumed rate of return for the system, either upward or downward, the
24 subtrahend shall be adjusted either upward or downward in the same amount.

25 (2) Except as provided in paragraph (c)(3) the benefit adjustments provided under this
26 section for any plan year shall be ~~suspended in their entirety~~ reduced to twenty-five percent (25%)
27 of the benefit adjustment for each municipal plan within the municipal employees retirement
28 system unless the municipal plan is determined to be funded at a Funded Ratio equal to or greater
29 than eighty percent (80%) as of the end of the immediately preceding plan year in accordance with
30 the retirement system’s actuarial valuation report as prepared by the system’s actuary, in which
31 event the benefit adjustment will be reinstated for all members for such plan year.

32 In determining whether a funding level under this paragraph (c)(2) has been achieved, the
33 actuary shall calculate the funding percentage after taking into account the reinstatement of any
34 current or future benefit adjustment provided under this section.

1 (3) Notwithstanding paragraph (c)(2), for each municipal plan that has a Funded Ratio of
2 less than eighty percent (80%) as of June 30, 2012, in each fifth plan year commencing after June
3 30, 2012, commencing with the plan year ending June 30, 2017, and subsequently at intervals of
4 five (5) plan years, a benefit adjustment shall be calculated and made in accordance with paragraph
5 (c)(1) above until the municipal plan's Funded Ratio exceeds eighty percent (80%).

6 (d) This subsection (d) shall become effective July 1, 2015.

7 (1)(A) As soon as administratively reasonable following the enactment into law of this
8 subsection (d)(1)(A), a one-time benefit adjustment shall be provided to members and/or
9 beneficiaries of members who retired on or before June 30, 2012, in the amount of two percent
10 (2%) of the lesser of either the employee's retirement allowance or the first twenty-five thousand
11 dollars (\$25,000) of the member's retirement allowance. This one-time benefit adjustment shall be
12 provided without regard to the retiree's age or number of years since retirement.

13 (B) Notwithstanding the prior subsections of this section, for all present and former
14 employees, active and retired employees, and beneficiaries receiving any retirement, disability or
15 death allowance or benefit of any kind by reason of adoption of this section by their employer, the
16 annual benefit adjustment provided in any calendar year under this section for adjustments on and
17 after January 1, 2016, and subject to paragraph (d)(2) below, shall be equal to (I) multiplied by (II):

18 (I) Shall equal the sum of fifty percent (50%) of (i) plus fifty percent (50%) of (ii) where:

19 (i) Is equal to the percentage determined by subtracting five and one-half percent (5.5%)
20 (the "subtrahend") from the five-year average investment return of the retirement system
21 determined as of the last day of the plan year preceding the calendar year in which the adjustment
22 is granted, said percentage not to exceed four percent (4%) and not to be less than zero percent
23 (0%). The "five-year average investment return" shall mean the average of the investment returns
24 of the most recent five (5) plan years as determined by the retirement board. In the event the
25 retirement board adjusts the actuarially assumed rate of return for the system, either upward or
26 downward, the subtrahend shall be adjusted either upward or downward in the same amount.

27 (ii) Is equal to the lesser of three percent (3%) or the percentage increase in the Consumer
28 Price Index for all Urban Consumers (CPI-U) as published by the U.S. Department of Labor
29 Statistics determined as of September 30 of the prior calendar year.

30 In no event shall the sum of (i) plus (ii) exceed three and one-half percent (3.5%) or be less
31 than zero percent (0%).

32 (II) Is equal to the lesser of either the member's retirement allowance or the first twenty-
33 five thousand eight hundred and fifty-five dollars (\$25,855) of retirement allowance, such amount
34 to be indexed annually in the same percentage as determined under subsection (d)(1)(B)(I) above.

