

Date of State Budget Office Approval: Wednesday, March 31, 2021

Date Requested: Monday, March 22, 2021

Date Due: Thursday, April 1, 2021

Impact on Expenditures

FY 2021 Undetermined
 FY 2022 Undetermined
 FY 2023 Undetermined

Impact on Revenues

FY 2021 N/A
 FY 2022 N/A
 FY 2023 N/A

Explanation by State Budget Office:

This legislation, which would take effect July 1, 2021, would allow teachers, state employees, and municipal employees to retire at age sixty (60) with thirty (30) years of service or at the present statutory retirement age. The current retirement statute, effective July 1, 2015, allows teachers, state employees, and municipal employees to retire between ages sixty-two (62) and sixty-five (65) depending on years of service or at their formula-calculated retirement age, whichever is earlier.

Comments on Sources of Funds:

All funding sources flow into the state's retirement system for the employer share. This includes general revenue, federal funds, restricted receipts, and other funds.

Summary of Facts and Assumptions:

Retirement age and benefits for teachers, state employees, and municipal employees are set by statute and calculation by formula. The base retirement age in the formula is sixty-two (62) years of age, and this base retirement age can be adjusted downward based on years of service by the teacher, state employee, or municipal employee, though not to adjust below age fifty-nine (59). Teachers, state employees, and municipal employees with twenty (20) or more years of service are eligible to retire prior to the calculated or set retirement age, however. In cases such as these, an actuarial reduction in retirement benefits is taken for each year preceding retirement age, not to exceed five (5) years.

Effective July 1, 2015, the options for retirement age were expanded to ages sixty-two (62) to sixty-five (65), depending on years of service. The current legislation, which would take effect July 1, 2021, would reduce the age to sixty (60) so long as the teacher, state employee, or municipal employee had completed thirty (30) years of service.

Per statute, no teacher, state employee, or municipal employee shall be eligible for retirement benefits unless they acted as contributors to the state retirement system for at least ten (10) years.

Lowering the retirement age will subsequently increase outlays from the Retirement Trust Fund, which would increase employer contributions as employee contributions are not affected by the legislation. Because the number of teachers, state employees, and municipal employees currently eligible for retirement under statute is not known by the Budget Office; the number of teachers, state employees, and municipal employees opting for retirement with actuarial decrease in benefits is not known by the Budget Office; and the number of teachers, state employees, and municipal employees approaching retirement age is not known by the Budget Office, an

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actuarial study by the Employees' Retirement System is necessary to calculate fiscal impact.

The current legislation is intended to apply to teachers, state employees, and municipal employees. However, the section of the legislation impacting Rhode Island General Laws Section 36-10-9 specifies a retirement age change for teachers rather than general state employees. This specification thus excludes state employees from the retirement age change and may be altered to be inclusive of state employees.

*Summary of Fiscal
Impact:*

Fiscal impact undetermined until such a time as an actuarial study can be completed.

Budget Office Signature:

JMCP

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Fiscal Advisor Signature:

