



State of Rhode Island
Office of the General Treasurer

James A. Diozza
General Treasurer

7 May 2024

The Honorable Marvin Abney
Chair, House Committee on Finance

The Honorable Members of the House Committee on Finance

RE: 2024-H 7917 – *An Act Relating to Towns and Cities – Retirement of Municipal Employees*

Chair Abney:

I write with regard to 2024-H 7917, which would allow municipal employees to work 90 days per calendar year after they retire. Since this legislation purports to expand post-retirement benefits of retired members of the Municipal Employees' Retirement System ("MERS"), it may have an impact on the pension system.

Consistent with Rhode Island law, legislation concerning the pension system should not be approved without the benefit of a pension impact note. *See* R.I. Gen. Law § 45-21-42.2 (Legislation impacting the pension system "shall *not* be approved by the general assembly unless an explanatory statement or note . . . is appended to the proposed legislation which actuarially calculates . . . the projected twenty (20) year cost of the proposed legislation") (emphasis added). This independent assessment will clarify any impact the proposed legislation may have on both the State budget, and the sustainability of the pension system. The Chairperson of the House Finance Committee – with the approval of the Speaker of the House – can request a pension impact note concerning proposed legislation originating in the House. *See* R.I. Gen. Law § 45-21-42.2.

Concerning the merits of the proposed legislation, post-retirement employment legislation can have an appreciable impact on a pension system depending on the extent to which it alters employee behavior. This impact is twofold:

- (1) Some members could choose to proactively retire earlier than they otherwise may have with the intent to return to employment and receive both a salary and retirement benefits; and
- (2) MERS is likely to lose revenue since contributions will decrease if recent retirees are rehired in the place of full-time employees whose payroll would have been eligible for retirement contributions.

Currently, retired municipal employees are not permitted to work more than 75 days per year once they retire. See R.I. Gen. Law § 45-21-54. By expanding an employees' ability to work post-retirement, this legislation is likely to have an adverse impact on the pension system. Further, legislation exempting one discrete class of employees from a generally applicable rule increases the likelihood that such exemptions are sought by other groups.

Please feel free to reach out by email at Robert.CravenJr@treasury.ri.gov or by phone at (401) 330-0661 with any further questions.

Respectfully,

A handwritten signature in black ink, appearing to be 'R. Craven, Jr.', written over a horizontal line.

Robert E. Craven, Jr.
Director of Legislative Affairs
Office of the General Treasurer

cc: The Honorable Sherry Roberts