

# THE FALLACY OF "DON'T TOUCH THE TRUST FUND"

Numerous stakeholders and "impartial" observers have used the above trope to demonstrate concern for the solvency of the RI Pension Trust Fund. By definition, a government Pension Trust Fund is monies held in trust to remove the benefit obligations to the fund members from the vagaries of annual governmental budgeting.

In simpler terms, the fund exists to ensure obligated benefits to the members. The members do not exist to insure the fund, the fund exists to insure the members. There is currently over \$13 Billion in the ERSRI Trust Fund. There is already ample money to meet benefit obligations well into THE FUTURE.

THE FUTURE is as outlined below:

- \* Continuation of below inflation benefits for pre 2012 retirees (now over 40% reduction in benefit value).
- \* Death of 90% of pre 2012 retirees by 2035. (Over 50% have already died)
- \* Forced hybrid plan for post 2012 retirees, placing significant risk on retirees/employees.
- \* By 2035, most retirees will have only 1/4 of their pension in a guaranteed account (computed on a capped base).
- \* By 2035, most retirees will have 3/4 of their pension in a risky savings/investment program.

HOWEVER, by 2035, the employer contributions are projected to fall from \$461M to \$100M, and continue to plummet in perpetuity. This is THE FUTURE for governmental employers.

We return to the motives of those who cite fiduciary responsibility as they parrot, "DON'T TOUCH THE TRUST FUND."

- \* Government employers - Can continue to hide under the cloak of fiduciary responsibility while renege on the deferred compensation obligated to their employees.
- \* RIPEC - Continue to lobby for tax cuts for their billion-dollar corporations.
- \* Public Service Unions - Continue to prioritize wage increases for dues-paying actives over benefits for non dues-paying retirees.
- \* Non-Profits - Continue to increase available money for government grants and funding.
- \* Government Programs - Continue to lobby internally for additional funding.

As detailed above, the ERSRI Pension Plan has been restructured into a glorified savings plan. The Trust Fund is structured to that reality. (Indeed, the employers' Annual Required Contribution has been actuarially lowered in the last few years). It is the government that has "touched" the Trust Fund. To use the Trust Fund as it is intended, the benefits should be inflation-protected, and the employers' contribution should continue past the 2035 termination of meaningful employer involvement.