

COMPASS

EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND

A MESSAGE FROM GENERAL TREASURER SETH MAGAZINER



Since taking office as Treasurer, I have made it one of my highest priorities to work with our ERSRI staff to improve the level of customer service we provide to our active members and retirees.

Over the course of the summer you will notice changes to ERSRI's website, as we transition to a modern technology platform that will enable us to deliver better customer service. The new system will make it easier for members to securely access retirement information and communicate with our service team, and will enable future integration between the ERSRI and TIAA websites.

The Employees' Retirement System will pilot the new website over the summer, with a full launch in the fall. We are deploying resources to make the transition as seamless as possible for members.

This summer 2016 edition of Compass includes an overview of the customer service improvements you can expect when ERSRI's new system launches this fall, and information about the conversion this summer.

In his Ask Frank column, ERSRI Executive Director Frank Karpinski answers commonly asked questions about beneficiaries, including what employees who are ready to retire need to do regarding their beneficiaries.

We are also pleased to introduce a new Investment Spotlight feature to provide more information about how the pension fund is invested.

This is an exciting time for the Employees' Retirement System as we work hard to provide more useful, easy to understand information to you on our website, in issues of COMPASS, and elsewhere. Please continue to send us your ideas for what additional information would be useful to you, and our team will endeavor to provide it.

We look forward to serving your needs, this summer and always.

Sincerely,

Seth Magaziner
General Treasurer & Chair of the ERSRI Board

ASK FRANK

- What is a beneficiary?
- When I am ready to retire, what do I need to do regarding my beneficiaries?
- How do I name my beneficiary?
- What benefits will my beneficiary receive?
- How does a beneficiary become eligible for the OAP monthly pension benefit?
- How much will my beneficiary receive under the OAP monthly pension benefit?

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ERSRI TECHNOLOGY UPDATES

The Employees' Retirement System of Rhode Island is completing the third and final phase of a multi-year upgrade of its computer system. The final phase will implement a modern technology platform that will enable us to deliver better customer service, including a new website for members that will launch in early fall.

The new system includes an enhanced Customer Relationship Management tool, which will enable ERSRI staff to deliver better service to our members. Our counselors will now have the ability to monitor and reduce wait times on service calls, and log every customer interaction so that members don't have to provide the same information every time they call.

The new system will also include a new, easy to use benefit estimate tool, a more streamlined way to ask questions and interact with our service team, and the ability to download retirement packages and other forms through the website.

The new system will allow for future integration between ERSRI and TIAA websites, so that members can see both their defined benefit and defined contribution information in one place.

