

Police and Fire Handbook

This booklet was prepared exclusively for use by police and fire members of the Employees Retirement System of Rhode Island. It is not intended as a substitute for the Rhode Island General Laws nor will its interpretation prevail should a conflict arise between the contents of this booklet and Chapters 16, 36 and 45 of the Rhode Island General Laws. Finally, rules governing retirement are subject to change periodically either by statute of the Rhode Island Legislature or by regulation of the Employees Retirement Board of Rhode Island.

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Directions: The retirement office is located in downtown Providence behind the Biltmore Hotel. Take the Downtown Providence Exit / Exit 22 off Route 95. Parking is available in nearby lots.

Membership Information

What is the Employees Retirement System of Rhode Island?

The Employees Retirement System of Rhode Island is a contributory retirement system governed by Chapters 16, 36 and 45 of the Rhode Island General Laws. The plan provides retirement, disability and survivor benefits to state employees, public school teachers, and municipal employees including police officers and firefighters who are employed by a participating municipality.

Who governs the Employees Retirement System of Rhode Island?

The Employees Retirement System of Rhode Island is governed by a retirement board. The board, which meets the second Wednesday of each month, establishes rules and regulations for the agency. The board also approves each application for disability benefits and hears appeals by members who have been aggrieved by an administrative decision of the executive director. Finally, the Board oversees the delivery of services and information to its membership of over 32,000 active members and close to 17,000 retirees. The retirement board staff is managed by an executive director who oversees a staff of 23 full-time employees.

The Board is composed of fifteen members chosen in accordance with Chapter 36 of the Rhode Island General Laws and is chaired by the General Treasurer. Its membership includes:

1. State General Treasurer;
2. the director of administration or designee;
3. the budget officer or designee;
4. House finance committee fiscal advisor;

5. President of the League of Cities and Town or designee;
6. active state employee elected by the state membership;
7. active state employee elected by the state membership;
8. active teacher elected by the teacher membership;
9. active teacher elected by the teacher membership;
10. municipal member elected by the municipal membership;
11. retired member elected by the plan retirees;
12. chairperson of the house finance committee or designee;
13. chairperson of the senate finance committee or designee;
14. public representative appointed by the Governor with a Certified Life Underwriter designation;
15. public representative appointed by the Governor.

For those members elected by the membership or appointed by the Governor, the term of office is four years.

What services does the Employees Retirement System provide for its members?

- **Annual Statements**
Each March every active member of the retirement system will receive a statement regarding the amount of contributions he/she has within the retirement system. The statement will reflect the member's total contribution into the retirement system as of December 31st of the preceding year.
- **Retirement Counseling Services/Outreach**
A staff of four full-time retirement counselors is available to meet with members in our Providence office as well as in various other locales around the state. Appointments to meet with a retirement counselor can be made by dialing toll-free at 1-800-752-8088 or by calling (401) 222-2203.
- **Benefit Presentations**
Each fall, the Member Services Department sponsors a series of benefit presentations for members nearing retirement. You may also request a benefit presentation for your town or membership group.
- **Newsletter**
On at least a bi-annual basis, active and retired members of the retirement system will receive a newsletter updating them on issues such as pension legislation, option selection, and health insurance.

- **Toll-Free Number**
Members may call 1-800-752-8088 and ask to be connected to the Employees Retirement System.
- **Handbook Series**
Current pamphlets in the series include:

Blue Handbook for Retiring Members
Red Handbook for New Members
Green Handbook for Disability Applicants
Purple Handbook for Police & Firefighter Members

Membership and Contributions

Who is eligible to become a police and fire member of the Employees Retirement System of Rhode Island?

You must be a regular and permanent member of a participating fire or police department. Your employment cannot be casual or seasonal in nature and you must be employed on at least a 20-hour basis.

Am I required to become a member of the system?

Yes. Membership in the Municipal Employees Retirement System is a condition of employment and is required of all police and fire employees who meet the Board's eligibility requirements.

How much am I required to contribute?

