

Summary of Changes to the Employees' Retirement System of Rhode Island

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Photo by Jim Schubert



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General Treasurer

ERSRI | **Employees'
Retirement System**
of Rhode Island

Article 12 of Rhode Island's enacted FY25 budget includes five changes to the state pension system.

COLA benefits payable to retired teachers, state employees and municipal employees.

Adjustment to Final Average Salary (FAS)

Substitute teaching and post-retirement employment related to statewide staffing.

Post-retirement employment.

Retirement on service allowance – State law enforcement professionals.



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COLA Provisions – Funded Ratio

- For State Employees, Teachers, Municipal Employees (*including Municipal Public Safety*), Judges, and State Police Officers who retired **on and after July 1, 2012**, Article 12 **reduces** the **minimum funded requirement** when the benefit adjustment will be **paid in full**, **from eighty percent (80%) to seventy-five percent (75%)**.
 - The **minimum funded requirement**, pursuant to RIGL, is when the **funded ratio** of the Employees' Retirement System of Rhode Island (*State Employees and Teachers*), the **Judicial Retirement** Benefits Trust and the **State Police** Retirement Benefits Trust, calculated by the system's actuary **on an aggregate basis**, exceeds seventy-five percent (**75%**).
 - For Municipal Employees, the minimum funded requirement is calculated by employer.



COLA BENEFITS PAYABLE TO RETIRED TEACHERS, STATE EMPLOYEES AND MUNICIPAL EMPLOYEES

- Per statute, a benefit adjustment or “COLA” increase is calculated as the sum of:
 - half of the average compounded investment return during the prior five fiscal years, net of expenses, in excess of 5.00%, not less than 0% nor greater than 4%.
 - half of the increase in the September CPI-U for the prior calendar year, but not more than 3.0%.
- Currently, the **five-year average investment return** of the retirement system is **7.68% - 5% = 2.68%, half = 1.34%**.
- In September of 2023, the **CPI** was **3.7%**. ERSRI would use **3%** (per RIGL), **half = 1.5%**.
- **The sum of both equals 2.84% - this is the FULL AMOUNT.**



COLA BENEFITS PAYABLE TO RETIRED TEACHERS, STATE EMPLOYEES AND MUNICIPAL EMPLOYEES

- **Amount:** For 2024, the COLA payment will **increase** from the current **0.71%** (*the 25% COLA enacted in 2023*) to the **full amount** of **2.84%**.
 - The calendar 2025 amount will be revised by the Retirement Board in December 2024.
- It will be based on **the lesser** of either a member's **retirement allowance** or the **first \$29,776** (*this amount is indexed and may increase annually pursuant to state law*).



COLA BENEFITS PAYABLE TO RETIRED TEACHERS, STATE EMPLOYEES AND MUNICIPAL EMPLOYEES

- Who the change applies to: Retired State Employees, Teachers, and Municipal Employees (*including municipal public safety*) **who retired on or before June 30, 2012.**
- This provision **does not impact** members who retired **on or after July 1, 2012.**
- This provision provides for the Cost-Of-Living Adjustment (COLA) to be **paid in full** each year **as if** the funded status of **75% was reached** rather than the **25% (or 1/4th)** of the benefit adjustment **currently** being provided.



COLA BENEFITS PAYABLE TO RETIRED TEACHERS, STATE EMPLOYEES AND MUNICIPAL EMPLOYEES

➤ General COLA Eligibility

- ERS and MERS members who retired after June 30, 2012 will be **eligible** to receive a COLA **three (3) years after your date of retirement or your Social Security Normal Retirement Age**, whichever is later.
- Police and Fire MERS members of these plans who retired between July 1, 2012 and June 30, 2015 will be **eligible** to receive a COLA **three (3) years after your date of retirement or when you reach age 55**, whichever is later.
- Police and Fire MERS members of these plans who retired after June 30, 2015 will be **eligible** to receive a COLA **three years (3) after your date of retirement or when you reach age 50**, whichever is later.



