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12 May 2026

Chairman DiPalma  
Senate Committee on Finance  
82 Smith Street  
Providence, RI 02906

Chairman DiPalma and Members of the Senate Finance Committee

Subj: S-2818A

I wish to state my overwhelming support for and will Focus S-2818A.

I must emphasize that S-2818 Funding would come from the Pension Fund which was over \$12.714 Billion as of 31 March 2026! These are the latest figures available on the General Treasurer's Website as of 24 April and reflect a drop due to the War in the Persian Gulf.

That being said, I wish to note that number is lower than \$13,156 Billion cited in most of my supporting documents which were prepared using data available on 28 February 2026.

I have no doubt that the Pension Fund Value which will be released by the State Investment Commission (SIC) on 27 May will equal or exceed the \$13.156 Billion pre-war valuation.

Please note that the Annual Cost of ERSRI Benefits is approximately \$1.1 Billion. (Ref ERSRI 2025 Annual Rpt Pg5)

Contributions to all defined benefit plans from both employers and employees on June 30, 2025, were \$862.4 million (Ref ERSRI 2025 Annual Rpt Pg 5)

Given the current Pension Fund Value, \$12.714 Billion and one year return, 11.7%, that equates to an income of approximately \$1.487 Billion!

The 5-year Return is 7.9% or almost 2% Higher than the 7% Benchmark!!!

The 10-year Return is 8.9 or almost 2% Higher than the 7% Benchmark!!!

Minus the \$1.1 Billion in Benefits, the Investment Return would yield a surplus Contribution to the Pension Fund of approximately \$387 Million!!!!

Adding this \$387 Million to the approximately \$862 Million in State / Municipal Contributions results in an additional \$1.29 Billion to the ERSRI Pension Fund!

After ALL benefits are paid out, there is an approximate \$1.3 Billion Plus SURPLUS!

It is duplicitous to characterize reducing some program cuts as an 'additional funding' requirement. S2818A and the companion House Legislation, H8147A, are simply restoring some cuts to what is left of the defined benefit portion of the overall ERSRI scheme. The future funding (2036 - 2045) required would still be significantly lower than the GRS projection for the decade from 2026 - 2035.

Bottom line? There is absolutely no reason NOT to enact RIRSA 2026, that is S-2818 this session!

Any delay in passing RIRSA 2026 Legislation will add an additional 1,000 to 4,000 crosses to the "Arlington Graphic"! Why would the SFC NOT pass S8218 on to the full Senate?

If you have any questions, please feel free to contact me at home: 401-996-4985 or via e-mail: [agpalazzo@gmail.com](mailto:agpalazzo@gmail.com).

Your time and effort in support of this matter is greatly appreciated.

Very respectfully,

A.G. Palazzo  
CDR USN (Ret)

Cc: Members of the Senate Finance Cmte, Speaker Blazewski, Rep Shekarchi, Rep Serpa, Mr. Steve Whitney.

Ref: ERSRI Actuarial Valuation as of 30 June 2025

[https://www.ersri.org/sites/default/files/2025-12/ERSRI\\_Val2025.pdf](https://www.ersri.org/sites/default/files/2025-12/ERSRI_Val2025.pdf)

**Attachments:**

- (1) ERSRI Data Points
- (2) Feb 28 2026 Pension Fund Value and Performance Graph
- (3) ERSRI 2025 Annual Report Dtd 31 Dec 2025 (Abridged Extracts)
- (4) Kennedy - The Fallacy of Don't Touch the Trust Fund II
- (5) The Legacy of RIRSA 2011 – “The Arlington Slide”
- (6) The Legacy of RIRSA 2011 - B Side

## **SFC Testimony**

Chairman DiPalma and Members of this Cmte, Advocates have provided you with an awful lot of information to you in a short time.

I have already submitted “Cliff Note” versions of our talking points for later reference and they are available to you online.

If you desire, we can also forward them as files for further dissemination to other members of the General Assembly if you so desire.?

My peers have discussed most of our issues and I am going to cover some items they might have inadvertently skipped over.

