

Advocates for COLA Restoration and Pension Reform Testimony - 14 Dec

Sandra Paquette

To members of the Pension Advisory Working Group

One of your major functions is to look into the unintended consequences of the Pension Security Act of 2011

Well, look no further. The unintended consequences are facing you right now.

WE ARE THE UNINTENDED CONSEQUENCES!!

Furthermore

YOU CANNOT CHANGE THE RULES IN THE MIDDLE OF THE GAME !

YOU CANNOT CHANGE THE SCORE ONCE THE GAME HAS ENDED!

YOU CAN'T CHANGE THE RULES WHEN:

- 1. THE RETIREES THEMSELVES HAVE PLAYED BY THE RULES FOR THEIR ENTIRE CAREER OF 30- 35 YEARS**
- 2. THE PLAYERS HAVE INVESTED, PAID INTO A LEGAL, BINDING CONTRACT WITH THE STATE AT A RATE OF APPROXIMATELY 10% OF THEIR YEARLY SALARIES**
- 3. THE CONTRACT OF THE RETIREES GUARANTEED THEM A COMFORTABLE RETIREMENT WHERE ESSENTIAL BILLS COULD BE PAID; NEEDED MEDICATIONS COULD BE PURCHASED; MORTGAGES; RENT; FOOD; GAS; INSURANCE; WOULD NOT BECOME A SOURCE OF STRESS**
- 4. CHANGING THE RULES MEANT STOMPING ON THE LIVES AND DIGNITY OF CLOSE TO 60,000 PEOPLE**

BECAUSE WE'RE LOOKING AT UNFORESEEN CONSEQUENCES OF THE 2011 LEGISLATION, WE MUST LOOK AT THE LIVES OF ITS VICTIMS, WHO ARE LIVING WITH THE STRUGGLES, WHICH ARE WORSENING WITH EACH PASSING YEAR.

LOOK AT OUR FACES. HEAR OUR STORIES. ATTEMPT TO PUT YOURSELVES IN OUR SHOES, TO EMPATHIZE WITH THOSE WHO ARE TRYING TO LIVE ON AN INCOME WHICH WAS NEEDLESSLY, AND YES EVILLY, FROZEN 12 YEARS AGO.

THIS IS NOT MERELY A FINANCIAL ISSUE. IT'S ABOUT HUMANITY AND JUSTICE. THAT IS WHAT NEEDS YOUR INVESTIGATION

THE STATE OF RHODE ISLAND WILL SURVIVE JUST FINE DESPITE WHATEVER DECISIONS ARE MADE BY THIS COMMISSION.

THE 30,000 EFFECTED RETIREES AND THE EQUAL NUMBER OF CURRENT WORKERS, WILL NOT.

Brian Kennedy

I had applied for a seat on the Pension Working Advisory Group, hoping to provide expertise and balance to the specialty areas which might repeat and justify the myopic 2011 processes which produced "unintended consequences." I was unsuccessful. The following comments, queries and suggestions represent what I would have emphasized as a member of the group.

Brief Bio: Retired State Employee, M.P.A., B.A. (English), RI Governor's Budget Office (professional experience), RI Office of Human Resources (management experience), AFSCME Shop Steward, AFSCME Retiree Group, U.S. Marine Corps 1969 - 1971.

(1) WHAT SHOULD BE YOUR FOCUS

(a) Retiree benefit value has decreased by 35% since the advent of RIRSA in 2012, and will diminish by 40% by the end of the next General Assembly session (60% by 2031). This is the (allegedly) "unintended consequence" which was not mentioned in Mr. Newton's presentation, and which engendered the creation of the advisory group in the first place. Please address this issue. Or at least have the courage to acknowledge that this "unintended consequence" is now an intended consequence.

(b) R.I. State Budgets have increased by 85% since RIRSA, from \$7.7B to \$14.1B. Obviously, inflation protected revenues (e.g. sales and income tax) have increased by an equivalent rate to support such funding. Mr. Newton's analysis ignored General Fund revenue trends and the state's ability to finance their guaranteed defined benefit plan. No chart had a revenue line from the General Fund to overlay on the line showing required contributions. It was offered as axiomatic that ERSRI could not be properly funded (aided by cumulative, unrealistic "worst case" totals). The "expertise" was limited to the Trust Fund.

(c) Where is the \$3B?? This bogus amount (spread over 12 years, by the way), deliberately inflated to reflect a scenario where everyone retired at once, was presented as "savings." So, where is it? The answer is, obviously, to the government programs, private contractors (including actuaries), and non-profits that publicly lobbied for the elimination of the COLA, as well as other cutbacks. The money was diverted, not saved. The funding was, is and will be available for adequate funding for the pension plan, including the 3% COLA, whose members have unwillingly (some unwittingly) subsidized these entities for the last twelve years.

