**Proposals to the RHODE ISLAND PENSION ADVISORY WORKING GROUP**

* **A ONE-TIME 2% COLA added to the Fractional COLA declared by ERSRI for 2025**

The Fractional COLA legislation passed by the General Assembly in 2023, effective January 2024, has a fiscal impact cost of .1 (one-tenth) of one percent for employers. The analysis was performed at the direction of the Senate Finance Committee when it was first introduced in the 2021 session and assumed a Fractional COLA for 2022 going forward. Fractional COLAs in 2022 and 2023 would have been .875% (greater than the full COLA in 2022) with a declared COLA of 3.5% for that year. In 2023, the Fractional COLA would have been .78%, again larger than the full COLA in 2017, and slightly less than the 1.06 full COLA in 2023. This proposal “makes whole” retirees eligible for a full COLA previously scheduled for 2025 prior to passage of the Fractional COLA. Oral testimony will also provide correction by passage of the Fractional COLA of other unintended consequences of RIRSA.

* **A Waiver of State Income Tax on Public Pension Benefits**

This proposal would mirror the General Assembly passage of the state income tax waiver on Veterans’ military pension benefits and ERSRI disability pensions now in effect. It would have no impact on the funding level of the pension system and would provide significant, immediate relief for all retirees in the pension system, including those MERS units who are not covered by COLA provisions. State revenue impact would be mitigated by additional dollars in the economy producing sales and other taxes (see later testimony by National Institute on Retirement Security -NIRS- ***Pensionomics 2023-Rhode Island)***. This proposal would be effective for the 2024 tax year (see oral testimony).

* **A One Time Transition to a Full Defined Benefit Plan Retirement**

Since the current hybrid DB/DC plan has not saved the state any money in required employer contributions and has reduced retirement security, current active employees would have a 90-day window from September to December of 2024 to use their TIAA CREF account to purchase, at an actuarially established rate, a service benefit percentage credit, said credit to be added to service benefit credit earned as of December 31, 2024. Members who exercise this option will have all future employee and employer contributions contributed to the Defined Benefit plan and prospectively earn 2% benefit credit accrual annually (Note: current ERSRI ordinary service-based disability pensions have a floor of 10 years/20% of current salary equal to 2% per year and no state income tax on the benefit). A third option for current active members would be to transfer TIAA CREF contributions to the DB plan and freeze their TIAA CREF account (which would still earn investment returns) until retirement while earning a 2% pension benefit accrual prospectively. New hires would have the option of either the DB or DB/DC plan. The infusion and increased contribution rate to the DB plan will increase the plan’s funding level (decreasing unfunded liability) and will expedite the actuarial schedule for the fund to reach 80%, producing an annual full COLA for eligible retirees sooner than currently scheduled while providing enhanced retirement security for current employees. This proposal would yield a 70% retirement benefit at 35 years of service compared to the prior 80%; it would be capped at 80% for forty years of service.

* **Maintain the 50% Budget Surplus Transfer**

The transfer in 2023 of $6 million into the pension fund which was not anticipated in the Fractional COLA legislation fiscal impact notes of 2021 and 2022, can be used in the near term to underwrite the one-time COLA proposed for 2025. Maintaining this new provision is a sign of good faith on the part of the State to get the pension fund fully funded as soon as possible.

* **A Pension Benefit Floor Tied to the Federal (Individual) Poverty Level**

This proposal would affect low wage earners whose pension benefit would be supplemented either through the General Fund, or through the pension fund once it is fully funded.

Respectfully submitted on behalf of the Rhode Island Public Employees Retiree Coalition, its affiliates- AFSCME Council 94 Retiree Chapter, LIUNA Local 808 Retirees, NEARI Retiree Chapter, Providence Teachers Union Retiree Chapter, RI AFT Retiree Chapter Local 8037r, RI Association of Retired Principals, and the more than 6,000 members who are beneficiaries of the ERSRI.

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