As I mentioned earlier, you understand the issues as do we, and we are hopeful that this Cmte will be the Champion for not only the approximately 30K ERSRI Retirees but also the approximately 30K Actives who were negatively impacted by RIRSA! (Rule of 95! TIAA Limitations etc.)

You should know many Current Employees have stated that they wish they could invest THEIR Money elsewhere! Just ask the question..... But that question is better addressed by the ERSRI Board’s Active Representatives and their Labor Organizations.

The “target date’ set by ERSRI for the “return” of COLAs, i.e., when the Pension reaches 75% funding, is 2029! (See Slide 29 of the GRS Actuarial Valuation Reference)

That being said, there are two exhibits that I wish to bring to your attention. The first is the information in what I call the ERSRI Data Points Slide. The second is the 28 February Pension Fund Value and Performance Graph.

Taken together, these two slides present simple logical justifications to pass s-2818A.

There should be no further delay in restoring benefits as outlined in Sen Ciccone’s Legislation.

In our opinion, GRS and ERSRI ignore their Fiduciary Responsibility to its Members by camouflaging the reliance of the Mortality Rate in the RIRSA 2011 Plan. It is a 20 year “plan” crafted for people with a 20-year life expectancy! This sinister “solution” is, in our opinion, disguised as sound fiscal management in the GRS Report. The “solution is basic – flatline benefits until the beneficiaries die!

In our opinion, the Actuarial Valuation Report should include (a) the number of retirees in 2012, (b) the number of Pre-2012 retirees now (living and dead), and (c) the projected number of Pre-2012 retirees (living and dead) in 2030. This data has been used to define and trumpet a “successful” program which should “stay the course.” Where is the Fiduciary responsibility towards the retirees with that methodology of program evaluation – the program’s “customers’ are ignored?

If you look at what I refer to as the “Arlington Slide”, delaying COLA restoration until 2029, will add another 4,000 crosses to that image! Those are your constituents who will die in the interim!

As we have pointed out, **“THERE ARE NO MORE UNINTEDED CONSEQUENCES!”** The passing of those Retirees who followed all the Rules and Paid into the ERSRI System as directed will have been betrayed by that very System through no fault of their own!

How can you morally justify ANY delay? Please tell us WHY you would delay restoring their Retirement Benefits given the FACTS that we have presented!

It is duplicitous to characterize reducing some program cuts as an 'additional funding' requirement. S2818A and H8147A are simply restoring some cuts to what is left of the defined benefit portion of the overall ERSRI scheme. The future funding (2036 - 2045) required would still be significantly lower than the GRS projection for the decade from 2026 - 2035.

I challenge ANYONE to deny the Facts as I have presented them!

***These Bills will do much to remedy the current situation for both Retirees and Active ERSRI Employees.***

## **ERSRI Data Points**

Consider this: ERSRI receives annual input from three main sources:

- (1) Investments
- (2) State Contributions, i.e. various sources, state, municipalities etc
- (3) Employee Contributions.

The Annual Cost of ERSRI Benefits is approximately \$1.1 Billion. (Ref ERSRI 2025 Annual Rpt Pg5)

Contributions to all defined benefit plans from both employers and employees on June 30, 2025 were \$862.4 million (Ref ERSRI 2025 Annual Rpt Pg5)

Given the current Pension Fund Value, \$13.156 Billion and one year return, 13.8%, that equates to an income of approximately \$1.855 Billion!

The 5-year Return is 9% or 2% Higher than the 7% Benchmark!!!

The 10-year Return is 9.7% or 2.7% Higher than the 7% Benchmark!!!

Minus the \$1.1 Billion in Benefits, the Investment Return would yield a surplus Contribution to the Pension Fund of approximately \$755 Million!!!!

Adding this \$755 Million to the approximately \$862 Million in State / Municipal Contributions results in an additional \$1.6 Billion to the ERSRI Pension Fund!

Think about it.... After ALL benefits are paid out, there is an approximate \$1.6 Billion Plus SURPLUS

Bottom line? There is absolutely no reason NOT to enact RIRSA 202, H-8147 this session! I anticipate this Legislation will be sponsored by Sen Ciccone in the Senate and Rep Serpa in the House. Many members of the Senate and House have also indicated to me their desire to sign on as Co-Sponsors.

