



State of Rhode Island
Office of the General Treasurer

James A. Diossa
General Treasurer

22 April 2025

The Honorable Marvin Abney
Chair, House Committee on Finance

The Honorable Members of the House Committee on Finance

RE: 2025-H 5318 – *An Act Relating to Public Officers and Employees – Retirement System - Administration*

Chair Abney:

I write with regard to 2025-H 5318, which would require the Employees' Retirement System of Rhode Island ("ERSRI") to recalculate the retirement benefit of state employees, teachers, and municipal employees that retired after June 30, 2012, based on their highest three consecutive years of compensation.

Defined Benefit pension systems use an employee's final average salary to determine the size of that employee's pension payment. Effective last year, state law now provides that an employee's final average salary is based on the average of the three highest consecutive years of earnings, regardless of when they occur. *See* R.I. Gen. Laws § 36-8-1 (5); R.I. Gen. Laws § 16-16-1 (9) (incorporating the definition under Title 36); R.I. Gen. Laws § 45-21-2 (8)(a).¹ However the retirement benefit of any member that retired between July 1, 2012 and June 30, 2024 was calculated based on the average of the member's *five* highest consecutive years of earnings.

These amendments attempt to prospectively change a retired employee's base benefit. Since this legislation purports to expand retirement benefits for a class of retired state and municipal employees, it will have an impact on the pension system.

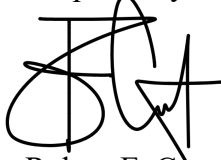
¹ Members of ERSRI eligible to retire as of September 30, 2009, are subject to a different definition. *See* R.I. Gen. Laws § 36-8-1 (5); R.I. Gen. Laws § 16-16-1 (9) (incorporating the definition under Title 36). For those members, final average compensation is based on the average of the three highest consecutive years of earnings, regardless of when they occur. *See, id.* Members of the Municipal Employees' Retirement System eligible to retire on or prior to June 30, 2012, are likewise subject to a three-year average. R.I. Gen. Laws § 45-21-2 (8)(a).

Consistent with Rhode Island law, legislation concerning the pension system should not be approved without the benefit of a pension impact note. *See* R.I. Gen. Laws §§ 36-10-39; 45-21-42.2 (Legislation impacting the pension system “shall *not* be approved by the general assembly unless an explanatory statement or note . . . is appended to the proposed legislation which actuarially calculates . . . the projected twenty (20) year cost of the proposed legislation”) (emphasis added). This independent assessment will clarify the impact the proposed legislation may have on both the State budget, and the sustainability of the pension system. The Chairperson of the House Finance Committee – with the approval of the Speaker of the House – can request a pension impact note concerning proposed legislation originating in the House. *See* R.I. Gen. Laws §§ 36-10-39; 45-21-42.2.

Further, compliance with this legislation will impose be a considerable administrative burden. Should this legislation pass, ERSRI would need to re-calculate the pension benefit and cost of living adjustment of over 13,500 pensioners *manually*. ERSRI’s system is not programmed for this type of re-calculation. This time-consuming process would take an estimated two to three years to complete. Consequently, any effective date must properly account for benefit administration.

Please feel free to reach out by email at Robert.CravenJr@treasury.ri.gov or by phone at (401) 330-0661 with any further questions.

Respectfully,

A handwritten signature in black ink, appearing to be 'R. Craven, Jr.', written over a horizontal line.

Robert E. Craven, Jr.
Director of Policy and Intergovernmental Affairs
Office of the General Treasurer

cc: The Honorable John Edwards