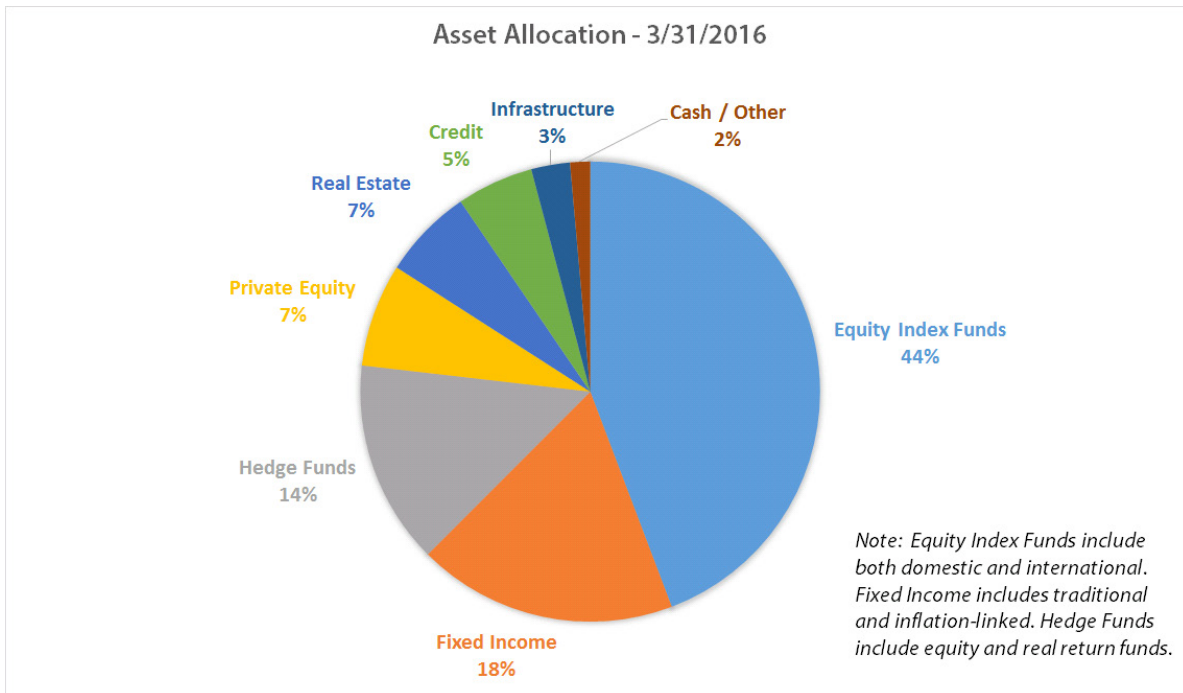
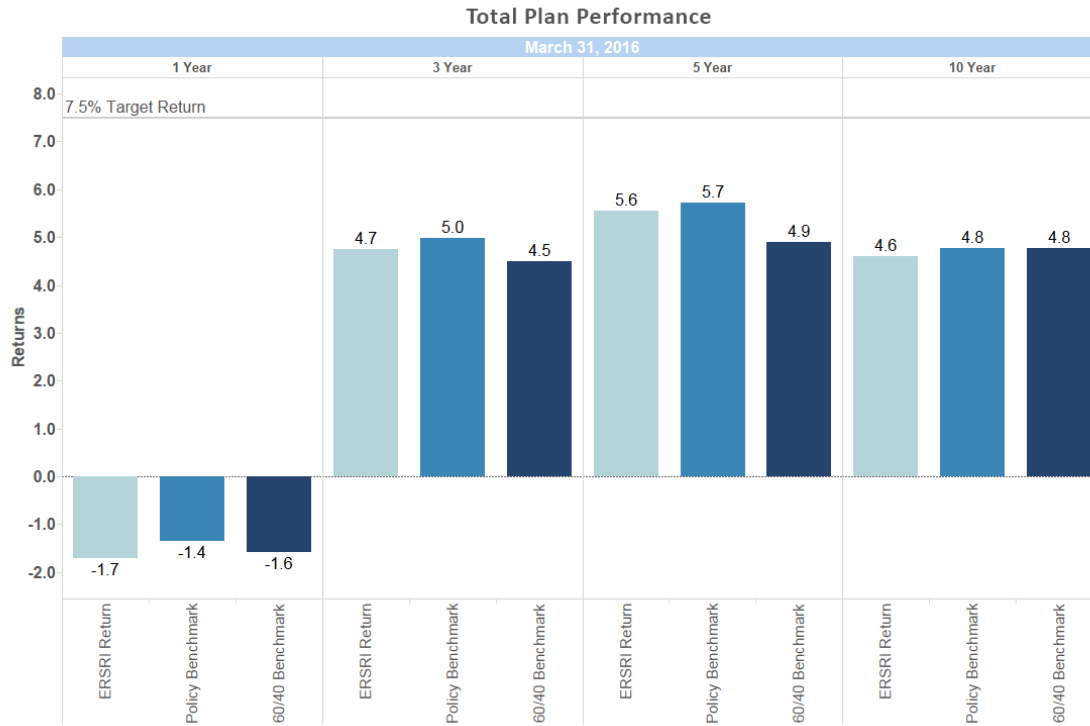
FIRST QUARTER INVESTMENT UPDATE

The ERSRI portfolio achieved positive performance in the first quarter of 2016, earning \$57.3 million of investment gains despite a challenging market environment.

