

COMPASS

EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND

A MESSAGE FROM GENERAL TREASURER SETH MAGAZINER

As Treasurer, one of my top priorities is to ensure that every Rhode Islander has a secure retirement, especially those who have spent their careers serving others. This is more important than ever during the pandemic, and our team has worked hard to protect the pension fund against outside market volatility and to ensure that pension benefits continued to be paid in full and on time.

In 2020, the Rhode Island Pension Fund earned over \$1 billion in investment gains, surpassing \$9.0 billion in assets for the first time in history and ending the year with over \$9.4 billion in assets. To achieve this level of growth, even during a global pandemic, is further proof that our 'Back to Basics' investment strategy is working. You can read more about the investment performance of the fund on page 2.



Due to the strong investment performance of the pension fund, this year most retirees will be receiving a Cost Of Living Adjustment (COLA), a permanent increase to your pension benefit. You can find more information about the amount of the COLA, and when in 2021 you will receive it, on page 3.

Last year, we successfully launched one-on-one counseling for our members who are within 6-12 months of their retirement eligibility date. We'll be expanding the availability of one-on-one counseling to more members later this year. If you are planning to retire soon, please call the Member Service Center at 401-462-7600 to schedule your counseling session, which will take place by phone or video chat.

I am proud to share that the Rhode Island pension system has, for the third year in a row, been recognized for its commitment to financial transparency, receiving the Government Finance Officers Certificate of Achievement, which is the highest form of recognition in the area of governmental financial reporting.

2020 brought its fair share of challenges - more than its fair share. But together we have persevered. I am honored to serve as your General Treasurer, and I promise that I'll continue working every day to ensure that our recovery is strong and broad, so that all Rhode Islanders have a chance to succeed. Rhode Islanders are tough, and together, a promising future awaits us.

– Seth Magaziner

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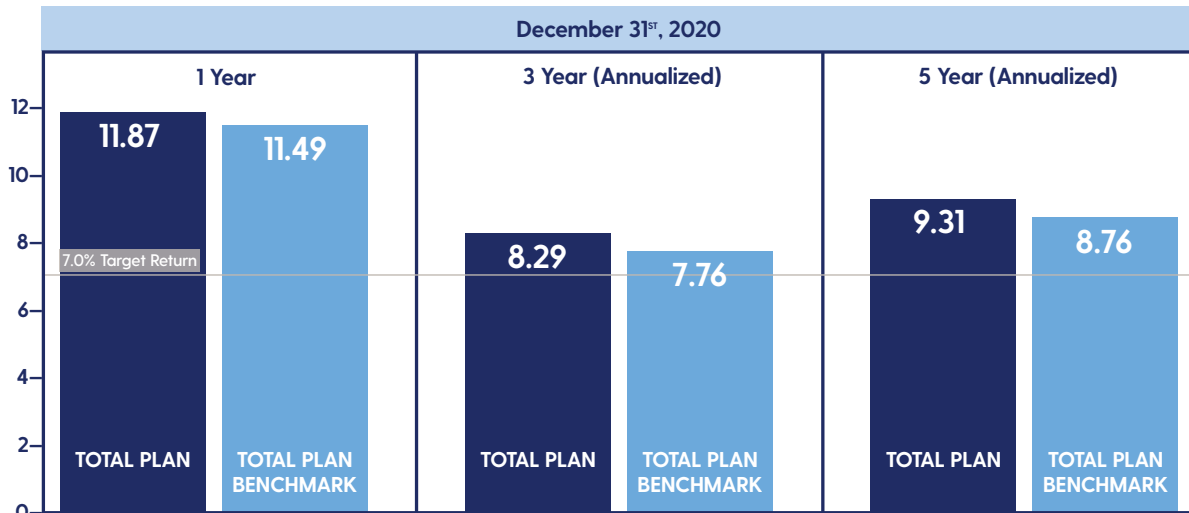
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INVESTMENT UPDATE

The Rhode Island Pension Fund has consistently outperformed its peers; performing better than 87% of other large public pension funds during the fiscal 2020 year. The Fund earned \$1,019,450,756 in investment gains during the calendar year, gaining 11.87%, outperforming the plan benchmark return of 11.49%, and ending the year with an all-time high value of \$9,495,009,026.

As of December 31st, the Pension Fund also outperformed its benchmarks for the three- and five-year time periods.



Note: All performance is reported on a "net of fees" basis.