Your time and consideration of these FACTS is greatly appreciated!

FYI: The Pension Fund was over \$11.7 Billion as of 28 February 2025! It is \$13.156 Billion as of 28 February 2026. An Increase of over \$1,45 Billion!

The latest figures available on the General Treasurer's Website as of 15 April



STATE OF RHODE ISLAND

## Office of the General Treasurer

James A. Diossa, General Treasurer

### **Investment Performance (As of 28 February 26) \$13.156 Billion**

Rhode Island's State Investment Commission (SIC) and Rhode Island Treasury strive to deliver strong long-term returns and reduced risk for the state's investments. Financial markets can be volatile, and it is normal for the performance of the state's investments to fluctuate in the short-term. Long-term average performance is the best measure of a fund's health and sustainability.

There are many ways to judge the investment performance of a fund. **For Rhode Island, one important measure of performance is the pension system's target annual rate of return, currently 7.0%.** This is the number that is used to calculate the funded status of the pension system. Due to the volatility of the financial markets, the state does not expect investment performance to meet the 7.0% mark every year, but has set a goal of achieving an average annual performance of 7.0% over a long period of time.

Another way to judge performance is a comparison with the fund's policy benchmark, which compares Rhode Island's performance to the hypothetical performance of an average fund with the same asset allocation as Rhode Island. Rhode Island's performance relative to the policy benchmark is a measure of the quality of investment managers that the state is selecting.

The 60/40 is a hypothetical portfolio that consists of 60% US stocks and 40% US fixed income. 60/40 was a common asset allocation for pension systems in years past, but is rarely used today as more sophisticated investment strategies have become available.

