

Compass

EMPLOYEES' RETIREMENT SYSTEM OF
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Gina M. Raimondo

Dear Friends:

You've heard a lot lately about the ways in which our pension system is failing. You've heard that difficult changes will be necessary. Everyone has an opinion on what should, and shouldn't, be done with our ailing pension system.

That's good.

We need all Rhode Islanders to be engaged in solving this problem. I know that there are real people and real families connected to every number. As state employees, municipal employees and teachers, you've worked hard, done nothing wrong and faithfully contributed your part to the pension system. Your dedication to public service makes a difference in the lives of every Rhode Islander. That's why fixing our broken pension system is so deeply important to me.

You've already endured several pension changes. But the reality is that the system needs to be changed again. I know this creates anxiety and uncertainty, but I believe you deserve a retirement system that is both solvent and secure. Today, this system is facing a \$7 billion shortfall in what is required to pay already accrued benefits. It is in no one's best interest to delay fixing this problem.

For our decades-old pension issues to be solved once and for all, we need to approach the problem in a new and practical way. We need to leave the divisive rhetoric behind and be honest about the numbers. During the past several months, the state has taken important steps toward using more realistic figures. In the spring, the Retirement Board adopted a new set of actuarial assumptions around the investment rate of return and mortality rates, and my work continues this summer to determine the correct balance between retirement security and affordability.

I encourage you to visit www.treasury.ri.gov or

See "Message," page 5

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 2012.

The 15-member Retirement Board, which oversees the state's pension system, votes on investment rate of return assumptions, approves disability pensions and makes decisions that affect the future of Rhode Island's retirees. It meets monthly, and has six standing subcommittees. Board seats up for election, and the members currently serving in those seats, include:

Active state employee representatives:

1. John J. Meehan
2. Linda C. Riendeau

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 Sept. 15, 2011 is eligible to run for election to the State Retirement Board. In addition, active contributing members and retired ERSRI members as of Sept. 15, 2011 may vote for a candidate

See "Election," page 2

Spotlight: *Post-retirement employment*

Here at ERSRI, we receive many questions from retirees about post-retirement employment — Can I work? How much can I earn? Who can I work for?

The short answer is: It depends.

Post-retirement employment — working after you've retired and have begun collecting a pension from ERSRI — is governed by R.I. General Laws (R.I.G.L.) 36-10-36, 45-21-54 and, for teachers, R.I.G.L. 16-16-24 (You can learn more about these laws at www.rilin.state.ri.us/Statutes/Statutes.html). Ultimately, though, if you're not sure how — or *if* — working will affect your pension, just ask.

Legal language can be complex; here, we've summarized the most important points of R.I.G.L. 36-10-36 and 45-21-54:

Working for the state of Rhode Island

- If you retired from a state or municipal job, you **cannot** come back to work for the state, unless you suspend your pension.

Working for a city or town

- A retired state or municipal worker may be employed by a MERS-participating municipality for **no more than 75** working days or 150 half-days in a **calendar year**.
- You may work without restriction for any municipality that does not participate in MERS.
- If you are eligible to work for a municipality under post-retirement employment laws, no payroll deductions will be taken from your check for retirement contributions.
- You will not earn any additional service credits for your post-retirement work.
- If you are able to work for a municipality, you and your employer must send in a signed Monthly Notification of Post-Retirement Employment form for **every single month** in which you work.
- If you exceed the 75 working day or 150 half-day count, your pension will be suspended.

Working for a state school, college or university

- If you are a retiree, you can work as a classroom instructor, academic advisor or coach at any state college, university or state school.
- You cannot earn more than \$15,000 gross in a **calendar year**. You can't exceed this amount without suspending your pension.
- You will not earn any additional service credits for this work.

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Did you know?

You must have a 30-day break in service between the day you retire and your first day of post-retirement employment.

Election

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within their respective membership group.

If you are interested in running for election to the State Retirement Board, visit ERSRI at 40 Fountain St. between Sept. 6 and Sept. 23 to pick up nomination papers. You must then secure 100 signatures from your particular membership group and return the nomination papers to ERSRI by Oct. 17 at 4 p.m.

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 Gina M. Raimondo, chair, *ex officio* member; Gary Alger, public representative (appointed by the General Treasurer); Daniel Beardsley, executive director, League of Cities and Towns, *ex officio* member; Frank Benell, Jr., public representative, (appointed by the General Treasurer); M. Carl Heintzelman, public representative (appointed by the Governor); Budget Officer Thomas Mullaney; Director of Administration Richard Licht, *ex officio* member; and Jean Rondeau, public representative (appointed by the Governor).

