

# COMPASS

EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND

**MARCH 2023**

## IN THIS ISSUE:

- ▶ Message from the Treasurer
- ▶ 2023 COLA
- ▶ Fund Performance
- ▶ 1099-R information

**Office of the General Treasurer**  
James A Diosa, General Treasurer  
Chairman, ERSRI Board

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

A message from

# GENERAL TREASURER JAMES A. DIOSSA

Dear ERSRI Member,



As your Treasurer, it is my honor to serve as the Chairman of the Employees' Retirement System of Rhode Island (ERSRI). My top priority is ensuring the financial well-being of all Rhode Islanders, especially when it comes to retirement.

ERSRI members are pivotal to our state. Whether it's teachers educating future generations, firefighters saving lives, or state employees shaping policy, the dedication of these workers inspires my commitment to the success of their future.

With the leadership of ERSRI Director Frank Karpinski and the ERSRI team, I am confident that we will establish a more solid financial footing for all workers across the state.

Rhode Islanders deserve the fundamental promise that a lifetime of hard work will be met with the dignity and peace of mind of a secure retirement. I know that our best days lie ahead.

James A Diossa  
Rhode Island General Treasurer

## New tax withholding form required for any member making a change or initiating retirement

### Making a federal tax withholding election change?

Effective January 1, 2023, IRS Form W-4P is required for any member making a change or initiating retirement. Existing payees who have received benefit payments prior to December 31, 2022 are not required to submit IRS Form W-4P. Your original withholding election will remain in effect until you file a new IRS Form W-4P or Rhode Island State Tax Withholding Certificate with ERSRI.

**Form W-4P**  
Effective January 2022  
Department of the Treasury  
Internal Revenue Service

**OMB No. 1545-0074**  
**2022**

**Withholding Certificate for Periodic Pension or Annuity Payments**  
Give Form W-4P to the payer of your pension or annuity payments.

**Step 1: Enter Personal Information**

(a) First name and middle initial \_\_\_\_\_ Last name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City or town, state, and ZIP code \_\_\_\_\_  
 (b) Social security number \_\_\_\_\_

(c)  Single or Married filing separately  
 Married filing jointly or Qualifying widow(er)  
 Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual and how to elect to have no federal income tax withheld (if permitted).)

**Complete Steps 3-4 ONLY if they apply to you; otherwise, skip to Step 5.** See pages 2 and 3 for more information on each step.

**Step 2: Income From a Job and/or Multiple Pensions/Annuities (Including a Spouse's Job/Pension/Annuity)**

Complete this step if you (1) have income from a job or more than one pension/annuity, or (2) are married filing jointly and your spouse receives income from a job or a pension/annuity. See page 2 for examples on how to complete Step 2.

Do only one of the following.

(a) Reserved for future use.

(b) Complete the items below.

(i) If you (and/or your spouse) have one or more jobs, then enter the total taxable annual pay from all jobs, plus any income entered on Form W-4, Step 4(b), for the jobs less the deductions entered on Form W-4, Step 4(b), for the jobs. Otherwise, enter "0." \_\_\_\_\_ \$

(ii) If you (and/or your spouse) have any other pensions/annuities that pay less annually than this one, then enter the total annual taxable payments from all lower-paying pensions/annuities. Otherwise, enter "0." \_\_\_\_\_ \$

(iii) Add the amounts from items (i) and (ii) and enter the total here \_\_\_\_\_ \$

**TIP:** To be accurate, submit a 2022 Form W-4P for all other pensions/annuities. Submit a new Form W-4 for your job(s) if you have not updated your withholding since 2018. If you have self-employment income, see page 2. Otherwise, do not complete Steps 3-4(b) on this form.

**Step 3: Claim Dependent and Other Credits**

If your total income will be \$200,000 or less (\$400,000 or less if married filing jointly):  
 Multiply the number of qualifying children under age 17 by \$2,000 \_\_\_\_\_ \$  
 Multiply the number of other dependents by \$500 \_\_\_\_\_ \$  
 Add other credits, such as foreign tax credit and education tax credits \_\_\_\_\_ \$  
 Add the amounts for qualifying children, other dependents, and other credits and enter the total here \_\_\_\_\_ \$

**Step 4 (optional): Other Adjustments**

(a) **Other income (not from jobs or pension/annuity payments).** If you want tax withheld on other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, taxable social security, and dividends \_\_\_\_\_ \$

(b) **Deductions.** If you expect to claim deductions other than the basic standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here \_\_\_\_\_ \$

(c) **Extra withholding.** Enter any additional tax you want withheld from each payment \_\_\_\_\_ \$

**Step 5: Sign Here**

Your signature (This form is not valid unless you sign it.) \_\_\_\_\_ Date \_\_\_\_\_

For Privacy Act and Paperwork Reduction Act Notice, see page 3. Cat. No. 102257 Form W-4P (2022)

## More information on

# ERSRI FUND PERFORMANCE

The Employees' Retirement System of Rhode Island forms the foundation of a secure retirement for the array of state and local public employees that participate in the plan. Under the leadership of Treasurer Magaziner, the fund navigated a difficult financial market environment in 2022. Markets reacted negatively to rising interest rates, the conflict in the Ukraine and continuing impacts from the COVID pandemic.

