



State of Rhode Island
Office of the General Treasurer

James A. Diossa
General Treasurer

April 2, 2024

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

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

RE: *2024-H 7240, An Act Relating to Towns and Cities – Optional Retirement for Members of Police Force and Firefighters*

Chair Casey:

I write with regard to 2024-H 7240, which would provide an annual 2.5% cost-of-living-adjustment (“COLA”) to members of Municipal Employees’ Retirement System (“MERS”) police and fire units. Since this legislation purports to expand retirement benefits for public safety professionals, it will have an impact on the Municipal Employees’ Retirement System (“MERS”).

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. Laws § 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 the impact the proposed legislation will 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 of Representatives. *See* R.I. Gen. Laws § 45-21-42.2.

Further, this legislation will create inequity both within MERS and in the Employees’ Retirement System of Rhode Island (“ERSRI”). Under prevailing law, members of MERS units with a COLA provision are eligible to receive an annual adjustment when their individual plan reaches 80% funded. *See* R.I. Gen. Laws § 45-21-52 (c)(3). This bill would prematurely restore COLAs for some MERS units while other municipal plans with the same or similar funded status will continue to wait until their plan reaches the requisite funded ratio. Retired members of the state police also do not receive COLAs and are not entitled to an annual adjustment until the ERSRI, State Police

Retirement Benefits Trust (“SPRBT”), and the Rhode Island Judicial Retirement Fund Trust (“RIJRF”) collectively reach a funded status of 80%. *See* R.I. Gen. Laws §§ 16-16-40 (f)(2); 36-10-35 (g)(2).

Even upon COLA restoration, the COLA provided in a given year is based on a statutory formula. Half of the COLA is calculated by taking the previous 5-year average investment return, less 5% (5-year return minus – 5% with a max of 4%), and half is calculated using the increase in the Consumer Price Index for All Urban Consumers (“CPI-U”) from the prior September 30th (max of 3%) for a total maximum COLA of 3.5%. *See* R.I. Gen. Laws §§ 16-16-40 (g)(1)(B); 36-10-35 (h)(1)(B); 45-21-52 (d)(1)(B). This legislation would create an exception to that general rule, entitling one particular class of pensioners to a flat 2.5% compounding COLA irrespective of inflation and investment performance.

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 William O'Brien