(d) These are the numbers which should be your concern. In its simplest terms, ERSRI members wonder why their benefits are cut by 40% by an employer who's spending has risen by 85% - yet that employer claims a lack of funds. That employer has also twice offered \$50,000 early retirement incentives to induce employees into the supposedly struggling retirement plan.

A well-managed Trust Fund should be the mechanism to pay the guaranteed defined benefits, and not manipulated by **its specialists to create obstacles to meeting payment obligations.**

(2) BRACKETS FOR GENERAL ASSEMBLY ACTION - THE BOOKEND OPTIONS

(a) "Stay the Course"

* Financial Impact - None. There will be no savings. Dollars not provided to ERSRI members will continue to be distributed to the government agencies, private contractors and non-profits who have benefited from RIRSA for the last twelve years. The "savings" are merely diverted to competing programs, programs which are not actually owed the money (unlike those in a "defined benefit fund"). I might add that these competing programs rarely contribute to their programs, which is the case with ERSRI members.

* Human Impact - Considerable. The standard of living continues to deteriorate for retirees, triggered by a 35% decrease in the value of their benefits (60% by 2031).

* Death Rate - I cannot get these numbers, but the Advisory Group can, and should, have this chart developed:

of pre 2012 retirees _____
of pre 2012 retirees alive now _____
of pre 2012 retirees alive in 2031 (projected) _____

This consequence, hidden in the labyrinth of actuarial assumptions, will show the sinister nature of formulating a 20-year plan to "fix" the problems of program clients with a 20 year life expectancy. And we have been told by the author of the plan, in the words of the prison warden in "Cool Hand Luke," "It's for your own good, Luke".

(b) Restoration of 3% COLA, other benefits

* Actuarial analysis needed, but to be used cautiously and in context. EVERY government program would look unaffordable if the total cost over decades were utilized for decision-making. (e.g. two new favorite vote-getters, subsidized day care and free school lunches, will cost over \$0.5B in the next ten years).

* Cost must be evaluated within the context of all revenue expectations, and not just the investment portfolio. As previously mentioned, state spending has climbed by 85% since RIRSA. Allowing ERSRI to renege on obligated benefits in light of the total revenue of the state is criminal.

* Because the tax bases rise with inflation (e.g. sales and income), revenue will climb without increasing the tax rates.

* The new marijuana tax is producing considerable revenue.

* Government budgets are typically developed on a "current service level" model. This allows agencies to calculate the necessary funding for continuing to provide last year's services. This approach compensates for inflation. Reducing this calculation by 1% and allotting it to the Pension Fund would still provide an increase for government programs as well as a funding option for ERSRI.

(c) The above two options (do nothing, or reverse RIRSA) identify the boundaries of the Advisory Group's choices. Developing and analyzing them would set the context for where the group should go.

(3) KICKING THE CAN DOWN THE ROAD WITH A FRESH SET OF EYES

(a) Buying time (an option, as the General Assembly requested).

(b) Restore the 3% COLA for the next Fiscal Year. Using data from ERSRI's annual report, \$1B in benefits were paid in 2022. 3% of \$1B is \$30M.

(c) Authorize a 3% increase (\$30M) for the next Fiscal Year. The money is in the Trust Fund right now.

(d) There is no need to continue "kicking the can down the road" by doing nothing. Money is available right now to finance a one-time 3% COLA as a stop gap measure. And the following Section (4), MISINFORMATION/DECEPTION RE: 2031 "FULL COLA RESTORATION" will show the pointlessness of protecting the Trust Fund to reach 80% funding in 2031.

(e) If the General Assembly wants to continue avoiding action because of the complicated nature of pension finances (and other considerations), it can return to the comfortable realm of annual budgeting, and provide a 3% COLA while trying to figure out what to do.

(4) MISINFORMATION/DECEPTION RE: 2031 FULL COLA RESTORATION

(a) Eliminating the 2031 COLA restoration plan should be seriously considered by the General Assembly as an option. At minimum, GA members should be told in unambiguous terms that:

- * Many (most?) of the pre 2012 retirees will be dead by 2031.

- * The pre 2012 COLA will NOT be restored, even after 20 years of pain (and/or death).

- * This COLA replacement is merely a continuation of the COLA formula which will have produced a 60% decrease in benefit value by 2031. The only difference is an acceleration of the payment schedule. But a bread crumb is still a bread crumb, whether distributed daily, monthly, or annually.