The amount that you contribute to the system is based on the type of retirement plan that has been selected by your participating municipality:

| Type | Percentage |
|---|-------------------|
| Police and Fire Member with 25-year plan of salary* | 7.00% |
| Police and Fire Member with 20-year plan of salary* | 8.00% |

*Those public safety members whose municipalities have COLA provisions pay an extra one percent into the retirement system.

What does the municipality contribute to the retirement system?

Each year, the retirement system's actuary determines the amount of money necessary to fund the benefits of retirees and future retirees of your individual plan. Based on the liability, the actuary determines a percentage of payroll or "employer contributions" that is necessary to properly fund the level of benefits. The actuary determines a different employer contribution rate for each police and fire plan.

What happens to the money that I contribute to the system?

Once you are enrolled as a member in the Municipal Retirement System, an account is established in your name. Your employer deducts your retirement contributions and transfers them to the system. Each March, contributing members receive a statement showing the amount of contributions credited to your account.

How are my contributions invested?

Your contributions to the Municipal Employees Retirement System of Rhode Island are deposited into a trust fund set aside for the exclusive benefit of the members and beneficiaries of the retirement system.

The investments of the fund are managed by a seven-member State Investment Commission (SIC) chaired by the General Treasurer. The members of the State Investment Commission are the state's Director of Administration, the Chairperson of the House and Senate Finance Committees, and three members appointed by the Governor.

The investment commission meets monthly to review and analyze the investment performance of the state's pension fund. The commission invests 45% of the fund in US stocks and 30% in US bonds. The remainder of the funds is invested in alternative, real estate and international investments.

Eligibility for Retirement

When can I retire?

The laws governing your retirement differ according to your status as a state employee, teacher, municipal employee, or fire and police member. However, as of June 16, 1991, any member of the Employees Retirement System of Rhode Island must have 10 years of contributing service in order to retire. Members of the Municipal Retirement System must have 10 years of contributing service as of December 31, 1992.

If you are a police & fire member, you must first find out what kind of plan your municipality has adopted. There are really only two choices: the twenty-five year plan or the twenty-year plan. Find out which plan you are enrolled in by asking your personnel director or by calling the Employees Retirement System.

If you are a police or fire member of a department that has adopted the twenty-five year plan, you can retire with 25 years of service at any age, **or** at age 55 with ten years of contributing service. You may also be eligible to retire at age 50 with twenty years of service. However, in the last case, your retirement allowance will be reduced by 1/2 of one percent for each month that you are under the age of 55.

If you are a police or fire member of a department that has adopted an optional twenty-year plan, you may retire at any age as long as you have 20 years of service.

If you are a member of the South Kingston police department, you may retire as soon as the amount of your earned retirement allowance equals half pay or 50% of your salary.

All police and fire members must retire upon reaching age 70. Woonsocket officers must retire upon reaching age 65.

Service and Purchase of Service

How do I receive credit towards my retirement allowance?

Generally, the number of years you have worked and contributed to the retirement system will determine the amount of your retirement allowance. If you are a municipal fire and police member, you will receive one year of retirement credit for each year worked. Again, casual or seasonal employment is excluded.

In addition to regular service credit, you may also be eligible to receive credit for the following types of service. Please remember that purchases may be added to your total years of service, but that as of December 31, 1992 for municipal employees, you *must* have ten years of contributing service in order to retire.

Purchases, other than refunds, are not considered contributing service.

No member may purchase more than five years of service credit as of January 1, 1995. Repayments of previously withdrawn refunds are not considered purchases and will not be included in your five year purchase total.

Are there other types of credit that I may purchase?

Yes, a member is eligible to purchase other types of credit. Here is a description of the various types of credit available to you as a member of the Employees Retirement System.

Refunds

If you return to service after taking a refund of your contributions upon separation from service, you may restore your credits by paying into the system the amount you withdrew, plus interest, after completing one year of service from the date of your return.

Membership in other Participating Plans or Units

Time spent within other participating plans or units of the retirement system can be used towards your eventual retirement. For example, if you were employed by both the Town of Bristol and the State of Rhode Island (not concurrently), you may count both service periods towards your eventual retirement. Municipal credit must have been earned within a participating unit of the Employees Retirement System.

