

COMPASS

EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND

A MESSAGE FROM GENERAL TREASURER SETH MAGAZINER



I am pleased to share that Rhode Island's pension fund has had seven consecutive months of positive performance this year. In fact, over my time in office, Rhode Island has outperformed our investment benchmark - earning more than \$350 million of net investment gains. However, I still think that we can do better.

Over the last several months, my staff and I have been working with the State Investment Commission (SIC), whose members include some of Rhode Island's leading investment experts, to review the asset allocation of the investments in our pension fund. The SIC's goal is to identify the right mix of investments, balancing the fund's need for growth when the financial markets are strong, while also protecting against potential losses when markets fall.

Following this extensive review process, I am pleased to announce a new investment strategy for the retirement system. Over the next two years, we will bring the fund back to basics, taking more than \$550 million out of hedge funds in favor of more traditional investment strategies.

Going forward, a majority of the pension fund will be invested in high growth strategies like low-fee index funds, with the remainder of the fund in assets that will protect the pension system against inflation and market downturns. These "risk protection" investments include investment grade bonds, U.S. Treasury Bonds and real estate. Our goal is to accelerate progress in returning the pension system to a healthy funding status, and solidify retirement security for our members.

You can read more about our new asset allocation strategy online at: treasury.ri.gov

At Treasury, we are working hard to bring the pension system back to a healthy funding level and provide high quality customer service to all of our active members and retirees. You, the teachers, state and municipal employees, firefighters and police officers, who have spent your lives serving our state, deserve nothing less.

Thank you.

Seth Magaziner
General Treasurer
Chair, ERSRI Board

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Legislative Update

During the 2016 legislative session the Rhode Island General Assembly passed a several bills that directly affect members of ERSRI.

Rhode Island's 2017 fiscal year budget includes a new tax exemption for qualified retirees. The first \$15,000 of retirement income will be exempt from state personal income tax for retirees who have reached full social security retirement age and have a gross income of \$80,000 or less for single filers, or \$100,000 in gross income for joint filers.

In the 2016 budget, the General Assembly passed a similar initiative that provided a tax exemption only for Social Security benefits. This year's budget also includes an exemption for other types of retirement income, including public and private pensions. The exemption is now expected to provide over \$6 million

in tax relief in 2017 and nearly \$14 million in tax relief in 2018, reducing the tax burden for over 60,000 Rhode Island taxpayers. Speak to your personal tax advisor to find out how these changes may benefit you.

Governor Raimondo also signed companion bills into law that allow retired members of ERSRI who are certified as substitute teachers to substitute teach for up to 90 days a year without a reduction in retirement benefits. The law became effective immediately upon the Governor's signature.

Finally, with the passage of House Bill 8302, the families and dependents of firefighters who are killed in a homicide while not on duty will now receive the same benefits as those killed in the line of duty.

TIAA Offers Free Financial Advice for ERSRI Members

Members of ERSRI have the opportunity to work with a TIAA Financial Consultant, at no cost.

During your one-on-one meetings, a consultant will take time to understand your unique personal financial needs and goals to help you make informed financial choices.

You and your consultant will review your goals and objectives including risk tolerance, time horizon and other planning needs.

