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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2024

A N A C T

RELATING TO PUBLIC OFFICERS AND EMPLOYEES -- RETIREMENT SYSTEM --
ADMINISTRATION

Introduced By: Senators Felag, F. Lombardi, Euer, Pearson, Ciccone, DiPalma, Britto,
Tikoian, LaMountain, and Burke
Date Introduced: April 05, 2024

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

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

3 **36-8-1. Definition of terms.**

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

6 (1) "Accumulated contributions" shall mean the sum of all the amounts deducted from the
7 compensation of a member and credited to his or her individual pension account.

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

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

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

17 (5)(a) "Average compensation" for members eligible to retire as of September 30, 2009
18 shall mean the average of the highest three (3) consecutive years of compensation, within the total

1 service when the average compensation was the highest. For members eligible to retire on or after
2 October 1, 2009, and who do retire prior to July 1, 2024, “Average compensation” shall mean the
3 average of the highest five (5) consecutive years of compensation within the total service when the
4 average compensation was the highest. For members eligible to and who retire on or after July 1,
5 2024, "average compensation" means the average of the highest three (3) consecutive years of
6 compensation within the total service when the average compensation was the highest.

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

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

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

26 (8) “Compensation” as used in chapters 8 — 10 of this title, chapters 16 and 17 of title 16,
27 and chapter 21 of title 45 shall mean salary or wages earned and paid for the performance of duties
28 for covered employment, including regular longevity or incentive plans approved by the board, but
29 shall not include payments made for overtime or any other reason other than performance of duties,
30 including but not limited to the types of payments listed below:

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

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

34 (iii) Payments contingent on the employee terminating employment at a specified time in

1 the future to secure voluntary retirement or to secure release of an unexpired contract of
2 employment;

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

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

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

20 (10) "Full actuarial costs" or "full actuarial value" shall mean the lump sum payable by a
21 member claiming service credit for certain employment for which that payment is required which
22 is determined according to the age of the member and the employee's annual rate of compensation
23 at the time he or she applies for service credit and which is expressed as a rate percent of the
24 employee's annual rate of compensation to be multiplied by the number of years for which he or
25 she claims service credit as prescribed in a schedule adopted by the retirement board from time to
26 time on the basis of computation by the actuary. Except as provided in §§ 16-16-7.1, 36-5-3, 36-9-
27 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-
28 18.1(c):

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

31 (ii) all service credit purchases requested after June 30, 2012 shall be at full actuarial value
32 which shall be determined using the system's assumed investment rate of return minus one percent
33 (1%).

34 The rules applicable to a service credit purchase shall be the rules of the retirement system

1 in effect at the time the purchase application is submitted to the retirement system.

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

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

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

8 (14) "Prior service" shall mean service as a member rendered before July 1, 1936, certified
9 on his or her prior service certificate and allowable as provided in § 36-9-28.

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

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

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

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

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

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

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

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

30 **45-21-2. Definitions.**

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

33 (1) "Accumulated contributions" means the sum of all amounts deducted from the
34 compensation of a member and credited to his or her individual account in the members'

1 contribution reserve account.

2 (2) “Active member” means any employee of a participating municipality as defined in this
3 section for whom the retirement system is currently receiving regular contributions pursuant to §§
4 45-21-41, 45-21-41.1 or 45-21.2-14.

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

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

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

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

15 (ii) Neither partner was married to anyone else;

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

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

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

22 (A) Domestic partnership agreement or relationship contract;

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

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

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

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

31 (7) “Employee” means any regular and permanent employee or officer of any municipality,
32 whose business time at a minimum of twenty (20) hours a week is devoted to the service of the
33 municipality, including elective officials and officials and employees of city and town housing
34 authorities. Notwithstanding the previous sentence, the term “employee,” for the purposes of this

1 chapter, does not include any person whose duties are of a casual or seasonal nature. The retirement
2 board shall decide who are employees within the meaning of this chapter, but in no case shall it
3 deem as an employee any individual who annually devotes less than twenty (20) business hours per
4 week to the service of the municipality and who receives less than the equivalent of minimum wage
5 compensation on an hourly basis for his or her services, except as provided in § 45-21-14.1. Casual
6 employees mean those persons hired for an occasional period or a period of emergency to perform
7 special jobs or functions not necessarily related to the work of regular employees. Any
8 commissioner of a municipal housing authority, or any member of a part-time state board
9 commission, committee or other authority is not deemed to be an employee within the meaning of
10 this chapter.