For calendar 2022, the fund return was negative 5.7% which was a strong outcome when compared to a traditional 60% stock/40% bond portfolio which declined by 16%. The market value of the defined benefit fund was \$9.98 billion as of December 31, 2022. Preliminary information from InvMetrics Public DB Database tracking the results from 56 public DB plans with asset greater than \$1 billion, showed the Rhode Island plan outperforming 94% of the plans over various horizons stretching out to 8 years. Over annualized three-year and five-year periods, the Rhode Island plan returned 7.4% and 7.0% respectively, while median public DB plan greater than \$1 billion returned 4.5% and 5.3% respectively.

These results derive from an asset allocation that emphasizes the basic elements of diversification. Treasurer Diossa has directed the investment staff and external consultants to prepare an asset / liability analysis to reflect the significant shifts in the financial market opportunity set that occurred over 2022.

### Data for RI Pension Fund versus Trad 60/40 and Peers (>\$1B)

Period	RI Plan	60/40*	Median Peers**
1 Yr	-5.7%	-16.0%	-11.2%
3 Yrs	+7.4%	+1.6%	+4.5%
5 Yrs	+7.0%	+3.5%	+5.3%
7 Yrs	+8.1%	+5.4%	+7.0%
10 Yrs	+7.5%	+5.4%	+6.9%

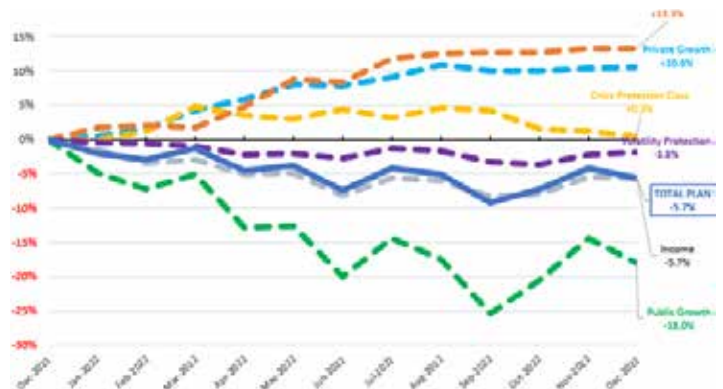
\*60/40 is 60% MSCI ACWI (Global Stock) and 40% Bloomberg Aggregate

\*\*Median Peers - Preliminary InvMetrics Public DB > \$1 B

### ERSRI Defined Benefit – Total Plan and Public Market Benchmarks (net-of-fee)



### ERSRI Defined Benefit - Total Plan and Asset Allocation Components (net-of-fee)



## COLA update

# AM I ELIGIBLE FOR A COLA IN 2023?

Municipal plans that are part of MERS, and have adopted a COLA provision, provide a 2023 COLA when the actuary determines the individual plan is at least 80% funded as of June 30, 2022. All members of the 76 plans listed below who retired before June 30, 2012 and were previously receiving or eligible for a COLA will receive a COLA beginning the month following their retirement date. Eligible retirees of the 76 MERS plans will see an increase of 3.11% on the first \$28,878 of their annual pension benefit for calendar year 2023.

General MERS members of these MERS plans who retired after June 30, 2012 will be eligible to receive a COLA three years after their retirement date or at their Social Security Normal Retirement Age, whichever is later.

Police and Fire MERS members of these plans who retired between July 1, 2012 and June 30, 2015 will be eligible to receive a COLA three years after their retirement date or when they reach age 55, whichever is later.

Police and Fire MERS members of these plans who retired after June 30, 2015 will be eligible to receive a COLA three years after their retirement date or when they reach age 50, whichever is later.

Current eligible beneficiaries of the Teachers' Survivor Benefit receive the same COLA granted to members of Social Security. The increase, which begins in January 2023, is 8.7% as announced by the Social Security Administration in October 2022.