Leaves of Absence

You may currently purchase up to four years of credit for time spent on an official leave of absence from your employment. You must pay into the system the amount you would have contributed to the system, plus interest. You may only purchase such time provided you have returned to active service and have been employed for at least one year.

Layoffs

You may purchase up to one year of credit if you are laid off for any reason. You must pay into the system the amount you would have contributed to the system, plus interest. You must leave your contributions in the system and must be contributing at the time of purchase.

Military Service Credit

You can *receive* credit for time spent on active duty for service in the U.S. Armed Services or the Merchant Marine. Pursuant to R.I.G.L. 36-5-3, this time is granted to you if you were a member of the system for at least 6 months prior to entry into the armed forces and returned within one year after release or discharge from honorable military service.

You may also *purchase* credit for military service prior to becoming a member.

The purchase of credit is based upon 10% of your first full year of earnings. If you began your membership in the system after July 1, 1980, you may buy your

military credits interest free provided they are purchased within your first five years of membership in the system.

You can only receive or purchase up to four years of military credit.

What about my service as a call firefighter? May I purchase such time?

Yes, but only if you are a member of the North Providence fire department, North Kingston fire department or East Greenwich fire district. You will receive one year of credit for every three years of service as a member of the call system and you must contribute based upon the last year of compensation for each three-year period plus regular interest. In East Greenwich, you may also receive service credit as a volunteer firefighter.

When must I purchase creditable service?

You must be an active member of the retirement system in order to purchase retirement credit. You **cannot** purchase time towards your retirement after you retire or terminate.

How do I purchase creditable service?

Information about the purchase process is available upon request to the Member Services Department.

Your Retirement Allowance

How does the Employees Retirement System determine my retirement allowance?

The amount of your retirement allowance will be determined by two factors: your years of creditable service and your average salary for your three highest consecutive years. The factors used to determine your allowance vary according to your plan membership.

| Police and Fire | Percentage |
|---------------------------|-------------------|
| All Years | 2.0% |
| Optional Twenty-Year Plan | 2.5% |

Is there a limit to the amount of retirement benefit that I can receive?

Municipal employees cannot receive a retirement allowance that exceeds 75% of their average salary for their three highest consecutive years.

What happens if I leave my job before I am eligible for benefits?

If you withdraw from service before you are eligible for retirement, but after you have accumulated ten years of *contributing* service, you are eligible to receive a deferred retirement allowance. Provided you have left your contributions within the system, you may begin collecting at age 55.

Retirement Options

Will I have a choice of retirement options?

Police and Fire members of the Employees Retirement System are eligible for the following options:

Service Retirement Allowance/Maximum Plan

The Service Retirement Allowance is based on your creditable service and salary as a public employee. You receive more money under the Service Retirement Allowance than you do under Option 1 or Option 2. Furthermore, a retiree who selects the Service Retirement Allowance cannot change his/her retirement option after the date of retirement.

- **Option #1/Joint and Survivor Full**

Option #1 provides that upon the retiree's death, the beneficiary will receive for his/her lifetime the same retirement allowance as was received by the member. Thus, there will be an initial actuarial reduction in the retirement amount granted to the retiree/member of the retirement system. If under Option #1, you select a beneficiary who is not your spouse, the beneficiary may not be more than 10 years younger than the member retiree. Should you select Option 1, you are given the right to change your retirement option *one time only* provided the retiree and the beneficiary have not divorced.

- **Option #2/Joint and Survivor Half**

Option #2 provides that upon the retiree's death, the beneficiary will receive for his/her lifetime a retirement allowance that is equal to half the retirement allowance that was originally received by the member. Should you select Option 2, you are given the right to change your retirement option provided that the retiree and the beneficiary have not divorced. You may elect to change your retirement option only once.

The police and fire statutes also provide that upon your death (either active or retired), your spouse provided that she/he does not re-marry will receive 30% of your salary plus an additional 10% for each child under age 18 to a maximum family benefit of 50%. In the case of an active death, however, this benefit will not be awarded if the member has filled out an Optional Annuity Protection form.

