

Overview

The Employees' Retirement System of Rhode Island (ERSRI) was established in 1936 to provide retirement benefits for employees of the state of Rhode Island. Today, the system provides a defined (DB) pension for more than 58,000 Rhode Island employees, retirees, and other beneficiaries.

A DB pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

DB pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

ERSRI is charged with administering five pension funds:

- State Employees
- Teachers
- Municipal Employees Retirement System (MERS)
- State Police
- Judges

In addition to ERSRI, there are 24 local municipal funds in the state. For example, the public pension system in Central Falls, Rhode Island, that has been the subject of recent attention is not part of ERSI.

About NRTA

NRTA: AARP's Educator Community is a national umbrella organization for the nation's largest network of retired educators. For nearly 65 years, NRTA has worked with state and local Retired Educators Associations (REAs) across the country on areas of mutual interest in advocacy and community outreach.

Collectively, NRTA and REAs engage and advocate on behalf of nearly one-million retired educators. Our shared priorities are to protect earned pension benefits and to assure access to affordable retiree healthcare. Additionally, NRTA helps inspire and honor the work of REA volunteers through NRTA's With our Youth! national recognition program.

Using emails, webinars, conference calls, presentations and meetings, NRTA is a source of information and support for REAs. NRTA also works to support collaborations between REA and AARP state offices.

▶ Key ERSRI Data

The chart below summarizes the key data for the three largest ERSRI pension funds: state employees, teachers, and MERS.

	State Employees	Teachers	MERS*
Total active employees	11,122	13,350	7,759
Total retirees and beneficiaries	11,421	10,213	4,524
Average annual retirement pension benefit	\$25,887	\$41,735**	\$15,393
Employer contribution rate	36.34%	35.25%	18.35% (general); 31.71% (police and fire)
Employee contribution rate	8.75%	9.5%	6.0% (general); 7.0% (police and fire)
Total assets	\$2.52 billion	\$3.88 billion	\$1.2 billion
Funded ratio	48.4%	48.4%	73.6%
Unfunded actuarial accrued liability	\$2.7 billion	\$4.133 billion	430.2 million

Within ERSRI:¹

* The Municipal funds are all independently valued thus have independent liabilities and funding ratios. Data in this table represent the average.

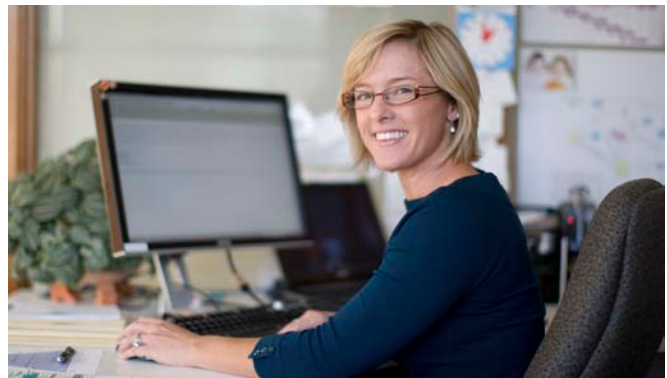
** About half of all Rhode Island teachers are not covered by Social Security, making their pensions benefit all more important in ensuring financial security.

▶ The Economic Impact of Rhode Island Pensions ²

Expenditures made by retirees of state and local government provide a steady economic stimulus to Rhode Island communities and the state economy. Within the state of Rhode Island in 2012, expenditures stemming from state and local pensions supported:

- 12,726 jobs that paid \$603.8 million in wages and salaries
- \$1.8 billion in total economic output
- \$314.4 million in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.61 in total economic activity in Rhode Island and each dollar “invested” by Rhode Island taxpayers in these plans supported \$4.19 in total economic activity in the state.



¹ All data as of the 6/30/2010 ERSRI valuation. The contribution rates become effective for FY2013.

