

LC004876

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2026

RELATING TO EDUCATION -- TEACHERS' RETIREMENT

Referred To: House Finance

1 SECTION 1. Section 16-16-13 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:

(a)(1)(i) For teachers eligible to retire on or before September 30, 2009, upon retirement from service under § 16-16-12 a teacher whose membership commenced before July 1, 2005, and who has completed at least ten (10) years of contributory service on or before July 1, 2005, shall receive a retirement allowance which shall be determined in accordance with schedule A for service prior to July 1, 2012.

11	YEARS OF SERVICE	PERCENTAGE ALLOWANCE
12	1st through 10th inclusive	1.7%
13	11th through 20th inclusive	1.9%
14	21st through 34th inclusive	3.0%
15	35 th	2.0%

(ii) For teachers eligible to retire on or after October 1, 2009, who were not eligible to retire on or before September 30, 2009, upon retirement for service under § 16-16-12, a teacher whose membership commenced before July 1, 2005, and who has completed at least ten (10) years of contributory service on or before July 1, 2005, shall receive a retirement allowance which shall be

1 determined in accordance with schedule A above for service on before September 30, 2009, and
2 shall be determined in accordance with schedule B in subsection (a)(2) below for service on or after
3 October 1, 2009, and prior to July 1, 2012.

4 (2) Upon retirement from service under § 16-16-12 a teacher whose membership
5 commenced after July 1, 2005, or who has not completed at least ten (10) years of contributory
6 service as of July 1, 2005, shall receive a retirement allowance which shall be determined in
7 accordance with Schedule B for service prior to July 1, 2012.

8 SCHEDULE B	
9 YEARS OF SERVICE	PERCENTAGE ALLOWANCE
10 1st through 10th inclusive	1.60%
11 11th through 20th inclusive	1.80%
12 21st through 25th inclusive	2.0%
13 26th through 30th inclusive	2.25%
14 31st through 37th inclusive	2.50%
15 38 th	2.25%

16 (b) The retirement allowance of any teacher whose membership commenced before July 1,
17 2005, and who has completed at least ten (10) years of contributory service on or before July 1,
18 2005, shall be in an amount equal to the percentage allowance specified in subsection (a)(1) of the
19 member's average highest three (3) consecutive years of compensation multiplied by the number
20 of years of total service, but in no case to exceed eighty percent (80%) of the compensation, payable
21 at completion of thirty-five (35) years of service; ~~provided, however, for teachers retiring on or~~
22 ~~after October 1, 2009, who were not eligible to retire as of September 30, 2009, the calculation~~
23 ~~shall be based on the average highest five (5) consecutive years of compensation;~~ provided,
24 however for teachers retiring on or after July 1, ~~2024~~ 2009, the calculation shall be based on the
25 average highest three (3) consecutive years of compensation; provided, however for teachers
26 retiring on or after July 1, 2024, the calculation shall be based on the average highest three (3)
27 consecutive years of compensation.

28 The retirement allowance of any teacher whose membership commenced after July 1, 2005,
29 or who has not completed at least ten (10) years of contributory service as of July 1, 2005, shall be
30 in an amount equal to the percentage allowance specified in Schedule B of the member's average
31 highest three (3) consecutive years of compensation multiplied by the number of years of total
32 service, but in no case to exceed seventy-five percent (75%) of the compensation, payable at
33 completion of thirty-eight (38) years of service; ~~provided, however, for teachers retiring on or after~~
34 ~~October 1, 2009, who were not eligible to retire as of September 30, 2009, the calculation shall be~~

1 ~~based on the average highest five (5) consecutive years of compensation;~~ provided, however, for
2 teachers retiring on or after July 1, ~~2024~~ 2012, the calculation shall be based on the average highest
3 three (3) consecutive years of compensation; provided, however for teachers retiring on or after
4 July 1, 2024, the calculation shall be based on the average highest three (3) consecutive years of
5 compensation.

6 Any teacher who has in excess of thirty-five (35) years on or before June 2, 1985, shall not
7 be entitled to any refund, and any teacher with thirty-five (35) years or more on or after June 2,
8 1985, shall contribute from July 1, 1985, until their retirement.

