



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 6238 – *An Act Relating to Public Officers and Employees – Retirement System – Contributions and Benefits*

Chair Abney:

I write with regard to 2025-H 6238 which purports to reinstate an annual compounded cost-of-living increase based upon the Consumer Price Index for all Urban Consumers (“CPI-U”) applied to either (1) the entirety of a retired member’s “retirement benefit” as of “January 1, 2025,” or (2) for those not currently retired, “the average annual base pay of the last three (3) years of service.” By its own terms, this bill will *only* benefit “state employees and all beneficiaries of state employees.” Therefore, this bill *would not* impact retirement benefits afforded to teachers, municipal employees, judges, and members of the state police in its current form. Since this legislation will expand post-benefit retirements, it will have an impact on the state’s pension system.

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. Law § 36-10-39 (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 any 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. Law § 36-10-39.

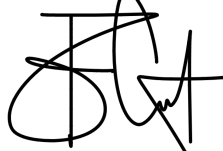
Further, the Office of the General Treasurer has some concerns regarding the merits of the bill, should it pass as drafted. Foremost, this legislation would require the Employees’ Retirement

System of Rhode Island (“ERSRI”) to calculate a members statutory cost-of-living adjustment (“COLA”) based purely on the CPI-U. It *does not* include any guardrails that anticipate a negative change to the CPI-U. Whereas the current statutory formula cannot result in a negative COLA, *this legislation may well result in a negative COLA should there be an economic downturn*. In the wake of the Great Recession in 2009 – for example – the CPI-U was -0.4%. Should this bill have been in effect at the time, this language could be read to require ERSRI to *withhold* 0.4% of a member’s pension benefit.

This provision may also result in a reduced COLA for members retiring after January 1, 2025. “For those not receiving benefits at the time of the passage of this act” – namely, active members of ERSRI – their annual COLA after retirement is to be based “on the average of annual *base pay* of the last three (3) years of service.” (emphasis added). By law – however – a member’s base pay *excludes* holiday and longevity pay. A member’s final average compensation would include a member’s base pay and holiday and longevity pay.

Please feel free to reach out by email at [Robert.CravenJr@treasury.ri.gov](mailto: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.", with a stylized, cursive script.

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

cc:               The Honorable Patricia Serpa