² Rhee, N. 2014. Pensionomics 2014: Measuring the Economic Impacts of DB Pension Expenditures. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Employees' Retirement System of Rhode Island (ERSRI)**. ERSRI was established in 1936 to provide retirement benefits for employees of the state of Rhode Island. Today, the system provides a defined (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$4.19 The total economic activity in Oregon for each dollar invested by Oregon taxpayers in the pension fund.

\$1.8 billion Total economic output in Rhode Island created in 2012 when public sector retirees spent their pension income..

\$314.4 million Federal, state and local tax revenues in 2006 generated by spending of Rhode Island public pension benefit checks.

12,726 Jobs created in 2006 from pension benefit spending by Rhode Island state and local government retirees.

58,000 Rhode Island employees, retirees, and beneficiaries included in ERSI.

9.5 Percentage of salary that Rhode Island teachers contribute throughout their career from every paycheck to their pension benefit to share the funding responsibility.

50 Percentage of Rhode Island teachers who are not covered by Social Security, making their pension benefit all the more important to their financial security in retirement.

\$14,122 The annual teacher turnover cost in Rhode Island.

\$729,131 Annual teacher turnover savings provided to Rhode Island by the defined benefit pension system.

All data comes from either the Employees' Retirement System of Rhode Island or the National Institute on Retirement Security.



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Overview

As early as the turn of the 20th century, American legislators seemed to understand the importance of teacher quality to students' education. A 1917 report on public education noted that, "A school teacher's work is personal, direct, and positive. It works for the good or the ill of each pupil."¹

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Defined benefit (DB) pension plans were first introduced for teachers in the United States to help with the recruitment of high quality educators, and as an incentive to keep those educators in the teaching profession. By 1916, some form of retirement plan was available to public schoolteachers in 33 states. It was thought that such a retirement system might serve purposes: 1) bringing more diverse, and highly qualified teachers into the profession; and 2) creating a more productive workforce that actually saves public employers money, as one dollar in pension benefits was seen as worth more than a dollar in salary.²

All public school teachers in Rhode Island have pension coverage through The Employees' Retirement System of Rhode Island (ERSRI) Teachers Fund.

- The plan covers 13,350 active employees and 10,213 retirees and beneficiaries.
- Teachers contribute 9.5% of salary out of each paycheck to the pension fund.
- The average teacher benefit is \$41,735 per year, or \$3,478 per month.
- **Approximately half of all teachers in Rhode Island are not covered by Social Security,³** making their pension benefit all the more important in ensuring financial security in retirement. This also provides a significant cost savings to the state.



▶ Teachers Receive Lower Compensation

Public employees receive lower wages than their private sector counterparts. Even after accounting for pensions and other benefits, on average, state and local workers receive 7% less than those in the private sector.⁴ More specifically, teachers are paid 14.3% less than comparable private sector workers—and this pay gap has increased in the last decade.⁵

Research indicates that workers seem to value pensions so highly that they willingly forego higher wages in order to be ensured guaranteed retirement income. This suggests that teacher pensions play an important role in offsetting the financial impact of lower salaries.

▶ Pensions Help Retain Good Teachers in Rhode Island⁶

Better teachers are experienced teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.

In Rhode Island:

- 3.41% of teachers left the profession for another occupation in 2003. The cost of turnover in Rhode Island is \$14,122 per teacher.
- The DB pension system saved \$729,131 in teacher turnover costs in 2003 in school districts across the state.

¹ Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

² Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

³ Cost/Benefit Analysis of a Statewide Teacher Contract. http://www.budget.ri.gov/Documents/Special%20Reports/100_Cost%20-%20Benefit%20Analysis%20of%20a%20Statewide%20Teacher%20Contract.pdf

⁴ Heywood, J., and K. Bender. 2010. *Out of Balance: Comparing Public and Private Sector Pay over Twenty Years*. Washington, DC: National Institute on Retirement Security.

⁵ Allegretto, S., S. Corcoran, and L. Mishel. 2008. *Teachers' Pay Continues to Slide*. Washington, DC: Economic Policy Institute.

⁶ All data are preliminary findings from an upcoming report from the National Institute on Retirement Security.