9 (c) For service prior to July 2012, the retirement allowance of a teacher shall be determined
10 in accordance with subsections (a)(1) and (a)(2) above. For service on and after July 1, 2012:

11 (i) For teachers with fewer than twenty (20) years of total service as of June 30, 2012, a
12 teacher's retirement allowance shall be equal to one percent (1%) of the teacher's average
13 compensation multiplied by the teacher's years of total service on and after July 1, 2012; and

14 (ii) For teachers with twenty (20) or more years of total service as of June 30, 2012, a
15 teacher's retirement allowance shall be equal to one percent (1%) of the teacher's average
16 compensation multiplied by the teacher's years of total service between July 1, 2012, and June 30,
17 2015, and two percent (2%) of the teacher's average compensation multiplied by the teacher's years
18 of total service on and after July 1, 2015. For purposes of computing a teacher's total service under
19 the preceding sentence, service purchases shall be included in total service only with respect to
20 those service purchases approved prior to June 30, 2012, and those applications for service
21 purchases received by the retirement system on or before June 30, 2012. In no event shall a
22 teacher's retirement allowance exceed the maximum limitations set forth in subsection (b) above.

23 SECTION 2. Section 36-8-1 of the General Laws in Chapter 36-8 entitled "Retirement
24 System — Administration" is hereby amended to read as follows:

25 **36-8-1. Definition of terms.**

26 The following words and phrases as used in chapters 8 to 10 of this title unless a different
27 meaning is plainly required by the context, shall have the following meanings:

28 (1) "Accumulated contributions" shall mean the sum of all the amounts deducted from the
29 compensation of a member and credited to their individual pension account.

30 (2) "Active member" shall mean any employee of the state of Rhode Island as defined in
31 this section for whom the retirement system is currently receiving regular contributions pursuant to
32 §§ 36-10-1 and 36-10-1.1.

33 (3) "Actuarial equivalent" shall mean an allowance or benefit of equal value to any other
34 allowance or benefit when computed upon the basis of the actuarial tables in use by the system.

1 (4) “Annuity reserve” shall mean the present value of all payments to be made on account
2 of any annuity, benefit, or retirement allowance granted under the provisions of chapter 10 of this
3 title computed upon the basis of such mortality tables as shall be adopted from time to time by the
4 retirement board with regular interest.

5 (5)(a) “Average compensation” for members eligible to retire as of September 30, 2009,
6 shall mean the average of the highest three (3) consecutive years of compensation, within the total
7 service when the average compensation was the highest. ~~For members eligible to retire on or after~~
8 ~~October 1, 2009, “Average compensation” shall mean the average of the highest five (5)~~
9 ~~consecutive years of compensation within the total service when the average compensation was the~~
10 ~~highest.~~

11 (b) For members eligible to and who retire on or after July 1, ~~2024~~ 2009, “average
12 compensation” means the average of the highest three (3) consecutive years of compensation within
13 the total service when the average compensation was the highest.

14 (c) For members who become eligible to retire on or after July 1, 2012, if more than one-
15 half (½) of the member’s total years of service consist of years of service during which the member
16 devoted less than thirty (30) business hours per week to the service of the state, but the member’s
17 average compensation consists of three (3) or more years during which the member devoted more
18 than thirty (30) business hours per week to the service of the state, such member’s average
19 compensation shall mean the average of the highest ten (10) consecutive years of compensation
20 within the total service when the average compensation was the highest; provided however,
21 effective July 1, 2015, if such member’s average compensation as defined in subsection (a) above
22 is equal to or less than thirty-five thousand dollars (\$35,000), such amount to be indexed annually
23 in accordance with § 36-10-35(h)(1)(B), such member’s average compensation shall mean the
24 greater of: (i) The average of the highest ten (10) consecutive years of compensation within the
25 total service when the average compensation was the highest; or (ii) The member’s average
26 compensation as defined in subsection (a) above. To protect a member’s accrued benefit on June
27 30, 2012, under this § 36-8-1(5)(c), in no event shall a member’s average compensation be lower
28 than the member’s average compensation determined as of June 30, 2012.

29 (6) “Beneficiary” shall mean any person in receipt of a pension, an annuity, a retirement
30 allowance, or other benefit as provided by chapter 10 of this title.

31 (7) “Casual employee” shall mean those persons hired for a temporary period, a period of
32 emergency, or an occasional period.