"My number one priority is to support economic opportunity and protect the state's finances, including the Pension Fund. Even in a time of extreme market volatility, my Back to Basics investment strategy has protected the Pension Fund for those families whose livelihoods depend upon it and has spurred growth, resulting in the fund closing out the year at an all-time high."

– Rhode Island Treasurer Magaziner

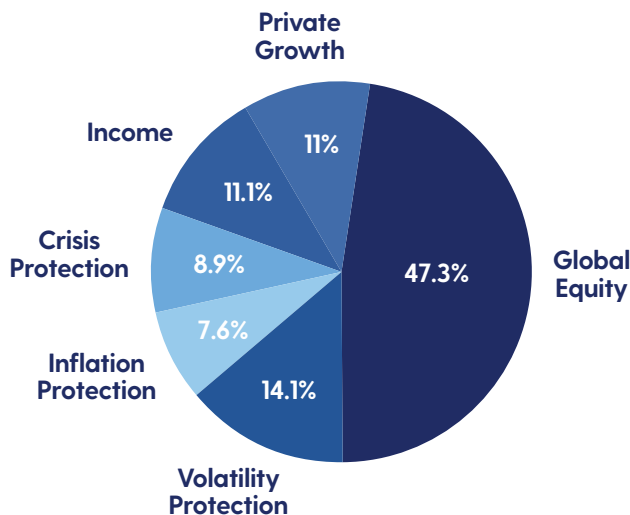


Figure 1 (left): Asset Allocation of the Pension Fund as of December 31, 2020

Among the plan's pension system's strongest performing underlying investments for the year were US stock market index funds which returned 20.83% and the Crisis Protection Strategy introduced to the plan by Treasurer Magaziner, which returned 15.54%.

Additional information about the fund, including the 'Back to Basics' investment strategy, performance, and detailed information about its managers are published online as part of Treasurer Magaziner's "Transparent Treasury" initiative at investments.treasury.ri.gov.

2021 COST OF LIVING ADJUSTMENTS (COLA) FOR RETIREES



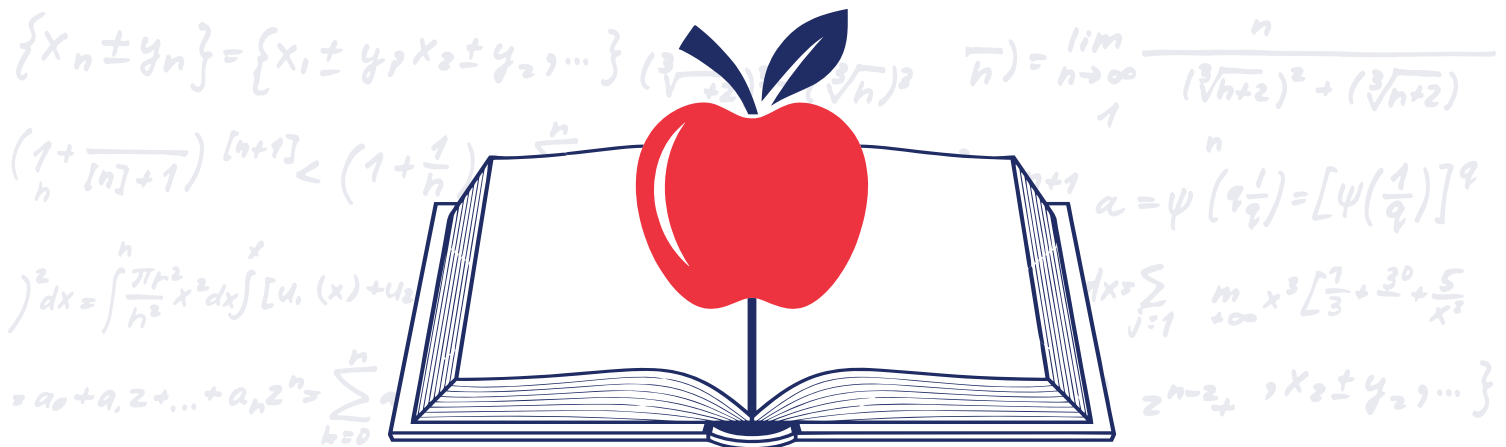
Eligible retirees of Employees' Retirement System of Rhode Island (ERSRI) and Municipal Employees' Retirement System (MERS) employers will receive a Cost of Living Adjustment (COLA) in 2021.

The 2021 Cost of Living Adjustment (COLA) for eligible retirees begins with payments in February for those members who have a date of retirement in January. Eligible retirees will receive the 2021 COLA in the month following their retirement date.