- * The formula is deliberately complicated to camouflage the fact that it adds up to a pittance.

(5) MISUSE OF THE TRUST FUND

(a) Underfunding

- * The General Assembly must know that any problems (if they do indeed exist) is a result of underfunding by the General Assembly. Hence, the insistence by then Treasurer Raimondo that the focus should be to "fix" the alleged problem, not cast blame. Of course, the "fix" was exclusively at the expense of ERSRI members.

- * Regardless, we should all agree that the rationale for the Trust Fund is to assure the payment of guaranteed defined benefits, and avoid the vagaries and uncertainties of annual budgeting. Ironically, the Trust Fund had provided the vagaries, and the certainties exist in the inflation-protected revenue streams and related expenditures (85% growth since 2012) of the annual State of RI Budgets.

- * Although the Trust Fund was put in place to guarantee the ERSRI members' retirement packages, the "fix" was to guarantee the Trust Fund by gutting those very benefits.

(6) SUMMARY - Can't see the forest for the trees

The above discussion is intended to conform with the intent of the enabling legislation for the "Pension Advisory Working Group." As I was not seriously considered for a position on the group (no retirees need apply), I've sought to make a contribution via this format.

The General Assembly is looking for a review of the "unintended consequences" of RIRSA, as well as "options" for action which will provide an escape hatch from the labyrinth created by these "unintended consequences." This process desperately needs a "fresh set of eyes" for the current state of affairs to be fairly evaluated.

There is considerable skepticism regarding the myriad statistical presentations by a very narrow group of specialists, who regard as axiomatic the cutting of benefits as the only path to retirement stability for ERSRI members. We fear that the same specialists from the same specialty areas will look at the same data with the same perspective and arrive at the same conclusions (judging oneself provides predictable and favorable results). "Big Picture" vision must be dovetailed with the introspective charts and columns.

We see the RI State Budget increase by 85%, and then are told that our so-called Trust Fund cannot be sustained. We are told of the unstable condition of the Retirement System, and then see two \$50,000 incentive programs to encourage early retirements into this supposedly troubled plan. We see our benefit value decrease by 35% while State Employee salaries are increased by an equivalent amount by our previous employer. We see our friends, families and former colleagues die while their retirement security is perpetually debated. We have given up on recouping the benefits which have already been pilfered, which represents a considerable donation to government coffers.

These comments are only the tip of the iceberg regarding what has happened in the past (Politics, anyone?), and what must be done to reverse course.

We hope that the members of the Pension Advisory Working Group expand their respective perspectives, and develop innovative solutions with the new, fresh eyes that the enabling legislation calls for in acknowledging "unintended consequences."

David Shallcross

Brief Bio:

Bachelors Degree: Education: Concentration Mathematics/Sciences RIC

Masters Degree: Physics College of William & Mary In Virginia

Teacher, Junior High School/Middle School Principal, Union President (Cranston – Former Largest NEARI Local) Educational Consultant in several RI school districts. My background and training as a scientist drives me to see and solve problems using facts, data, and observable events.

The charge to this committee is to identify the unanticipated or unintended consequences that arose as a result of the 2011 RIRSA legislation. And, when appropriate, suggest possible corrective action.

- Paul Valetta put some historical background into his comments. Reminded me of the movie, CHICAGO, where Richard Gere sang and danced to Razzle Dazzle ‘em with a few memorable lines like, “How can they hear the truth above the roar, everyone loves the big bamboozler, and Razzle Dazzle ‘em and they’ll never catch wise.”
- And here in RI we had Truth In Numbers, (which was totally debunked by Monique Morrissey), John Arnold, Engage RI and \$1.5 million dollars in start up funds.
- The nearly 100 page RIRSA 2011 legislation was introduced on October 18, 2011 and by November 18, it was signed into law. Now that’s Razzle Dazzle by the Big Bamboozler. Very few even knew what they were voting on. They were told, “Just Push the Gree Botton and that’s what they did.
- A check at the RI Labor Board has identified 410 different bargaining units for public service personnel.

- Not every bargaining unit chose to testify before this committee, but from those that did, not a single leader expressed the satisfaction of the membership with the current pension law.
- Without a doubt, it appears unanimous that the RIRSA of 2011 has created many unintended consequences based on what the union leaders have reported. And the GA knows it too.
- Tonight’s testimony will, in all likelihood, introduce additional unintended consequences not mentioned to date.

There have been a lot of numbers introduced in the first two sessions which may or may not be entirely accurate. Maybe that is not so significant if we can recognize these numbers are approximations, given that things change from day to day and year to year. No doubt the ERSRI could and should provide updated membership data on a regular basis.