33 (8) “Compensation” as used in chapters 8 — 10 of this title, chapters 16 and 17 of title 16,
34 and chapter 21 of title 45 shall mean salary or wages earned and paid for the performance of duties

1 for covered employment, including regular longevity or incentive plans approved by the board, but
2 shall not include payments made for overtime or any other reason other than performance of duties,
3 including but not limited to the types of payments listed below:

4 (i) Payments contingent on the employee having terminated or died;

5 (ii) Payments made at termination for unused sick leave, vacation leave, or compensatory
6 time;

7 (iii) Payments contingent on the employee terminating employment at a specified time in
8 the future to secure voluntary retirement or to secure release of an unexpired contract of
9 employment;

10 (iv) Individual salary adjustments which are granted primarily in anticipation of the
11 employee's retirement;

12 (v) Additional payments for performing temporary or extra duties beyond the normal or
13 regular work day or work year.

14 (9) "Employee" shall mean any officer or employee of the state of Rhode Island whose
15 business time is devoted exclusively to the services of the state, but shall not include one whose
16 duties are of a casual or seasonal nature. The retirement board shall determine who are employees
17 within the meaning of this chapter. The governor of the state, the lieutenant governor, the secretary
18 of state, the attorney general, the general treasurer, and the members of the general assembly, ex
19 officio, shall not be deemed to be employees within the meaning of that term unless and until they
20 elect to become members of the system as provided in § 36-9-6, but in no case shall it deem as an
21 employee, for the purposes of this chapter, any individual who devotes less than twenty (20)
22 business hours per week to the service of the state, and who receives less than the equivalent of
23 minimum wage compensation on an hourly basis for their services, except as provided in § 36-9-
24 24. Any commissioner of a municipal housing authority or any member of a part-time state,
25 municipal, or local board, commission, committee, or other public authority shall not be deemed to
26 be an employee within the meaning of this chapter.

27 (10) "Full actuarial costs" or "full actuarial value" shall mean the lump sum payable by a
28 member claiming service credit for certain employment for which that payment is required which
29 is determined according to the age of the member and the employee's annual rate of compensation
30 at the time the member applies for service credit and which is expressed as a rate percent of the
31 employee's annual rate of compensation to be multiplied by the number of years for which the
32 member claims service credit as prescribed in a schedule adopted by the retirement board from time
33 to time on the basis of computation by the actuary. Except as provided in §§ 16-16-7.1, 36-5-3, 36-
34 9-31, 36-10-10.4, 45-21-53, 36-10-8, 45-21-29, 8-3-16(c), 8-8-10.1(c), 42-28-22.1(d), and 28-30-

1 18.1(c):

2 (i) All service credit purchases requested after June 16, 2009, and prior to July 1, 2012,
3 shall be at full actuarial value; and

4 (ii) All service credit purchases requested after June 30, 2012, shall be at full actuarial
5 value which shall be determined using the system's assumed investment rate of return minus one
6 percent (1%).

7 The rules applicable to a service credit purchase shall be the rules of the retirement system
8 in effect at the time the purchase application is submitted to the retirement system.

9 (11) "Funded ratio" shall mean the ratio of the actuarial value of assets to the actuarial
10 accrued liability consistent with the funding policy of the retirement board as defined in § 36-8-4.

11 (12) "Inactive member" shall mean a member who has withdrawn from service as an
12 employee but who has not received a refund of contributions.

13 (13) "Members" shall mean any person included in the membership of the retirement
14 system as provided in §§ 36-9-1 — 36-9-7.

15 (14) "Prior service" shall mean service as a member rendered before July 1, 1936, certified
16 on the member's prior service certificate and allowable as provided in § 36-9-28.

17 (15) "Regular interest" shall mean interest at the assumed investment rate of return,
18 compounded annually, as may be prescribed from time to time by the retirement board.

19 (16) "Retirement allowance" shall mean annual payments for life made after retirement
20 under and in accordance with chapters 8 to 10 of this title. All allowances shall be paid in equal
21 monthly installments beginning as of the effective date thereof; provided, that a smaller pro rata
22 amount may be paid for part of a month where separation from service occurs during the month in
23 which the application was filed, and when the allowance ceases before the last day of the month.

24 (17) "Retirement board" or "board" shall mean the board provided in § 36-8-3 to administer
25 the retirement system.

26 (18) "Retirement system" shall mean the employees' retirement system of the state of
27 Rhode Island as defined in § 36-8-2.