1 Year

3 Year (Annualized)

5 Year (Annualized)

10 Year (Annualized)

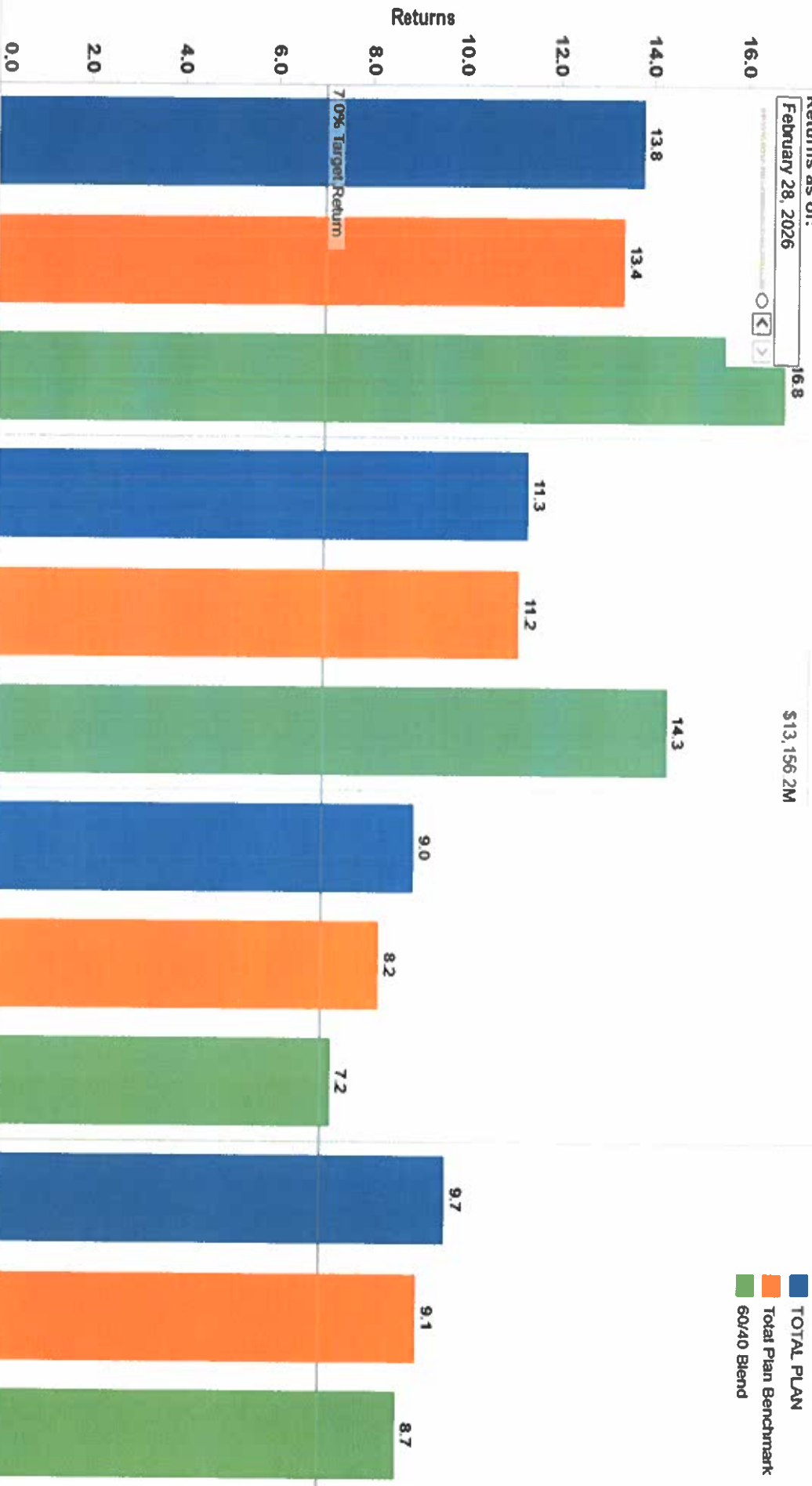
February 28, 2026

Move the slider below to see...  
Returns as of:  
February 28, 2026

Total Plan Value  
\$13,156.2M

Account Name

- TOTAL PLAN
- Total Plan Benchmark
- 60/40 Blend



View on Tableau Public



# Employees' Retirement System of the State of Rhode Island

Pension Trust Funds of the State of Rhode Island

## Annual Comprehensive Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

**Abridged Extracts: Pages iii – vi)**

### **ERSRI Membership**

As of June 30, 2025, active membership in the Employees' Retirement System totaled 24,581.

The Municipal Employees' Retirement System totaled 8,260 and 7,402 active teachers were in the Teachers' Survivors Benefit Plan.

There are currently 59 judges contributing to the Judicial Retirement Benefits Trust, 272 state police contributing to the State Police Retirement Benefits Trust, and 4 judges contributing to the Rhode Island Judicial Fund Trust.

A total of 31,211 retirees and beneficiaries were receiving benefits from the System.

As of June 30, 2025, there are 45,050 active and retired participants in the State of Rhode Island Defined Contribution Plan

### **Financial Performance**

The major additions for all ERSRI plans are employee and employer contributions.

Total additions for the fiscal year ending June 30, 2025, included \$1,026,555,000 in contributions from employers and employees.

The deductions from the funds consist primarily of payments made to members and beneficiaries for retirement, disability, death, or survivor benefits, refunds, and investment losses. In total, benefit payments for the fiscal year ending June 30, 2025, were \$1,143,070,000 and investment gains were \$1,250,556,000. Net Gain of \$107,486,000

## **Funding**

The ERSRI plans are funded through three sources;

- (1) investment earnings,
- (2) employee contributions as prescribed in RI General Law for each trust, and
- (3) employer contributions

## **Plan AAL**

The actuary determines the actuarial accrued liability of the Plans, which is a measure of the present value of accrued liabilities that is estimated to be payable in the future to current retirees, beneficiaries, and employees for service earned to date. The percentage computed by dividing the actuarial value of net assets for benefits by the actuarial accrued liability is referred to as the funded ratio. The higher the funded ratio, the greater the degree of overall financial health and stability for the pension fund. The funded status alone is not appropriate for assessing the need for future contributions. Also, the funded status is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the Plan's benefit obligations.

