

Compass

Newsletter of the Employees Retirement System of Rhode Island

ERSRI ASSISTANT EXECUTIVE DIRECTOR APPOINTED

Diane S. Bourne

General Treasurer Paul Tavares and the Retirement Board appointed Diane S. Bourne the new assistant executive director of the system in June. Bourne, who has served as ERSRI assistant director in charge of member services for eight years, replaces James Reilly who retired last fall.

"Diane Bourne is a dedicated, hard-working individual with an in-depth knowledge of the more than 102 plans we administer. As an employee of this system for the past eight years, she has proven her skills as a manager and problem-solver," said Treasurer Tavares. "I am pleased to have such a proactive manager taking this position."



After a nationwide search for candidates, conducted by Management Search of Rhode Island, Inc., a subcommittee of Board members conducted interviews of three recommended finalists. After the interview process, the subcommittee recommended their top two choices to the full Board, with Bourne listed as their number one choice. The full Board interviewed these candidates at its June 13 meeting, unanimously voting to appoint Bourne as the new assistant executive director.

In her prior ERSRI role, Bourne was responsible for managing the daily operations of the Member Services Division and coordinating the work of the counseling and

general office staff. In addition, she was responsible for overseeing advice provided to the more than 55,000 system members regarding their benefits, assisting in the development and management of the division's budget and providing direction in the development of the member benefits portion of the new retirement computer system. During her tenure, Bourne expanded outreach programs by holding seminars at various locations throughout the state.

Before joining ERSRI, Bourne spent 17 years with Travelers Insurance Companies, first as an assistant supervisor, then as a supervisor responsible for the supervision of 20 employees working on new business, policy loans and surrenders and policyholder services.

Bourne graduated with a BA in Sociology in 1973 from Rhode Island College and is a member of the National Pre-retirement Education Association (NPEA) and the International Foundation for Retirement Education (InFRE). Bourne began in her new capacity immediately following her appointment.

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Investment Notes from

GENERAL TREASURER

Paul J. Tavares

Dear Fellow Retirement System Member:

As you read this issue of Compass, you will learn about many ways your retirement system is getting stronger. Some of these, such as the computerization and automation project, are improvements you will be able to see first-hand. But there are other improvements taking place which are just as important, if only less visible.

One of the most important changes relates to how we evaluate the long-term financial health of the Retirement System. Since you have contributed to the System and depend upon the System for a secure retirement, I am sure you recognize few things are more important than accurately assessing the current financial status and future needs of the System.

With the support of Governor Almond, the General Assembly recently enacted a package of reforms, proposed by the Retirement Board on the long-standing advice of its actuary, which will provide a better, more accurate way of evaluating the financial needs of the System each year.

Without getting into the finer - and very complex - details of actuarial analysis, determining the funding the system needs essentially boils down to comparing the current value of assets with expected future liabilities. While this may seem simple, when you are dealing with a system with several thousand members, billions of dollars in assets, and an unfunded liability, this quickly turns complex. We have adopted the valuation method used by the majority of public retirement systems, which will provide the most accurate and useful information to help the Board make the right decisions to meet your retirement needs.

Additionally, the Board recently finished its latest "experience study." This study, conducted by the actuary, evaluated long-term employment and retirement trends and other issues that have an impact on the needs of the System. The actuary identified adjustments necessary in employer

contributions. As part of this extensive analysis, the actuary also met with the State Investment Commission's investment advisor. Together they analyzed information on expected growth in liabilities, required changes in assumptions, our recent portfolio performance and future investment strategies. Because of this ongoing process, our investment policies will parallel the needs of our System at a more sophisticated level going forward.

While these adjustments are important, please remember you will see no change in benefits or, if you are working, you will see no change in your contribution rates. These improvements will be invisible to members, but they will add considerably to our more visible efforts to strengthen the System so that it better serves all members.

