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LC001423

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: Senator Hanna M. Gallo

Date Introduced: February 27, 2019

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 36-10-1 and 36-10-10 of the General Laws in Chapter 36-10  
2 entitled "Retirement System - Contributions and Benefits" are hereby amended to read as follows:

3 **36-10-1. Member contributions -- Deduction from compensation.**

4 (a) Prior to July 1, 2012, each member of the retirement system shall contribute an  
5 amount equal to eight and three-quarters percent (8.75%) of his or her compensation as his or her  
6 share of the cost of annuities, benefits, and allowances. Effective July 1, 2012, each member of  
7 the retirement system shall contribute an amount equal to three and three quarters percent  
8 (3.75%) of his or her compensation, except for correctional officers as defined in § 36-10-9.2 who  
9 shall contribute an amount equal to eight and three quarters percent (8.75%) of his or her  
10 compensation. Effective July 1, 2015, each member of the retirement system, except for  
11 correctional officers as defined in § 36-10-9.2, with twenty (20) or more years of total service as  
12 of June 30, 2012 shall contribute an amount equal to eleven percent (11%) of compensation.  
13 Effective July 1, 2018, a member of the retirement system, except for correctional officers as  
14 defined in § 36-10-9.2, who was eligible to retire with fewer than twenty (20) years of total  
15 service as of June 30, 2012, and who does not make an election under § 36-10-1(d), shall  
16 contribute an amount equal to eleven percent (11%) of compensation. The contributions shall be  
17 made in the form of deductions from compensation.

18 (b) The deductions provided for herein shall be made notwithstanding that the minimum

1 compensation provided by law for any member shall be reduced thereby. Every member shall be  
2 deemed to consent and agree to the deductions made and provided for herein and receipt of his or  
3 her full compensation and payment of compensation, less the deductions, shall be a full and  
4 complete discharge and acquittance of all claims and demands whatsoever for the services  
5 rendered by the person during the period covered by the payment except as to the benefit  
6 provided under this chapter.

7 (c) A member of the retirement system, except for correctional officers as defined in §  
8 36-10-9.2, who was eligible to retire with fewer than twenty (20) years of total service as of June  
9 30, 2012, and who does not make an election under § 36-10-1(d), may elect to pay into the  
10 retirement system an amount equal to two and one-quarter percent (2.25%) of current  
11 compensation per year for the years between July 1, 2015, and June 30, 2019, without interest if  
12 the election is made before December 31, 2019, and shall receive a retirement allowance in  
13 accordance with § 36-10-10(d)(iii).

14 (d) A member of the retirement system, except for correctional officers as defined in §  
15 36-10-9.2, who was eligible to retire with fewer than twenty (20) years of total service as of June  
16 30, 2012, may elect to contribute three and three-quarters percent (3.75%) of their compensation,  
17 effective July 1, 2018, by so notifying the retirement system before August 15, 2019, and such  
18 member shall be subject to chapter 10.3 of title 36, entitled "Defined Contribution Retirement  
19 Plan," and shall receive a retirement allowance in accordance with § 36-10-10(d)(i).

20 **36-10-10. Amount of service retirement allowance.**

21 (a) (1) (i) For employees eligible to retire on or before September 30, 2009, upon  
22 retirement for service under § 36-10-9, a member whose membership commenced before July 1,  
23 2005 and who has completed at least ten (10) years of contributory service on or before July 1,  
24 2005 shall receive a retirement allowance which shall be determined in accordance with schedule  
25 A below for service prior to July 1, 2012:

26 Schedule A

27 Years of Service	28 Percentage Allowance
29 1st through 10th inclusive	1.7%
30 11th through 20th inclusive	1.9%
31 21st through 34th inclusive	3.0%
32 35 <sup>th</sup>	2.0%

33 (ii) For employees eligible to retire on or after October 1, 2009, who were not eligible to  
34 retire on or before September 30, 2009, upon retirement from service under § 36-10-9, a member  
whose membership commenced before July 1, 2005 and who has completed at least ten (10) years

1 of contributory service on or before July 1, 2005 shall receive a retirement allowance which shall  
2 be determined in accordance with schedule A above for service on before September 30, 2009,  
3 and shall be determined in accordance with schedule B in subsection (a)(2) below for service on  
4 or after October 1, 2009 and prior to July 1, 2012.

