



**State Fiscal Note for Bill  
Number: 2023-H-5092**

**Date of State Budget Office Approval:** Wednesday, May 24, 2023

**Date Requested:** Thursday, May 18, 2023

**Date Due:** Sunday, May 28, 2023

**Impact on Expenditures**

FY 2023 \$0  
 FY 2024 Indeterminate  
 FY 2025 Indeterminate

**Impact on Revenues**

FY 2023 N/A  
 FY 2024 N/A  
 FY 2025 N/A

*Explanation by State Budget Office:*

This bill would allow teachers, state and municipal employees to retire upon the earlier of: 1) Reaching age 60 with 30 years of service, or 2) The completion of at least five years of contributory service and attainment of social security retirement age, and five or more years contributory service, who have a relevant age of social security retirement age, with the age being adjusted downward in proportion to the service the teacher has earned as of June 30, 2012.

*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

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Trust Funds, which would likely translate into significant increases in employer contributions. No change in employee contribution rates is contemplated in the legislation.

Budget Office Signature:

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Fiscal Advisor Signature: