



Compass

Newsletter of the Employees Retirement System of Rhode Island

YOUR RETIREMENT FUND Secure for the Future

The attacks of September 11th have heightened the anxiety of all Americans. In addition to new fears for our safety, we are facing severe economic challenges with leading economists declaring that the economy is officially in a recession. The recent difficulties faced by high profile corporations such as Enron have only exacerbated this economic situation.

Understandably, these facts have caused many people to become wary about the security of their retirement savings. Therefore, we would like to briefly outline some of the steps taken to safeguard the investments of the Employees Retirement System of Rhode Island (ERSRI) to ensure that your pension is available to you when you retire.

"First and foremost, the fund is invested for the long-term, and given this strategy, it is not wise to respond to short-term volatility. In fact, reacting to short-term events is how money can be lost," said General Treasurer Paul J. Tavares, who chairs the State Investment Commission, which oversees the ERSRI portfolio. "By staying invested, we benefit from the rebounds which, as history shows, do occur and over long periods of time the fund actually makes more money than it loses. Last year the fund performed better than did key benchmarks used to measure the performance of the stock market as a whole, such as the Standard & Poor's 500," added Treasurer Tavares.

Additionally, diversifying investments provides additional protection against market downturns. By investing in stocks as well as bonds, internationally and domestically, and in a

variety of industries - from high-growth fields like technology to more stable investments in more mature companies that are less apt to be affected by the stock market volatility-the whole portfolio is protected from declines which might hit one investment more than another.

The State Investment Commission hires professional managers who, in turn, invest the fund's portfolio according to targets outlined by the fund. There are 13 professional investment managers including State Street Global Advisors, Putnam, Bank of Ireland, Fleet, Fidelity, PIMCO, as well as two professional investment consultants.

"The investments and the managers are constantly reviewed and, if necessary, adjustments are made," said Treasurer Tavares. Every two to three years there is a comprehensive asset allocation study. The goal of the study is to determine the optimum mix of investment styles and asset classes for the ERSRI portfolio given the future liabilities of the plan and forecasts of future performance of different investments. A new asset allocation study will be conducted in the near future.

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Investment Notes from GENERAL TREASURER

Paul J. Tavares

Dear ERSRI Member:

Knowledge is power.

And in order to have the power to determine your financial future, you need to know the basics of banking, budgeting, investing and other finance-related topics.

The Office of General Treasurer sponsors finance-related educational programs for Rhode Islanders of all ages to address this need.

The "Money and Me" program was created for elementary school children. Through this, I have visited more than 60 schools and spoken to more than 7,000 children in kindergarten through third grade. The classroom visits use stories, games and puzzles to teach children about saving, banking and money.

Last summer, we organized a poster contest for children ages 9 to 11. The children were asked to illustrate why saving is important. The entries were so impressive, we used the top twelve posters to create a calendar which was distributed to schools, libraries, and other organizations throughout the state. The Rhode Island Bankers Association generously sponsored the production of the poster.

Our goal is to expand this program to reach even more children. Later this year we will hold an essay contest for older children, and we are also working with teachers to develop materials for older children to learn more sophisticated finance concepts.

Our educational efforts reach beyond grade school with the CollegeBoundfund, the 529 college savings plan sponsored by the state. The investments of the CollegeBoundfund are overseen by the State Investment Commission, which I chair. I have spoken at PTAs, PTOs, and other community groups to promote the program and

to encourage Rhode Islanders to save for college, whatever the vehicle. We also participate in the annual financial aid seminars organized by Senator Jack Reed.

Understandably, much of what we do relates to retirement and retirement planning. As members of ERSRI, you are familiar with the Retirement Seminars held around Rhode Island which provide information specific to different member groups in the system.

Additionally, for the past three years we have sponsored seminars on saving and investing geared towards retirees and those close to retirement. For these seminars we draw on the expertise of our office and other organizations such as Rhode Island Housing, Consumer Credit Counseling, the office of Attorney General Sheldon Whitehouse and professional financial planners. Topics include the basics of investing, protecting yourself from consumer fraud, good credit habits, putting the equity in your home to use and more.

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MEMBERSHIP OF ERSRI

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NOTES from TREASURER TAVARES

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We have covered similar topics for the past two years at a "Consumer University" organized with the AARP. The theme for this has been "Independent Living," and complementing the finance seminars were special sessions on subjects like health and fitness, and home repair.

Another annual event has been a morning-long seminar organized with Senator Jack Reed which specifically addresses the challenges women face as they plan for retirement. As many of you well know, women are more apt to have interrupted careers, and thus fewer assets as they enter retirement, while at the same time studies show women live longer than men. Without careful planning, this combination of factors can severely undermine the quality of a woman's retirement.

We will soon begin our newest addition to our education programs, a special series aimed at helping younger, working individuals make the right decisions today so they can retire comfortably tomorrow. We want to ensure that all Rhode Islanders are educated and prepared for all of the retirement-related decisions they have to make.

As you can see, we are committed to making sure all Rhode Islanders have the knowledge and information they need to have the power to determine their financial future. I encourage each and every one of you to arm yourselves with as much financial knowledge as possible - an educated consumer is a good consumer.

If you would like to learn more about any of these programs, please call Marisol Garcia in my office at 222-2397.

Sincerely,



Paul J. Tavares
General Treasurer

YOUR RETIREMENT FUND

Continued from page 1

Last year the fund was down 9.6%, but given the cyclical nature of the market there is no cause for panic. Throughout the 1990's the fund posted double-digit increases, and because the fund is invested for the long-term these market fluctuations are expected and prepared for. As the recent headline in the Providence Journal stated "Pension fund dip more like a blip." And last year's "dip" will not require a boost in contribution levels. "We would have to have a prolonged down market, four to five years, before there would be a need for any increase in contribution levels," said Treasurer Tavares.

*"The funds to support your retirement
will be there when you need them."*

As has recently been reported in newspapers and on television, the fund realized a \$4.7 million loss on Enron investments, which represents a mere .08% of the fund's total portfolio. Following the diversification guidelines set forth by the SIC the fund's professional investment managers were either not heavily invested in Enron stock or had sold off the majority of investments in August of 2001. By November the ERSRI portfolio was completely divested of Enron stock.

Rhode Island was not the only state affected by the collapse of Enron nor was it even near the top of affected pension systems nationwide. The Massachusetts State Pension fund lost over \$15 million, the Ohio State Pension Fund lost \$114 million and the Georgia State Pension Fund lost nearly \$127 million. The Attorneys General from across the country, through the National Association of Attorneys General, have held a number of conference calls and meetings to monitor the Justice Department's actions regarding Enron. The General Treasurer's office has been in contact with the Rhode Island Attorney General and will continue to monitor the situation.

"No strategy can completely protect investments from downturns," said Treasurer Tavares. "But by focusing on long-term goals, by understanding historical patterns and the cyclical nature of financial markets, and by diversifying for protection, we ensure that the funds to support your retirement will be there when you need them."

Treasurer Tavares Announces “Saving & Investing Under 55” Seminars

General Treasurer Paul J. Tavares is hosting a series of free seminars across the state to give those currently under 55 years old information on banking, finance, and investing. Financial experts will cover topics including, investing basics, investing through the years, and helping to send your children to college. The seminars are sponsored by member banks of the Rhode Island Bankers Association. Dates and locations for the seminars are listed below.

Martin Luther King Community Center

20 Dr. Marcus Wheatland Blvd., Newport, RI
Wednesday, March 27, 6:30-8:00 p.m.

South Kingstown High School

215 Columbia St., Wakefield, RI
Wednesday, April 3, 6:00-7:30 p.m.

Westerly Town Hall/Council Chambers

45 Broad St., Westerly, RI 02891
Wednesday, April 10, 6:00-7:30 p.m.

Cumberland Town Hall/Council Chambers

45 Broad St., Cumberland, RI
Wednesday, April 24, 6:00-7:30 p.m.

Mt. Hope High School/Library

199 Chestnut St., Bristol, RI 02809
Wednesday, May 8, 6:00-7:30 p.m.

Woonsocket High School/Auditorium

777 Cass Ave., Woonsocket, RI
Wednesday, May 22, 6:00-7:30 p.m.

CCRI Knight Campus/Auditorium

400 East Ave., Warwick, RI
Saturday, June 1, 9:00-10:30 a.m.

Paul J. Tavares, General Treasurer
Chairman, ERSRI Board



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