

# Pension Bulletin #3: What is 'Normal' Cost and Why Should You Care?



VOL: 3

## What Is Normal Cost?

- This is the actual percentage of salary necessary to pay for the future pension benefits of an **existing employee**.

## Why Should You Care?

- For the vast majority of **existing employees**, the facts support no further changes to the modified pension system.
- The combined impact of past pension reforms, even after accounting for the recent actuarial changes, means that the “normal cost” for **existing employee** pensions is less than 12% of salary (approximately 11.8% for teachers, 11.4% for state employees.)
- When you factor in the hefty contributions already made by the **existing employees** toward their own pensions of 8.75% for state employees and 9.5% for teachers, the cost to the taxpayer for these pensions is less than 3% of salary. In essence, these **existing employees** are already paying for the vast majority of their future pension benefits.
- The rest of the hefty assessment over the normal cost goes towards the unfunded liability of the plan—a problem not created by the **existing employees**.
- Union workers cannot support further changes to **existing employees** when the normal cost is so low, especially given the likelihood that further change brings further litigation.



### REAL PEOPLE REAL CONSEQUENCES

*“It is unconscionable that we continue to give tax breaks to wealthy citizens and corporations while heaping the whole burden on low to middle-class workers. We need to get our priorities straight.”*

**Mike Fallon**

Supervising Eligibility Technician, Department of Human Services

*To learn more visit:* [www.RhodeIslandRetirementSecurity.org](http://www.RhodeIslandRetirementSecurity.org)

**Watch for Pension Bulletin #4 next week:  
VESTING: What Does It Mean?**



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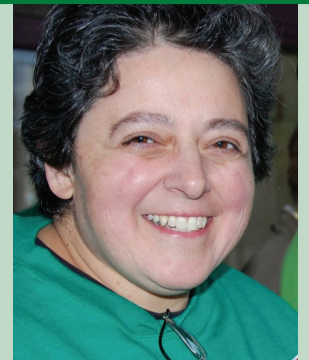


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# REAL PEOPLE REAL CONSEQUENCES

**The pension debate  
in Rhode Island  
is about more  
than money.  
It's about  
real people.**



**Turn over for Pension Bulletin #3:  
What is 'Normal' Cost and Why Should You Care?**