

Jim Cenerini, Legislative Affairs Coordinator, RI Council 94, AFSCME  
Pension Advisory Working Group  
11/30/2023

- Good afternoon, Co-Chairman Nee, Co-Chairman Dibiase, and to all other commission members.
- My name is Jim Cenerini.
- I serve as the Political/Legislative Affairs Coordinator and Senior Staff Representative for RI Council 94, AFSCME AFL-CIO.
- To my right is Michael McDonald, State Vice-President & President of Local 528, University of Rhode Island Employees.
- Previous presentations to this commission focused on pension reductions, the mediated pension settlement, estimated savings, current funded ratios, and bond rating agencies' impressions.
- We are grateful that the Working Group has set aside time to hear from groups that represent active employees.
- The pension changes of 2011 grievously harmed both active and retired state and municipal employees.
- Council 94 has a close relationship with AFSCME Retirees Chapter 94, and has worked collaboratively in the past on previous initiatives to exempt pension benefits from the state income tax.
- RI Council 94 AFSCME's comments today will advocate for modifications and/or enhancements to Active employees.

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- The Non vested and New Hire active employees received a vastly different retirement benefit structure, which reduced the value of their Defined Benefit and future COLAs.
- The jury is still out if the new plan will generate enough income.
- The multiple rounds of pension reductions have left open wounds that still languish to this day for active state and municipal employees.
  - Especially when considering the fact that the Municipal Employees Retirement System plans were 74% funded on average when the 2011 reductions were enacted.
    - According to the June 30, 2022 Actuarial Valuation MERS General Employee Units are 87.2% now funded.
  - There are fewer active State Employees today than in 2011.
    - Unfilled positions hurt the pension system because less contributions and more beneficiaries collecting than total number of active state employees.
- It is crucial to remind the commission that current employees did not create the fiscal problems facing the pension system.
- Asa noted in Boston College's Center for Retirement Research at report, Legacy Pension Debt Report ERSRI, Over \$2 billion of the unfunded liability is legacy debt.

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- When ERSRI was created in 1936 Actuarial Science and proper funding were not considered nor enforced.
- Despite warnings as early as 1974, the State did not pay full annual required contribution until 1985.
- That's fifty years of not proper funding.
- As President J. Michael Downy has often stated it's wrong that active employees are constantly burdened with sins of the past. Sins that today's active employees did not commit.
- Rhode Island's State Jobs are less attractive due to policy decisions and multiple rounds of benefit cuts-
  - i. Pension Cuts
    1. Benefit Reductions 2005, 2008, 2009, 2010, and 2011
    2. Defined Benefit (FAS 80%/75%, 28 yrs. any age, 3 % COLA) to a Hybrid Defined Benefit Pension/ Defined Contribution plan (1% salary per year pension, most benefits derived from 401A plan, COLA suspended until 80% Funded Ratio, Age 67 or SSNRA)
    3. Original Pension plan was backloaded to encourage retention.

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4. More years a state employee or municipal employee worked - the higher % of final average salary.
    - ii. State Employee Longevity Freeze/Elimination
      1. Longevity allowed a state employee to earn 20% more after 25 years of service
      2. In 2011 General Assembly passed Budget Article 8, which froze existing longevity benefits, prohibited any increase for State employees hired after June 30, 2011, and eliminated Longevity from the scope of Collective Bargaining.
      3. Now some state employees work side by side with other employees that can make 20% more per year for doing the exact same work.
- Consequence is Churn and Burn Turnover and Staffing Shortages
    - As the Providence Business News noted on May 26, 2023, article “Help wanted: There are 1,700 unfilled state jobs, but has anyone noticed?”

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- Critically needed jobs at Department of Human Services, Department of Environmental Management and Deputy Sheriffs have gone unfilled.
- When employees can travel to our nearest neighbors, Massachusetts and Connecticut, and obtain better pay, pensions, and benefits, taking a job one state away is a logical choice.
- State Employees leave not just for other state jobs.
- A case in point Division of Revenue has been losing staff to both outside Financial Services Firms and the Internal Revenue Service.
- Both settings offer higher pay and more flexible work arrangement/remote work.
- After pension reductions, the increase in state employees departing is illustrated by Boston College's Center for Retirement Research "Do Benefit Cuts Encourage Public Employees to Leave?" study.
- After the 2005 pension change the number of state employees who left was plus 4%. Pg. 4
- Further the study's analysis showed that the trend of non-vested employees leaving at a higher frequency remained considerably higher from 2005 to 2007.

