

COMPASS

EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND

A MESSAGE FROM TREASURER MAGAZINER



The recent pension settlement marks the end of a difficult period for many of our members.

The teachers, state and municipal employees, firefighters and police officers who have spent their lives serving our state deserve to have a secure retirement. Our leaders have struggled in recent years to find a way to provide retirement security with a system that is financially sustainable over the long term.

While the past few years have been hard and confusing, the new settlement deal finally provides a resolution for what the retirement system will look like going forward. The settlement will keep our pension system on a financially sustainable path while offering better benefits to many members of the system.

In this issue of Compass we will explain some of the changes resulting from the settlement. Additionally, you will find more detail on the ERSRI website, and our staff stands ready to answer any questions you may have.

Sincerely,

Seth Magaziner
General Treasurer

FREQUENTLY ASKED QUESTIONS ON THE PENSION SETTLEMENT

- When do I receive my COLA?
- When do I receive my stipend?
- What is the Rule of 95?
- Are employees with more than 20 years of service as of 06/30/12 who no longer contribute to the state's Defined Contribution Retirement Plan ("the DC Plan") allowed to withdraw money from their DC Plan accounts before their retirement? Can they make additional contributions to their DC Plan accounts?

(see page 3 for answers)

SPECIAL NOTICE

ERSRI to hold Retirement Board Election

Interested in becoming a member of the State Retirement Board? The Employees' Retirement System of Rhode Island (ERSRI) will hold an election for seven new Board members in January 2016.

The 15-member Retirement Board oversees the state's pension system and is responsible for its administration. The board approves disability pensions, votes on the target investment rate of return and other assumptions, and certifies

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SPECIAL NOTICE (CONTINUED)

employer contribution rates. The board meets monthly, and has six standing subcommittees. If you are interested in running for election to the State Retirement Board, visit ERSRI at 50 Service Avenue beginning September 4, 2015 to pick up nomination papers. You must then secure 100 signatures from your particular membership group and return the nomination papers to ERSRI by October 17 at 4 p.m. Board seats up for election, and the members currently serving in those seats, include:

Active state employee representatives:

1. John J. Meehan
2. Claire M. Newell

Active teacher representatives:

1. William B. Finelli
2. John P. Maguire

Active municipal employee representative:

1. Louis M. Prata

Retiree member representatives:

1. Michael R. Boyce
2. Roger P. Boudreau

Any active contributing or retired ERSRI member

as of September 15, 2015 is eligible to run for election to the State Retirement Board. In addition, active contributing members and retired ERSRI members as of September 15, 2015 may vote for a candidate within their respective membership groups. Once the ballot has been formalized, each ERSRI member will receive a ballot and candidate information sheet by mail. The State Board of Elections will tally the votes on behalf of ERSRI.

The current Retirement Board also includes: General Treasurer Seth Magaziner, chair, *ex officio* member; Gary R. Alger, Esq., public representative (appointed by the General Treasurer); Daniel L. Beardsley, Executive Director, League of Cities and Towns, *ex officio* member; Marianne F. Monte, public representative, (appointed by the General Treasurer); Mark A. Carruolo, public representative (appointed by the Governor); State Budget Officer Thomas A. Mullaney; Director of Administration Michael Dibiase, *ex officio* member; and Jean Rondeau, public representative (appointed by the Governor).

Visit www.ersri.org for more information about the 2016 Retirement Board elections.

IMPORTANT DATES FOR THE JANUARY 2016 RETIREMENT BOARD ELECTIONS**Election Schedule**

September 4, 2015: Nomination papers will be available at 50 Service Avenue.

October 19, 2015: The deadline to submit nomination papers to 50 Service Avenue is 4 P.M.

November 2015 Board Meeting: Lottery for ballot order will be held during the Retirement Board meeting.

December 28-31, 2015: Ballots will be mailed to all retirees and members who are eligible to vote.

January 31, 2016: All completed ballots must be postmarked by this date.

February 2016: The R.I. Board of Elections will tabulate ballots.

March 14, 2016: New members will be sworn in at the Retirement Board meeting.