11 (8)(a) "Final compensation" for members who are eligible to retire on or prior to June 30,
12 2012, means the average annual compensation, pay, or salary of a member for services rendered
13 during the period of three (3) consecutive years within the total service of the member when the
14 average was highest, and as the term average annual compensation is further defined in § 36-8-
15 1(5)(a). For members eligible to retire on or after July 1, 2012, [and who do retire prior to July 1,](#)
16 [2024,](#) "final compensation" means the average of the highest five (5) consecutive years of
17 compensation within the total service when the final compensation was the highest. [For members](#)
18 [eligible to and who retire on or after July 1, 2024, "final compensation" means the average of the](#)
19 [highest three \(3\) consecutive years of compensation within the total service when the final](#)
20 [compensation was the highest.](#)

21 (b) For members who become eligible to retire on or after July 1, 2012, if more than one
22 half (½) of the member's total years of service consist of years of service during which the member
23 devoted less than thirty (30) business hours per week to the service of the municipality, but the
24 member's average compensation consists of three (3) or more years during which the member
25 devoted more than thirty (30) business hours per week to the service of a municipality, such
26 member's average compensation shall mean the average of the highest ten (10) consecutive years
27 of compensation within the total service when the average compensation was the highest; provided
28 however, effective July 1, 2015, if such member's average compensation as defined in subsection
29 (a) above is equal to or less than thirty-five thousand dollars (\$35,000), such amount to be indexed
30 annually in accordance with § 45-21-52(d)(1)(B), such member's average compensation shall
31 mean the greater of: (i) The average of the highest ten (10) consecutive years of compensation
32 within the total service when the average compensation was the highest; or (ii) The member's
33 average compensation as defined in subsection (a) above. To protect a member's accrued benefit
34 on June 30, 2012, under this subsection (8)(b), in no event shall a member's average compensation

1 be lower than his or her average compensation determined as of June 30, 2012.

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

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

6 (10) "Full actuarial costs" or "full actuarial value" mean the lump sum payable by a
7 member claiming service credit for certain employment for which payment is required, which is
8 determined according to the age of the member and his or her annual rate of compensation at the
9 time he or she applies for service credit, and which is expressed as a rate percent of the annual rate
10 of compensation to be multiplied by the number of years for which he or she claims the service
11 credit, as prescribed in a schedule adopted by the retirement board, from time to time, on the basis
12 of computation by the actuary. Except as provided in §§ 16-16-7.1, 36-5-3, 36-9-31, 36-10-10.4,
13 and 45-21-53: (i) All service credit purchases requested after June 16, 2009, and prior to July 1,
14 2012, shall be at full actuarial value; and (ii) All service credit purchases requested after June 30,
15 2012, shall be at full actuarial value which shall be determined using the system's assumed
16 investment rate of return minus one percent (1%).

17 (11) "Governing body" means any and all bodies empowered to appropriate monies for,
18 and administer the operation of, the units as defined in subdivision (1) of this section.

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

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

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

27 (15) "Prior service" means service as a member rendered before the effective date of
28 participation as defined in this section, certified on his or her prior service certificate, and allowable
29 as provided in § 45-21-15.

30 (16) "Regular interest" means interest at the assumed investment rate of return,
31 compounded annually, as may be prescribed from time to time by the retirement board.

32 (17) "Retirement allowance" or "annuity" means the amounts paid to any member of the
33 municipal employees' retirement system of the state of Rhode Island, or a survivor of the member,
34 as provided in this chapter. All retirement allowances or annuities shall be paid in equal monthly

1 installments for life, unless otherwise specifically provided.

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

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

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

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

10 (22) Any term not specifically defined in this chapter and specifically defined in chapters
11 8 through 10 of title 36 shall have the same definition as set forth in chapters 8 through 10 of title
12 36.

13 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 --
ADMINISTRATION

- 1 This act would reduce the number of years from five (5) to three (3), when calculating for
2 retirement purposes, the average of the highest consecutive years of compensation, for state and
3 municipal employees.
4 This act would take effect upon passage.

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