COLA BENEFITS PAYABLE TO RETIRED TEACHERS, STATE EMPLOYEES AND MUNICIPAL EMPLOYEES

- **Effective date:** Given the enactment date of the legislation, in order to receive the calendar year 2024 full COLA, **only those retirees who are eligible to receive a COLA in July and after** for calendar year 2024 will get the full COLA amount.
 - If eligible, COLA payments begin, for all COLA's, the **month following your anniversary date of retirement.**
- **No** full payments will be made for **COLA dates prior to July.**
- Eligible Members whose 2024 COLA was **applied** to their benefit in **June or prior**, i.e., their **COLA month** will receive the **full COLA** on their **regularly scheduled COLA month beginning in calendar 2025.**



COLA BENEFITS PAYABLE TO RETIRED TEACHERS, STATE EMPLOYEES AND MUNICIPAL EMPLOYEES

➤ Retirees **not affected** by the Article 12 change:

- Eligible retirees **who retired on and after July 1, 2012, through June 30, 2015** will **continue receiving** the annual **25%** (or $1/4^{th}$) of the benefit adjustment (as calculated pursuant to RIGL) on the **lesser** of either a member's **retirement allowance** or the first **\$35,731** (this amount is indexed and may increase annually pursuant to state law) .
- When the plan reaches a **cumulative 75% funding level**, eligible retirees **will receive the full COLA** annually on an indexed base of the **lesser** of either a member's **retirement allowance** or the first **\$29,776** (this amount is indexed and may increase annually pursuant to state law).



COLA BENEFITS PAYABLE TO RETIRED TEACHERS, STATE EMPLOYEES AND MUNICIPAL EMPLOYEES

- Retirees **not affected** by the Article 12 change:
- Eligible retirees who **retired on and after July 1, 2015** will continue receiving the annual **25%** (or $1/4^{th}$) of the benefit adjustment (*as calculated pursuant to RIGL*) on the **lesser** of either a member's **retirement allowance** or the first **\$29,776** (*this amount is indexed and may increase annually pursuant to state law*).
 - When the plan reaches a **cumulative 75% funding level**, eligible retirees will receive the **full COLA annually** on the indexed base of **\$29,776**.



COLA BENEFITS - STATE POLICE AND JUDICIAL PLANS

- Retirees **not affected** by the Article 12 change:
- The changes **do not apply** to retirees of the **State Police or Judicial plans**. They will **continue to receive a full COLA every four years** (the next one will be in 2025).
 - Paid on the **lesser** of either a member's **retirement allowance** or the first **\$29,776** (*this amount is indexed and may increase annually pursuant to state law*) for those retiring **on and after July 1, 2015**, or the first **\$35,731** for those who retired **on or before June 30, 2015**.
 - When the plan reaches a **cumulative 75% funding level**, eligible State Police and Judicial retirees will receive the **full COLA annually** on the indexed base of **\$29,776**.



EXCEPTION FOR TAXABLE RETIREMENT INCOME

ARTICLE 6

- Rhode Island's 2024 fiscal year budget includes an **increased tax exemption** for qualified retirees.
 - The current exemption is the first \$20,000 for income limits of \$101,000 for individual filers and \$126,250 for Joint filers
- Beginning January 1, 2025, the exemption will **increase to \$50,000**
- To qualify, an individual must have **reached social security normal retirement age** and satisfy certain **federal Adjusted Gross Income requirements** (under **\$101,000** for single filers, head of household, and married filing separately in **tax year 2023** and **under \$126,250 for joint filers**). **These numbers are indexed annually** based on changes to the **CPI-U**.



ADJUSTMENT TO FINAL AVERAGE SALARY (FAS)

- **Who it applies to:** State employees, teachers, and municipal employees (*including municipal public safety*).
- **What it does:** Modifies a member's FAS from the average highest five (5) consecutive years of compensation to the average highest three (3) consecutive years of compensation.
- **When Effective:** Employees in the above groups with retirement dates on or after July 1, 2024.

