

State of Rhode Island  
**Budget  
 Office**  
 Department of Administration

**State Fiscal Note for Bill  
 Number: 2020-H-7653**

**Date of State Budget Office Approval:**

**Date Requested:** Thursday, March 5, 2020

**Date Due:** Sunday, March 15, 2020

**Impact on Expenditures**

FY 2020 \$0  
 FY 2021 Indeterminate  
 FY 2022 Indeterminate

**Impact on Revenues**

FY 2020 \$0  
 FY 2021 \$0  
 FY 2022 \$0

*Explanation by State Budget Office:*

This bill would allow teachers, state and municipal employees to retire upon the earlier of reaching age sixty (60) with thirty (30) years of service or the employee's retirement eligibility date under current statutes.

*Comments on Sources of Funds:*

All funding sources support the employer's share of retirement costs. This could include general revenue, federal funds, restricted receipts and various other sources of funds.

*Summary of Facts and Assumptions:*

The Rhode Island Retirement Security Act of 2011 (RIRSA) was implemented on July 1, 2012. This law made numerous changes to retirement benefits for state and municipal public employees, teachers and retiree groups. Several of these employee and retiree groups challenged these changes in court. A settlement agreement was reached with most parties, and legislation to enact the settlement terms was passed as part of the FY 2016 state budget. Prior to RIRSA, retirement system members were eligible for a defined benefit retirement benefit upon completion of state service when reaching retirement eligibility. RIRSA created a combined defined benefit and defined contribution plan effective July 1, 2012. As a result, member contributions to the defined benefit plan were reduced from 8.75% of compensation to 3.75% with the difference going to a new defined contribution plan, matched with an employer contribution based on years of services.

Effective July 1, 2015, the pension settlement agreement returned a specific group of members to the defined benefit plan: members with 20 years or more of total service as of June 30, 2012 and increased the contribution amount for this group from the previous 8.75% to 11% of compensation.

For most employees, their retirement eligibility date is based on the age at which they become eligible for Social Security. For many employees, this age is at least 62 and likely 65 or greater. This legislation would allow many of these employees to retire several years earlier than under current statutes.

*Summary of Fiscal Impact:*

The fiscal impact of this legislation is indeterminable without a complete actuarial study by the Employees' Retirement System to determine the financial impact on the Trust Fund. Lowering the retirement age for a significant number of state and municipal employees and teachers would increase the outflows from the Retirement Trust Funds, which would likely translate into significant increases in employer contributions. No change in employee contribution rates is contemplated in the legislation.

*Prepared by:*

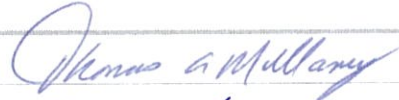
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Budget Office Signature:



Fiscal Advisor Signature:

