

Ryan Kanaczet
172 Dover Lane
Richmond, RI 02812

January 20, 2024

Chairman Dibiase and Nee
Pension Advisory Committee
Rhode Island General Assembly
82 Smith Street
Providence, RI 02903

Dear Chairman Dibiase and Chairman Nee and Committee Members,

My name is Ryan Kanaczet and I have been teaching for 26 years in the Narragansett School System. I am writing on behalf of myself as a member of NEA Rhode Island in support of your findings and to provide recommendations.

Background

In 1998 I was offered my first teaching job. At that time the pension system was 80 percent funded. Over time history has proven that the system was in need of reform due to an increase in the unfunded liability. However the 2005, and 2011 reform initiatives in my opinion were too drastic and have negatively impacted many current public employees' financial stability and long term retirement and financial goals. Of course we can all agree that there was a need for reform and I have communicated that with RI legislatures, Finance Advisory Boards, and RI Labor Representatives and testified at the state level this past May of 2023.

It is evident when observing House Finance testimonies this past spring that not all of the truths were shared to make informed financial legislative reform as noted in those key years in the legislative ACTS of 2005 and RIRSA in 2011. I am hoping to create a true picture of how these inequities have occurred in RI Pension Reforms over the years and have drastically and negatively affected RI Teachers, MERS and State Employees future financial stability. I would specifically like to address a teachers years of service, the changes to the pension accrual rates, lost accrual rate of return on a mandated TIAA-Cref hybrid plan, social emotional well

being and teacher burnout, lack of appeal to draw young teachers from neighboring states, lack of employee contribution to social security, modification of the final average salary formula, and finally creating a sense of transparency in pension investments and reform over the past 12 years.

Years of Service

Yes, an 80% pension and 28 years of service needed a change. In fact currently my ERSRI date in the current system is 62 as a B1 employee. At that time my 39 years of service and age of 62 combined to a Rule of 101. My rule of 95 is really actually at age 59 and my rule of 90 would be 57 more inline with the ability to access 401k and 403b per government regulations. In the private sector 401k and 403b participants can start drawing on their account at age 59 ½. In turn this age is prior to the recommended retirement age in the pension reform legislation. The pension system has not been fair to all parties of our collective bargaining bodies, specifically those who were in the system and had less than 10 years of service in 2011. For example, according to Massachusetts', [The "Retirement percentage" chart: Membership Tier 1](#), I can retire in Massachusetts at age 62 with 80%. According to the Connecticut Retirement Board, [Retirement Percentage Chart](#) I can retire at age 60 with 75%. You may ask what is the percentage at 62 and I would note they don't post beyond 60 on that chart. I do know that you can retire with 25 years of service with no penalties. In RI I am forced to stay in the system until a mandatory age of 62 with a 40-43% pension with 38.5 years of service. These staggering numbers as noted and the loss of years of investing in a hybrid model has made it very clear that I can retire at age 62 and then will need to find another job. I can retire in Massachusetts on my 50th birthday this March and collect what I will be receiving at age 62 in Rhode Island. Now is the time to make changes to the retirement system providing more emphasis on years of service implementing a rule of 90 (years + age = 90) with no age penalties while revising the system to be more inline with Massachusetts and Connecticut while addressing pension accrual rates as well.

Pension Accrual Rates

The court settlement rulings of 2015 only made corrections and adjustments to those AB employees where the TIAA Cref contributions were suspended and they earned an additional 1% per year and contributed back into the pension 11% an option not provided for those B1 employees. In this case not all employees contributing into the system in 2011 were given the same opportunity. Teachers characterized as AB teachers suspended their TIAA-Cref contributions and shifted contributions back into the pension system. Allowing B1 teachers to do the same would infuse more money into the pension system to make up for the lost accrual years in the hybrid TIAA Cref System and recoup 8-9 years of lost percentages that were provided to AB employees in the 2015 Settlement. As stated in testimony on January 17th it was reinforced with charts that the advantage of a defined contribution plan is years of investing. This reinforced that the 2011 legislation changes should have been made to only new hires after 2011, not those currently in the pension system.