- By approximation there are about 60,000 members in the pension fund, of which about 30,000 are active employees and 30,000 more are retirees.
- In 2015, the Providence Journal reported that there were 27,585 retirees. I presume that was a number supplied by the Retirement System. How else would the Journal obtain that precision?
- On that basis alone, nearly 28,000 retirees lost their COLA.
- Reported earlier by another speaker there are now 27,700 current retirees. Evidently, between 2015 and 2023, almost 5,000 retirees have died.
- Are we the solution. All we have to do is die and the whole problem will go away?

I plan to narrow my focus to 4 general areas of unintended consequences.

- 1. The legality or illegality of the 2011 RIRSA legislation**
- 2. Personnel and personal unintended consequences**
- 3. The significant impact on the services and taxes of municipalities**
- 4. The unintended consequences that have significantly impacted the services and financial instability of this state.**

The Legality/Illegality of the 2011 RIRSA legislation

- This is the easiest of unintended consequence to discuss.
- The fundamental base of our democracy is the Constitution. Our forefathers defined the rules upon which our laws are based.
- Each State has some freedom to establish a Constitution particular to that state provided it is consistent to the Federal Constitution
- The Rhode Island Constitution – Article 1 Section 12 clearly states the following: “No ex post facto law, or law impairing the obligation of contracts, shall be passed”
- The RI Courts have determined that pensions are contracts and that those contracts include cost of living adjustments.
- The law is clear. There are no qualifying terms. One sentence. What could be more clear?
- What is the unintended consequence?
- Once we tolerate ignoring our own Constitution, the very base of all our laws, the essence of our democracy, we acknowledge that our democracy is subject to the whims and conveniences of those who rule.
- We expect all our state officers to obey the law. We say, “No one is above the law”, and here we are, almost 13 years after RIRSA 2011 with a law that ignores the fundamental base of our democracy. Do

we obey the laws when it is convenient and make believe they don't exist when it isn't? Think about that.?

Personnel and Personal Unintended Consequences

- A fundamental requirement of government is protecting the health and safety of its citizens.
- Hospitals, schools, police and fire departments are under staffed.
- Day after day we read about personnel shortages in so many government service areas. From counselors, social workers, prison guards, bus drivers, the list is endless of unfilled positions, most requiring special training and skills.
- There are more than 100 unfilled teacher positions in Providence, a school system being run by the state.
- Skilled, and reliable public servants are an absolute necessary for providing good government services. Because of its personnel indifference, Public service jobs in RI are just not a good places to work.
- And when some of these jobs finally get filled, far too often it is a temporary position in the mind of the employee until something better comes along, frequently in a nearby state. We train workers and they take their skills and training with them when they move on.
- Somewhere after becoming vested in the pension fund, employees face the reality that the state pension, as it exists today, will not provide for a comfortable retirement. And, state promises are just words. You can't rely on them even for a minute. Look how those people who stayed to the end were treated.
- The union will negotiate the best salary, benefits, and working conditions it can while you are working but when you retire you are on your own.

On a more personal note, I can't possibly count the number of times I've heard someone say, I planned on my COLA when I took out a mortgage, or I bought a new car, hired help to do repairs, cosigned my children's college loans, helped pay my parent's medical bills, and so many other 'out on a limb' financial situations, only to have the General Assembly, almost overnight, leave us stranded out on that limb without a ladder.

Personally, my wife and I are 35% poorer than we were in 2011. Every retiree is 35% poorer as the cost of living increased but our pension didn't.

- I never vote to approve a bond issue and I never will until the state pays me what I was promised when I signed the retirement papers.
- I never donate to my alma mater, once I read how Raimondo was staffing her governor's office using alumni donations intended for RIC students.

The Impact on the Taxes and Services of our Municipalities

RIRSA 2011 for active employees, shifted a huge and long lasting burden on the municipalities. We know workers will work more years and get smaller guaranteed pensions.

- The longer an employee works the more money he or she makes especially if there are lanes for advanced degrees, years of service, particular extra compensated duties, overtime, and other contractual considerations.