5 (2) Upon retirement for service under § 36-10-9, a member whose membership  
6 commenced after July 1, 2005, or who has not completed at least ten (10) years of contributory  
7 service as of July 1, 2005, shall, receive a retirement allowance which shall be determined in  
8 accordance with Schedule B below for service prior to July 1, 2012:

9 Schedule B

10	Years of Service	Percentage Allowance
11	1st through 10th inclusive	1.60%
12	11th through 20th inclusive	1.80%
13	21st through 25th inclusive	2.0%
14	26th through 30th inclusive	2.25%
15	31st through 37th inclusive	2.50%
16	38 <sup>th</sup>	2.25%

17 (b) The retirement allowance of any member whose membership commenced before July  
18 1, 2005 and who has completed at least ten (10) years of contributory service on or before July 1,  
19 2005 shall be in an amount equal to the percentage allowance specified in subsection (a)(1) of his  
20 or her average highest three (3) consecutive years of compensation multiplied by the number of  
21 years of total service, but in no case to exceed eighty percent (80%) of the compensation payable  
22 at completion of thirty-five (35) years of service; provided, however, for employees retiring on or  
23 after October 1, 2009 who were not eligible to retire as of September 30, 2009 the calculation  
24 shall be based on the average highest five (5) consecutive years of compensation. Any member  
25 who has in excess of thirty-five (35) years on or before June 2, 1985, shall not be entitled to any  
26 refund, and any member with thirty-five (35) years or more on or after June 2, 1985, shall  
27 contribute from July 1, 1985, until his or her retirement.

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

1 shall be based on the average highest five (5) consecutive years of compensation.

2 (c) Any member with thirty-eight (38) years or more of service prior to December 31,  
3 1985, shall not be required to make additional contributions. Contributions made between  
4 December 31, 1985, and July 1, 1987, by members with thirty-eight (38) or more years of service  
5 prior to December 31, 1985, shall be refunded by the retirement board to the persons, their heirs,  
6 administrators, or legal representatives.

7 (d) For service prior to July 1, 2012, the retirement allowance of a member shall be  
8 determined in accordance with subsections (a)(1) and (a)(2) above. For service on and after July  
9 1, 2012, a member's retirement allowance shall be equal to:

10 (i) For members with fewer than twenty (20) years of total service as of June 30, 2012,  
11 including members who were eligible to retire with fewer than twenty (20) years of service as of  
12 June 30, 2012, who make an election in accordance with § 36-10-1(d), one percent (1%) of the  
13 member's average compensation multiplied by the member's years of total service on and after  
14 July 1 2012, except that the retirement allowance of a member who was eligible to retire as of  
15 June 30, 2012, with fewer than twenty (20) years of service and who does not make an election  
16 under § 36-10-1(d) shall be in accordance with § 36-10-10(d)(iii); and

17 (ii) For members with twenty (20) or more years of total service as of June 30, 2012, a  
18 member's retirement allowance shall be equal to one percent (1%) of the member's average  
19 compensation multiplied by the member's years of total service between July 1, 2012 and June  
20 30, 2015, and two percent (2%) of the member's average compensation multiplied by the  
21 member's years of total service on and after July 1, 2015. For purposes of computing a member's  
22 total service under the preceding sentence, service purchases shall be included in total service  
23 only with respect to those service purchases approved prior to June 30, 2012 and those  
24 applications for service purchases received by the retirement system on or before June 30, 2012.