I don't understand the different options. Can you explain to me how they work?

Here's an example using a 49-year old firefighter with 25 years of service and an average salary of \$40,000. He is enrolled in a twenty-five year plan:

| | |
|--|--------------------------|
| Paul Firefighter | |
| Member's Age: | 49 years |
| Creditable Service: | 25 years |
| Average Salary: | \$40,000 |
| Spouse: | 46 years/3 yrs. younger |
| Service Retirement Allowance/SRA: | |
| 25 years x 2.0% = | 50.0% |
| 50% x \$40,000 = | \$20,000 yearly for life |

| | |
|---|--|
| (service) x (salary) = | (retirement allowance) |
| 30% x \$49,000 = | \$12,000 (spousal benefit so long as he/she does not remarry) |
| Option #1: | |
| Member's Age: | 49 years |
| Spouse: | 46 years/3 yrs. younger |
| SRA Allowance: | \$20,000 |
| Option #1 Factor of 78% (See Option Chart) | |
| 78% x \$20,000 = | \$15,600 allowance to member for life. |
| Beneficiary will also receive \$15,600 for his/her lifetime. No spousal benefit necessary. | |
| Option #2: | |
| Member's Age: | 49 years |
| Spouse: | 46 years/3 yrs. younger |
| SRA Allowance: | \$20,000 |
| Option #2 Factor of 88% (See Option Chart) | |
| 88% x \$20,000 = | \$17,600 yearly allowance to member for life. |
| (factor x SRA) | |
| Beneficiary will receive half of member's allowance or \$8,000 for his/her lifetime. | |
| No spousal benefit necessary. | |

Option Factor Charts

| | | | | | |
|--|------------------------------|-----------------|--|------------------------------|-----------------|
| If the beneficiary is younger than the member, use this chart: | | | If the beneficiary is older than the member, use this chart: | | |
| Beneficiary's Age | Percentage of Benefit | | Beneficiary's Age | Percentage of Benefit | |
| Compared to Members Age | Paid to Member | | Compared to Members Age | Paid to Member | |
| | Option 1 | Option 2 | | Option 1 | Option 2 |
| Same Age | 81% | 89% | Same Age | 81% | 89% |

| | | | | | |
|------------------|-----|-----|----------------|-----|-----|
| 1 Year Younger | 80% | 89% | 1 Year Older | 82% | 90% |
| 2 Years Younger | 79% | 88% | 2 Years Older | 83% | 90% |
| 3 Years Younger | 78% | 88% | 3 Years Older | 84% | 91% |
| 4 Years Younger | 77% | 87% | 4 Years Older | 85% | 92% |
| 5 Years Younger | 76% | 86% | 5 Years Older | 86% | 92% |
| 6 Years Younger | 75% | 86% | 6 Years Older | 86% | 93% |
| 7 Years Younger | 74% | 85% | 7 Years Older | 87% | 93% |
| 8 Years Younger | 74% | 84% | 8 Years Older | 88% | 94% |
| 9 Years Younger | 73% | 84% | 9 Years Older | 89% | 94% |
| 10 Years Younger | 72% | 83% | 10 Years Older | 90% | 95% |
| 11 Years Younger | 71% | 83% | 11 Years Older | 91% | 95% |
| 12 Years Younger | 70% | 82% | 12 Years Older | 91% | 95% |
| 13 Years Younger | 69% | 82% | 13 Years Older | 92% | 96% |
| 14 Years Younger | 68% | 81% | 14 Years Older | 93% | 96% |
| 15 Years Younger | 67% | 80% | 15 Years Older | 93% | 97% |
| 16 Years Younger | 67% | 80% | | | |
| 17 Years Younger | 66% | 79% | | | |
| 18 Years Younger | 65% | 79% | | | |
| 19 Years Younger | 64% | 78% | | | |
| 20 Years Younger | 64% | 78% | | | |

Why do I need to select a beneficiary if I've chosen SRA?

