



**State Fiscal Note for Bill
 Number: 2023-H-5240**

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:

Section 1 of this Act amends RIGL 16-16-40, entitled “Additional benefits payable to retired teachers,” by striking the provision that suspends Cost of Living Adjustments (COLAs) for retired teachers until the funded ratio for the Employees’ Retirement System of Rhode Island, the Judicial Retirement Benefit Trust, and the State Police Retirement Benefits Trust on an aggregate basis exceed eighty percent (80%). In place of the suspended COLA the bill institutes an annual adjustment equal to twenty five percent (25%) of the full COLA until the funding ratio exceeds eighty percent (80%), at which point the COLA is fully reinstated.

Additionally, the bill strikes the provision that establishes a COLA given to retirees every four years based on investment performance and inflation until the funding ratio exceeds eighty percent (80%), at which point the COLA is fully reinstated. Section 2 of this Act amends RIGL 36-10-35, entitled “Additional benefits payable to retired employees,” by striking the provision that suspends Cost of Living Adjustments (COLAs) for retired state employees until the funded ratio for the Employees’ Retirement System of Rhode Island, the Judicial Retirement Benefit Trust, and the State Police Retirement Benefits Trust on an aggregate basis exceed eighty percent (80%). In place of the suspended COLA the bill institutes an annual adjustment equal to twenty five percent (25%) of the full COLA until the funding ratio exceeds eighty percent (80%), at which point the COLA is fully reinstated.

Additionally, the bill strikes the provision that establishes a COLA given to retirees every four years based on investment performance and inflation until the funding ratio exceeds eighty percent (80%), at which point the COLA is fully reinstated. Section 3 of this Act amends RIGL 42-21-52, entitled “Automatic increase in service retirement allowance,” by striking the provision that suspends Cost of Living Adjustments (COLAs) for retired municipal employees participating in the Municipal Employee Retirement System until the funded ratio exceed eighty percent (80%). In place of the suspended COLA the bill institutes an annual adjustment equal to twenty five percent (25%) of the full COLA until the funding ratio exceeds eighty percent (80%), at which point the COLA is fully reinstated.

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*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. Payments to retirees are supported by the State Employees', State Police, Judicial Retirement, and Municipal Employees' Retirement Trust Funds.

*Summary of Facts
and Assumptions:*

The bill will take effect upon passage which is assumed to be late June 2023. The Municipal Employee Retirement System consists of multiple separate pension plans from local units of government throughout Rhode Island. Gabriel, Roeder, and Smith completed an Actuarial Valuation Report for the Employees Retirement System of Rhode Island, the Judicial Retirement Benefit Trust, the State Police Retirement Benefits Trust, and the Municipal Employee Retirement System as of June 30, 2022. The funded ratios included in the report are as follows:

State Employees: 58.8% funded

Teachers: 61.5%

Judicial Retirement Benefit Trust: 104.0%

State Police Retirement Benefits Trust: 90.0%

Municipal Employee Retirement System: 121 pension plans are managed by Municipal Employee Retirement System and the average funded ratio is 85.9%, the Central Falls Police & Fire Legacy plan has the lowest funded ratio of 41.7% and 37 plans have a funded ratio of 100% or greater.

Aggregate Funded ratio: 59.1%

Retired state and municipal employees and retired teachers would receive a partial COLA in calendar year 2023 per the four-year COLA provision stricken as part of this bill. If the bill is enacted into law retirees would not receive the four-year COLA and would receive a benefit adjustment equal to twenty five percent (25%) of the full COLA.

*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 of the Trust Funds. Reinstating COLAs for retirees would increase the outflows from the Retirement 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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Joseph Codega
Date: 2023.05.24
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Fiscal Advisor Signature:

