

eCompass

EMPLOYEES' RETIREMENT SYSTEM OF
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Gina Raimondo

Dear Friends:

These are indeed troubled times for all of us. We're worried about our economy, our jobs, our families and our future. And sometimes, when we're worried, we turn away from difficulty in our desire to avoid the tough choices.

The State's Retirement Board faced one such tough choice on April 13, when it was presented with a series of recommendations based on the Actuarial Experience Study for the Six-Year Period Ending June 30, 2010. The study, available at www.ersri.org, was completed by our actuarial consultants Gabriel Roeder Smith & Company, and took a close look at the assumptions the state has been using to determine how its pension system is funded. Those assumptions include factors such as the mortality rate among retirees and the expected rate of return on the state's investments.

According to the report, the state's assumptions, last accepted in 2007, were out of date and no longer reflect the reality of its pension system's struggles. The gap between the funding the state has set aside and what the state will owe to its retirees — a gap sometimes called the unfunded liability — is larger than previously recognized.

There can be no more turning away from these new realities. Rhode Island's pension system needs to be fixed and with the truth in hand, the state can begin to make things right. On April 13, the Board took an important first step by voting to approve the recommendations of the Experience Study. Those recommendations include:

- Lowering the inflation assumption from 3 percent to 2.75 percent
- Lowering the net real investment return assumption from 5.25 percent to 4.75 percent (this combination lowers the nominal assumed investment return from 8.25 percent to 7.5 percent)
- Increasing the life expectancy for all groups, and adding a provision for continued future mortality improvement

I've had the opportunity to meet many retirees during the last few months and I know how hard you've worked to secure your future. I've also had a chance to talk with the many hard-working state and municipal employees and teachers who work throughout Rhode Island, each and every day. Everyone is rightfully concerned about whether their pension will be there for them and their families when it's time to retire.

It's part of my job to do everything I can to make sure that it is. I'm determined to move forward, armed with the truth, to do my part to make sure Rhode Island's pension system is secure and sustainable. My work is about fixing the system — once and for all.

Sincerely,

Gina Raimondo, General Treasurer