

COMPASS

EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND

A MESSAGE FROM GENERAL TREASURER SETH MAGAZINER



All public employees deserve to retire with dignity, comfort and predictability.

Your service to Rhode Island is part of what makes our state great, and that's why I'm committed to building a retirement system you can trust to be there for you when you need it.

In this issue of Compass, you will find information about the pension system's strong financial performance in 2017. Our Back to Basics investment plan is making the pension system stronger delivering results by employing time-tested, traditional strategies that will help the fund grow over time.

In the past year we have moved more than \$500 million out of hedge funds and into more traditional investments. In 2017, Back to Basics earned more than \$1 billion for your retirement system.

In this issue, we also include information on the impact of the federal tax reform on your retirement income, an overview of upgrades to supplemental savings options for state employees, and we will introduce you to Lori Laporacci, a teacher from Pawtucket who decided to take matters into her own hands when the ceiling in her classroom fell.

I will continue to work hard every day to make sure you have a retirement system that you can count on. You deserve nothing less.

Best,

Seth Magaziner

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MEMBER NEWS

Treasurer Magaziner Delivers Annual Update to Retiree Coalition

In what has become an annual tradition, General Treasurer Seth Magaziner recently attended the Rhode Island Public Employee Retiree Coalition's Annual Spring Conference, which was held on April 19, 2018 at the Twin River Casino Conference Center.

"I always appreciate the opportunity to speak with our members who have spent their careers in public service", said Treasurer Magaziner. "My goal is to ensure that retired, active, and future members of the System receive a pension, and that there is never another painful pension reform again."

During his visit, the Treasurer updated retirees on the health of the system, investment performance following the implementation of his "Back to Basics" investment strategy, and efforts to upgrade the customer service and counseling offered to members of the retirement system.

If you would like Treasurer Magaziner to speak to your organization, please contact the Office of the General Treasurer at (401) 222-2397. ✦

Online Supplemental Savings Platform Launched for State Employees

A State of Rhode Island 457 Deferred Compensation Plan allows active state employees to supplement their retirement savings with tax benefits similar to an IRA or 401(k).

Participants can choose from leading 457 providers Fidelity, TIAA or Voya, giving them the flexibility to find a savings plan that works for them.

To make participating in the 457 Plan easier, the State has launched the Retirement@Work website at retirementatwork.org/ri. Retirement@Work provides a simplified online experience to enroll in the 457 Plan and manage contributions and investment provider choices.

Current 457 Plan participants will be able to see their contributions and current account balances upon initial log-in. **New participants** will be able to enroll and select their initial contribution amount and investment provider(s). If you have any questions about Retirement@Work please contact 855-200-0135. ✦



2017 Annual Report Available Now

The Office of the General Treasurer has published its Annual Report for 2017. Catch-up on the Office's efforts to strengthen the retirement system, encourage economic growth, and better serve Rhode Islanders online at:

treasury.ri.gov/2017-annual-report

MEMBER SPOTLIGHT

Meet Lori Leporacci



“I knew I wanted to be a teacher since I was in the third grade”, says Lori Leporacci. Teaching is what I do, but I have never considered it a ‘job’ – because I love teaching and can’t imagine doing anything else.”

Mrs. Leporacci, a third-grade teacher at Potter Burns Elementary in Pawtucket, has been teaching for 31 years. She describes her colleagues, students and parents at Potter Burns as a “family”.

Potter Burns, which is 100 years old, recently underwent a badly needed renovation, reopening to students for the 2017 -2018 school year. The elementary school has an enrollment of more than 500 students, and was in deplorable condition prior to the renovation.

Several years ago, Mrs. Leporacci became an accidental activist when a dinner plate-sized section of the ceiling in her classroom fell on a student, who was, thankfully, unharmed. After calming her students, she gathered the rubble of paint and plaster and put it in a large envelope for the student to bring home to his father, who happened to be the Mayor of Pawtucket.

“I felt badly for the students who attended Potter Burns. It was really frustrating. Our staff was always kind and welcoming to students, but the school building didn’t meet the very minimum ‘warm, safe, and dry’ standard – which made it very hard to teach. Technology in my classroom was limited to an overhead projector which had to be plugged into one of the two electrical outlets,” Mrs. Leporacci added.

Post-renovation, Mrs. Leporacci says she has seen a remarkable and positive change, not only in the condition of the school, but also in the attitude of students and faculty.

“There is a difference in the culture and atmosphere at Potter Burns. Students feel safe, respected and valued, and that has translated into them being more respectful,” said Mrs. Leporacci. “As teachers, we can focus on educating our students in an environment that is designed for 21st Century learning.”

“I have always enjoyed teaching at Potter Burns, but now it is an amazing place for students, educators and staff. People can look at the school to see what is possible when we invest in our school buildings. Every child deserves to attend a school that is warm, safe, dry and equipped for 21st Century learning.” Mrs. Leporacci concluded. ✦

In 2017, Treasurer Magaziner, along with leaders of the state’s teachers unions, developed a plan to make a once-in-a-generation investment in repairing public school buildings across Rhode Island.

“Every child deserves to go to a school that is warm, safe and dry,” Treasurer Magaziner said, “and every school building should be equipped with the technology for 21st century learning. This plan will spur a major improvement in Rhode Island’s public school buildings so teachers and students will finally have the learning environments they deserve.”

*To learn more about the plan to fix Rhode Island’s school buildings visit:
www.treasury.ri.gov/schools*

TAX WITHHOLDING INFORMATION FOR 2018

For calendar year 2018 the federal tax rates were adjusted as a result of the passage of The Tax Cuts and Jobs Act of 2017. The IRS required employers implement the new withholding tables by February 15, 2018.

ERSRI updated retiree withholdings to the 2018 tax tables in the January pension payroll. Members who elect to use the federal withholding tables may see a difference in the amount that is withheld when compared to last year. Some of the significant changes are:

- Personal exemption allowances increased to \$345.80 monthly (\$4,150 annually);
- Replaced the existing federal tax brackets (10%, 15%, 25%, 28%, 33%, 35%, and 39.6%) with new brackets (10%, 12%, 22%, 24%, 32%, 35%, and 37%) and specifies the income levels that apply for each bracket (see table);
- The withholding changes do not affect 2017 tax returns due this April. However, having a completed 2017 tax return can help taxpayers work with the Withholding Calculator to determine their proper withholding for 2018 and avoid issues when they file next year. Members who have additional questions about how much they should have withheld for taxes should contact their tax preparer.

For more information regarding The Tax Cuts and Jobs Act of 2017 please visit: www.irs.gov

Retirees who would like to update their tax withholding with ERSRI may do so by logging into their account at ersri.org or by completing Tax Change form available in the “ERSRI Forms” section of ersri.org. ✦

Percentage Method Tables for Income Tax Withholding (For Wages Paid in 2018)

TABLE 7 ---- ANNUAL Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$3,700		\$0	
Over—	But not over—		of excess over—
\$3,700	—\$13,225	\$0.00 plus 10%	—\$3,700
\$13,225	—\$42,400	\$952.50 plus 12%	—\$13,225
\$42,400	—\$86,200	\$4,453.50 plus 22%	—\$42,400
\$86,200	—\$161,200	\$14,089.50 plus 24%	—\$86,200
\$161,200	—\$203,700	\$32,089.50 plus 32%	—\$161,200
\$203,700	—\$503,700	\$45,689.50 plus 35%	—\$203,700
\$503,700		\$150,689.50 plus 37%	—\$503,700

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$11,550		\$0	
Over—	But not over—		of excess over—
\$11,550	—\$30,600	\$0.00 plus 10%	—\$11,550
\$30,600	—\$88,950	\$1,905.00 plus 12%	—\$30,600
\$88,950	—\$176,550	\$8,907.00 plus 22%	—\$88,950
\$176,550	—\$326,550	\$28,179.00 plus 24%	—\$176,550
\$326,550	—\$411,550	\$64,179.00 plus 32%	—\$326,550
\$411,550	—\$611,550	\$91,379.00 plus 35%	—\$411,550
\$611,550		\$161,379.00 plus 37%	—\$611,550

RETIREMENT SYSTEM UPDATE

Pension Fund Goes ‘Back to Basics’ Earns \$1.1 Billion in 2017

Rhode Island’s pension fund earned more than \$1.09 billion, a return of 14.5 percent from investments in 2017. As of December 31 2017, the fund has outperformed its annual 7 percent average investment target over the past 1, 3 and 5 years.