25 ~~In no event shall a member's retirement allowance exceed the maximum limitations set~~  
26 ~~forth in paragraph (b) above.~~

27 (iii) For members who were eligible to retire with fewer than twenty (20) years of total  
28 service as of June 30, 2012, a member's retirement allowance shall be equal to one percent (1%)  
29 of the member's average compensation multiplied by the member's years of total service between  
30 July 1, 2012, and June 30, 2019, and two percent (2%) of the member's average compensation  
31 multiplied by the member's years of total service on and after July 1, 2019; provided, however,  
32 that the retirement allowance of a member who was eligible to retire with fewer than twenty (20)  
33 years of total service as of June 30, 2012 and who makes an election in accordance with § 36-10-  
34 l(c), shall be equal to one percent (1%) of the member's average compensation multiplied by the

1 member's years of total service between July 1, 2012, and June 30, 2019, except that the  
2 retirement allowance shall be equal to two percent (2%) of the member's average compensation  
3 for each year between July 1, 2015 and June 30, 2019, for which the member has paid two and  
4 one quarter percent (2.25%) of compensation pursuant to § 36-10-1(c), and two percent (2%) of  
5 the member's average compensation multiplied by the member's years of total service on and after  
6 July 1, 2019. For purposes of computing a member's total service under the preceding sentence,  
7 service purchases shall be included in total service only with respect to those service purchases  
8 approved prior to June 30, 2012, and those applications for service purchases received by the  
9 retirement system on or before June 30, 2012, except that amounts paid for a member's election in  
10 accordance with § 36-10-1(c) shall not to be deemed service purchases. In no event shall a  
11 member's retirement allowance exceed the maximum limitations set forth in subsection (b) of this  
12 section.

13 SECTION 2. Section 36-10.3-1 of the General Laws in Chapter 36-10.3 entitled "Defined  
14 Contribution Retirement Plan" is hereby amended to read as follows:

15 **36-10.3-1. Definitions.**

16 As used in this chapter, the following terms, unless the context requires a different  
17 interpretation, shall have the following meanings:

18 (1) "Compensation" means compensation as defined in section 36-8-1(8).

19 (2) "Employee" means an employee as defined in §§ 36-8-1(9) and 45-21-2(7) and a  
20 teacher as defined in § 16-16-1(12), effective July 1, 2012; provided however, effective July 1,  
21 2015, "employee" shall not include any employee with twenty (20) or more years of total service  
22 as of June 30, 2012 in the employees retirement system under chapters 8 through 10 of title 36 or  
23 chapter 16 of title 16 (ERS), or the municipal employees retirement system under chapter 21 of  
24 title 45 (MERS); provided, however, effective July 1, 2019, "employee" shall not include any  
25 employee in the employees' retirement system under chapters 8 through 10 of title 36 who is  
26 eligible to retire with fewer than twenty (20) years of total service as of June 30, 2012, and who  
27 does not make an election in accordance with § 36-10-1(d).

28 (3) "Employer" means the State of Rhode Island or the local municipality which employs  
29 a member of the Employees Retirement System under chapters 8 through 10 of title 36 or chapter  
30 16 of title 16 (ERS) or the Municipal Employees Retirement System under chapters 21 and 21.2  
31 of title 45 (MERS).

32 (4) "Plan" means the retirement plan established by this chapter.

33 (5) A "public safety member" shall mean a member of MERS who is a municipal fire  
34 fighter or a municipal policeman or policewoman as defined in § 45-21.2-2 who does not

1 participate in Social Security under the Federal Old Age, Survivors, and Disability income  
2 program.

3 (6) "Regular member" means:

4 (i) An employee who is a member of ERS other than correctional officers as defined in §  
5 36-10-9.2; or

6 (ii) An employee who is a member of MERS other than a public safety member.

7 (7) The "retirement board" or "board" shall mean the retirement board of the Employees  
8 Retirement System of Rhode Island as defined in Chapter 36-8. The retirement board shall be the  
9 plan administrator and plan trustee and shall administer the plan in accordance with § 36-8-4.1.

10 (8) "State investment commission" or "commission" means the state investment  
11 commission as defined in § 35-10-1.

12 (9) "Supplemental employer" includes any employer that provides supplemental  
13 contributions to the defined contribution retirement plan as provided in § 36-10.3-3.

14 (10) "Supplemental member" is defined in § 36-10.3-3.

15 SECTION 3. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

A N A C T

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

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1           This act would change the retirement benefits of state employees who were eligible to  
2 retire by reason of age on June 30, 2012. The act would exempt these employees from the 401(a)  
3 plan, and return them to the traditional defined benefit plan. The act would give the affected  
4 employees the option of remaining in the hybrid plan.

5           This act would take effect upon passage.

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