Visit www.ersri.org for more information about the 2012 Retirement Board elections.

Election Schedule

September 6-23: Nomination papers will be available at 40 Fountain St.

October 17: Nomination papers must be returned to 40 Fountain St. by 4 p.m.

November 9: Lottery for ballot order will be held during the Retirement Board meeting.

December 26-31: Ballots will be mailed to all retirees and members who are eligible to vote.

January 31, 2012: All completed ballots must be postmarked by this date.

February 2012: The R.I. Board of Elections will tabulate ballots.

March 14, 2012: New members will be sworn in at the Retirement Board meeting.

Working as a nurse at a state facility

- If you are a retiree, you can provide per-diem nursing care and/or services at a state facility.
- You may not earn more than \$12,000 gross in a **calendar** year. You may not exceed this amount without suspending your pension.
- You will not earn any additional service credits for this work.

A word about teachers...

Many retired teachers have questions about where and how much they can work during their post-retirement years. Post-retirement teaching is governed by R.I.G.L. 16-16-24. Note that:

- Retired teachers may substitute teach, or fill **vacant** positions including — but not limited to — teachers, administrators, guidance counselors, coaches or tutors.
- If you are a retired teacher, you may not work for more than **90** days or **180** half-days in any one **school** year without suspending your pension. A school year is counted according to the school calendar of the district in which you are working — so, if your district's school year begins in August in a given year, you must begin counting your days in August.
- Before beginning any post-retirement employment, you must have a 30-day break in service between the date you retired and the date you begin your post-retirement work. If you retire at the end of a school year, the summer break will likely count as your 30-day break in service. However, if you retire within the school year, you may not return to teaching in a **vacant** position until 30 days have passed from your official date of retirement.

To comply with post-retirement employment laws, the school department for which you are working must send ERSRI a "good faith" letter that says it has tried to fill the **vacant** position with a person who is not retired. A copy of this letter must also be sent to that school district's union.

In addition, you must send in a signed Monthly Notification of Post-Retirement Employment form for **every** month in which you work. This form must be completed by you and your employer. It is in your best interest to speak with your employer to make sure the district is aware of these requirements. **Remember, it is your pension benefit that will be suspended if these requirements aren't met!**



Your questions, answered

Can I work as a consultant?

Q: I have the opportunity to work as a consultant. Can I do this without suspending my pension?

A: When it comes to post-retirement employment rules, consulting can be tricky business. Retirees are not permitted to work for the state and, as a general rule, they are also prohibited from working for the state as consultants or employees of a third party.

Generally, retirees cannot consult for any state department or agency without suspending their pension. You also cannot be hired by a company that will have you working for the state. If you have questions about your specific situation or consulting opportunity, contact the ERSRI office.

Your questions, answered

Can I work for a non-profit?

Q: I've been offered a job with a local non-profit organization. I'd like to take it, but how much can I work before I have to suspend my pension?

A: As long as the non-profit is a private employer, you may take this job without suspending your pension. Your work time is not restricted in any way, and you are free to earn any amount — as long as you aren't providing a service to the state or a participating municipality.

Still have questions?

Contact us

Though post-retirement employment laws are clear, retirees sometimes have trouble determining how the law applies to their specific situation. We invite you to contact us when you have a question about post-retirement employment and your ability to work.

ERSRI can be reached at 457-3900 or at communications@ersri.org.



Your questions, answered

Can I work at more than one job?

Q: I'm retired, and I have the chance to work as a substitute teacher during the day and as a custodian for the city at night. Can I do this without suspending my pension?

A: While working two jobs is not necessarily prohibited, "mixing and matching" is. You are not able to work under the specific provisions of more than one statute without suspending your pension. If you are teaching at a public school under the 90-day limit, you are not allowed to work for a municipality under the 75-day limit during the same time period.

Making a 'good faith' effort

By law, any school district that wants to hire a retired person to work in a **vacant** position must certify, in writing, that it has tried to fill this vacant position with a person who is not retired. This document is called a "good faith" letter.

ERSRI requires this letter for all retirees who are employed in vacant positions, including — but not limited to — teaching, administration, counseling, coaching and tutoring. A copy of this letter must also be sent to the collective bargaining unit (union) that represents the district in which the retiree will work.

The determination of what constitutes a "good faith" effort to fill the position with a non-retiree is made by the school districts, not by ERSRI. It is, however, very important that ERSRI receives this letter before you begin your post-retirement employment.

If you will be working in a vacant position after you retire, be sure to ask if your employer has sent a "good faith" letter to ERSRI and to the union. If ERSRI does not receive a "good faith" letter, your pension benefit may be affected.