Sincerely,

Paul J. Tavares

General Treasurer

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ANCHOR PROJECT UPDATE

Sailing Smoothly Along

By Frank J. Karpinski, Executive Director

The Anchor project continues full steam ahead, with active members' files now all accessible for viewing on computer. Stage I of the project is readying for its grand finale, with checking and rechecking of all computer system functions underway at Covansys (the system vendor) in Columbus, Ohio. Here in Rhode Island, ERSRI staff have been taking part in "user acquaintance" training, which involves hands-on demonstrations of the new system. Each staff member is being introduced to all of the functions of Anchor, in order to ensure that everyone is familiar with Anchor's capabilities. Once Anchor is fully installed at ERSRI, the staff will become specialized in select areas.

Effective July 1st, ERSRI went live with its own internal general ledger accounting system. This system, which is part of the overall Anchor project, has kept our finance department very preoccupied with mind-numbing details of transactions. Once Anchor goes live, the accounting system will be integrated to provide precise recordkeeping of all financial transactions.

There is another side of retirement administration that members are typically not too aware of, which is the processing of retirement contributions. While you've certainly noticed the retirement contributions taken from your pay, unless you work in payroll you're probably unaware of the intricacies of how your money goes from your employer into your retirement account. Over the past few months, ERSRI staff and Covansys have held seminars with employers to brief them on wage and contribution reporting in Anchor, and to gather input from them. These seminars have proved to be an invaluable tool in designing the system, and the cooperation exhibited by all is to be commended.

Perhaps the most exciting feature of Anchor is its online capabilities which, besides eventually offering members the ability to check their information while surfing the web, will

also allow employers to report retirement contributions over a secure internet connection. Currently, the online web pages are being designed and tested to ensure security, accuracy, and user-friendliness.

The Anchor project has truly been an example of teamwork in action for ERSRI staff. We are trying to make the Anchor transition as smooth as possible, but some delays in a few areas of administration are expected. Your patience during this transition will be appreciated.

ERSRI will continue to keep you informed on Anchor's progress in upcoming issues of *Compass*.

Court Decision

Allows Some Members to Purchase Formerly Ineligible Military Service Credit

Due to a recent decision issued by Judge Legueux in the United States District Court for Rhode Island, both active and retired members of ERSRI or MERS may be eligible to purchase military service credit that was previously denied or deemed unavailable for purchase.

Prior to this decision, ERSRI and MERS members were denied purchases of military service credit in this retirement system if that time was also used toward a military pension. The denial of such purchases was based on R.I. General Law §36-10-9(5), the "double-dipping" law, which was effective January 1, 1993.

Judge Legueux's "Almeida Decision" states that in regard to military service, the federal Uniform Services Employment and Reemployment Rights Act (USERRA) preempts the state statute.

Both active and retired members who were denied a purchase of military service credit based on §36-10-9(5), because they were eligible to receive a military pension using the same service time, may now be eligible to complete the purchase.

(Continued on back page)

Military Credit Cont'd.

If you retired after January, 1993 and had been denied a purchase of military service credit based on your eligibility for a military pension, you may now be entitled to purchase this service credit and receive an adjustment of your pension benefit.

Some members who were denied the purchase of military credit may also be subject to the provisions of the Phelps case. The Phelps Decision of 1997 concerned the purchase of military service credit time for active reserve duty. As a result of the Phelps decision, for a brief period after the decision and prior to a change in retirement statute, members who had been in the military reserves were allowed to purchase 6 months military service credit for 2 weeks active duty (as was the case for all military purchases at the time).

If you applied for military service credit under the Phelps decision and received a written denial from ERSRI based on your eligibility for a military pension, you may now be eligible to purchase that military service credit

under the Phelps terms. In order to now purchase service credit under the Phelps Decision, this office must have proof of your request to purchase military service credit during the eligible months following the Phelps Decision. (Any such information is typically contained in a member's ERSRI or MERS file, and can be verified by calling this office.)

Other existing limitations on service credit purchases, such as the 5-year cap for total purchases and the 35-year limitation on total service credit, were upheld in the Almeida Decision and thus still apply. Also, applicable interest charges, if any, will be billed only up to the date on which the member originally applied for purchase of the service credit.

The Almeida Decision applies to individuals who retired after January 1, 1993, or active members up to the date of the decision (March, 2001).

If you believe you may be entitled to purchase military service credit based on the Almeida Decision, contact ERSRI for a review of your particular case and to find out what you may need to submit for the purchase.

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Paul J. Tavares, General Treasurer
Chairman, ERSRI Board