- The more they make, the more they contribute to the pension fund. But the employer has a responsibility to contribute to the pension fund. So not only does the employer assume the higher costs of a mostly veteran staff but the employer spends a lot more in pension contributions too.
- Years back, then Governor DiPrete created the ‘Golden Parachute’ which was obviously enacted by the GA. Employees with 28 or more years of service were given three (3) free years of credit allowing them to retire 3 years or more before they expected. Veteran employees took the deal in large numbers across the state and were replaced by much younger employees at a much lower premium both in salary and the employer’s contribution to the pension fund. There was a down side; it was very costly to the pension fund to give unfunded pensions,
- Today, the state is doing the exact opposite paying millions more in each municipality to costly veteran employees and paying more toward their pension as well. And the more the municipality pays the less the state pays.
- But since the current law greatly lowers the guaranteed pension upon retirement, many potential retirees cannot afford to retire for far less than they are earning at work.
- With little doubt, the municipality has an older work force, more prone to injury or illness, perhaps with a higher absentee rate, a higher experience factor with their medical insurance provider, and they have to pay 2 people to do the same job, the employee drawing a salary and the fill-in replacement employee as well. Overtime costs are very expensive.
- To provide the same services under these circumstances, the municipalities need to cut back on services or raise taxes.
- The RISA 2011 shifted a huge responsibility off the state and onto the municipalities.
- Mayors thought the legislation would save them money but just the opposite is actually happening.
- Mayors could do more in services at a lower cost, not by cutting jobs but by cutting the costs of top step salaries by lowering the retirement age and extended service years.

The Services and Financial Stability of the State

- The state has no clearly identifiable long term plan.
- Perhaps some long term planning is done by various departments, but any general long term planning is a mystery to the citizens of the state as well as employees.
- As a result, promises are made and broken routinely.
- In 2011, a law was passed that directed the state to deposit surplus funds not expended into the pension fund. That year, there was \$12.9 million in surplus funds. What did the state do? Changed the law.
- Our state hospitals have been frequently cited for a number of reasons.
- Our state hospitals can’t attract doctors, nurses, other health professionals, even workers for routine tasks.
- A multipage list shortcomings can be assembled from our hospitals, prison, DCYF, social services, etc.
- Far too many retirees move out of state upon retirement to states that do not have a personal income tax, or do not tax pensions.
- In the entire country only 14 out of 50 states make no adjustment for retirees.

- RI is one of those 14 states. Put another way, 72% of the states offer retirees some form of adjustment in their state tax responsibility.
- Far too many retirees take their pension and spend it in another state.

Shallcross: This last page can be held for discussion as appropriate

Why was the RIRSA 2011 even necessary?

- For every paycheck I received from the school department over a career of more than 30 years, for every \$100 dollars I earned, about \$10 went into the pension fund. It was like paying an insurance premium for the time when I would no longer work.
- It was the state's version of Social Security.
- And the school department put in its share.
- And the state was supposed to put in its share.
- But the state didn't!
- And everyone was told, the pension system was underfunded.
- And the COLA was frozen until 2031, at the earliest.
- But few mentioned that the state was using the pension system, including the money I was banking there for retirement, as its slush fund.
- Few knew that the 'Banking Crisis', saved by RISDIC, was actually a bail out of the banks and credit unions using millions of pension fund assets.
- Few knew that the 'Blizzard of 78' snow, that buried the state for more than a week, recovered by using millions of dollars from the pension fund
- Few knew that the state bankrolled the American Express building with millions of dollars before it went bankrupt in less than a year, took its investment millions out of the pension fund and left the pension fund on the short end with a worthless bankrupt building.
- Few knew that the pension system took a big hit when 38 Studios went bankrupt.
- Few knew, that the assistant treasurer to the then treasurer, Raimondo, in a panel discussion at the Brookings Institute, bragged in a televised segment how the state manipulated the ARC by adjusting the components that determine it.
- To answer the question above, the pension system was in trouble because of the fiduciary mismanagement of the state.
- Year after year, the auditor kept recommending that the state needed to stop playing games intended to manipulate and lower its required contribution to pension system.
- And all these machinations caused the fund not to fail, it was never that somber, it just wasn't as solid as it should have been.

Aldo Palazzo

Retired Teacher, Warwick Public Schools. Retired Faculty US Naval War College, Commander, US Navy

Brief Bio: B.A. University of Rhode Island; MA US Naval War College; BS Salve Regina. Faculty Italian Naval Academy; Faculty US Naval War College (Strategic Research Department)

My name is “Aldo” Palazzo, and I am an ERSRI Member who proudly served as a Teacher at Pilgrim High School in Warwick for approximately 22 years. Before that I was a member of the Faculty at the US Naval War College’s Strategic Research Department. I am here today to speak on behalf of ERSRI members, both Current and Retired, who are not able to attend or speak for various reasons which range from Health issues to Frailty due to age or the fact that many, approximately 7,000 of the 29,000 Retirees have moved from RI to escape our Taxes and the painful reminder of what happened under RIRSA2011, and hopefully I will not fail them!