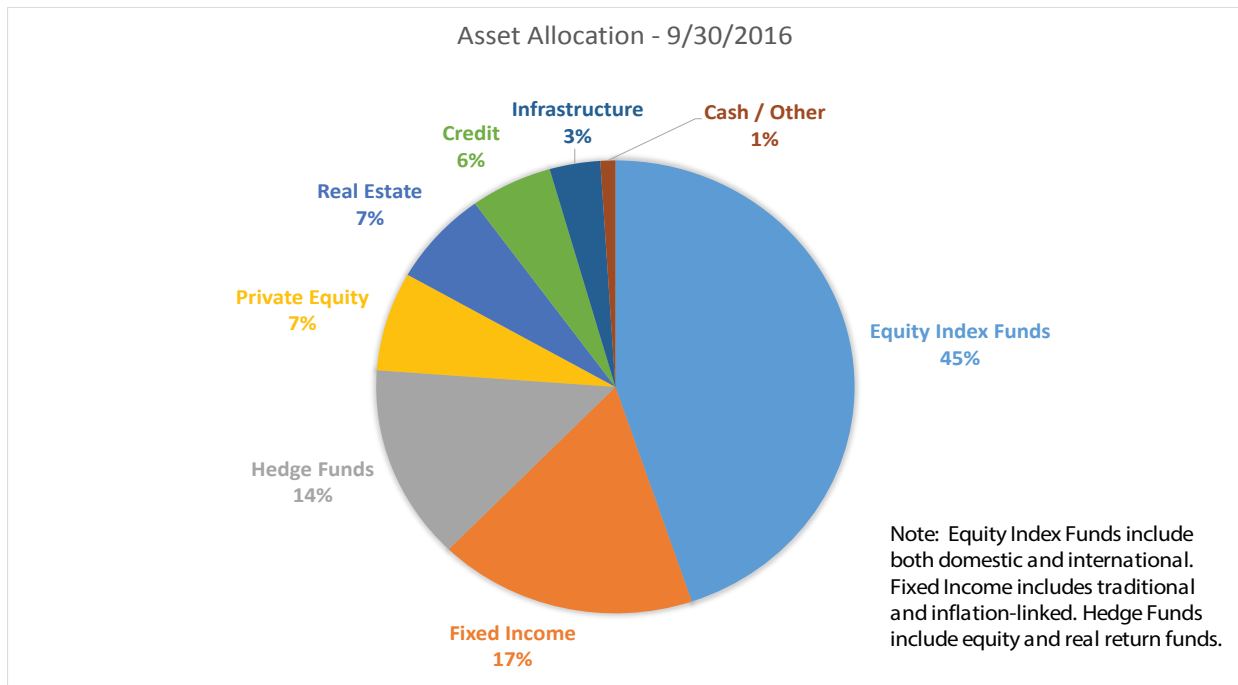
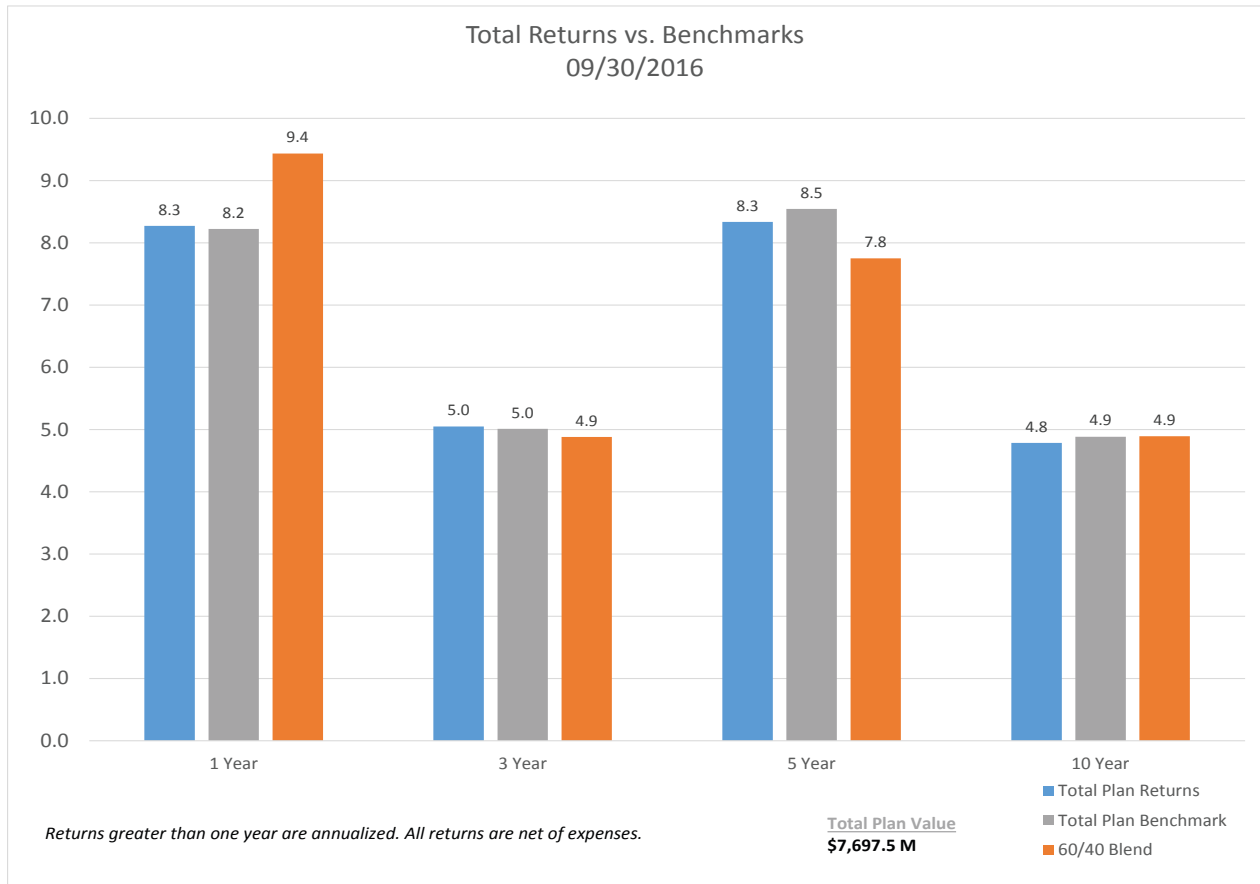
Creating a financial plan can help you get a holistic view of your retirement readiness by reviewing outside assets and Social Security projections.