It was a particularly volatile quarter, as both U.S. and global stock indexes fell sharply in January and February before rebounding in March. The strongest performing parts of the portfolio for the first three months of the year were private equity, which returned 4.4%, and inflation-linked bonds, which returned 3.6%. Hedge funds underperformed, losing 2.8%.

While investment performance was positive for the quarter overall, the portfolio underperformed its benchmarks in recent months. The State Investment Commission, at Treasurer Magaziner's recommendation, recently voted to conduct a thorough review of pension investments to explore possible areas of improvement.

INVESTMENT UPDATE (CONT.)



SPOTLIGHT ON REAL ESTATE

The Employees' Retirement System of Rhode Island

(ERSRI)'s real estate funds acquire, manage, earn income from, and sell physical properties, including office, retail, apartment and industrial buildings, as well as other more specialized property types.

The primary goals of this asset class are to provide income, risk-adjusted total returns, and diversification.

INVESTMENT PERFORMANCE

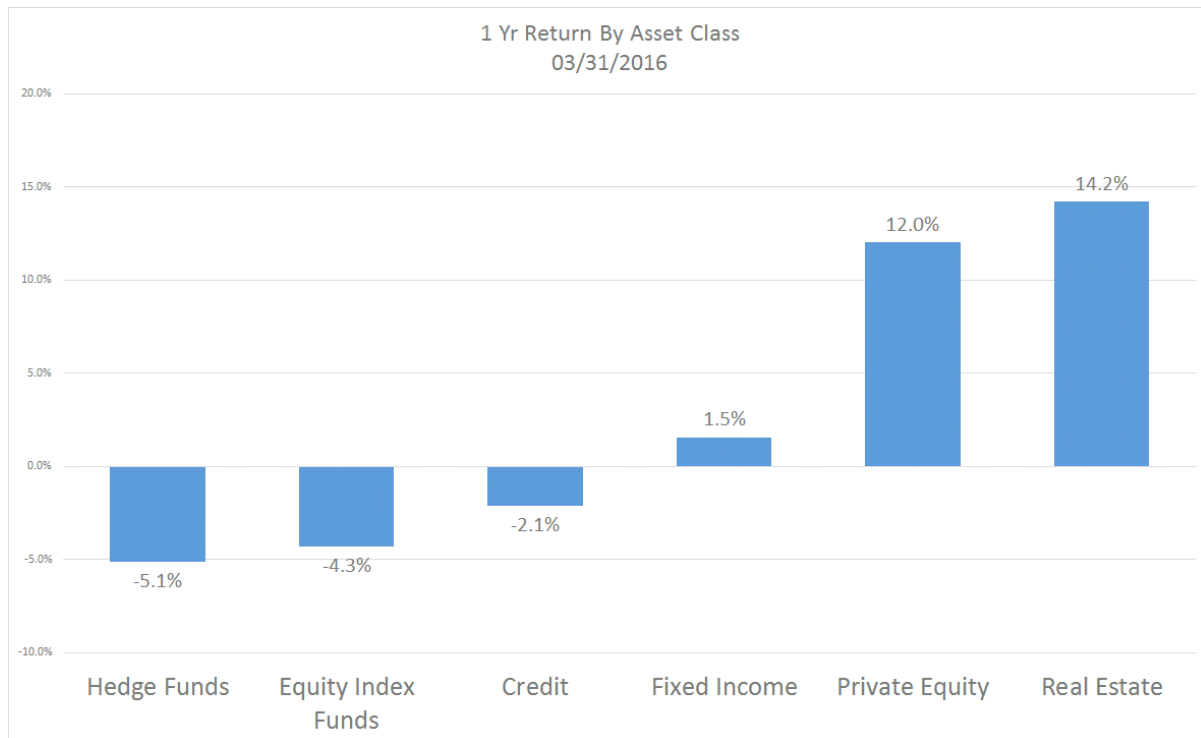
Real estate was the Rhode Island pension fund's best performing asset class in 2015, earning 14.2% as global stock markets fell by -2.4%. Rhode Island's real estate also beat its benchmark, the NFI-ODCE real estate index, by 1 percentage point in 2015. Real estate has been the Rhode Island pension fund's best-performing asset class over the past three years, earning an average annual return of 10.5%, and over the past five years, earning an average annual return of 10.9% as of March 31, 2016.