Before I begin, I want to thank the members of the General Assembly who have apparently finally realized that the **Rhode Island Retirement Security Act of 2011**, hereafter referred to as **RIRSA2011**, has had a detrimental impact on our State. Not only on the approximately 29,194 ERSRI Retirees but also the additional 30,000 current Employees and Teachers and how it’s adversely affected State, Municipal and Educational Operations.

By tasking the General Treasurer to create this **Pension Advisory Working Group**, the **PAWG**, to **REVIEW** and **conduct an ANALYSIS** of **RIRSA2011** on Current and Retired Members, i.e. they tasked you to Develop Options for consideration by the General Assembly.

As I understand it, your task is to provide Options to Improve ERSRI Pension Programs and address the Unintended Consequences of RIRSA2011!

I want to Thank GT Diosa and Members of the PAWG for your time and efforts in studying this critical issue. Your tasking is not an easy one and many Retirees, Active Employees and Members of the General Assembly are watching these proceedings closely.

As a Member of **Advocates for COLA Restoration and Pension Reform**, a Registered Non-Profit with over 2,300 members, our leadership, some of whom have preceded me, chose to address you by dividing our testimony. My area is the PAWG itself.

According to the Operant Directive for this Commission, *R.I. Gen. Law § 36-10.2-11*

“The advisory working group may include, but not be limited to, designees from the following: the office of the general treasurer, actuarial professionals, public sector unions, state and/or national organizations interested in pension reform and sustainability, **pension advocacy groups** and financial and investment.”

As I review all your Credentials, impressive as they are, what I do not find is anyone from a **Pension Advocacy Group** on the PAWG itself. And I would pose the question, **“Why Not?”**

What many of you, and many watching, might not know is that a member of our group actually submitted a request, a resume and hand delivered them to the State House but somehow, he was NOT invited. Again, **“Why not?”** **RIGL 36-10.2-11 does NOT limit the number of members of this group**, so I am somewhat puzzled.

I’m getting on in years but looking at this Commission brings to mind a rather famous line from “Casablanca” **“Round up the usual suspects!”**

This is NOT meant to cast aspersions on this group but rather it is my own personal observation. With one exception, Mr. Maguire, exactly who represents the 30K Retirees and thousands of Future Retirees in the ERSRI? Having attended the first two Hearings, I have witnessed several members of this Group ask some very telling questions, and I do have hope that you will do the right thing relative to the devastation wrought upon Retirees as well as Current Employees by RIRSA 2011.

Many of us have hope, but there is also trepidation on the part of many ERSRI members. With the Final PAWG Report due on 1 March 2024 and the Final Hearing scheduled on 21 February 2024, only 10 days before, several questions have arisen as to the exact mechanism as to how this Report will be written!

Some members of the Public as well as a few in the General Assembly have already stated that they believe the "Report" is already written. I must add that I am NOT amongst their numbers. I trust you until proven wrong!

"Back in 2013, in a PROJO story written by Katherine Gregg, (June 26, 2013) it was mentioned that the state had \$12.9 million in additional assets beyond what was expected in the budget. At that time, there was a RIGL requiring the state to put that money into the pension fund but then Governor Chafee opted to carry that surplus over into the next year's budget and the House leaders acquiesced.

One Member of the House asked, ***"Why should anyone trust us again?"***

After that, lawmaker after lawmaker rose to talk about the immorality of making a promise to RI Public Employees while cutting their pensions.

That was reported TEN YEARS AGO and many members of the ERSRI believe that nothing seems to have changed.

To the members of this Commission, remember that ***"TRUST IS EARNED!"*** Will you dispel that mistrust, or will it be ***"Business as Usual in Rhode Island?"***

"At the 2 November Hearing, OMB Director Brian Daniels, stated that RI Budgets had been "Fiscally Responsible"!

(I found his presence rather interesting as he is NOT listed as a member but was sitting on the Commission that day)

When I approached him after the Hearing and told him that I thought he was being totally disingenuous, he replied ***"Mr. Palazzo, "I only stated what I was told to present!"*** How would you take his explanation?"

It is statements like that that give many ERSRI members, both active and retired, reason to pause and to wonder if, as some of them believe, the outcomes of the PAWG, are predetermined!

But Really Now? The RI Budget has increased approximately 85% since RIRSA2011 was passed! From \$7.8 Billion to over \$14 Billion! That's an INCREASE of roughly 7 Thousand Million dollars! Think about that! The Budget increase is roughly 3 times the CPI. (34% vs 87%!) What was the justification? Despite Gina Raimondo's "Fiscal Crisis! Three and half times the Pension Fund Shortfall! Two Billion at the time! Are you kidding me?"