For example: *If an employee retired in September and meets eligibility, they will receive their 2021 COLA in October.*

Eligible retirees who retired on or before June 30, 2015 will receive a COLA equal to 1.06% on the first \$33,130 of their pension benefit, up to \$351.18.

Eligible retirees who retired after June 30, 2015 will receive a COLA equal to 1.06% on the first \$27,608 of their pension benefit, up to \$292.64.



TEACHERS' SURVIVOR BENEFITS

Current eligible beneficiaries of the Teachers' Survivor Benefit receive the same COLA granted to members of Social Security. The increase, which begins in January 2021 is 1.3%, as announced by the Social Security Administration in October 2020.

UPDATING YOUR BENEFICIARY

REVIEWING AND UPDATING THE BENEFICIARY ON YOUR RETIREMENT ACCOUNT

At the time of hire and following major life events, including marriage, divorce, births and deaths, active employees and retirees should review the beneficiary information on their retirement account to ensure that it is up to date.

NAMING YOUR BENEFICIARY OR BENEFICIARIES

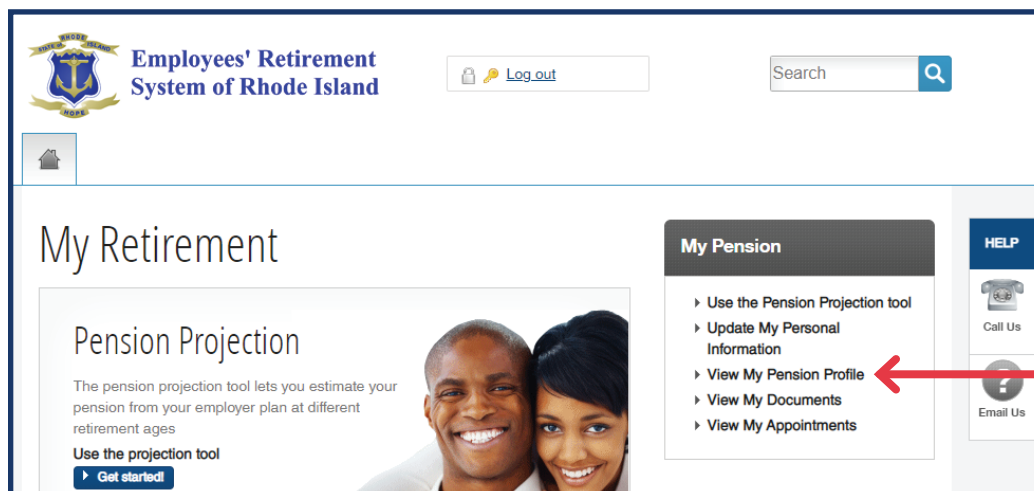
The pension system pays a death benefit to your designated beneficiary. The death benefit is a one-time payment of \$800 per full year of service, up to a maximum of \$16,000. Following retirement, the benefit is reduced by 25% each year with a minimum benefit of \$4,000. You may name one or more beneficiaries.

A **Primary Beneficiary** is the person who will receive a death benefit. You can name multiple primary beneficiaries, and the system will split your benefit among all primary beneficiaries.

A **Contingent Beneficiary(ies)** will only receive a death benefit if all primary beneficiaries are deceased.

HOW TO REVIEW YOUR BENEFICIARY INFORMATION ONLINE

For members who have set up online access to their retirement accounts, simply log into your account at www.ersri.org, navigate to the "My Pension" section, and select "View My Pension Profile".



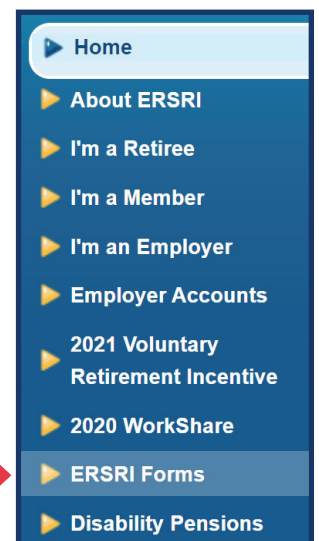
The name of your current beneficiary will be listed on the "View My Pension Profile" screen.

If your beneficiary information is outdated, you can download and print the Beneficiary Designation form by visiting ersri.org and clicking on the "ERSRI Forms" tab on the left menu.

If you don't have access to a computer or printer, we can provide you with information on your current beneficiary and mail you a Beneficiary Designation form.