1 The benefit adjustments provided by this subsection (d)(1)(B) shall be provided to all
2 retirees entitled to receive a benefit adjustment as of June 30, 2012, under the law then in effect,
3 and for all other retirees the benefit adjustments shall commence upon the third anniversary of the
4 date of retirement or the date on which the retiree reaches his or her Social Security retirement age,
5 whichever is later; or for municipal police and fire retiring under the provisions of § 45-21.2-
6 5(b)(1)(A), the benefit adjustment provided by this paragraph shall commence on the later of the
7 third anniversary of the date of retirement or the date on which the retiree reaches age fifty-five
8 (55); or for municipal police and fire retiring under the provisions of § 45-21.2-5(b)(1)(B), the
9 benefit adjustment provided by this paragraph shall commence on the later of the third anniversary
10 of the date of retirement or the date on which the retiree reaches age fifty (50).

11 (2) ~~Except as provided in subsection (d)(3), the~~ The benefit adjustments under subsection
12 (d)(1)(B) for any plan year shall be ~~suspended in their entirety~~ reduced to twenty-five percent (25%)
13 of the benefit adjustment for each municipal plan within the municipal employees retirement
14 system unless the municipal plan is determined to be funded at a funded ratio equal to or greater
15 than eighty percent (80%) as of the end of the immediately preceding plan year in accordance with
16 the retirement system's actuarial valuation report as prepared by the system's actuary, in which
17 event the benefit adjustment will be reinstated for all members for such plan year.

18 In determining whether a funding level under this subsection (d)(2) has been achieved, the
19 actuary shall calculate the funding percentage after taking into account the reinstatement of any
20 current or future benefit adjustment provided under this section.

21 (3) ~~Notwithstanding subsection (d)(2), in each fourth plan year commencing after June 30,~~
22 ~~2012, commencing with the plan year ending June 30, 2016, and subsequently at intervals of four~~
23 ~~plan years: (i) A benefit adjustment shall be calculated and made in accordance with subsection~~
24 ~~(d)(1)(B) above; and (ii)~~ Effective for members and/or beneficiaries of members who retired on or
25 before June 30, 2015, the dollar amount in subsection (d)(1)(B)(II) of twenty-five thousand eight
26 hundred and fifty-five dollars (\$25,855) shall be replaced with thirty-one thousand and twenty-six
27 dollars (\$31,026) until the municipal plan's funded ratio exceeds eighty percent (80%).

28 (e) Upon acceptance of any of the plans in this section, each employee shall on January 1
29 next succeeding the acceptance, contribute by means of salary deductions, pursuant to § 45-21-41,
30 one percent (1%) of the employee's compensation concurrently with and in addition to
31 contributions otherwise being made to the retirement system.

32 (f) The city or town shall make any additional contributions to the system, pursuant to the
33 terms of § 45-21-42, for the payment of any benefits provided by this section.

34 (g) The East Greenwich town council shall be allowed to accept Plan C of subsection (a)(3)

1 of this section for all employees of the town of East Greenwich who either, pursuant to contract
2 negotiations, bargain for Plan C, or who are non-union employees who are provided with Plan C
3 and who shall all collectively be referred to as the “Municipal-COLA Group” and shall be separate
4 from all other employees of the town and school department, union or non-union, who are in the
5 same pension group but have not been granted Plan C benefits. Upon acceptance by the town
6 council, benefits in accordance with this section shall be available to all such employees who retire
7 on or after January 1, 2003.

8 (h) Effective for members and/or beneficiaries of members who have retired on or before
9 July 1, 2015, and without regard to whether the retired member or beneficiary is receiving a benefit
10 adjustment under this section, a one-time stipend of five hundred dollars (\$500) shall be payable
11 within sixty (60) days following the enactment of the legislation implementing this provision, and
12 a second one-time stipend of five hundred dollars (\$500) in the same month of the following year.
13 These stipends shall not be considered cost of living adjustments under the prior provisions of this
14 section.

15 SECTION 4. This act shall take effect upon passage.

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LC000735
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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO EDUCATION -- TEACHERS' RETIREMENT

1 This act would provide that the current COLA suspension schedule would be replaced with
2 a fractional annual COLA of twenty-five percent (25%) of the COLA declared for that plan year,
3 as it pertains to retired teachers, state and municipal employees.

4 This act would take effect upon passage.

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LC000735
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