TIAA-Cref Hybrid Plan

Those who were already invested in the pension system in 2011 also had their pensions annual accrual percentage reduced. In my case I lost about 9.5 years of accrual earnings in my Hybrid TIAA Cref Account over all new teachers hired after the fall of 2012 and was reduced to a 1% pension accrual rate.

The attached **table 1** and **chart 1** is a visual that models how the pension changes have impacted teachers and public employees with less years for growth compared with an AB, B1 and B2/3 employee. In my case starting in 1998 I personally have lost 9.5 years of investing and accrual rates over any new teacher that has been hired after 2012. Again years of service and loss of investment years in the hybrid TIAA Cref system could be addressed as follows..

- a. Increase the pension accrual percentage points to 2%-2.5% in order to recapture lost years of investing in a hybrid model and become more competitive to neighboring states. (2% is what AB teachers and Employees earned since 2015)
- b. Consider shifting a portion or all of the B1 hybrid model contribution back into the pension system. Suspending hybrid contributions or a portion would increase contributions back into the pension system.
- c. Who would this include. Two groups in the B1 category
 - i. Non vested in 2011 - less than 5 years
 - ii. Vested in 2011 - more than 5 years of service, specifically those hired between the years of 1995-2011.

- d. This would also put more value on years of service in the profession and in turn it would be recommend to remove the and 62 years of Age to put more emphasis to servicel

Social Emotional Well Being and Teacher Burnout

As employees in the public sector over the past 26 years I personally have dealt with a variety of financial factors that impacted my family. In my early years I dealt with rising day care costs, paid off student loans in full, agonized over pension reform changes in 2011, and survived the loss of value of the housing crisis. As teachers we taught through covid online, isolated from covid, caught covid, taught for 6.5 hours in masks and now are dealing with an inflated economy with stock market instability. Now as a middle class teacher I am preparing for the expected college contribution of \$37,000 annually for my son and daughters education. This is not only my story, this is the same story for my wife, sister, cousins, and friends that have all entered the public sector as teachers and public safety officers. Again the same people who were hit hardest by the 2011 pension reform. In fact what the system has done very well is demoralize those employees by increasing the early retirement penalties to outrageous rates that would drastically reduce their pensions to nothing if they choose to retire early. The system has forced teachers who have entered the career late due to raising their children to not retire but to resign due to a high retirement age requirement due to a lack of emphasis on years of service. These too are those B1 employees.

Teacher Recruitment

The competitive nature of Massachusetts and Connecticut's Pension system of 30 years and a 60% pension is far more appealing to new teachers than 38 years and 39% pension with a hybrid model in Rhode Island. I have been on many interview committees that have had minimally qualified candidates and have gone through many rounds of interviews coming up empty handed with no candidate. Cities like Cranston, Providence and other cities are having difficulty in filling positions on a greater scale as well. Rhode Island needs to be more competitive with our New England neighbors or we are going to continue to have a hiring crisis with not enough qualified teachers. Not to mention if the system is revised to better meet the

needs of the employees it would encourage retirements and in turn assisting districts by reducing salary overhead that has been endured due to teachers being forced to remain teaching due to a draconian pension system. Once again this advisory panel and RI legislatures should consider pension options similar to our neighboring states of 30 years of service and 60% by putting a value on years of service while increasing the accrual rates to be more inline with Massachusetts and Connecticut. As a result of this districts would be able to keep their payroll budgets lower and more manageable. This would benefit public employers who may want to hire new staff at starting pay rate instead of having a staff of top-step. Not to mention districts are dealing with less appealing interview pools and/or shortages of teachers. In fact the legislation is in the process of passing temporary legislation to bring retired teachers back to assist with the shortage over the 90 day restrictions. Teaching in Massachusetts and Connecticut are much more appealing than Rhode Island from a long term pension perspective.