That plan can also help you save for many different financial goals by providing information on managing income and expenses; and provide actionable recommendations, including investment mixes suitable for your circumstances.

TIAA's consultants will assist you as you implement your financial plan, help you track your progress toward your goal, and adjust the plan as your needs change.

To set up your free financial consultation with TIAA please call 800-732-8353 or sign up online at: www.TIAA.org/schedulenow.

INVESTMENT UPDATE



Back to Basics is Right Call for R.I. Pension Fund

When we joined the Rhode Island State Investment Commission and Retirement Board we wanted to make sure public employees and retirees had a voice at the table when investment decisions are made.

We were excited to see Treasurer Magaziner launch a review of the state’s pension investments, and were pleased to work closely with him throughout the review process. Earlier this year the Treasurer held an unprecedented joint meeting of the State Investment Commission and Retirement Board on the topic of pension investments. This gave the Retirement Board members a forum to present the priorities and input of current and retired public employees.

It is clear that Treasurer Magaziner puts the strength and stability of the pension fund before politics and ideology. The Rhode Island pension system is now poised to significantly reduce our investment in hedge funds. This strategy brings our portfolio back to basics by investing in proven strategies to grow and stabilize the pension fund.

The pension system is healthier today than it was six years ago, and the ‘Back to Basics’ investment plan

will further strengthen the system so that we never have to go through another painful pension reform again. We have a strong partner and advocate in the Treasurer’s office, as we all work together to strengthen retirement security for you, Rhode Island’s public servants.

As retired teachers ourselves, it is reassuring to see Treasurer Magaziner, along with members of the Investment Commission and Retirement Board, work so diligently to deliver the strongest possible plan for our fellow public servants, their beneficiaries, and the taxpayers. We are confident that the new ‘Back to Basics’ strategy does just that.