DIVERSIFICATION

ERSRI invests in real estate as part of a diversified investment strategy designed to achieve positive returns when the market does well, and avoid sharp losses when the market falls. Real estate helps diversify the portfolio by offering income generation and inflation protection, as well as the potential for capital appreciation.

Real estate's performance in a diversified portfolio enabled Rhode Island's pension fund to avoid major investment losses and beat both of the fund's major benchmarks in 2015.* Real estate at quarter's end comprised 6.4% of the pension fund, with a market value of \$479 million.

* Policy benchmark and a basic asset allocation (60% equities/40% bonds)



ASK FRANK

- **What is a beneficiary?**

A beneficiary is a person entitled to certain cash benefits in the event of your death. You can name more than one beneficiary, as well as multiple contingent beneficiaries who will only receive a benefit if your primary beneficiary dies before you.

- **When I am ready to retire, what do I need to do regarding my beneficiaries?**

We strongly encourage all ERSRI members update your beneficiary **before** you come in to meet with a retirement counselor. Please note that if you change your beneficiary with your employer, you must also update your beneficiary with ERSRI.

When you retire, you will choose from several pension payment options, including two options that enable your beneficiary to receive a monthly benefit after your death. ERSRI needs to know your beneficiary's age in order to calculate estimates of these pension payment options.

You can also run a benefit estimate by logging in to your secure online retirement account at www.ersri.org.

- **How do I name my beneficiary?**

To name your beneficiary, please visit www.ersri.org to download, complete and return a **Beneficiary Designation** form. If you can't download the form, please call the ERSRI Customer Service Center at (401) 462-7600 and we will mail a form to you. The ERSRI Customer Service Center is open Monday through Friday 8:30 a.m. until 4 p.m.

If you want to add an organization as a beneficiary, you must give all the necessary information including the organization's name, benefit category, benefit type and organization tax identification number.



Frank J. Karpinski, ERSRI Executive Director

Completed Beneficiary Designation forms should be mailed to:

Employees' Retirement System of Rhode Island
50 Service Avenue
Warwick, RI 02886

You can also fax the completed form to ERSRI at (401) 462-7691

- **What benefits will my beneficiary receive?**

All beneficiaries receive a **death benefit** up to \$16,000, based on your years of service and whether you were an active employee or a retiree at the time of death. If you were still employed at the time of your death, your beneficiary will get a death benefit of \$800 for every full year of your service, up to a maximum \$16,000.

The death benefit that your beneficiary receives goes down 25 percent each year after you retire, to a minimum of \$4,000.

If you are an active member still working for an ERSRI employer at the time of your death, your beneficiary will also receive **either a refund of the contributions you made to your pension during your employment, or a monthly pension benefit** – if they are eligible. This monthly pension benefit is called Optional Annuity Protection (OAP).

ASK FRANK (CONT.)

- **How does a beneficiary become eligible for the OAP monthly pension benefit?**

State employees, teachers and general municipal employees must have been employed long enough to become vested in the pension system in order for your beneficiary to be eligible for a monthly pension benefit.

Once you are vested, your spouse is automatically eligible to receive a monthly pension benefit at the time of your death – as long as she or he is your only beneficiary on file with ERSRI.

If you want a beneficiary who is not your spouse to have the option of a monthly pension benefit when you die, you must designate the beneficiary as eligible for OAP on your Beneficiary Designation form.

For police and fire, judges and State Police employees, your beneficiary’s eligibility for a monthly pension benefit is governed by separate provisions for each group.

- **How much will my beneficiary receive under the OAP monthly pension benefit?**

For beneficiaries of state employees, teachers, and general municipal employees, the monthly pension benefit is calculated based on the member’s years of service, final average salary, schedule type and retirement eligibility date.

For police and fire, judges and State Police employees, the amount of an eligible beneficiary’s monthly pension benefit is governed by separate provisions for each group.

For more information, please visit www.ersri.org.

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Seth Magaziner, General Treasurer
Chairman, ERSRI Board