The funding objective of the ERSRI is to attempt to develop stable contribution rates and to achieve a funded status of 100%. Per the actuarial valuation dated June 30, 2025, the funded ratio for State Employees increased from 60.7% in the prior year to 63.9%, as well as an increase for Teachers from 64.8% to 67.9%. The funded ratio for the judges also increased from 103.7% in the prior year to 106.3%. The State Police experienced a slight decrease in their funding status from 89.0% to 88.4% in the most recent actuarial valuation. This was due to salary increases proving more than expected and the plan changes resulting from the passage of House Bill 5076 Sub A.

## **Investment Performance**

The annualized time-weighted return (net of fees) on the portfolio for the one-year, three-year, and five-year periods ended June 30, 2025 were 8.4%, 9.3%, and 10.1%, respectively.

**NB: The return on the portfolio for the one-year, three-year, five-year and ten-year periods ended 28 February 2026 were 13.8%, 11.3%, and 9%, and 9.7% respectively.**

**(Ref <https://treasury.ri.gov/investments/investment-performance>)**

# Employees' Retirement System of the State of Rhode Island

Pension Trust Funds of the State of Rhode Island

## Annual Comprehensive Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

**Abridged Extracts: (Page 5)**

### **Financial Highlights - Fiscal Year Ended June 30, 2025**

- The System's fiduciary net position increased by \$1.1 billion from \$13.5 billion at June 30, 2024 to \$14.6 billion at June 30, 2025.
- Total pension benefits paid to members from the defined benefit plans were \$1.1 billion at June 30, 2025, a slight increase from \$1.0 billion for the fiscal year ended June 30, 2024.
- Contributions to all defined benefit plans from both employers and employees at June 30, 2025 were \$862.4 million, an increase of \$56.6 million or 7.0% compared to the fiscal year ended June 30, 2024.

The majority of this increase is related to \$21.6 million received from the State's General Revenues and an increase in employer contribution rates for fiscal 2025 due to the enactment of Article 12 which modified benefit provisions.

- Total employee and employer contributions into the System's defined contribution plan were \$159.3 million at June 30, 2025, an increase of \$5.5 million.
- Total distributions paid to members from the defined contribution plan were \$70.8 million.

□ The net income from investing activities within the defined benefit plans (Pooled Investment Trust) was \$959 million for the fiscal year ended June 30, 2025. Investment income within the defined contribution plan totaled \$291.1 million.

□ Fiduciary net position as a percentage of the total pension liability for all of the defined benefit plans increased compared to the prior measurement date primarily due to investment income for fiscal 2025.

(Ref Annual Rpt page 5)

LINE	CATEGORY	2024	2025	2026	NET +/-
<b>TEACHERS</b>					
1	ACTIVE MEMBERS	13497	13249		-248
2	AVERAGE SALARY	88979	90982		2003
3	AVERAGE AGE	45.8	47.2		1.4
4	AVERAGE SERVICE	15.8	16.2		0.4
5	RETIREEES/BENEFICIARIES	11747	11771		24
6	AVERAGE ANNUAL BENEFIT	46636	42716		-3920
7	AVERAGE RETIREE AGE	75.6	75.8		0.2
<b>STATE EMPLOYEES</b>					
8	ACTIVE MEMBERS	11235	11330		95
9	AVERAGE SALARY	77020	82231		5211
10	AVERAGE AGE	48.8	48.6		-0.2
11	AVERAGE SERVICE	12.9	12.7		-0.2
12	RETIREEES/BENEFICIARIES	11336	11401		65
13	AVERAGE ANNUAL BENEFIT	33285	31667		-0.2
14	AVERAGE RETIREE AGE	75.2	75		-0.2
<b>MUNICIPAL EMPLOYEES</b>					
15	ACTIVE MEMBERS	6228	6259		-31
16	AVERAGE SALARY	50056	51413		1357
17	AVERAGE AGE	50.4	50.1		-0.3
18	AVERAGE SERVICE	10.7	10.5		-0.2
19	RETIREEES/BENEFICIARIES	5521	5601		-80
20	AVERAGE ANNUAL BENEFIT	17879	17700		-879
21	AVERAGE RETIREE AGE	74.5	74.8		0.3
<b>PUBLIC SAFETY</b>					
22	ACTIVE MEMBERS	NA	2001		
23	AVERAGE SALARY	NA	85237		
24	AVERAGE AGE	NA	40.2		
25	AVERAGE SERVICE	NA	12.3		
26	RETIREEES/BENEFICIARIES	NA	1414		
27	AVERAGE ANNUAL BENEFIT	NA	37992		
28	AVERAGE RETIREE AGE	NA	64.4		
29	TOTAL MEMBERS	59564	66026		8260
30	CURRENT EMPLOYEES	30960	36839		5879
31	CURRENT RETIREES	30187	29187		2000
32	AVERAGE AGE	48			
33	AVERAGE SALARY RANGE	89-51000			
34	AVERAGE CONTRIBUTION	11%			