28 (19) "Service" shall mean service as an employee of the state of Rhode Island as described
29 in subdivision (9) of this section.

30 (20) "Social Security retirement age" shall mean a member's full retirement age as
31 determined in accordance with the federal Old Age, Survivors and Disability Insurance Act, not to
32 exceed age sixty-seven (67).

33 (21) "Total service" shall mean prior service as defined above, plus service rendered as a
34 member on or after July 1, 1936.

SECTION 3. Section 45-21-2 of the General Laws in Chapter 45-21 entitled "Retirement of Municipal Employees" is hereby amended to read as follows:

45-21-2. Definitions.

The following words and phrases as used in this chapter have the following meanings unless a different meaning is plainly required by the context:

(1) "Accumulated contributions" means the sum of all amounts deducted from the compensation of a member and credited to the member's individual account in the members' contribution reserve account.

(2) "Active member" means any employee of a participating municipality as defined in this section for whom the retirement system is currently receiving regular contributions pursuant to § 45-21-41, § 45-21-41.1, or § 45-21.2-14.

(3) "Actuarial reserve" means the present value of all payments to be made on account of any annuity, retirement allowance, or benefit, computed upon the basis of mortality tables adopted by the retirement board with regular interest.

(4) "Beneficiary" means any person in receipt of a retirement allowance, annuity, or other benefit as provided by this chapter.

(5) For purposes of this chapter, "domestic partner" shall be defined as a person who, prior to the decedent's death, was in an exclusive, intimate, and committed relationship with the decedent, and who certifies by affidavit that their relationship met the following qualifications:

(i) Both partners were at least eighteen (18) years of age and were mentally competent to contract;

(ii) Neither partner was married to anyone else;

(iii) Partners were not related by blood to a degree which would prohibit marriage in the state of Rhode Island;

(iv) Partners resided together and had resided together for at least one year at the time of death; and

(v) Partners were financially interdependent as evidenced by at least two (2) of the following:

(A) Domestic partnership agreement or relationship contract;

(B) Joint mortgage or joint ownership of primary residence;

(C) Two (2) of: (I) Joint ownership of motor vehicle; (II) Joint checking account; (III) Joint credit account; (IV) Joint lease; and/or

(D) The domestic partner had been designated as a beneficiary for the decedent's will, retirement contract, or life insurance.

1 (6) “Effective date of participation” means the date on which the provisions of this chapter
2 have become applicable to a municipality accepting the provisions of the chapter in the manner
3 stated in § 45-21-4.

4 (7) “Employee” means any regular and permanent employee or officer of any municipality,
5 whose business time at a minimum of twenty (20) hours a week is devoted to the service of the
6 municipality, including elective officials and officials and employees of city and town housing
7 authorities. Notwithstanding the previous sentence, the term “employee,” for the purposes of this
8 chapter, does not include any person whose duties are of a casual or seasonal nature. The retirement
9 board shall decide who are employees within the meaning of this chapter, but in no case shall it
10 deem as an employee any individual who annually devotes less than twenty (20) business hours per
11 week to the service of the municipality and who receives less than the equivalent of minimum wage
12 compensation on an hourly basis for their services, except as provided in § 45-21-14.1 [repealed].
13 Casual employees mean those persons hired for an occasional period or a period of emergency to
14 perform special jobs or functions not necessarily related to the work of regular employees. Any
15 commissioner of a municipal housing authority, or any member of a part-time state board
16 commission, committee, or other authority is not deemed to be an employee within the meaning of
17 this chapter.

18 (8)(a) “Final compensation” for members who are eligible to retire on or prior to June 30,
19 2012, means the average annual compensation, pay, or salary of a member for services rendered
20 during the period of three (3) consecutive years within the total service of the member when the
21 average was highest, and as the term average annual compensation is further defined in § 36-8-
22 1(5)(a). ~~For members eligible to retire on or after July 1, 2012, “final compensation” means the~~
23 ~~average of the highest five (5) consecutive years of compensation within the total service when the~~
24 ~~final compensation was the highest.~~ For members eligible to and who retire on or after July 1, ~~2024~~
25 2009, “final compensation” means the average of the highest three (3) consecutive years of
26 compensation within the total service when the final compensation was the highest.

