State of Rhode Island
Office of the General Treasurer

James A. Diossa
  General Treasurer

May 10, 2023

The Honorable Samuel Zurier
Member, Senate Committee on Finance

RE: *Concerning 2023-S 854, An Act Relating to Education – Teachers' Retirement*

Senator Zurier:

During last week's Senate Finance Committee hearing on 2023-S 854, you asked about the impact vacant positions in state government have on the funded status of the Employees' Retirement System of Rhode Island ("ERSRI").

Each year, ERSRI conducts a valuation that measures current costs and contribution requirements to determine how much employers should contribute to maintain appropriate benefit funding progress. It also measures plan assets and liabilities to determine funding progress. Once the actuary has determined the required contribution dollar amount to fund the plan, consistent with its funding strategy, that amount is collected as a percent of the plan's annual projected covered payroll. Both the annual contribution rate and expected contribution amounts are set two years in advance. For example, the FY22 valuation set the contribution rate for FY24.

The annual valuation accounts for routine vacancies – whether they be caused by temporary unfilled positions, terminations, deaths, resignation, or some other factor. However, persistent systemic vacancies will ultimately have an impact.

If there are significant and persistent vacancies, covered payroll and collected "expected" contributions – as determined by the previous valuation – will be lower than projected. This shortfall, representing uncollected but "expected" contributions, is then included in the next valuation cycle. Under such circumstances, the system must pay interest on any uncollected contributions,

Please feel free to contact me directly or have your staff contact my Director of Legislative Affairs by email at Robert.CravenJr@treasury.ri.gov, or by phone at (401) 474-3347 with any further questions you may have.

Respectfully,

James A. Diossa
General Treasurer