4/13/2026

# THE FALLACY OF "DON'T TOUCH THE TRUST FUND"

Numerous stakeholders and "impartial" observers have used the above trope to demonstrate concern for the solvency of the RI Pension Trust Fund. By definition, a government Pension Trust Fund is monies held in trust to remove the benefit obligations to the fund members from the vagaries of annual governmental budgeting.

In simpler terms, the fund exists to ensure obligated benefits to the members. The members do not exist to insure the fund, the fund exists to insure the members. There is currently over \$13 Billion in the ERSRI Trust Fund. There is already ample money to meet benefit obligations well into THE FUTURE.

THE FUTURE is as outlined below:

- \* Continuation of below inflation benefits for pre 2012 retirees (now over 40% reduction in benefit value).
- \* Death of 90% of pre 2012 retirees by 2035. (Over 50% have already died)
- \* Forced hybrid plan for post 2012 retirees, placing significant risk on retirees/employees.
- \* By 2035, most retirees will have only 1/4 of their pension in a guaranteed account (computed on a capped base).
- \* By 2035, most retirees will have 3/4 of their pension in a risky savings/investment program.

HOWEVER, by 2035, the employer contributions are projected to fall from \$461M to \$100M, and continue to plummet in perpetuity. This is THE FUTURE for governmental employers.

We return to the motives of those who cite fiduciary responsibility as they parrot, "DON'T TOUCH THE TRUST FUND."