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- The 2005 changes were much more modest compared to 2011.
  
- National Trends are also making public employees staffing shortages worse
  
- According to NeoGov’s “The Quiet Crisis in 2023, What Government Job Seekers Actually Want”
  
- Number of applicants per job has decreased 55%
  
- “If we look back to 2019, pre-pandemic numbers show 53 applicants per job. In Q1 of 2023, it was 24 (a 55% decrease) and that only accounts for applicants. The number of qualified applicants would have been even less.” Pg. 1
  
- At the same time the number of applicants has decreased, the number of openings in the Public Sector has increased.
  
- “Public Sector Job Openings reached a new peak in 2022, reflecting a 78% increase since 2020. Pg. 2
  
- To encourage retention and workforce stability, Council 94 would respectfully ask the commission to consider/request actuarial studies of the following proposals:
  1. Increase Multiplier % for Final Average Salary Calculation-  
Increase Retention

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- 1% of salary per year means that an employee who retires with 30 years of service only receives 30% of their base pay as a pension.
- Now that employees bear the risk of stock market, much higher chance of retirement funds being insufficient.
- (Avg. State Employee \$32,722 yr. / Avg. Municipal General \$16,781 pension)
- 1% per year and age 67= no incentive to stay long term
- Council 94 urges increasing the Multiplier for each year of service to:
  - 1-10 yr. = 1.25% = 12.5%
  - 11-20 yr. = 1.5%=15%
  - 20 yr. -2 % = 36%
- 38 years 51%

2. Increase State's contribution to 401A Defined Contribution Plan

- State's contribution at 1% of salary is one of the lowest match rates in the country.
- According to AFSCME's Research and Collective Bargaining Department the average employer contribution into a public sector Hybrid DB/DC plan for 2019-2020 is 3%.

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- Pres. Downey has often noted that the state's low contribution rate to the 401A makes ERSRI one of the worst systems.
  - Private sector plans typically offer much higher match rates.
3. Change the Final Average Salary from the highest 5 consecutive years to the highest 3 consecutive years.
4. Council 94 urges the Commission to consider granting State Public Safety Professionals Retirement Equity
- During the 2011 pension changes and mediated/negotiated settlement, Council 94 consistently requested that the public safety professionals we represent be treated comparably to municipal firefighters and police officers.
  - Those requests were ignored.
  - Council 94 represents over 380 state employee public safety professionals.
  - The classifications/positions Council 94 represents includes: Deputy Sheriffs, Capitol Police Officers, Environmental Police Officers, Juvenile Program Workers, and Airport Crash Rescue/Firefighters.
- Council 94's public safety professionals are subjected to



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rigorous training.

- Law enforcement officers have full arrest powers.
- Airport Firefighters are trained according to National Guard/Air Force/Federal standards.
- Council 94's public safety professionals work in demanding jobs that can lead to higher injury rates as members' ages' progress towards the Social Security Normal Retirement Age of 67.
- Council 94 has consistently pushed for legislation that would ensure that after state employee public safety job classifications would be granted the same benefits as MERS Firefighter /Police terms per the negotiated settlement. (RIGL 45-21.2-5, 45-21.2-6, 45-21.2-10, 45-21.2-12, 445-21.2-13)

The Legislation would:

- Retirement age-
  1. 50 years old and 25 years of service
  2. 27 years of service and any age
- State Employee public safety professionals moved to Defined Benefit only.
- Current Defined Contribution allocations frozen.

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- Employee's contribution rate to 10% of salary, same as MERS with COLA Option.
- Effective July 1, 2024, previous service credits frozen, subsequent service credit per year is 2.00% of salary.
- The lack of public safety equity leads to members once they receive their training/experience moving on to other local law enforcement agencies' that provide better pension benefits.
- With the scarcity of good candidates for LEO jobs, some Cities and Towns have offered considerable signing bonuses.

5. Support a COLA enhancement that benefits retirees and active employees.

- In conclusion:
- Thank you to Treasurer Diossa, Co-Chairman Nee, Co-Chairman Dibiase and all commission members for the opportunity to address you.
- Through multiple rounds of pension cuts, increased vacancies/turnover, and aggressive advocacy for state fiscal relief during the COVID pandemic, our active state and municipal members have played a vital role in strengthening the state's finances.

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- Council 94 respectfully requests that the Pension Advisory Workgroup make recommendations for pension modifications that will strengthen the integrity of Rhode Island's state and municipal workforce for the future.
- If you have any questions, I will answer them to the best of my ability.

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