Regardless of which option you select, your beneficiary is eligible to receive a death benefit. *Thus, it is imperative that all retirees have on file the name of a current beneficiary.* Otherwise, your death benefit will be issued to your estate.

What is the amount of the death benefit to which my beneficiary is entitled?

For each year of service that you have rendered, your beneficiary will receive a death benefit of \$800.00 up to a maximum of \$16,000. This amount is reduced 25% every year after retirement, but *all beneficiaries will receive a minimum benefit of \$4,000.*

Disability Retirement and Accidental Death Benefits

What happens if I should become permanently disabled while a member of the police or fire department?

If you should find yourself disabled and unable to work for an extended period of time, you may be eligible to receive disability benefits from the Employees Retirement System of Rhode Island.

Are there different types of disability benefits?

Yes, there are different types of disability benefits. Accidental disability benefits are available to those individuals who find themselves physically or mentally incapacitated because of a work-related accident. In other words, the individual's

disability is causally related to his/her employment and, but for his/her employment, the individual would not be disabled.

There are also ordinary disability benefits. You should apply for ordinary disability benefits if the reason for your disability is independent of your employment as a public employee.

Who makes the decision to grant disability benefits?

The Employees Retirement Board of Rhode Island makes the decision to grant disability benefits. However, in granting benefits they must adhere to the legal standard regarding disability found in the Rhode Island General Laws. In awarding an accidental disability benefit, the board must find:

that the member is physically or mentally incapacitated for the performance of service as the result of an accident while in the performance of duty. The disability cannot be the result of willful negligence or misconduct on the part of the member, nor can the disability be the result of age or length of service.

In reviewing an application for accidental disability, the Board will be particularly interested in the relationship between your disability and the accident which is said to have caused your condition. It will examine all the documents which you have submitted which relate to your accident or injury and in many instances will confer either by phone or in writing with your employer and those individuals who have witnessed the event.

In granting an ordinary disability benefit, the Board need only find:

that the member is physically or mentally incapacitated for the performance of duty and ought to be retired.

Accidental Disability Retirement

Can anyone apply for accidental disability benefits?

Any *active* member of a police or fire department may apply for an accidental disability retirement provided he/she has not attained the age of sixty-five. There are no service requirements.

You must file your accidental disability application within 5 years of the date of the accident.

What will I receive if I am granted accidental disability retirement allowance?

If you are granted accidental disability benefits, you will receive a pension that is equal to two-thirds of your annual compensation as of the date of your retirement from service.

Example:

$\$40,000 \times 66\frac{2}{3}\% = \$26,640.$

(salary) (accidental disability benefit)

Under what options can I receive my accidental disability retirement?

You can receive your accidental disability retirement benefit under the Service Retirement Allowance (SRA), Option 1 or Option 2.

Ordinary Disability Retirement

Can anyone apply for ordinary disability benefits?

No. In order to apply for ordinary disability benefits, a member must have at least five years of contributing service. The applicant cannot be eligible for a regular retirement allowance.

What will I receive if I am granted ordinary disability benefits?

If you are granted ordinary disability benefits, you will receive a retirement allowance that is equal to what you would have received had you retired with a Service Retirement Allowance. If you have under 10 years of service, your ordinary disability benefit will be computed as if you had 10 years of service. Here is an example.

| | |
|--|---|
| Police Officer | |
| Service: | 7 years (bumped up to 10 years) |
| Average Salary at time of Disability Retirement: | \$33,000 |
| Ordinary Disability Benefit/SRA: | |
| First 10 years x 2% = | 20.0% total percentage |
| 20% x \$33,000 = | \$6,600 yearly for life (ordinary disability benefit) |

Under what options can I receive ordinary disability benefits?

As of August 6, 1996, new applicants for ordinary disability are eligible to select an option upon retirement. As with accidental disability, you can only receive your ordinary disability retirement benefit under the Service Retirement Allowance (SRA), Option1 or Option2. You cannot elect the Social Security Option if you are receiving an ordinary disability retirement.

If you have decided to apply for disability benefits, you should call the Employees Retirement System at (401) 277-2203 and ask to speak with a retirement counselor. The counselor will recommend that you make an appointment and send you a Disability Retirement Packet that includes the Green Handbook on Disability Retirement.