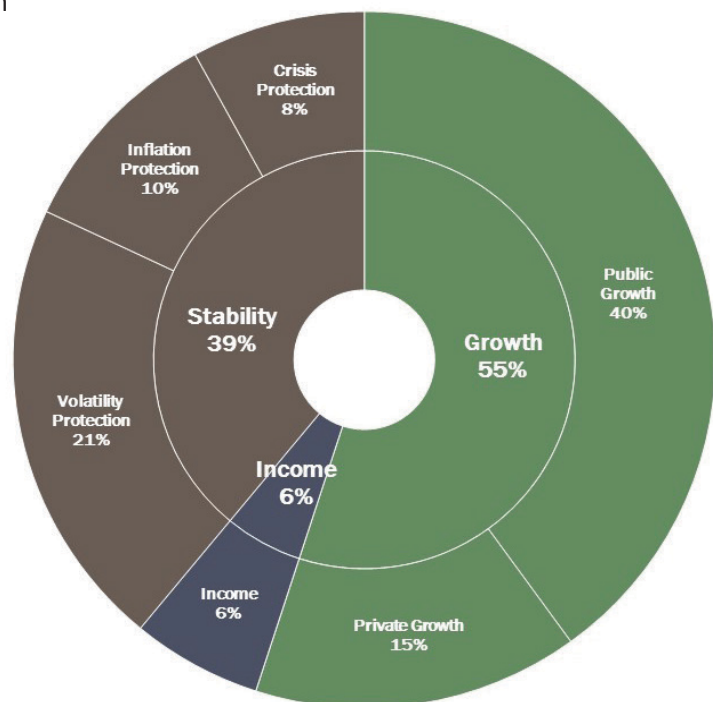
--Marcia Reback & Roger Boudreau

Marcia Reback is a member of the State Investment Commission and the former President of the RI Federation of Teachers and Health Professionals

Roger Boudreau is a Retiree Member of the State Retirement Board and chair of the Rhode Island Public Employees Retirement Coalition

PENSION FUND ALLOCATION STRATEGY AS OF SEPT. 2016

- Majority of portfolio in traditional investments for growth
- Stability class provides protection from market conditions
- Income class ensures that current and upcoming payment obligations are met



ASK FRANK: POST-RETIREMENT EMPLOYMENT

If, post-retirement, you want to work for a private company, a private non-profit, or a public sector employer from another state you may generally do so without any suspension of your pension benefits. This discussion is about the post retirement employment rules which generally apply to public sector jobs with employers that participate in the Employees' Retirement System of Rhode Island (ERSRI).

Q: When can I go back to work?

Beginning October 1, 2016, retirees must have a 45 day break in service between the day you retire and the first day of post-retirement employment.

Q: Can I work for the State of Rhode Island?

If you are retired from ERSRI or MERS, you **may not** work for the state unless you suspend your pension. This may include consulting work for the state through a private company or non-profit. When your employment ends, your pension benefits will resume.

Q: Can I Work for a City or Town?

Yes. Retired state and municipal employees may be employed by a MERS participating municipality for up to 75 full days or 150 half days per calendar year. If you exceed 75 working days or 150 half days, your pension will be suspended. You may, however, work without restrictions for any municipality that does not participate in MERS.

Q: Can I Work for a State School, College or University?

Yes. If you are a retiree, you can work as a classroom instructor, an academic advisor or a coach at any state college, university or state school. You may not, however, earn more than \$15,000 in gross income in any calendar year without suspending your pension.



Frank J. Karpinski, ERSRI Executive Director

Q: Can I Work as a Registered Nurse in a State Facility?

Yes. Retired nurses can provide per-diem nursing care and/or services at a state facility. You may not, however, earn more than \$15,000 gross income per calendar year without suspending your pension.

Q: Can I Work for a Rhode Island Public School?

Yes. Retired teachers may substitute teach, or fill vacant positions including – but not limited to – teacher, administrators, guidance counselors, coaches or tutors. You may not, however, work more than 90 days or 180 half days in any one school year without suspending your pension.

Q: Will I Earn Additional Service Credit or Make Contributions into the Pension System?

No. Any retiree participating in post-retirement employment will not earn additional service credit or make additional contributions into the pension once you retire and begin collecting a pension.

Q: What about consulting?

Consulting can be a little complicated. Please contact ERSRI at 401-462-7600 to talk about your individual situation. ERSRI representatives are available Monday through Friday from 8:30 a.m. – 4:00 p.m.

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IN THE FALL 2016 COMPASS NEWSLETTER

- *Treasurer Magaziner on 'Back to Basics' approach to Pension Fund investments*
- *Legislative Update*
- *Update on Pension Fund Investment Performance*
- *A Letter from Marcia Reback & Roger Boudreau*
- *TIAA Offers Free Financial Advice for Members*
- *Post-Retirement Employment Q&A with Frank Karpinski*

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Seth Magaziner, General Treasurer
Chairman, ERSRI Board