Note: the FAS from the average highest five (5) consecutive years of compensation to the average highest three (3) consecutive years of compensation change **does not apply** to **State Police and Judges**.



ADJUSTMENT TO FINAL AVERAGE SALARY (FAS)

- If a member terminated and has **not yet been processed** for payment and **notifies ERSRI** in writing that they want to **advance their DOR** to July 1, 2024, we will calculate their benefit using the 3-year FAS. However, they will **forgo any retro payments from their original DOR**.
 - ERSRI **will not adjust** any benefits in which a member **already** has been **processed and receiving** benefits.
- Teachers who have **served the required 180 days**, by ERSRI regulation, have a **DOR of July 1** regardless of the last day their school is in session during June thus they **would be 3-year** FAS. If Teachers **terminated prior to 180 days**, their eligibility would **still need to be July 1, 2024**, to have their benefit computed using the 3-year FAS.



SUBSTITUTE TEACHING AND POST-RETIREMENT EMPLOYMENT RELATED TO STATEWIDE STAFFING

- **What it does:** This change extends the ability for a determination by the local education authority (LEA) to **fill positions on a temporary basis**, that may **exceed the ninety-day (90) limitation** on post-retirement employment when there **exists a specialized need**.
 - It is an **extension of an executive order** that was established during COVID.
- **Addition to legislation:** LEAs are now **required to make the employer contribution** after the retiree **exceeds the statutory cap** as if the district had hired a new employee. That cap is 90 days for teachers and 75 days, for administrators or other school employees.



SUBSTITUTE TEACHING AND POST-RETIREMENT EMPLOYMENT RELATED TO STATEWIDE STAFFING

- The employer contribution would **begin on the 91st day**.
- There will be **no contribution required by the retiree** and **no additional service credit will be earned**.
- All the regular reporting will still be required by the LEA.
- This section became effective on June 21, 2024, and unless extended by the general assembly, this provision sunsets on June 20, 2025.



POST-RETIREMENT EMPLOYMENT

- This provision **increases the amount** a retired member, who retired from service at any **state college, university, state school**, or who retired from service as a **teacher** under the provisions of title 16, retired from service under title 36 (*State Employee*) or title 45 (*Municipal Employee*), may be employed or reemployed, on a **part-time basis**, by any **state college, university, or state school** for the purpose of providing classroom instruction, academic advising of students, and/or coaching.
- The “part-time” gross pay will be **increased** from eighteen thousand dollars (**\$18,000**) twenty-five thousand dollars (**\$25,000**) in any one calendar year.



RETIREMENT ON SERVICE ALLOWANCE - STATE LAW ENFORCEMENT PROFESSIONALS

- This provision provides **municipal public safety benefits** to the following **state employees currently employed** as:
 - Deputy Sheriffs, Capitol Police Officers, Environmental Police Officers, Juvenile Program Workers, Shift Coordinators, Firefighters, Crew Chiefs, Assistant Chiefs, Fire Investigators, Fire Safety Inspectors, Fire Safety Training Officers, Explosives and Flammable Liquids Technicians, and Campus Police Officers employed by the State of Rhode Island.

- A member will be able to retire if any of the following apply: (1) they are at least **50** and have worked for at least **25 years**; (2) they have worked for at least **27 years**; or (3) they have reached **Social Security retirement age** and have worked for at least **5 years**.



RETIREMENT ON SERVICE ALLOWANCE - STATE LAW ENFORCEMENT PROFESSIONALS

- Additionally, they will **no longer be participants in the TIAA** defined contribution plan and will have a **10% employee contribution** (see §36-10-1).
- For members identified in this section, **service credits** earned **prior to January 1, 2025**, will be determined by the laws in effect as of **December 31, 2024**. Accruals are **prospective** only, no retroactive adjustment. Accrual prior to January 1, 2025, are as a State Employee.
- The new benefit structure becomes **effective January 1, 2025**.
- COLAs for these job titles will be subject to **COLA as State Employees'**.



QUESTIONS?

Thank You for your Attention!



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