

City of Providence

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

CHAPTER 2006-20

No. 121

AN ORDINANCE IN AMENDMENT OF CHAPTER 1998-22, NO. 308, APPROVED MAY 28, 1998, ENTITLED: "AN ORDINANCE IN AMENDMENT OF CERTAIN SECTIONS OF CHAPTER 17, ARTICLE IV OF THE CODE OF ORDINANCES ENTITLED "RETIREMENT SYSTEM", AS AMENDED

Approved March 24, 2006

Be it ordained by the City of Providence:

Sec. 17-185. Method of financing.

The funds hereby created are the annuity savings fund, the annuity reserve fund, the pension accumulation fund and the pension reserve fund.

- (1) Annuity savings fund. The annuity savings fund shall be a fund in which shall be accumulated contributions from the compensation of members to provide for their annuities and their withdrawal allowances. Upon the basis of such tables as the retirement board shall adopt and regular interest, the actuary of the retirement system shall determine for each class A member the proportion of the compensation which, when deducted from each payment of his prospective earnable annual compensation prior to his eligibility for service retirement and accumulated at regular interest until his attainment of the minimum age of service retirement for his group, shall be computed to provide at that time an annuity equal to the pension provided on account of his service as a member. Such proportion of compensation shall be computed to remain constant. In the event that the provisions of this article for the determination of the amount of the pension of a class A employee on account of his service as a member shall at any time, be amended, the retirement board shall adopt, as of the effective date of such amendment, rates of contribution for class A employees computed on the basis of such amendment and such contribution rates shall apply to all members who become class A employees after said effective date at the age attained upon entrance into such class. No increase in percentage contribution rates shall be required of members who are so classified on said effective date, but any such member may elect prior to said date to contribute at the rate as so amended applicable to his age attained on said date and thereafter deductions shall be made from his compensation at such amended rate. The retirement board shall adopt as of July 1, 1989, for employees in class B who are members of the Police Department and as of July 1, 1990, for employees in class B who are members of the Fire Department, a percentage contribution rate of nine and one-half (9 1/2) percentum, and thereafter deductions shall be made from the compensation of all members so classified at this rate, anything to the contrary in this article notwithstanding. The retirement board shall adopt as of July 1, 1974, for employees in class A, a percentage contribution rate of eight (8) percentum, and thereafter deductions shall be made from the compensation of all members so classified at this rate, anything to the contrary in this article notwithstanding.

The city controller shall certify the proportion of earnable compensation of each member so computed, and he shall deduct such proportion from the compensation of each member on each and every payroll of each department for each and every payroll period; but the city controller shall not make any deductions for annuity purposes from the annual compensation of a member who elects not to contribute if he has completed twenty-five (25) years of creditable service. In determining the amount earnable by a member in a payroll period, the retirement board may consider the rate of annual compensation payable to such member on the first day of the payroll period as continuing throughout such payroll period and it may omit deductions from compensation for any period less than a full

No.

CHAPTER
AN ORDINANCE

IN CITY COUNCIL
JAN 19 2006
FIRST READING
REFERRED TO COMMITTEE ON
FINANCE

Ann M. Stebbins CLERK

THE COMMITTEE ON

Finance
Recommends
Ann M. Stebbins
CLERK

1-25-06

THE COMMITTEE ON
FINANCE

Approves Passage of
The Within Ordinance, as Amended
Ann M. Stebbins
Clerk

2-9-06

Councilman Iglizzi - Councilman Hensett

payroll period if an employee was not a member on the first day of the payroll period; and to facilitate the making of deductions it may modify the deduction required by any member by such an amount as shall not exceed one-tenth of one percentum of the annual compensation upon the basis of which said deduction is to be made. The deductions provided for herein shall be made notwithstanding that the minimum compensation provided for by law for any member shall be reduced thereby. Every member shall be deemed to consent and agree to the deductions made and provided for herein and shall receipt for his full salary or compensation; and payment of salary or compensation less said deduction shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the services rendered by such person during the period covered by such payment except as to the benefits provided under this article. Said amounts shall be deducted and when deducted shall be paid into said annuity savings fund, and shall be credited, together with regular interest, to an individual account of the member from whose compensation said deduction was made.