In my mind, Fractional COLAs, are NOT acceptable and anyone proposing such a plan is BETRAYING those they purport to represent given the facts relative to past RI Budgets and current Economic Conditions. The \$2.5 per week won't even buy a coffee in most Restaurants, never mind cover increased Medical costs! Are they kidding?

There are many who believe that GT Diossa is NOT acting in Good Faith relative to the PAWG. I, on the other hand, feel that Mr. Diossa has been given a bad rap and I honestly believe that he should be given the

opportunity to prove his critics wrong and will do something for the Retirees. My experience to date is that he IS trying to do the Right Thing for Retirees!

But I continue: RI Public Employees, that is State and Municipal Workers as well as Teachers, have done EVERYTHING asked of them.

They PAID into their Retirement, anywhere from 9 to 10%, of their Gross Salary. Something the State and Municipalities sometimes failed to do!

“I recall meeting with Mr. Almonte back in 2006 regarding the WW Pension Fund and the Towns’ Failure to meet the ARC and as a result, he sent a warning letter to the Town admonishing them as to their responsibilities!”

But I digress. These employees showed up for work EVERY day, providing vital services to the Residents of this state. They taught our Children, and yet in the END, it was the STATE that did not keep Faith with these Public Servants!

Many of these Employees went into Public Service with eyes wide open, they THOUGHT they knew the outcome after 25- or 30-years’ Service to Rhode Island. They made plans in Rhode Island, bought homes and established their lives in the State based upon what they believed was a CONTRACT with the State! Only to find out much later that they had been deceived. Their CONTRACT was NOT really a CONTRACT if the State deemed it to be Politically Expedient.

I’m not going to belabor a point that Mr. Shallcross has already raised but “Yes, we as well as the State, had a ***Contractual Obligation*** and somehow the State, for Political Expediency used the RI Judiciary to change that fact!

A friend one posed a rhetorical question to me, ***“What is a Strike?”*** Not Mr. Nee’s type of Strike but a Strike in Baseball. Most people would respond ***“A missed swing by the Batter. Or a pitch over the plate”*** Possibly, but he added a different answer, ***“Whatever the Umpire says it is!”*** And that is EXACTLY how the State used the Judiciary to change the definition of “Contract” for Political Expediency!

When I hear that a 2% COLA will be restored in 2031 or a possible 3% COLA in 2034, I just shake my head. How many of you believe that ALL of the Retirees will still be here in 2034?

The very idea that this is the State’s GOAL, i.e. wait until the Elderly Retirees pass on, is both Ethically and Morally Reprehensible!

Over the past several months, I have spoken to many Retirees as well as Current Employees who have passed along how RIRSA has negatively affected them. One in particular, Mrs. Brenda Brenner, served as an inspiration for me to engage in this endeavor to right the wrongs imposed by RIRSA2011. She summed it up very succinctly, ***“Mr. Palazzo, They are waiting for me to die”!***

What will you say to her? Is that really your goal?

One final request of this Commission. ***I would ask that any and all of the options that you provide to the General Assembly in your 1 March Report include a “Fiscal Note” from Treasurer Diossa’s Office.*** I am

doing so that next year there will be no Excuses for Inaction on their part. Please note that I am asking this “On the Record”!

Of note, 2024 is an Election year and it’s been mentioned that there are approximately 30K Retirees, coupled with another 30 Active Employees within WRSRI. That is a large number of voters. But that’s not the entire story as these people have Spouses and Families that were / are also affected, and I would caution the General Assembly that these people are a force to be reckoned with..... We are NOT going away NOR will we accept anything less than what we were promised in our “contracts” when began working.

Our Commitment to COLA Restoration and Pension Reform is NOT going away and, for me at least, it brings to mind a dictum familiar to most who have served in the Military, *“This is the Hill I die on!”*

“Twelve Years Silent! SILENT NO MORE!

Thank you for listening as well as your time and consideration on behalf of all of us!

Debi Catamero

Good Afternoon,

My name is Deborah Catamero, I want to thank you for your service to the retirees of RI through your time on this advisory group. By trade, I am an educator who served the students and families of Providence RI for 28 years prior to my retirement in 2009. I began my career as a special education teacher and later worked as an elementary school principal.

I am one of many ERSRI retirees who were blindsided by RIRSA 2011. For the last twelve years I have suffered an erosion in buying power equivalent to a 35% reduction in my so-called "guaranteed defined benefit." This so-called "reform" has evolved from an "unintended consequence" to an intended consequence, forcing me to return to work in order to survive.

