



EMPLOYEES' RETIREMENT SYSTEM OF
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WINTER 2010

ADDITIONAL WITHHOLDING FOR PENSIONS FOR 2009 AND 2010

The federal economic stimulus plan signed into law last year provided for a "Make Work Pay" tax credit of \$400 for individuals and \$800 for families. Under the law, the "Make Work Pay" tax credit only applies to "earned income" and pension benefits are not considered earned income, which means the tax obligation for pension benefits does not change. This results in a situation for retirees and beneficiaries in which the tax withholding amount on their benefit payment goes down, while their tax obligation has not actually been reduced. This situation could result in underpayment of taxes during the year that would have to be made up when filing income tax returns the following year, along with the possibility of penalties for withholding of taxes during the year. The IRS issued additional withholding tables last year that apply only to retirement benefits. ERSRI used these additional tables effective with the June 30, 2009 pension payment and will again apply them in 2010. According to the IRS, this change will help some pensioners avoid a smaller refund or, in limited situations, a balance due. However, the additional withholding table for pensions is based on the pension payment BEFORE subtracting withholding allowances. While the IRS points out that withholding on pension payments will be automatically adjusted with no action needed by pensioners, ERSRI encourages members who believe their current withholding is not appropriate for their personal situation to perform a quick check by using the IRS withholding calculator on www.IRS.gov or directly consult the IRS or a tax advisor. A link to the calculator is available on our homepage www.ERSRI.org

These new rates will not affect you if you have told ERSRI to withhold a set dollar amount from your check.

If you wish to tell us specifically how much you would like withheld, based on this new information and your individual circumstances, you may print out and send in a Certificate of Withholding Preference Or Withholding Tax Change form or log on to the secure member section of the ERSRI website www.ERSRI.org and make your necessary changes. You may also call our customer service line at 401-457-3900. This form can be filed at any time.

SCHEDULE B AND TEACHER SURVIVOR BENEFIT (TSB) COLA FOR 2010

Schedule B Members

This percentage increase in benefits is applicable for Schedule B retired participants (State Employees and Teachers only) beginning with the month following their third anniversary of retirement. The increase is calculated as the increase in the September CPI-U for the year prior to the COLA, but not more than 3.0%. The following is the COLA for 2010:

| Effective Date | CPI-U September 2008 | CPI-U September 2009 | Calculated Increase | 2010 Effective COLA |
|----------------|-------------------------|-------------------------|------------------------|------------------------|
| 2010 | 218.78 | 215.97 | 0.0% | 0.0% |

For Schedule B retirees, the COLA amount will be 0.0% if they are scheduled to receive an increase which occurs on a date in 2010. *Please note that all disabled retirees, whether under Schedule A or Schedule B, always receive a 3.0% increase in January as well as all eligible schedule A regular service retirees.*

TSB Members

Current eligible beneficiaries of Teacher Survivor Benefits receive the same COLA granted to members of Social Security. The increase scheduled to occur in January 2010 for members of Social Security is 0.0%.