In addition to the contributions deducted from compensation hereinbefore provided, any member may redeposit in the annuity savings fund by a single payment or by an increased rate of contribution an amount equal to the total amount which he withdrew previously therefrom as provided in this article, or any member may deposit therein by a single payment or by an increased rate of contribution an amount to be used to provide an additional annuity. Such additional amounts so deposited shall become a part of his accumulated contributions except in the case of retirement, when they shall be treated as excess contributions returnable to the member in the same manner and form as his normal accumulated contributions. The accumulated contributions of a member, withdrawn by him or paid to his estate or to his designated beneficiary in the event of his death as provided in this article, shall be paid from the annuity savings fund. Upon retirement of a member, his accumulated contributions shall be transferred from the annuity savings fund to the annuity reserve fund. Subject to such rules and regulations as the retirement board may provide, any member who has at least three (3) years of total service may borrow from his account in the annuity savings fund for the following purposes:

- a. Medical expenses.
- b. Dental expenses.
- c. Hospital expenses.
- d. Funeral expenses.
- e. Down payment on the purchase of real estate to be used in whole or in part as the member's home, or to be used for home improvements of member's home (primary residence).
- f. ~~Such other purposes as the retirement board may approve.~~ Educational Expenses limited to member, member's spouse, members's domestic partner, member's children and/or dependent(s).
- (g) The aggregate amount of loans outstanding to any member shall never exceed the lesser of the following amounts:
 1. Fifty (50) percentum of the amount of the members accumulated contributions.
 2. An amount, together with interest thereon, which must be repaid within ten (10) years by additional deductions from his compensation.
 3. No loan shall be issued for less than One Thousand (\$1,000.00) Dollars.
- (h) Prior to approval the member shall sign a sworn affidavit which specifically states the purpose for the loan.

The rate of interest payable on the unpaid balance of such loans shall be fixed at the date of commencement of the loan at the rate established ~~for this purpose from time to time by the retirement board.~~ by the pension system's actuarial's rate of return on the investment portfolio, plus one (1%) percent. The principle amount, together with interest thereon, shall be repaid to the retirement system in equal installments in such amounts as the board shall approve, and shall be deducted from the compensation of the member at the same time and in the same manner as the member's contributions to the retirement system are deducted. Such installments shall be at least equal to five (5) percentum of the member's compensation.

All payments of principal and regular interest made by a borrowing member shall be credited to his account in the annuity savings fund. The excess of the interest paid by him over the regular interest creditable to the account of the member shall be credited to the pension accumulation fund. The amount of any benefit which becomes payable under the provisions of this article shall be determined on the

basis of the member's accumulated contributions less the outstanding balance of such loan, and the pension shall be determined as if such loan had not been made. Should a beneficiary be restored to active service, his annuity reserve shall be transferred from the accumulation fund to his credit in the annuity savings fund.

(2) Annuity reserve fund. The annuity reserve fund shall be the fund from which shall be paid all annuities and all benefits in lieu of annuities, payable as provided in this article. Should a beneficiary retired on account of disability be restored to active service, his annuity shall cease and his annuity reserve shall be transferred to his credit in the annuity savings fund.

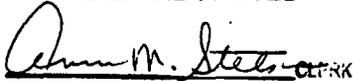
(3) Pension accumulation fund. The pension accumulation fund shall be the fund in which shall be accumulated all reserves for the payment of all pensions and other benefits payable from contributions made by the City of Providence and from which such pensions and other benefits shall be paid to or on account of beneficiaries credited with prior service. Contributions to and payments from the pension accumulation fund shall be made as follows:

