



Rhode Island

RHODE ISLAND'S PENSION SYSTEM is one of the most underfunded in the United States, in aggregate terms. (At the time of Pew's report, the state had complete financial data on its pension systems only through 2005.) Rhode Island requires a higher contribution from state employees (8.75% of salary) to participate in the pension system than all but two other states. But it has had a good record of making its annual required contributions as determined by its own actuaries. As for non-pension benefits, adjusting for the state's size, Rhode Island's bill coming due for retiree health care and other benefits appears to be lower than most other New England states.

PENSIONS

TOTAL BILL COMING DUE: **\$9.8 billion**¹

FUNDS SET ASIDE: **\$5.5 billion**

PORTION UNFUNDED: **\$4.3 million**

PERCENT FUNDED: **56 as of 2005**²

TEN YEAR FUNDING HIGH: **83% in 1999**

TEN YEAR FUNDING LOW: **56% in 2005**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

ASSUMPTIONS: Rhode Island assumed 8.25% interest on its pension investments in 2006, compared to a 50-state median of 8%. It uses a five-year smoothing period to calculate the actuarial value of assets, similar to most states. In 2005, the state's actuarial advisor, Gabriel Roeder Smith, conducted a study that looked back seven years, and concluded that Rhode Island had been overestimating investment returns and underestimating salary increases.

¹ Pension funds include state and judicial employees, teachers and state police.

² 50-state mean was 82% as of 2006.

OTHER BENEFITS

TOTAL BILL COMING DUE: **\$700 million**¹

FUNDS SET ASIDE: **\$0**

PORTION UNFUNDED: **\$700 million**

PERCENT FUNDED: **0 as of 2006**


HOW IS THE STATE DOING IN MANAGING THIS BILL? 

¹ For state employees.


² 46% of covered payroll, compared to a national median of 135%.

REFORMS: Rhode Island undertook major pension reform in 2005 for new and non-vested public employees and teachers (as of July 1, 2005). The age and service stipulations are somewhat complex, but the gist of the legislation was to require employees to work more years, and to an older age, to achieve full benefits. (Among the stipulations: new or non-vested employees can no longer retire at any age with 28 years of service, but must wait until age 55, when 20 years of service can qualify a person for a reduced benefit.) A benefit cap of 80% on final salary compensation was cut to 75%, according to the National Conference of State Legislatures. The state also set up a special joint legislative oversight commission to study state employee retirement benefits.

KEY:  Top Performer

 Needs Improvement

 Below Par

 Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by Pew's Center on the States. The full report and 50 state fact sheets can be found at www.pewcenteronthestates.org.



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