FREQUENTLY ASKED QUESTIONS ABOUT THE PENSION SETTLEMENT

- **When do I receive my COLA?**

If you retired on or before June 30, 2012 as a state employee, teacher, general municipal employee or local public safety with a COLA provision you should have received a one-time COLA of 2% of the first \$25,000 of your pension with your July pension payment. This COLA is added to your base.

- **When do I receive my stipend?**

If you retired on or before July 1, 2015, you will receive a one-time stipend of \$500 with your August pension payment and another \$500 stipend in August of 2016. This stipend is not added to your base.

- **What is the Rule of 95?**

Under the 2011 Pension Reform Enactment (RIRSA), the minimum retirement age was increased to 67 with five years of service. Many employees however were adjusted to have a lower minimum retirement age under the provisions of RIRSA. The settlement does not change that lower minimum retirement age. The settlement simply provides another option to all current and future employees.

Under the Rule of 95 in the settlement, employees will be able to retire when they reach 65 years of

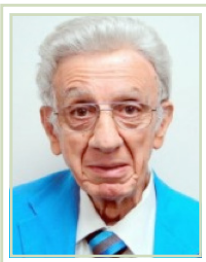
age and have at least 30 years of service; age 64 with 31 years of service; age 63 with 32 years of service; or age 62 with at least 33 years of service.

- **Are employees with more than 20 years of service as of 06/30/12 who no longer contribute to the state's Defined Contribution Retirement Plan ("the DC Plan") allowed to withdraw money from their DC Plan accounts before their retirement? Can they make additional contributions to their DC Plan accounts?**

Employees with more than 20 years of service who no longer contribute to the DC Plan may only withdraw funds from the plan once they have severed employment, are deceased, or in the event the DC Plan is terminated. Those employees with more than 20 years of service who no longer contribute to the DC Plan cannot make additional voluntary contributions to the plan.

Employees can, however, roll eligible funds from other retirement plans into the DC Plan in accordance with the provisions of the funding plans (i.e., the other plans) Any funds that were rolled into the DC Plan from other retirement plans can be withdrawn at any time, including while participants are actively employed.

THANK YOU FOR YOUR SERVICE



The Employees' Retirement System of Rhode Island would like to thank Mr. Frank R. Benell Jr., for his years of service on the Retirement Board. Mr. Benell, owner of Hub-Federal Sign Co., Inc., was a General Treasurer appointee and served from 2007 to 2015. He served on the Retirement Board's Election Subcommittee and the Legislative Subcommittee.

WELCOME



The Employees' Retirement System of Rhode Island would like to welcome Ms. Marianne Monte as a new member to the Retirement Board. General Treasurer Seth Magaziner nominated Ms. Monte to the board. Ms. Monte is the Senior HR leader at Shawmut Design and Construction and is a member of the Gay & Lesbian Advocates and Defenders (GLAD) Board of Directors.

2015 SETTLEMENT CHANGES AND HOW THEY AFFECT YOU

COLAs and other payments

As of 07/01/15, if you participated in a Cost of Living Adjustment (COLA) plan and retired on or before 06/30/12 you will receive a one-time COLA of 2% of the first \$25,000 of your pension benefit. Your COLA was included in your July pension payment. That amount will be added to your base benefit.

Annual COLAs

Under the settlement, members of retirement plans that are not 80 percent funded may receive COLAs every four years until their plan is 80 percent funded or better. The first fourth-year COLA payment for plans that are not 80% funded will take place in 2017.

The settlement improves the COLA limitation on benefits for current retirees with a suspended COLA. A participant who retired on or before 06/30/15 will have their COLA limitation on benefits increased from \$25,855 to \$31,026 (indexed using the COLA formula) while their plan is under 80% funded. Once the plan exceeds 80% funded, the COLA limitation on benefits will return to \$25,855 (indexed). Retirees in plans that are more than 80% funded or participants who retire after 06/30/15, will have their COLAs calculated (provided the plan is 80% funded) on the first \$25,855 (indexed using the COLA formula) of their pension benefit.