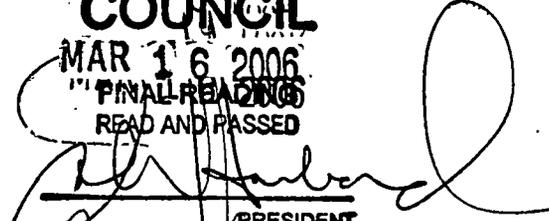
- a. On account of each member there shall be paid annually into the pension accumulation fund by the City of Providence for the preceding fiscal period, a certain percentage of the earnable compensation of each member to be known as the "normal contribution," and an additional percentage of his earnable compensation to be known as the "deficiency contribution." The rates percentum of such contributions shall be fixed on the basis of the liabilities of the retirement system as shown by actuarial valuations. Until the first valuation, the normal contribution shall be two and sixty-seven one hundredths ($2\frac{67}{100}$) percentum and the deficiency contribution shall be two and forty-five one hundredths ($2\frac{45}{100}$) percentum of the salaries of all members.
- b. On the basis of regular interest and of such mortality and other tables as shall be adopted by the retirement board, the actuary engaged by the city council to make each valuation required by this article during the period over which the deficiency contribution is payable, immediately after making such valuation, shall determine the uniform and constant percentage of the earnable compensation of the average new entrant, which, if contributed on the basis of his compensation throughout his entire period of active service would be sufficient to provide at the time of his retirement the total amount of his pension reserve. The rate percentum so determined shall be known as the "normal contribution" rate. After the deficiency contribution has ceased to be payable, the normal contribution shall be the rate percentum of the earnable salary of all members obtained by deducting from the total liabilities of the pension accumulation fund the amount of the funds in hand to the credit of that fund and dividing the remainder by one (1) percentum of the present value of the prospective future salaries of all members as computed on the basis of the mortality and service tables adopted by the retirement board and regular interest. The normal rate of contribution shall be determined by the actuary after each mortality and service investigation and shall continue in force until a new investigation and certification.
- c. Immediately succeeding the first valuation, the actuary engaged by the city council shall compute the rate percentum of the total compensation of all members during the preceding fiscal year which is equivalent to four (4) percentum of the amount of the total pension liability on account of all members and beneficiaries not dischargeable by the aforesaid normal contribution made on account of such members during the remainder of their active service. The rate percentum originally so determined shall be known as the "deficiency contribution rate." On the basis of the first actuarial valuation following the 1st day of April, 1965, the deficiency contribution rate shall be revised to provide for the liquidation of the deficiency then existing.
- d. The total amount payable in each year to the pension accumulation fund shall not be less than the sum of the rates percentum known as the normal contribution rate and the deficiency contribution rate of the total compensation earnable by all members during the preceding fiscal period; provided, however, the sum of such rates percentum need not exceed the rate percentum of the earnable salary of all members obtained by deducting from seventy (70) percentum of the total liabilities of all funds except the

annuity savings fund the amount of the funds in hand to the credit of such funds and dividing the remainder by one (1) percentum of the present value of the prospective future salaries of all members as computed on the basis of the mortality and service tables adopted by the retirement board and regular interest. The aggregate payment by the city into the pension accumulation fund shall be sufficient, when combined with the amount in the fund, to provide the pension payable out of the fund during the year then current.

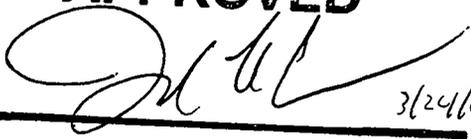
- e. The deficiency contribution shall be discontinued as soon as the accumulated reserve in the pension accumulation fund shall equal the present value, as actuarially computed and approved by the city council, of the total liability of such fund less the present value, computed on the basis of the normal contribution rate then in force, of the normal contributions to be received on account of persons who are at that time members.
 - f. All pensions with the exception of those payable on account of members who received no prior service allowance shall be paid from the pension accumulation fund.
 - g. Upon the retirement of a member not entitled to prior service allowance, an amount equal to his pension reserve shall be transferred from the pension accumulation fund to the pension reserve fund.
- (4) Pension reserve fund. The pension reserve fund shall be the fund from which shall be paid the pensions to members not entitled to a prior service allowance. Should any disability pension payable from said fund be canceled, the pension reserve thereon shall thereupon be transferred from the pension reserve fund to the pension accumulation fund. Should the pension of a disability beneficiary be reduced as a result of an increase in his earning capacity, the amount of the annual reduction in his pension shall be paid annually into the pension accumulation fund during the period of such reduction.

This Ordinance will take effect as of July 1, 2006.

IN CITY COUNCIL
MAR 2 2006
FIRST READING
READ AND PASSED

CLERK

IN CITY COUNCIL
MAR 16 2006
FINAL READING
READ AND PASSED

PRESIDENT

CLERK

APPROVED

3/24/06
MAYOR