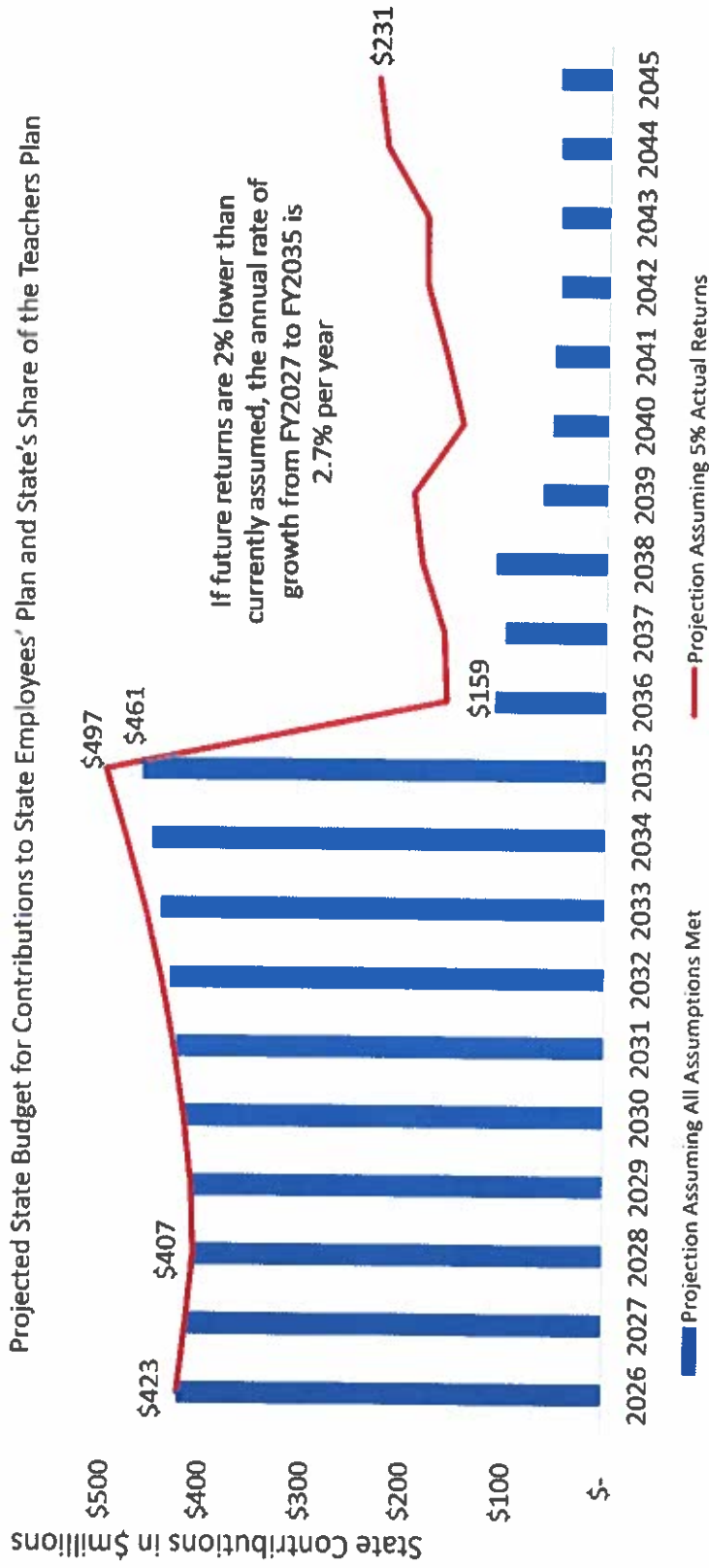
- \* Government employers - Can continue to hide under the cloak of fiduciary responsibility while renegeing on the deferred compensation obligated to their employees.
- \* RIPEC - Continue to lobby for tax cuts for their billion-dollar corporations.
- \* Public Service Unions - Continue to prioritize wage increases for dues-paying actives over benefits for non dues-paying retirees.
- \* Non-Profits - Continue to increase available money for government grants and funding.
- \* Government Programs - Continue to lobby internally for additional funding.

As detailed above, the ERSRI Pension Plan has been restructured into a glorified savings plan. The Trust Fund is structured to that reality. (Indeed, the employers' Annual Required Contribution has been actuarially lowered in the last few years). It is the government that has "touched" the Trust Fund. To use the Trust Fund as it is intended, the benefits should be inflation-protected, and the employers' contribution should continue past the 2035 termination of meaningful employer involvement.

