



State of Rhode Island
Office of the General Treasurer

James A. Diosa
General Treasurer

11 May 2026

The Honorable Louis DiPalma
Chair, Senate Committee on Finance

The Honorable Members of the Senate Committee on Finance

RE: 2026-S 2538 – *An Act Relating to Education – Teachers’ Retirement*

Chair DiPalma:

I write with regard to 2026-S 2538, which would require the Employees’ Retirement System of Rhode Island (“ERSRI”) to recalculate the retirement benefit of state employees, teachers, and municipal employees that retired after June 30, 2009 and before July 1, 2024, based on their highest three consecutive years of compensation. As presented, it is unclear whether this legislation would require retroactive payments back to 2009, or would only require a prospective benefit adjustment.

Defined Benefit pension systems use an employee’s final average salary to determine the size of that employee’s pension payment. State law currently provides for a three-year final average salary formula for all employees retiring on or after July 1, 2024. *See* R.I. Gen. Laws § 36-8-1 (5)(b); R.I. Gen. Laws § 16-16-1 (9) (incorporating the definition under Title 36); R.I. Gen. Laws § 45-21-2 (8)(a). However, the benefit of any member that retired between October 1, 2009 and June 30, 2024 was calculated based on the average of the member’s *five* highest consecutive years of earnings.

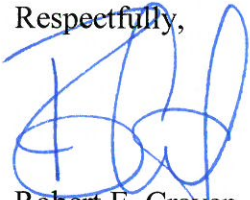
Since this legislation purports to expand retirement benefits for a class of retired state and municipal employees, it will have an impact on the pension system. Consistent with Rhode Island law, legislation concerning the pension system should not be approved without the benefit of a pension impact note. *See* R.I. Gen. Laws §§ 36-10-39; 45-21-42.2 (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 the impact the proposed legislation may have on both the State budget, and the sustainability of the pension system. The Chairperson of the Senate Finance Committee – with the approval of

the Senate President – can request a pension impact note concerning proposed legislation originating in the Senate. *See* R.I. Gen. Laws §§ 36-10-39; 45-21-42.2.

Aside from the pension impact, compliance with this legislation will result in a considerable administrative burden for ERSRI. Should this legislation pass, ERSRI would need to re-calculate the pension benefit of over 14,000 pensioners. Administrative costs to process this change would include a software change order, as well as staff hours to audit results. Retirement counselors would also have to recalculate special cases like disabilities *manually*. Indeed, a Fiscal Note produced by the Office of Management and Budget concerning this bill estimates the total administrative cost to be nearly \$9 million.

Please feel free to reach out by email at Robert.CravenJr@treasury.ri.gov or by phone at (401) 330-0661 with any further questions.

Respectfully,



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

cc: The Honorable Mark McKenney