My desperation, frustration and anger at this reality has led me to become a member of Advocates for COLA Restoration and Pension Reform. Like-minded people have watched as multiple organizations, fronted by highly paid leaders while impressive, explanatory newsletters, ignored or minimized our plight with half-measured proposals or hypocritical shrugs. Twelve years have passed, and NOTHING has been done for retirees, although those same organizations have negotiated at least 30% in pay raises for RI State Employees.

Our Advocates Group has a grass roots inception , formulated specifically to address the absence of effort, resources, and, more important, results from the traditional establishment organizations. We literally have no budget, no paid officers, no office space, no research staff, no account for "expenses reimbursement." Nonetheless, our numbers grow daily (currently over 2300). We are careful about the information that we disseminate, much more so than the lack of truth which has characterized RIRSA endorsers and apologists since 2011. We treat people fairly, honestly, and expect the same in return.

We are just everyday people, wronged by our own government, and forced to organize ourselves as those who should protect us retreat to the back rooms with others who have wronged us. We apologize to no one for our

tone or our message. We have donated twelve years of our lives and twelve years of our guaranteed COLAs to Rhode Island. We are here before you today to provide you the opportunity to reverse this travesty. We will reserve judgment on your product until after the completion of your report and recommendation in regards to our COLA.

Again, thank you for your time.

John Breguet

Dear Members of the Pension Advisory Working Group

1. Trust me, it's not complicated. COLAs have never been about money, or lack thereof.
2. We were required by law to pay our statutory share to fund ERSRI. We did so, every single month.
3. The State also was required to pay its statutory share. However, and as admitted by the Treasurer, the State often did not. "The State's repeated failure to "utilize sound actuarial practices," by ignoring actuarial recommendations in the late 1980s and throughout the 1990s. Id. Specifically, the State only made 52% of the annual required contributions and 0% of the state contribution for teachers (1992), relied on unrealistic investment return assumptions (1997), and artificially inflated the asset value by shifting the valuation method during turbulent economic times (1996-1997). ... The assumed investment performance was artificially inflated." (See pages 4 – 5 of the "Final Brief" submitted to you by the Treasurer.)
4. The State budget grew from 7.7 billion dollars in 2012 to 14.3 billion in FY 2024, an 86% increase. Inflation in the same period was approximately 34%. The new revenue from tax on marijuana (47 million last year, expected to double this year) alone would suffice to pay a 3% COLA and have money left over.
5. The State initiated many new, costly programs in the period 2012-2023. For example, according to Governor Raimondo, her 2018 new free tuition at State colleges cost about 30 million dollars per year. (Providence Journal, 1/16/2017, updated 6/12/2018). This year, the Governor proposed 57 additional million for new school programs.
6. The Governor also has proposed eliminating a number of taxes in FY 2024. For example, the elimination of the gasoline tax saves 24 million dollars.
7. The State's largesse includes new benefits for State employees. For example, in addition to pay raises, current State employees have been rewarded financially. The State previously and recently has granted them a \$3,000.00 appreciation bonus and also a \$3,000.00 signing bonus. These bonuses cost the State 34 million dollars in a three-year span. (Providence Journal, 2/20/23).
8. The State in 2023 will give \$3,000.00 bonuses to 129 former Correctional Officers who retired prior to the negotiation of their former's union contract. (Providence Journal, 2/20/23).
9. Since 2012, the State's largest union, Council 94, AFSCME, has negotiated raises resulting in a 32.5% increase in the ensuing 11 years. A chart outlining those raises will be introduced at the December 14th,

hearing. Those raises are cumulative. As a general rule, other unions get the same raises as Council 94, AFSCME.

- 10.** The State in 2011 cynically said that COLAs would return in 2031. However, the State actuary on December 18, 2023 admitted that the probability of that occurring in 2031 is only 54%!
- 11.** According to the FY 2012 ERSRI audit, in June 2011 the age of the average State retiree was 71.1 years.
- 12.** According to IRS mortality tables, in 2011 a 71-year-old male had a life expectancy of 18.0 years.
- 13.** The majority of pre-2012 retirees will be dead by 2031.
- 14.** Mr. Newton on behalf of GRS testified that the unfunded liability will decrease rapidly in the next few years.
- 15.** Mr. Newton (See tape at 38.20 of November 2nd, 2023 hearing) introduced an exhibit showing that there will be a rapid and gradual reduction of the outflow of ERSRI funds in the very near future.
- 16.** Mr. Newton privately admitted to the undersigned that the anticipated death of the pre-2012 retirees is the primary cause for the anticipated future rapid decrease of the unfunded liability.
- 17.** The anticipated death of the pre-2012 retirees has always been the driving force behind the 2011 statutory changes in the law.
- 18.** If the Governor and/or the Legislature do not act, they are participating in the death watch of the pre-2012 retirees.