### Employer Plans receiving a COLA in 2023

Albion Fire District (ADMIN)	Cumberland Rescue	N. RI Collaborative Adm. Services	Smithfield Fire
Barrington COLA	East Greenwich	Narragansett Housing	Smithfield Police
Barrington Fire	East Greenwich Housing	New Shoreham	South Kingstown
Bristol	East Providence Housing	North Kingstown	South Kingstown EMT
Bristol Police	East Smithfield Water	North Kingstown Fire	South Kingstown Housing
Burrillville	Exeter/West Greenwich	North Kingstown Police	Tiogou Fire & Lighting
Burrillville Housing	Foster/Glocester	North Smithfield	Tiverton
Burrillville Police	Glocester	North Smithfield Police	Tiverton Fire
Central Falls Police & Fire New	Glocester Police	North Smithfield Voluntary Fire	Tiverton Local 2670A
Central Falls Schools	Greenville Water	Pascoag Fire District (ADMIN) COLA	Town of E. Greenwich-COLA-NCE
Chariho School District	Harrisville Fire District	Pawtucket	Warren C 1566 Warren Housing
Charlestown	Harrisville Fire District (ADMIN)	Pawtucket Housing	West Greenwich
Charlestown Police	Hope Valley Fire	Portsmouth Fire Department	West Greenwich Police/Rescue
Coventry Lighting District	Hopkins Hill Fire	Portsmouth Police Department	West Warwick Fire Dept
Cranston	Hopkinton	Scituate	West Warwick Housing
Cranston Fire	Jamestown	Scituate Police Dept COLA	Woonsocket
Cranston Housing	Lincoln Fire District	Smithfield	Woonsocket Fire
Cranston Police	Lincoln Housing	Smithfield COLA	
Cumberland Fire	Middletown		
Cumberland Housing	Middletown Police & Fire		

# Retirees — your 1099s have been mailed

## HOW TO READ YOUR 1099

The 1099-R form provides each payee with detailed information of his or her income for the previous year. ERSRI issues 1099-R forms for retirees by January 31st of each year. You should have already received your form by mail.

Additionally, your 1099-R is available to view or print by logging into your online retirement account on the ERSRI Member Portal.

If did not receive your form by February 15th, please call the ERSRI Member Service Center at (401) 462-7600 to request a replacement 1099-R.

### Here is an easy-to-use guide on how to read your 1099-R:

**Box 1 - Gross Distribution.** This is the sum of all benefits paid to you by ERSRI during the previous calendar year.

**Box 2a - Taxable Amount.** This box contains the sum of your benefit payments minus your non-taxable monthly exclusion amounts.

**Box 2b** - This box is not applicable to ERSRI.

**Box 3** - This box is not applicable to ERSRI.

**Box 4 - Federal Income Tax Withheld.** This box shows any federal income tax withheld from your benefit payments during the year.

**Box 5 - Employee Contributions.** This box contains the sum of your non-taxable monthly exclusions for the tax year. 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.

**Box 6** - This box is not applicable to ERSRI.

**Box 7 - Distribution Code.** IRS code identifying the distribution you received. These codes are explained on the back of the 1099-R Form.

**Boxes 8, 9a, 9b, 10, 11, 12 and 13** - These boxes are not applicable to ERSRI.

**Box 14 - State Income Tax Withheld.** Any Rhode Island State income tax deducted from your checks is shown in this box. Note: ERSRI does not withhold state income taxes for any state other than Rhode Island.

**Box 15 – State/Payer’s State No.** ERSRI’s state tax ID number.

**Box 16 – State Distribution.** Rhode Island state taxable income.

**Boxes 17 through 19** – These three boxes are left intentionally blank and are not applicable to ERSRI.

The image shows a sample 1099-R form. At the top, it is marked as 'VOID' and 'CORRECTED'. The form includes fields for Payer's name, Recipient's name, TINs, and various distribution amounts. The year '20' is visible in the top right corner. The form is labeled 'Copy 1 For State, City, or Local Tax Department'. The form is titled 'Form 1099-R' and includes the OMB No. 1545-0119. The form is issued by the Department of the Treasury - Internal Revenue Service.

# “WHAT HAPPENS IF YOU PASS AWAY WHEN YOU’RE STILL WORKING OR AFTER YOU RETIRE?”



As an **Active Member**, if you pass away while you’re still working, a payment will be made to your listed beneficiary of your contributions without interest. If the death

occurred while you were an actively employed member or while you were on an official leave, a death benefit will be paid equal to \$800 for each year of service to a minimum \$4,000 and a maximum of \$16,000.

Additionally, if you had at least 5 years of contributing service and your spouse or domestic partner is your designated beneficiary, then they’ll have the option to receive a monthly pension benefit in lieu of a return of contributions. If you don’t want to name a spouse or domestic partner as your beneficiary and would like to name another person, you may do so. Be sure to check the “OAP” box on the beneficiary form to elect this option. If you are a Police or Fire member, it is important to know that making the OAP election may result in lower benefits to your spouse or domestic partner.

If you are a **Retiree** and didn’t select a survivor pension benefit option at the time of your retirement, a lump-sum benefit will be payable to your estate consisting of your remaining member contributions, if any.

Also, a death benefit will be paid of \$800 for each year of service to a minimum \$4,000 and a maximum of \$16,000. This amount reduces 25% each year after you retire, down to a minimum of \$4,000.

To learn more about ERSRI death and survivor benefits, we encourage you to visit our website at [www.ersri.org](http://www.ersri.org). You can review your designated beneficiary on file by logging into the ERSRI Member Portal.



To download a Beneficiary Designation form, refer to the “ERSRI Forms” header on our website.

Completed beneficiary designation forms, which must be notarized, should be mailed to the address on the form.

Frank Karpinski  
ERSRI Executive Director