**Testimony to Pension Advisory Workgroup**

**Frank Flynn, President**

**Rhode Island Federation of Teachers and Health Professionals**

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The 2011 misnamed “Rhode Island Retirement Security Act” has had a detrimental impact on thousands of teachers, municipal and state employees, and retirees of the R I Federation of Teachers and Health Professionals. It has devalued our members, discouraged potential employees from entering the R I workforce, and put current employees and retirees on a path to dramatically reduced retirement security.

It was unfortunate that the General Assembly and the Governor, through that legislation, placed fifty plus years of unfunded and or underfunded liability on to the backs of current employees and retirees. What took generations to accumulate is now being corrected at the expense of our current members and retirees.

It is our hope that this committee will take their charge seriously and listen to the testimony of the impacted members and make specific recommendations to advocate for relief for those who have dedicated their professional careers to public service.

There are several specific areas which I would like to bring to your attention. The first and most egregious, in my opinion, is the reduction to the annual accrual rate. Below is a chart illustrating the differences between the previous three-tiered accrual rates and the current rate and the impact it will have over a thirty-five-year career. We acknowledge that current law requires some employees to remain in the system for a longer duration to be eligible to retire.

**ERSRI Accrual Rate (Based on a 35-year career)**

**Schedule A Pre 2005 Schedule B Pre 2009 Post 2012**

**Years Percentage Total Years Percentage Total Years Percentage Total**

1-10 1.7% 17% 1-10 1.6 16% 1-10 1% 10%

11-20 1.9% 19% 11-20 1.8 18% 11-20 1% 10%

21-34 3% 42% 21-25 2 10% 21-35 1% 15%

35 2% 2% 26-30 2.25 11.25%

31-35 2.5 12.5%

**Total 80% 67.25% 35%**

This represents a substantial reduction in the defined benefit plan. This committee has heard testimony that the target for a stable level of retirement is 80% of your pre-retirement income. It is improbable if not statistically impossible to see an annual return on investment from the defined contribution portion of the current hybrid plan which would replace the 48% of your annual salary necessary to reach the eighty percent threshold. This will lead to significantly unstable retirement security for many.

We believe it is imperative for the General Assembly to increase the accrual rate for all employees. It is worth noting that the court settlement of 2015 allowed any teacher or state employee who had twenty or more years of contributory service to leave the hybrid and accrue 2% per year.

We urge you to consider revising the accrual rate for all teachers and state employees while continuing the Defined Contribution plan. Our recommendation is to create a new five tiered structure as follows:

**Proposed Structure**

**Years Percentage Total**

1-10 1.25 12.5

11-20 1.5 15

21-30 2 20

31-35+ 2.5 12.5

**Total 60%**

It is also worth noting that all State Police, municipal police and firefighters, and correctional officers have been allowed to continuously accrue 2% per year for their entire careers. The services of teachers, state, or municipal employees should not be considered less valuable than any other public servant. That is a long-standing insult to every teacher and state employee in Rhode Island. We urge you to include this proposal in your findings.

The second area which we believe is extremely punitive is the reduction for early retirement. The current formula 9-8-7-7-7 or a thirty-eight percent reduction over five years on an already dramatically reduced pension is overly burdensome. There are numerous circumstances in which it is necessary for a person to leave the workforce, including their own health, caring for a parent or family member, or an inability to continue working due to the physical or mental requirements of the job. Often, this is not only in the best interest of the employee but also the employer. The current reduction would make it virtually financially impossible for that person to survive. These percentages are cruel and punitive. It is our recommendation that any early retirement penalties, if necessary, be capped at no more than 3% per year.

Thirdly, prior to 2009, pensions were based on the average three highest years of the employee’s salary. This was expanded to a five-year average. Once again reducing the value of an already diminished pension. Clearly the law did not protect the security of the employees as the title implies. We request that the three-year average be revisited.

It is also important to point out that approximately half of the teachers in the State were never included in social security and federal laws such as the Windfall Elimination Provision and Government Pension Offset reduce their benefit eligibility and restrict them from obtaining spousal benefits if applicable. We urge the state to mandate that all new employees are enrolled in social security.

Finally, despite what is being portrayed in the media, we strongly advocate for improvement in the current cost of living formula for retirees. This is not an us against them scenario. Under the current formula, COLA benefits have increased less than five percent over the past twelve years while the actual cost of living has increased over thirty-five per cent. This is unconscionable. An annual, predictable, cost of living increase formula will benefit both current retirees and actives upon retirement.

In this current workforce shortage environment Improving the pension benefit for employees will help us attract and retain the qualified employees we need to help our state reach its potential. It has been over a decade since these drastic changes were implemented. It is time to revisit this issue and truly assess and prioritize the impact these changes have had on public servants. I will leave you with quote from a 2022 report from the Center for Retirement Research at Boston College which states, “Government agencies that cut benefits to control costs without carefully assessing the competitiveness of public sector compensation risk under-compensating workers which eventually leads to understaffing or a lower quality workforce.”

It is time to undo some of the harm caused by the 2011 legislation and restore retirement benefits to both active and retired employees.

Thank you for your time and consideration.