



OFFICE OF MANAGEMENT & BUDGET

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April 25, 2024

The Honorable Representative Marvin L. Abney
Chairperson, House Committee on Finance
Rhode Island House of Representatives
82 Smith Street, Providence, RI 02903

Re: House Bills Nos. 7342, 7343, and 7993 – Relating to Pensions and Retirement

Dear Chair Abney,

Thank you for providing the Office of Management and Budget (OMB) within the Department of Administration (Department) the opportunity to submit comments in response to the several above-referenced House bills, each of which proposes new amendments relating to State employee and teacher retirement benefits.

The State's pension system continues to have a significant unfunded liability. As of June 30, 2023, the Unamortized Actuarial Accrued Liability (UAAL) for the State Employee Retirement System was \$1.98 billion for the State employee plan and \$2.51 billion for the teacher plan. This sizable UAAL requires the State to make substantial annual appropriations. In Fiscal Year 2025, the State of Rhode Island's share of retirement contributions for State employees is projected to total \$238.0 million, while the State share for teachers (40% of total employer costs) is expected to total \$128.7 million, for a total of \$366.7 million – or 6.1% of the State's general revenue budget. Any bill that expands retirement benefits will increase State retirement costs over time and may slow the decline of the State's unfunded liability. Further, as the State continues to face structural deficits in the coming years, any increased pension contributions may require cutting other programs or increasing revenues.

The Pension Advisory Working Group report included estimated costs for proposals similar to several of these bills. However, in order to understand the impact that these bills might have on State costs over time, OMB recommends that any bill receive a pension fiscal note before further consideration.

The Department appreciates the opportunity to share this information about this legislation with the Committee. If there are any questions, please feel free to contact my office at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian M. Daniels".

Brian M. Daniels
Director, Office of Management and Budget

cc: The Honorable Representatives Patricia A. Serpa, Deborah J. Fellela, and Carol Hagan McEntee
The Honorable Members of the House Committee on Finance
Christopher O'Brien, Clerk
Nicole McCarty, Chief Legal Counsel to the Speaker of the House