Social Security

I have been fortunate enough to work in one of the few districts that contribute to Social Security. However my sister has not been provided that same opportunity teaching for the City of Cranston. When considering all factors in your work I am hopefully that employees would be given that same opportunity of choice in the matter of contribution to Social Security,

Final Average Salary Formula and Retirement Stability

In the current revised Raimondo plan I can retire at the age of 62 with 39 years of service with approximately 40-43% pension. In turn I will need to work another job when I retire. Or perhaps do what my colleagues are doing and resign from teaching and defer my pension and start a new career after 25-30 years plus of service. Reducing pension percentages for retirees has many teachers realizing that after spending 35+ years of service that they will now need to get jobs upon retiring in order to survive in an inflated economy. The term retirement is unrealistic in today's societies because more and more teachers are fearful that they will not be able to survive on 30-45% of their average of their top 5 years. It is evident in these advisory sessions that there is a strong voice to restore the 3% COLA as a benefit for current retirees and future retirees as well as revert back to the final average salary from five to three years.

Pension Transparency

Over the years in the state of RI there has been a great deal of unease in the 2011 pension reform initiatives under then Treasurer, Gina Raimondo. As a NEA member I voted no to pension reform and was amazed that those teachers with five years or less years of service were considered non vested and couldn't vote and that non votes were considered yes votes. It is apparent that union and legislative officials were not given the time to dissect and evaluate all aspects of the long term effects of the 2011 pension reform. It also blurred the vision and transparency needed by all parties involved. As part of the task of an advisory panel for the pension system of the state of RI it is important to ensure transparency. I would hope that more investigation should be made into the non disclosure agreement that over the years was established. An open door policy would put current employees and retirees at ease in regards to investments of the pension system and ensure that the system is not burdened with astronomical fees and poor financial decisions that are not in the best interest of the members of the system and the tax payers of the state of Rhode Island. If necessary it may require working in conjunction with the RI Attorney General's Office, State Auditor General, and professional forensic advice into the solvency of the state of affairs with regards RI Pension Reform Initiatives and investment plan and fee structures over the years.

Thank you for your time and your efforts serving on the advisory panel. I look forward to your support on these matters as I feel there have been a great deal of impact on the working class.

Below is an itemized list of potential recommendations based on my testimony as noted above.

(1) Introduce RI Legislation which would address a rule of 90 with no minimum age requirement and/or create a system comparable to Massachusetts and Connecticut:

(2) Introduce RI Legislation which would create a tiered accrual rate as follows:

1 to 10 years of service - 1.25% accrual

11 to 20 years of service - 1.5% accrual

21 to 25 years of service to retirement - 2% accrual

26 to 30 years of service to retirement - 2.25% accrual

31 years plus years of service to retirement - 2.5% accrual

(3) Introduce RI Legislation which would address the discrepancy between AB and B1 Employees who were in the pension system and hired before the 2011 pension reforms and were excluded from the 2015 Legal Settlement. Again years of service and loss of investment years in the hybrid TIAA Cref system could be addressed as follows..

-Increase the pension accrual percentage points to 2%-2.5% in order to recapture lost years of investing in a hybrid model and become more competitive to neighboring states. (2% is what AB teachers and Employees earned since 2015)

-Consider shifting a portion or all of the B1 hybrid model contribution back into the pension system. Suspending hybrid contributions or a portion would increase contributions back into the pension system.

-Who would this include? Two groups in the B1 category

- i. Non vested in 2011 - less than 5 years
- ii. Vested in 2011 - more than 5 years of service.
- iii. Teachers without 20 years of service in 2015 (specifically those hired between 1995-2011 who were in the system)
 1. A tiered approach could be used as well to address those closer to retirement with hire dates between 1995-2005 and 2005-2011 to recoup years lost in accrual rates.

-This would also put more value on years of service in the profession.

(4) Introduce RI Legislation which would increase the state's contribution to the Defined Contribution 401(a) plan. I believe in one of your findings that RI was rated in the bottom 50% on state contributions at 66% contributions.