27 (b) For members who become eligible to retire on or after July 1, 2012, if more than one
28 half (½) of the member’s total years of service consist of years of service during which the member
29 devoted less than thirty (30) business hours per week to the service of the municipality, but the
30 member’s average compensation consists of three (3) or more years during which the member
31 devoted more than thirty (30) business hours per week to the service of a municipality, such
32 member’s average compensation shall mean the average of the highest ten (10) consecutive years
33 of compensation within the total service when the average compensation was the highest; provided
34 however, effective July 1, 2015, if such member’s average compensation as defined in subsection

(a) above is equal to or less than thirty-five thousand dollars (\$35,000), such amount to be indexed annually in accordance with § 45-21-52(d)(1)(B), such member's average compensation shall mean the greater of: (i) The average of the highest ten (10) consecutive years of compensation within the total service when the average compensation was the highest; or (ii) The member's average compensation as defined in subsection (a) above. To protect a member's accrued benefit on June 30, 2012, under this subsection (8)(b), in no event shall a member's average compensation be lower than his or her average compensation determined as of June 30, 2012.

Notwithstanding the preceding provisions, in no event shall a member's final compensation be lower than the member's final compensation determined as of June 30, 2012.

(9) "Fiscal year" means the period beginning on July 1 in any year and ending on June 30 of the next succeeding year.

(10) "Full actuarial costs" or "full actuarial value" mean the lump sum payable by a member claiming service credit for certain employment for which payment is required, which is determined according to the age of the member and their annual rate of compensation at the time he or she applies for service credit, and which is expressed as a rate percent of the annual rate of compensation to be multiplied by the number of years for which the member claims the service credit, as prescribed in a schedule adopted by the retirement board, from time to time, on the basis of computation by the actuary. Except as provided in §§ 16-16-7.1, 36-5-3, 36-9-31, 36-10-10.4, and 45-21-53: (i) All service credit purchases requested after June 16, 2009, and prior to July 1, 2012, shall be at full actuarial value; and (ii) All service credit purchases requested after June 30, 2012, shall be at full actuarial value which shall be determined using the system's assumed investment rate of return minus one percent (1%).

(11) "Governing body" means any and all bodies empowered to appropriate monies for, and administer the operation of, the units as defined in subdivision (13) of this section.

(12) "Member" means any person included in the membership of the retirement system as provided in § 45-21-8.

(13) "Municipality" means any town or city in the state of Rhode Island, any city or town housing authority, fire, water, sewer district, regional school district, public building authority as established by chapter 14 of title 37 [repealed], or any other municipal financed agency to which the retirement board has approved admission in the retirement system.

(14) "Participating municipality" means any municipality which has accepted this chapter, as provided in § 45-21-4.

(15) "Prior service" means service as a member rendered before the effective date of participation as defined in this section, certified on the member's prior service certificate, and

1 allowable as provided in § 45-21-15.

2 (16) “Regular interest” means interest at the assumed investment rate of return,
3 compounded annually, as may be prescribed from time to time by the retirement board.

4 (17) “Retirement allowance” or “annuity” means the amounts paid to any member of the
5 municipal employees’ retirement system of the state of Rhode Island, or a survivor of the member,
6 as provided in this chapter. All retirement allowances or annuities shall be paid in equal monthly
7 installments for life, unless otherwise specifically provided.

8 (18) “Retirement board” or “board” means the state retirement board created by chapter 8
9 of title 36.

10 (19) “Retirement system” means the “municipal employees’ retirement system of the state
11 of Rhode Island” as defined in § 45-21-32.

12 (20) “Service” means service as an employee of a municipality of the state of Rhode Island
13 as defined in subdivision (7).

14 (21) “Total service” means prior service as defined in subdivision (15) plus service
15 rendered as a member on or after the effective date of participation.

16 (22) Any term not specifically defined in this chapter and specifically defined in chapters
17 8 through 10 of title 36 shall have the same definition as set forth in chapters 8 through 10 of title
18 36.

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

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LC004876
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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO EDUCATION -- TEACHERS' RETIREMENT

1 This act would change the teacher and state employees' retirement benefit calculations'
2 cutoff date, from July 1, 2024, to July 1, 2009, for all retirement members eligible to and who retire
3 on or after the new July 1, 2009, cutoff date. The average compensation means the average of the
4 highest three (3) consecutive years, of compensation, within the total service, when the average
5 compensation was its highest.

6 This act would take effect upon passage.

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