Treasurer Magaziner announced the Back to Basics investment strategy in September 2016. As part of Back to Basics, Rhode Island exited seven hedge funds in 2017, reallocating \$500 million into more traditional investments. ✦

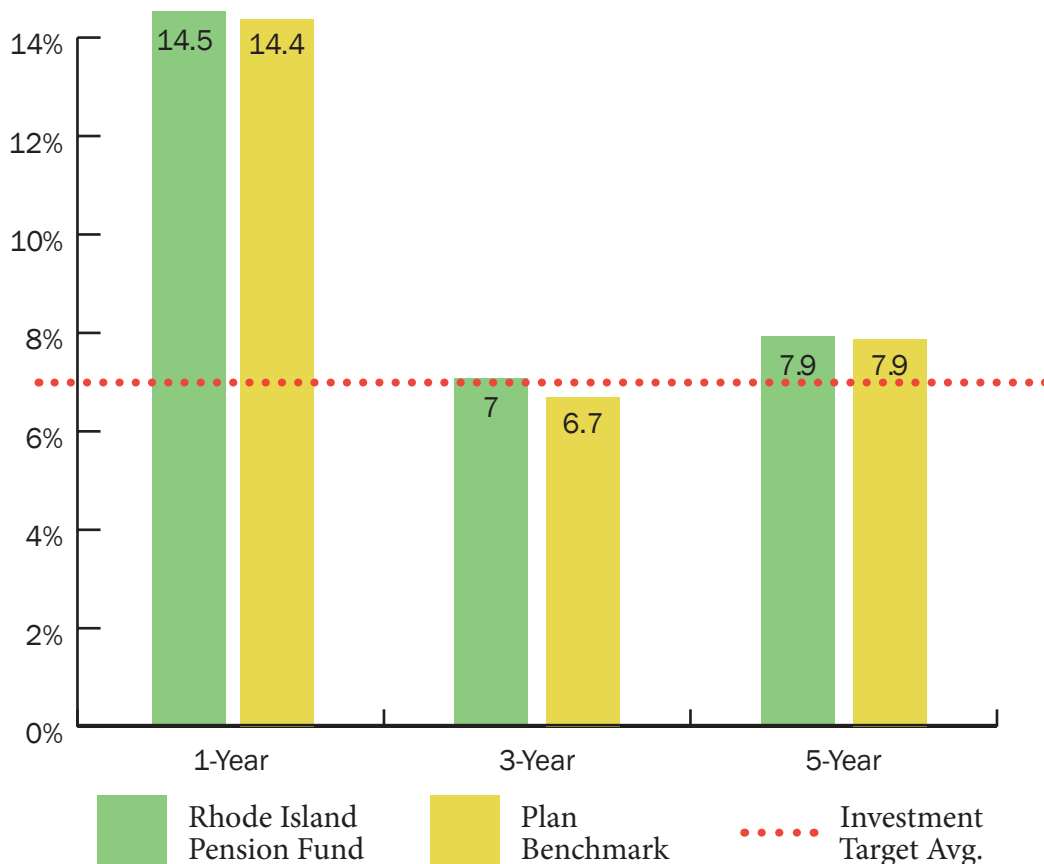
2017 Pension Fund Cashflow

Starting Value (1/1)	\$7,696,099,111
Contributions Paid In	+\$584,463,953
Pension and Benefits Paid	-\$951,153,138
Investment Gains	+\$1,092,520,052
<i>Net Change</i>	<i>+\$724,830,867</i>
Ending Value (12/31)	\$8,420,929,978

Calendar year figures are unaudited.

2017 Pension Fund Performance

Periods ending 12/31/2017



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IN THE SPRING 2018 COMPASS NEWSLETTER

- **Member Profile:**
Meet Lori Laporacci
- **2018 Federal tax withholding information**
- **Treasurer meets with retirees at annual meeting**
- **New ways to access State's 457 savings plans online**
- **"Back to Basics" earns Pension Fund \$1 billion in 2017**
- **Retirement System Update**

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50 Service Avenue, 2nd Floor,
Warwick, RI 02886



Seth Magaziner, General Treasurer
Chairman, ERSRI Board