Stipends

If you are a participant who retired on or before 07/01/15, you will have received a one-time \$500 stipend in your August pension check. Another one-time stipend of \$500 will also be paid to you in August of 2016. These payments are not added to the base.

Terms Applicable to State Workers, Teachers and General Municipal Employees:

Accrual

If you have 20 or more years of service credit as of 06/30/12:

Your defined benefit accrual will be 2% effective as of 07/01/15. General Municipal Employees will pay an additional 2.25% (either 8.25% or 9.25%). State employees and teachers will also pay an additional 2.25% (11% total).

You will discontinue the DC Plan as of 07/01/15 and will continue to own your own account. You will not be able to withdraw your contributions until you stop working for the state or municipality.

Retirement Age

The settlement adds another calculation to reduce the minimum retirement age known as the “**Rule of 95**”. However you may retire earlier if your RIRSA date is sooner or you were eligible under a transition rule.

Current or future employees will be eligible to retire when they reach 65 years of age with at least 30 years of service, those with 64 years of age with at least 31 years of service, 63 years with at least 32 years of service and 62 years with at least 33 years of service.

Defined Contribution Plan Employer Contributions

If you have more than 10 years of service but less than 15 as of 06/30/12, your employer will contribute 1.25% (3.25% for employees who do not contribute to Social Security) to the defined contribution plan (i.e., +0.25)

If you have at least 15 years of service but fewer than 20 years as of 06/30/12, the employer will contribute 1.50% (3.50 % for employees who do not contribute to Social Security) to the defined contribution plan (i.e., +0.50)

Fee waiver on Defined Contribution Plan (DC Plan)

If you make \$35,000 (indexed) or less per year using the COLA formula effective 07/01/12, you will not pay administrative fees on the DC Plan.

2015 SETTLEMENT CHANGES AND HOW THEY AFFECT YOU (CONTINUED)

Part-time anti-spiking rule

If more than one half (1/2) of your total years of service consist of years during which you devoted less than thirty (30) business hours per week, but your average compensation consists of three (3) or more years during which you devoted more than thirty (30) business hours per week your final average salary will be evaluated to see if your highest 5-year average salary is less than \$35,000 under RIRSA (indexed using the COLA formula). If so, your pension will be based on the higher of the following two calculations:

1. The highest 10-year average earnings; or
2. The highest 5-year average earning with a \$35,000 cap (indexed using COLA formula)

Terms Applicable to MERS Public Safety Employees:

As of 07/01/15, you can retire with full benefits at age 50 with 25 years of service, or any age with 27 years of service. As of 07/01/15, public safety members will pay an additional 2% employee contribution (9% for those not participating in MERS COLA, and 10% for those who do participate in MERS COLA).

As of 07/01/15, public safety members who retire at 57 with 30 years of service will accrue 2.25% per year for all years of service not already accrued at a higher rate.

Terms Applicable to Correctional Officers:

Correctional officers with less than 25 years of service as of 06/30/12 will accrue an additional 1% each year from year 31 through year 35.

Other Settlement Impacts:

Early Retirement Reduction

If you have 20 or more years of service and are within 5 years of your eligible RIRSA date, or 5 years from your full retirement age, you may retire early with a reduction in your retirement allowance. The reduction, which is applicable to all categories of current employees, is calculated as follows:

- 9% year 1
- 8% year 2
- 7% year 3
- 7% year 4
- 7% year 5

Re-amortization option for Municipalities

The settlement allows municipalities in the MERS system to “re-amortize” or partially refinance, to be able to pay for the increased cost of the settlement. The re-amortization schedule for employers participating in MERS, starting with fiscal year 2017, will be extended to 25 years. However, MERS employers will have a one-time option before August 1, 2015 to remain on the current amortization schedule of 21 years. For the Teachers plan, the amortization schedule applicable to the municipalities’ portion of contributions for teacher pensions, commencing with fiscal year 2017, will be extended to 25 years.

EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND

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Seth Magaziner, General Treasurer
Chairman, ERSRI Board

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