



State of Rhode Island
Office of the General Treasurer

James A. Diossa
General Treasurer

29 March 2024

The Honorable Stephen M. Casey
Chair, House Committee on Municipal Government and Housing

The Honorable Members of the House Committee on Municipal Government and Housing

RE: *Concerning 2024-H 7460, An Act Relating to Towns and Cities – Retirement Security Act for Locally Administered Pension Funds*

Chair Casey:

I write in support of 2024-H 7460, legislation introduced by Representative Alex Marszalkowski at the request of General Treasurer James A. Diossa. This legislation corrects a drafting oversight which will allow Treasury to continue to ensure municipalities are responsibly managing and funding independently managed pension plans.

In 2011, the General Assembly passed the “Pathway to Retirement Security for Locally Administered Pension Funds Act” to “promote the sustainability and longevity of pension plans established and administered by municipalities.” R.I. Gen. Laws § 45-65-2. To accomplish that goal, the statute authorized the creation of both a 14-member study commission and a five member “advisory council.” *See* R.I. Gen. Laws §§ 45-65-8, 45-65-10 (a).

The Commission was created to “review existing legislation and pension plan administrative practices and to make recommendations for the improved security and funding of locally administered plans and other post-retirement benefit obligations of cities and towns.” R.I. Gen. Laws § 45-65-8. The Commission issued a comprehensive report on January 9, 2015, after which it disbanded. The Commission has not met since 2015.

Unlike the Study Commission, the Advisory Council continues to play an oversight role relative to locally administered pension plans.¹ Among other things, state law requires the Advisory Council to provide an annual report to the Governor and General Assembly that includes a

¹ A locally administered pension plan is a pension system managed by the municipality, as opposed to a system managed by the state under the Municipal Employees’ Retirement System.

comprehensive assessment of the fund performance, funded status, administrative costs, assumed rate of return, and budgetary capacity for each locally administered pension plan. *See id.* The Advisory Council completed its most recent study in late April of 2023.

To facilitate completion of this report, and as an oversight function, the statute requires municipalities furnish any necessary information and complete an actuarial experience study to the study commission (not the advisory council) “no less than once every three (3) years.” R.I. Gen. Laws § 45-65-6 (3).

When calculating the annual required contribution of a pension plan, an actuary must make a number of assumptions concerning a host of factors, such as projected investment performance and economic climate, mortality of retired members, attrition of active members, and other demographic conditions. An experience study is a “periodic review and analysis of the actual experience of the plan” relative to these assumptions necessary to test their accuracy and make periodic adjustments accordingly. Employees’ Retirement System of Rhode Island, *Actuarial Experience Investigation Reports*, accessed Mar. 25, 2025.

Under prevailing law, municipalities must transmit an actuarial experience study to “the study commission no less frequently than once every three (3) years.” R.I. Gen. Laws § 45-65-6. Since the Study Commission ceased meeting in 2015, municipalities have not transmitted experience studies as required under state law. This legislation would change the receiving body from the disbanded Study Commission to the Advisory Council, which continues to serve a crucial and pertinent statutory function consistent with the legislative intent underlying the 2011 Act.

Importantly, a responsible municipality *already* performs experience studies on a routine basis. As such, this is not an added cost burden beyond a municipalities’ usual expenditures.

If you have any further questions, please do not hesitate to reach out to me directly or to my Director of Legislative Affairs, Robert Craven, at Robert.CravenJr@treasury.ri.gov.

Respectfully,

A handwritten signature in black ink, appearing to be 'JD' or similar initials, enclosed within a circular flourish.

James A. Diossa
General Treasurer

cc: The Honorable Alex Marszalkowski