

Jamie Plume

From: Brian Kennedy <brianleekennedy@yahoo.com>
Sent: Friday, May 8, 2026 5:51 PM
To: Senate Finance; Senate Finance
Subject: Fw: Strong Support for S2818

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Attn: Jaimie Plume

Mr. Plume With the setting of a date (5/14/26) for the SFC to hear S2818, please accept this as my submission of written testimony in support of that legislation. I had forwarded it to you previously.

Thank You,
Brian Kennedy

----- Forwarded Message -----

From: Brian Kennedy <brianleekennedy@yahoo.com>
To: "senatefinance@rilegislature.gov" <senatefinance@rilegislature.gov>; "senatefinance@rilegislature.gov" <senatefinance@rilegislature.gov>
Sent: Saturday, April 18, 2026 at 01:07:52 PM EDT
Subject: Strong Support for S2818

Attn: Jaimie Plume

Mr. Plume I'm submitting this testimony for S2818 (companion bill for H8147). Please hold it for inclusion when it is placed on the Senate Finance Committee calendar. I may be out of state, and miss the announcement of its committee hearing. Thank you - I just can't be sure that I'll be able to submit my testimony during the usual time frames.

STRONGLY SUPPORTIVE TESTIMONY re: S2818 by:
Brian Kennedy, Advocates for COLA Restoration and Pension Reform
North Providence
Retired State Employee (Governor's Budget Office, Central Personnel Office), USMC (1969 - 1971)

My testimony is restricted to rebuttal of the General Treasurer's written testimony to the House Finance Committee re: S2818's companion bill, H8147

(1) I first point to a glaring omission. The Treasurer's analysis does not include the critical factor that S2818 ONLY applies to the defined benefit component of the now-mandatory "hybrid" plan. This structure is based on the endgame of 1/4 defined benefits, and 3/4 defined contributions (savings plan, 100% employee risk). 3/4 of the eventual plan structure WILL NOT BE TOUCHED by S2818, leaving only 1/4 of the plan to be reevaluated.

(1a) The actuarial underpinning of the hybrid plan is the mortality rate of pre 2012 retirees. They represent the remnants of retirees whose base, though flatlined, is exclusively in the defined benefits component. Those retirees average 79 years of age, and will be dead by 2035. At that point, financial support for the defined benefit piece will be limited to what is approaching only 1/4 of the overall plan.

(2) The Treasurer's analysis ignores another intended consequence of the RIRSA 2011 endgame. The following numbers are from the GRS actuary's summary of future employer contributions to the teachers/state employees fund:

2026 - 2035 projected employer contributions - 4.2 Billion (approx.)
2036 - 2045 projected employer contributions - \$700 Million (approx.)

The Treasurer's analysis does not incorporate the future cratering of employer contributions created by the deaths of the pre-2012 retirees and the benefit cuts (40% and climbing) to the remaining retirees. There is the usual caution of "underfund(ing) the system," "creat(ing) a significant unfunded liability," and "increas(ing) negative cash flow." I would

also call your attention to the phrase "This provision is intentionally crafted to avoid budgetary cost over the next decade."

I will address each of these tropes in the context of the above employer contribution projections.

(3) "Underfunding the System" - "Underfunding the system" is an arbitrary concept, subject to definition. The Fund, right now, would finance 10 years of benefits without collecting one more penny of revenue. Also, the current funding plan is projected to drop by 85%, to \$700 million, in ten years. Providing a true full COLA to 1/4 of the hybrid plan is not a threat to the current fund, nor to the planned reduction in future funding baked into the current projections.

(4) "Creating a significant unfunded liability" - The entire state budget is an "unfunded liability," yet is funded on a current service level with annual appropriations. ERSRI's "raison d'etre" is being roadblocked by its own trust fund "guidelines." "Unfunded liability" is a concept useful in the private sector to ensure sufficient cash-on-hand to fulfill pension obligations for bankrupt companies. That is not the case here - RI is not going bankrupt. In the note sent by Lincoln to General McClellan, "General, if you're not going to use your army, may I borrow it?" It is long past time to use the Trust Fund. We only need to pay monthly benefits, not the entire anticipated total.

(5) "Increasing negative cash flow" - This might be the most misleading statement in the entire analysis. As confirmed at a recent presentation by the Treasurer's Investment Officer, "Cash Flow" encompasses only "cash" - employer contributions and employee contributions. Revenue from fund investments goes into another column. When you are being warned of a "negative cash flow," it misinforms you to the fact that that ERSRI has been collecting far more revenue (employer/employee contributions, investment income) than it pays out. They are omitting the investment income "tent pole."

(6) "This provision is intentionally crafted to avoid budgetary cost over the next decade." - This criticism is baffling, especially in light of the fact that, with S2818, the budgetary cost following the 2026 - 2035 decade would be more than the currently projected \$700 Million, but much less than the \$4.2 Billion of the 2026 - 2035 decade. I would think that "avoid(ing) budgetary cost over the next decade" represents the type of strategic planning that the Treasurer's Office should be doing, not criticizing.

S2818 checks all the boxes. It (a) provides a true COLA (3%, compounded uncapped base, annually) to the defined benefit component, (b) "avoid(s) budgetary cost over the next decade," (c) costs less than the next decade in the decade that follows it. The present plan virtually eliminates employer funding. Restoring a portion of those cuts should not be characterized as "additional funding."

Respectfully submitted,
Brian Kennedy
North Providence