

## 2009 Retirement Legislation

Major benefit legislation was enacted by the General Assembly during the 2009 session for the Employees' Retirement System of Rhode Island. Included in the 2013 Budget was *Article 7 Substitute Aaa* which made major changes to pension benefits for State Employees, Teachers and Judges. Below is a summary of the changes enacted.

### Effective Date

The changes became effective October 1, 2009. Members who were eligible to retire as of September 30, 2009 were not affected by the changes, even if they did not retire.

### Retirement Eligibility

For State Employees and Teachers, the law established a minimum retirement age of 62 for all members, except those scheduled B members who retire with less than 29 years of service; their retirement eligibility still remains 65 years old with a minimum of 10 years of service credit.

For Correctional Officers and Nurses at MHRH, a minimum retirement age of 55 years old with 25 years of service was enacted.

However, the law provided a proportional downward adjustment of the minimum retirement age based on the years of service credited to the member's accounts as of September 30, 2009. Below is an example of the proportional formula:

A schedule A member who began service with the state or as a teacher at age 33 and has 15 years of total service credit as of September 30, 2009. Under the new law, the first step would be to determine the member's first point of retirement eligibility under the existing law prior to September 30, 2009. In this example; it would be 60 years old at which point they would have 27 years of service credit. According to the proportional formula and the minimum age of retirement of 62, the adjustment to this member's minimum retirement age would be computed as follows:

- Step 1, divide the member's current years of service as of September 30, 2009 by the number of years required to meet their first point of retirement, i.e. 27 years in this example:  
 $15 \div 27 = 0.56$
- Step 2, take the difference between age 62 and the member's first age of retirement eligibility under current law (60 in this example):  
 $62 - 60 = 2$
- Step 3, multiply the 0.56 from step 1 by the age difference in step 2:  
 $0.56 \times 2 = 1.12$

- Step 4, subtract the value in step 3 from the age 62 minimum retirement age:  
 $62 - 1.12 = 60.88$

The new minimum retirement age would be 60 years, 10 months and 17 days in this example.

### **Service Credit Accrual Rates**

The law froze service credits earned for members under schedule A as of September 30, 2009. Future accrual of service credits will be earned under schedule B.

### **Final Average Salary (FAS)**

For members not eligible to retire as of September 30, 2009 the FAS will be based on the 5 consecutive highest years of salary rather than the 3 under current law.

### **Cost of Living Adjustment (COLA)**

The law changes the COLA from the current 3% compounded annually to the COLA provided under schedule B which is the lower of the Consumer Price Index (CPI) or 3% and requires a full 3 year anniversary for receipt.

### **Service Credit Purchases**

Effective for all service credit purchases requests received after June 16, 2009, the cost will be determined at full actuarial value, except for purchases of military service and contribution refund paybacks.

### **Disability Provisions**

Effective for all applications filed after September 30, 2009, accidental disability will be available at 66 2/3 percent for members who are permanently and totally disabled as determined by the Retirement Board. If the disability is determined to be partial and the member is able to work in other jobs, the benefit will be limited to 50%. Both benefits will be subject to an annual review by ERSRI.

### **Judges Pensions**

A change was also enacted for Judges Pensions. The change only applies to judges appointed after July 1, 2009. Their final average salary basis will be their 5 consecutive highest years of salary and the full pension will be 80 Percent and the reduced pension will be 65 percent.