Please call the Member Service Center at (401) 462-7600 Monday - Friday from 8:30 a.m. until 4:00 p.m.

The Beneficiary Designation form contains step-by-step instructions on how to complete the form, have it notarized, and update your beneficiary information.



READING YOUR 1099-R FORM FOR 2020

Your 2020 1099-R form was mailed to you in January. The form provides the details concerning the benefit distributions you received during the 2020 tax year and should be used in filing your 2020 federal income taxes. If you have not received your 1099-R by February 15th, please call ERSRI at 462-7600 to request a copy. For more information on your 1099-R, visit the Internal Revenue Service online at www.irs.gov, or call 800-829-1040.

Box 1 contains the sum of all the benefit payments (before taxes) you received in 2020.

Box 2a contains the sum of your 2020 benefit payments minus your **non-taxable monthly exclusion amounts**.

Box 4 contains the total amount of taxes withheld from your benefit payments in 2020 based on your federal tax withholding election.

Box 5 contains the sum of your non-taxable monthly exclusions for 2020. 🟡

Box 7 contains the IRS code identifying the type of distribution you received. The list below provides an explanation of the codes used by ERSRI. ▲

VOID CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and phone no.		1 Gross distribution \$		OMB No. 1545-0119 2020 Form 1099-R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
		2a Taxable amount \$			
2b Taxable amount not determined <input type="checkbox"/>		Total distribution <input type="checkbox"/>		Copy B Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return.	
PAYER'S TIN	RECIPIENT'S TIN	3 Capital gain (included in box 2a) \$			
RECIPIENT'S name		5 Employee contributions / Designated Roth contributions or insurance premiums \$		6 Net unrealized appreciation in employer's securities \$	
Street address (including apt. no.)		7 Distribution code(s)		8 Other \$	
City or town, state or province, country, and ZIP or foreign postal code		IRA/ SEP/ SIMPLE <input type="checkbox"/>		9a Your percentage of total distribution %	
10 Amount allocable to IRP within 5 years \$		11 1st year of desig. Roth contrib.		9b Total employee contributions \$	
12 FATCA filing requirement <input type="checkbox"/>		14 State tax withheld \$		15 State/Payer's state no.	
Account number (see instructions)		13 Date of payment		16 State distribution \$	
		17 Local tax withheld \$		18 Name of locality	
				19 Local distribution \$	

Form 1099-R Department of the Treasury - Internal Revenue Service

🟡 The "monthly exclusion amount" or "monthly exclusion" is the part of your benefit on which you have already paid taxes. If you made any after-tax contributions to your ERSRI account — for example, regular contributions you made before 1986 or through a buyback of service time — then you do not have to pay taxes on that part of your benefit. The non-taxable portion of your benefit listed in Box 5 is calculated using the Simplified Method in IRS Publication 575—Pension and Annuity Income.

▲ The codes below are found in **Box 7** and indicate the type of benefit being reported to IRS:

- 1 – Partial service retirement distribution being paid to a member who is under age 59 1/2 on December 31st of the tax year being reported.
- 2 – Service retirement distribution being paid to a member who is younger than 59 1/2 or a refund of retirement contributions when the individual is between ages 55 and 59 1/2 years of age on December 31st of the tax year being reported.
- 3 – Disability retirement distribution.
- 4 – Indicates the amount reported is a death benefit lump sum distribution or retirement distribution made to a member's beneficiary or survivor, including their trust or estate.
- 4G – Indicates the amount reported is a death benefit distribution which was a direct rollover distribution to a tax-sheltered annuity or a traditional IRA.
- 7 – Normal distribution
- 7A – For participants born before January 2, 1936, or their beneficiaries, to indicate the distribution may be eligible for the 10-year tax option method of computing the tax on lump-sum distributions (on Form 4972, Tax on Lump-Sum Distributions)
- G – Distribution Code G represents amounts that you elected to rollover to another qualified retirement account, such as an Individual Retirement Account (IRA). ERSRI transferred these funds directly to the financial institution as directed by you.

Special Note: The address shown on the 1099-R which you will receive will be the current address of record which the Employees' Retirement System of Rhode Island has on file when the forms are processed in January. If this address is incorrect, you may change the address on-line at www.ERSRI.org or submit a written request with your signature to change your address.

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IN THE WINTER / SPRING 2021 COMPASS NEWSLETTER

- Investment Update
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- Updating your Beneficiary
- How to Read Your 1099-R Tax Form for 2020
- Message from the Treasurer

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Seth Magaziner, General Treasurer
Chairman, ERSRI Board