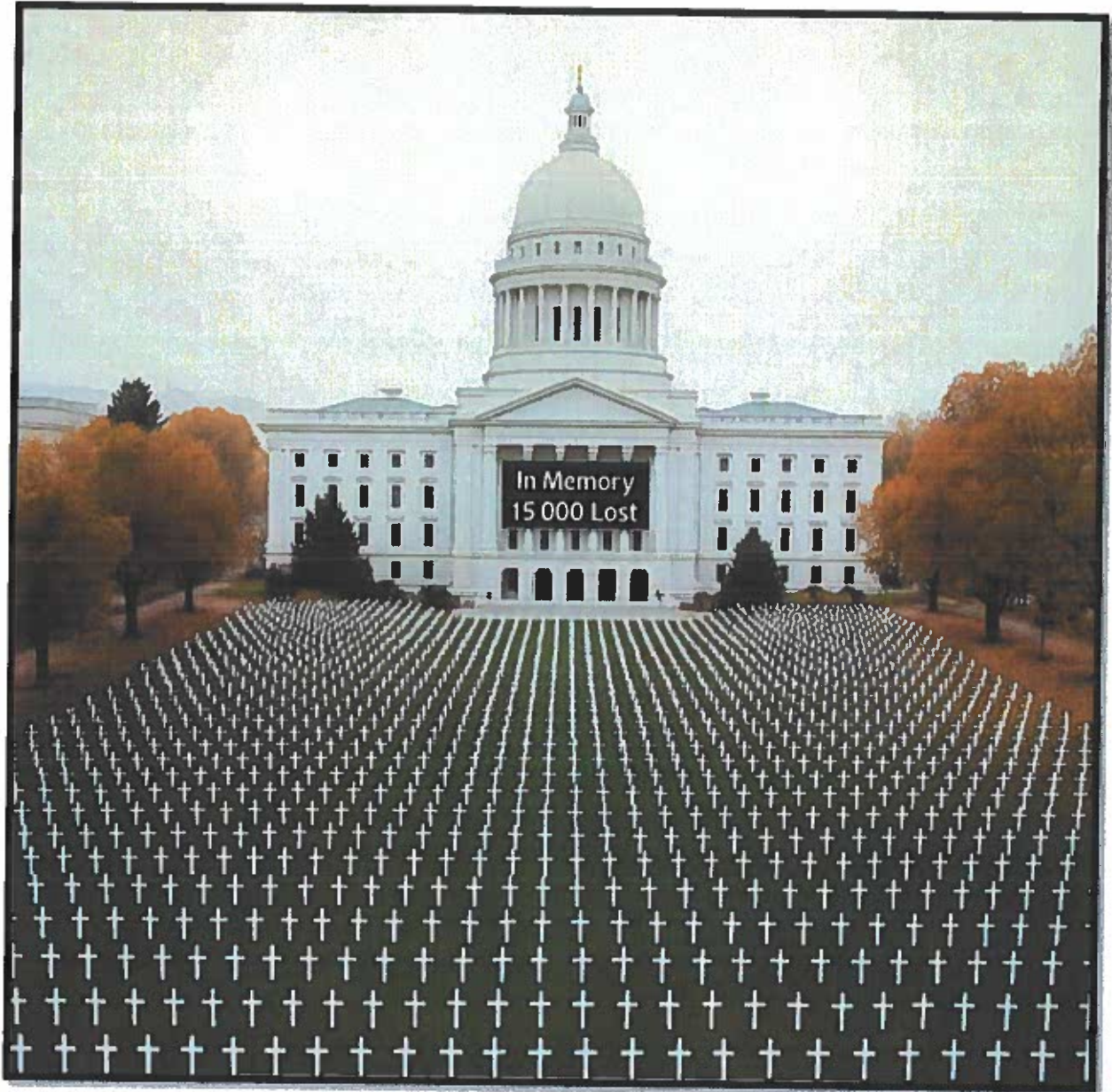
# GRS Annual Rpt 17 Dec 25 Slide 22

The funding plan continues to be expected to perform well under stressed scenarios. The scenario below assumes 5% actual annual market returns. As shown, the total budget outlay for the State to State Employees and Teachers would only grow \$36 million more than projected at 7% in this scenario, and the contributions would still drop significantly in FY2036.

## Projected Results under a Stressed Scenario



# **The Legacy of RIRSA 2011!**



**Over 15,000 ERSRI Retirees have died with their COLA eliminated!!!  
Thousands of Post 2012 Retirees have died and never received a COLA!**

**ENACT RIRSA 2026!**

**H8147A / S2818A - COLA      H7390 - Rule of 90**

**There is NO ADDITIONAL COST!**

**Merely maintains current, RIRSA-Reduced Employer Contributions  
(Dollar amount, Inflation adjusted)**

# **60,000 ERSRI Members are Depending on Your Support**

- **Provide Annual Compounded COLA to All Current & Future Retirees**
- **Use full Defined Benefit amount to determine COLA**
- **3% COLA percentage**
- **Utilize highest 3 years' earnings for COLA base for ALL retirees**
- **Reduce the Rule of 95 to the Rule of 90**

## **FUNDING SOURCE for COLA RESTORATION**

- **Identify the current dollar amount for the latest annual required employer contribution(s)**
- **Utilize this amount as the base point to determine future required employer contributions**
- **Calculate future required employer contributions by annually adjusting the base point to reflect the annual CPI / Inflation rate**

**NB By definition, funding strategy creates NO ADDITIONAL COSTS, and simply this maintains the current funding level (adjusted for inflation)**

**THERE ARE NO MORE  
"UNINTENDED CONSEQUENCES"**