Your retirement info is just a click away...



Looking to find out how much you've contributed to your retirement account? Ready to apply for retirement? Now, you can do it all online at www.ersri.org. Below are some helpful hints to help you log into your online retirement account:

- **Your username is your email address.** When you create an account, the system automatically assigns your full email address as your username. If your email address has changed, be sure to fill out a Change of Information form (found at www.ersri.org).
- **You must validate your email address.** You may get a message saying that your email address needs to be validated. In your email inbox, you'll find a message from ERSRI that contains an activation link. Click on the link to activate your email.
- **Your pay stub is under the "My Pay Stub Statement" tab.** Double-click on the individual check date to see the full stub with deductions. You may print this stub for your records.
- **Help is available.** If you're struggling or have forgotten your password, call (401) 457-3900. We can provide written instructions or assist you via telephone.

Don't miss out on the latest communications from ERSRI

Update your email address today

ERSRI frequently sends out electronic newsletters and other notices by email. If you've recently changed your email address or need to add an email address, visit www.ersri.org and download the Change of Information form to update your address.

Q & A on Rhode Island's pension system

Q: Are we in this mess because the state hasn't made its required contributions to the system?

A: The state made contributions "as required by law." However, making contributions as required by law and contributing enough to cover benefit costs isn't the same thing. We're in this mess because decades ago, pension costs weren't calculated with realistic numbers.



Q: A lot of people seem to be blaming state employees and teachers for the system's troubles. Did we do something wrong?

A: Absolutely not! State employees and teachers made their contributions as required. The problem is that the amount of those contributions was based on unrealistic numbers, leading to a higher bill for benefits than was anticipated.

Q: Is the unfunded liability so big because of the stock market downturn in 2008?

A: While the downturn made things worse, Rhode Island's pension system was underfunded long before that. This problem was decades in the making.

Q: Is it true that state police and judges get a pension without making a contribution?

A: That was the case in the past, and the state is fulfilling the obligations it made to those state police and judges who retired under the non-contributing plan. State police officers hired after July 1, 1987 and judges appointed after Dec. 31, 1989 now contribute to the retirement system.

Pension terms defined:

'Unfunded liability'

At its simplest, an unfunded liability is the additional amount of money required to be infused into the pension system today to fully support promises made to retirees and current employees for services already rendered.

It does not include amounts required to fund benefits for future service. Today, Rhode Island's unfunded pension liability is approximately \$7.3 billion.

Approximately one-quarter of total contributions reported in the June 30, 2010 valuation were made for services rendered in fiscal year 2010. The vast majority (75 percent and 74 percent, respectively, for state employees and teachers) was required to underwrite the unfunded liabilities for past service.

To learn more about why the pension system needs re-design, read Raimondo's

***Truth in Numbers* Report at
www.treasury.ri.gov/secure-path-ri.**

Message

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www.ersri.org to read more about the efforts underway.

Recently, my office launched an initiative called Secure Path RI, an effort dedicated to fostering constructive and honest dialogue around creating a secure and sustainable retirement system. As part of that, my office partnered with the University of Rhode Island to create a system through which anyone could submit their ideas and comments on what should be done to put Rhode Island on a path to economic security and stability. Many of you responded, and I thank you for that.

The path ahead may not be easy. But Rhode Island is at a crossroads, and I'm determined to do my part to make sure our next steps are down the path of long-term security and sustainability.

We are in this together — from retirees to active members to taxpayers. We all have a stake in helping the state we love to thrive again. Together, we can put Rhode Island back on a secure path.

Gina Raimondo

Retirement Fund investment returns increase

Treasury launches new investor relations portal

The State Investment Commission (SIC) recently released the results of this year's Retirement Fund returns. On June 30, 2011, the Fund closed at \$7,474,800,107, with a one-year return of 20.4 percent. The Fund's three-year return rate is 3.4 percent, while its 10-year return rate is 5.6 percent.

During the July 2011 meeting of the State Retirement Board, General Treasurer Gina M. Raimondo, who serves as the Board's chair, noted that the jump in the rate of return was a result of improvements in the market, rather than a change in the state's investment strategy.

In other investment news, Raimondo also recently announced the launch of the state's first investor relations portal — a one-stop clearinghouse for all of the state's pertinent financial information. The Web portal, which can be accessed from the Treasury site, pools information from across state government into one area.

Visitors to the investment portal will find budget reports from various government agencies, including the Dept. of Administration's Budget Office and the Division of Taxation, as well as ERSRI financial statements, audits and valuations, official statements for bond offerings and State Investment Commission reports.

To access the investor relations portal, visit www.treasury.ri.gov/investor-relations.