(5) Introduce RI Legislation which would amend the final average salary formula that determines annual pension benefit from the highest five years of pay to the highest three years of pay.

(6) Introduce Legislation which would restore or enhance COLAs for current and future retired members of ERSRI and MERS.

(7) Introduce Legislation that would implement a social security option to non social security contributing districts.

(8) Per Pension Advisory Board Panel meetings recommend that the Non Disclosure Agreements of the pension investments over the past 12 years be made public to the advisory panel as well as the unions, state judicial, legislative, and pension experts.

Sincerely,

Ryan Kanaczet

Ryan Kanaczet
 NEA Narragansett
rkanaczet9@gmail.com

Table 1 and Chart 1 (pg 5 and 6)

TABLE 1

TIAA CREF-HYBRID COMPARISON AB/B1/B2-3

(Note - the first 11 years are the actual rate of returns after that date a 4% rate of return was used. 1998 would be my first year of teaching 2036 would be my retirement age of 62)

	AB	B1	B2-3
1998	\$0.00	\$0.00	\$1,769.36
1999	\$0.00	\$0.00	\$7,722.04
2000	\$0.00	\$0.00	\$13,623.28
2001	\$0.00	\$0.00	\$18,340.07
2002	\$0.00	\$0.00	\$25,471.77
2003	\$0.00	\$0.00	\$36,261.48
2004	\$0.00	\$0.00	\$38,525.85
2005	\$0.00	\$0.00	\$53,686.49
2006	\$0.00	\$0.00	\$68,688.88
2007	\$0.00	\$0.00	\$84,913.36
2008	\$0.00	\$0.00	\$76,296.43
2009	\$0.00	\$0.00	\$81,787.65
2010	\$0.00	\$0.00	\$85,059.16
2011	\$0.00	\$0.00	\$89,312.11
2012	\$1,769.36	\$1,769.36	\$93,777.72
2013	\$7,722.04	\$7,722.04	\$98,466.61
2014	\$13,623.28	\$13,623.28	\$103,389.94
2015	\$18,340.07	\$18,340.07	\$108,559.43

2016	\$19,257.07	\$25,471.77	\$113,987.40
2017	\$20,219.93	\$36,261.48	\$119,686.77
2018	\$21,230.92	\$38,525.85	\$125,671.11
2019	\$22,292.47	\$53,686.49	\$131,954.67
2020	\$23,407.09	\$68,688.88	\$138,552.40
2021	\$24,577.45	\$84,913.36	\$145,480.02
2022	\$25,806.32	\$76,296.43	\$152,754.02
2023	\$27,096.64	\$81,787.65	\$160,391.72
2024	\$28,451.47	\$85,059.16	\$168,411.31
2025	\$29,874.04	\$89,312.11	\$176,831.88
2026	\$31,367.74	\$93,777.72	\$185,673.47
2027	\$32,936.13	\$98,466.61	\$194,957.14
2028	\$34,582.94	\$103,389.94	\$204,705.00
2029	\$36,312.08	\$108,559.43	\$214,940.25
2030	\$38,127.69	\$113,987.40	\$225,687.26
2031	\$40,034.07	\$119,686.77	\$236,971.63
2032	\$42,035.78	\$125,671.11	\$248,820.21
2033	\$44,137.57	\$131,954.67	\$261,261.22
2034	\$46,344.44	\$138,552.40	\$274,324.28
2035	\$48,661.67	\$145,480.02	\$288,040.49
2036	\$51,094.75	\$152,754.02	\$302,442.52

CHART 1

The below chart is a visual representation of Table 1 showing the benefits of a hybrid model over a 37 year time period for B2-3 teachers and employees. Note- that AB teachers suspended contributions into TIAA Cref and now contribute 100% into the pension system and earn 2% per year instead of 1% for B1 and B2-3.

Again a similar 2015 proposal for B1 Employees to recoup their long term investment shortcomings and contribute back into the pension system 100%.

TIAA CREF - 37 YEAR COMPARISON