Accidental Death Benefit

What happens should a member lose his/her life in the line of duty?

If you should lose your life in the line of duty, your spouse and dependent beneficiaries will be eligible to receive accidental death benefits. In order to receive such benefits, however, evidence submitted to the retirement board must show that the member's death "was the natural and proximate result" of an accident while in the performance of duty and that the accident was not the result of member's negligence.

What will my spouse receive under the accidental death statute?

In addition to a return of contributions, the member's spouse will receive a monthly annuity equal to 50% of the member's compensation at the time of death. In addition, the member's spouse will receive an additional 10% for each child under the age of eighteen. The entire benefit cannot exceed 66-2/3rds

percent and will cease should the widow or widower remarry after receipt of the benefits.

Applying for Retirement

How do I go about applying for my retirement?

You should contact the retirement system about six months prior to the date of your retirement. We will send you an Application for Retirement and make an appointment for you to meet with one of our retirement counselors. Although it is not required, we strongly recommend that you meet with a retirement counselor prior to your retirement.

You should bring your completed Application and a copy of your birth certificate with you on the day of your appointment. You will also have to fill out an Option Selection Form before your retirement can be processed.

After You Retire

When I retire, how will I be covered for health insurance?

As a municipal employee, you should contact your municipal personnel department regarding retiree health care benefits.

All retirees will be able to take advantage of COBRA which allows a retiree to purchase from his/her employer the same medical coverage after retirement that he/she had before retirement for 18 months or until age 65 (whichever occurs first). After 18 months of COBRA coverage, retirees are eligible to have *basic* group coverage deducted from their monthly pension check.

Will I have to pay state and federal income tax on my retirement allowance?

Yes. If you are a Rhode Island resident, you will have to pay state and federal income tax on the retirement benefits you receive from the State of Rhode Island. Different rules may apply if you are a resident of another state. Accidental disability retirements from the ERSRI are not taxable.

Can I have federal income tax withheld from my retirement allowance?

Yes. You must complete tax form W4P when you retire. The Retirement Office is required by law to inform all benefit recipients that they may elect to have federal income tax withheld from their monthly benefit allowances. You may be subject to tax penalties on your retirement income if you fail to pay or withhold sufficient tax.

Can I have my check sent directly to my bank?

Electronic transfer of your check is strongly recommended. To sign up for Direct Deposit of your retirement check, you must complete Form 1199A at your local bank. A Direct Deposit statement will be sent to your address monthly.

Can I work after I retire?

You may not go back to work full-time for any participating unit in ERSRI and receive a retirement allowance from the State of Rhode Island. You may work on a part-time basis under limited circumstances and should contact the retirement system for additional information.

You may work for a private employer or the federal government.

Will cost-of-living adjustments be added to my retirement allowance each year?

Municipal employees receive a cost-of-living adjustment *only* if the municipality from which the member is retiring has adopted a COLA provision. If the COLA has been adopted, municipal retirees receive a 3% cost-of-living adjustment on the next January following their retirement date. The 3% annual adjustment is *not* compounded.

Other Benefits

If I should die before I retire, what benefits would my survivor be entitled to?

If you have over ten years of service and have completed an Optional Annuity Protection form, your beneficiary will have the option of receiving either a return of contributions or a monthly annuity in addition to the death benefit. Spouses will automatically get this option provided the member had over ten years of service and the spouse was the sole beneficiary.

Or, your spouse may elect a yearly annuity of up to 50% of your rate of compensation at the time of your death depending upon the number of dependent children. Should your spouse re-marry and have children of the deceased member under the age of eighteen, he/she will still be eligible to receive 15% of your rate of compensation for each child under the age of eighteen up to a maximum family benefit of 50%.

If the spouse is divorced from the member at the time of death, no benefits are available.

Public safety member should only fill out an Optional Annuity Protection form if their beneficiary is not the spouse as the OAP form will negate whatever benefits are available under the police and fire statutes.

Employees Retirement System of Rhode Island Retirement Board

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