

A message from
**GENERAL TREASURER
JAMES A. DIOSSA**



Dear ERSRI Member,

I hope you are well and enjoying the summer. This edition of Compass looks at several changes to the state's pension system recently adopted by the General Assembly and included in the FY25

budget. This comes after the General Assembly directed my office to convene a Pension Advisory Working Group, which held multiple hearings and published a report detailing multiple potential changes to the pension system that could impact both active and retired ERSRI members. You can find that report at www.treasury.ri.gov.

As Treasurer, it is my responsibility to ensure that the pension fund is healthy and sustainable, so that all current and future retirees can look forward to receiving the benefits you have earned and deserve. That said, I also understand that

the cost of living has risen dramatically in recent years, making it increasingly challenging for many retirees to make ends meet. I applaud Speaker Shekarchi and President Ruggiero for their efforts to balance these realities and provide relief to retirees while ensuring that the resulting changes are properly funded.



Speaker Joe Shekarchi President Dominick J. Ruggiero

As usual, if you have any questions regarding these changes — or any other matter related to ERSRI — you can always reach our team at (401) 462-7600, Monday through Friday from 8:30 a.m. to 4:00 p.m. or via our website at www.ersri.org.

Thank you for your service to the people of Rhode Island.

James A DiOSSa
Rhode Island General Treasurer

MEET WITH A TIAA REPRESENTATIVE



Do you have questions about your TIAA benefits? You can now meet with a TIAA representative right in our ERSRI office. Scan the QR code to the left to log in and set an appointment.

Member information

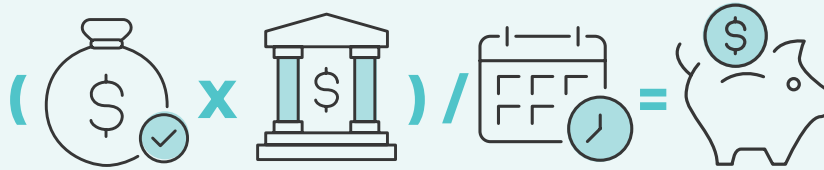
HOW IS YOUR COLA CALCULATED?

A COLA is a Cost of Living Adjustment.
Not all employers offer a COLA.

2024 Calculation Example for State Employees / Teachers / MERS Members who retired on or before 6/30/2012

<<OR>>

MERS Members in plans offering COLA that are 75% or more funded:



$$(\$29,776 \times 2.84\%) / 12 = \$70.47$$

MAXIMUM
RETIREMENT
ALLOWANCE

2024
COLA
%

MONTHS
IN A
YEAR

MONTHLY
COLA
ADJUSTMENT

OTHER 2024 LEGISLATIVE CHANGES AFFECTING RETIREES

Rhode Island's 2025 fiscal year budget includes an increased tax exemption for qualified retirees. There is currently an exemption on the first \$20,000 with income limits that are indexed to inflation; for tax year 2023, they are \$101,000 for individual filers and \$126,250 for joint filers. For tax years beginning on and after January 1, 2025, the first \$50,000 of retirement income will be exempt for qualified retirees.

Refer to the RI Department of Revenue's **Guide to the Tax Break on Pension / 401(k) Annuity Income** in the "Important Tax News" section at www.tax.ri.gov for more information or speak to your personal tax advisor to find out how these changes may benefit you.



SIX STEPS TO HELP YOU MORE EFFECTIVELY MANAGE YOUR DEBT

If you're looking for a better way to manage your debt, with the goal of eliminating most or all of it, you've already taken a step in the right direction.

As you prepare to move forward with your debt management, remember that some debt isn't bad—a mortgage can help you achieve the goal of owning a home and may help you build wealth if your home appreciates in value. Too much debt, however, or the wrong kind, such as high-interest credit card debt, can hamper your ability to pursue other financial goals.

1. Take account of your accounts First things first: Make a list of all your outstanding debts. Include the interest rate on each so you'll be able to determine which ones are causing you the most financial pain.

2. Check your credit report Request a free copy of your credit report from one or more of the three credit-reporting agencies. This will help you make sure you haven't forgotten about an outstanding debt. Plus, it's always a good idea to make sure there aren't accounts included that you don't recognize. If you want to find out your credit score, check with your bank or credit card company to see if they can provide it at no cost.

3. Look for opportunities to consolidate If you have multiple high-interest loans, can you consolidate them into one loan with a lower interest rate? Do you have access to a low-interest personal loan that you could take out to pay off high-interest credit card balances? Before consolidating or refinancing any student loans, you should carefully review your eligibility for federal loan forgiveness programs, which may be impacted by loan consolidation or refinancing.

4. Be honest about your spending If your debt feels overwhelming, it's worth taking an honest look at what you're spending each month. Are there expenses you can cut back on or eliminate? Part of reducing your debt is limiting the additional debt you take on.

5. Determine how much you have to pay Once you've consolidated, determine how much you have to pay each month by noting the minimum payments and add the total into your budget. If the amount is more than you can manage in your budget, you may need to contact lenders to see about arranging different terms.

6. Figure out how much extra you can budget After you have the baseline of how much you need to pay each month in your budget, determine how much extra from your budget you can devote to debt reduction. Hopefully, those expenses you reduced give you a little more discretionary money to put toward this goal.

How you address your debt is up to you.

Two popular strategies are to pay off balances with the highest interest rates first or to pay off the lowest balances first. Paying off debt with the highest interest rates first will save you more money over the long run, but paying off debt with the lowest balances can help you keep momentum and see progress. Either way, you're taking steps in the right direction, so stick with your plan!

Summary of Article 12 Provisions

HOW WILL THE LATEST CHANGES AFFECT

1. Changes to the Final Average Salary (“FAS”) Formula

- **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

2. COLA Provisions

- **Who it 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.
- **What it does:** This provision provides that COLAs are reinstated for eligible members.
- **When Effective:** July 1, 2024. COLA increases will be applied during a member’s regular COLA month (pursuant to state law, the month following the anniversary of their retirement). Payments are expected to begin by August 2024 and will be retroactive to July for retirees eligible to receive their 2024 COLA in the month of July.
- **Amount:** The COLA payment for these retired members, for 2024, will increase from 0.71% to 2.84% and will be based on the lesser of either a member’s retirement allowance or the first \$29,776 of their retirement allowance (this index increases annually pursuant to state law).

Note: Based on the effective date of this section, only those retirees who are eligible to receive a COLA in July 2024 and thereafter will get the full COLA amount applied this year (eligibility for COLA is the month following your anniversary date of retirement). Eligible Members whose 2024 COLA was applied to their benefit in June or prior

will receive the full COLA on their regularly scheduled COLA month beginning in 2025.

3. COLA Provisions – Funded Ratio

- **Who it applies to:** State employees, teachers, municipal employees (including municipal public safety), judges, and state police officers who retired on or after July 1, 2012.
- **What it does:** This provision reduces the minimum funded requirement for COLA restoration from 80% to 75%.
- **When Effective:** July 1, 2024

Note: Given the enactment date of this legislation, nine municipal employers with current funded ratios above 75% will be immediately eligible for the full COLA. These include Hopkinton Police, Barrington Police, Foster Police, Bristol/Warren Schools, Lincoln Rescue, East Greenwich Fire, West Warwick Fire Department, City of Newport and Pascoag Fire District COLA.

4. Post-Retirement Employment Cap Waived for Teachers and School Employees

- **What it does:** This change allows a local education authority (“LEA”) to hire retired teachers and school employees on a temporary basis upon written notice of a specialized need. Teachers and school employees hired under this provision are permitted to exceed statutory limits on post-retirement employment without impacting pension benefits.

LEAs are 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 ERSRI will bill the employers for contributions under this provision based on data transmitted to ERSRI.



TECT YOUR BENEFITS?

Note: Retirees are not required to contribute, and do not accrue additional service credit.

- **When Effective:** From June 21, 2024 through the end of the 2025 school year on June 20, 2025. Contribution payments by employers will begin once employees exceed the pertinent post-retirement employment cap (e.g. 90 or 75 days).

5. Post-Retirement Earnings Cap Increased for Retired Professors

- **Who it applies to:** Professors who retired from a state college or university and who are employed or re-employed on a part-time basis as an instructor or in an academic advising or coaching role by a state college or university.
- **What it does:** The member's "part-time" gross pay will be increased from \$18,000 to \$25,000 per year.
- **When Effective:** June 17, 2024

6. Benefit changes for State Public Safety Professionals

- **Who it applies to:** Active 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.

- **What it does:** State public safety professionals will be eligible to retire earlier and will receive a higher benefit multiplier (used in calculating the final benefit amount).

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.

Going forward, members will accrue 2% per year of service. Members with over 30 years of service who are at least 57 will accrue 2.25% per year. This change does not impact service accrued prior to January 1, 2025.

Members will no longer be participants in the defined contribution plan. However, their contribution to the defined benefit plan will increase to 10%.

- **When Effective:** January 1, 2025

7. Rebuttable Presumption of Post Traumatic Stress Disorder for Municipal Public Safety Professionals

- **Who it applies to:** Municipal police officers and fire fighters diagnosed with PTSD.
- **What it does:** Firefighters and police officers unable to perform their duties due to PTSD are presumed to have sustained the injury in the line of duty for purposes of receiving an accidental disability retirement. This presumption can be overcome by an evidentiary showing that the member's condition was not related to their job by a preponderance of the evidence.
- **When Effective:** June 20, 2024



JULY 2024



EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND

COMPASS

IN THIS ISSUE:

- ▶ Message from the Treasurer
- ▶ Update from TIAA
- ▶ How will Article 12 Provisions affect you?

ERSRI | Employees' Retirement System
of Rhode Island

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al español de este número:
ersri.org/publications/compass**

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