

# COMPASS

EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND



**NOVEMBER 2023**

## IN THIS ISSUE:

- Message from the Treasurer
- TIAA Webinars
- Investment Update
- Divorce and Your Pension Benefit

**Office of the General Treasurer**  
James A Diossa, 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 Treasurer, I am committed to ensuring that Rhode Island retirees, public employees, and taxpayers get the best possible return on their investment, ensuring that members can enjoy a secure and dignified retirement. Therefore, I am pleased to inform you that, in FY2023, our pension fund outperformed investment benchmarks to deliver impressive results.

Thanks to the diligence and work of our investment team and State Investment Commission (SIC) members, the Employees' Retirement System of Rhode Island (ERSRI) defined benefit pooled trust demonstrated an 8.9% net investment result,

outperforming the benchmark return (7.1%) by 1.8%. The pooled trust's 3-year performance demonstrated a 10.5% net investment result, outperforming the benchmark return of 9.7%.

As of June 30, 2023, the Employees' Retirement System of Rhode Island had \$10.5 billion in defined benefit plan assets.

Despite market unease and stress in recent years, and a challenging market in 2022, these strong returns are key indicators that our investment strategy is on the right track. You can be certain that I will continue to work closely with our investment team and SIC members to ensure the Fund's best possible performance regardless of market conditions.

James A Diossa  
Rhode Island General Treasurer

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*Attend a TIAA Information Meeting or Webinar*  
**1-HOUR INFORMATION SESSIONS**

Learn about upcoming updates to the TIAA Defined Contribution Plan by attending a one-hour informational session.

**In-Person Sessions – no registration needed:**

**Tues., Nov. 7 – 6:30 PM – Chariho Middle School Auditorium**, 455B Switch Road, Wood River Junction, RI 02894

**Wed., Nov. 1 – 6:30 PM – Coventry High School Auditorium**, 40 Reservoir Road, Coventry, RI 02816



**Webinars – just scan the QR code to register:**

- **Wednesday, November 15 – 6:30 PM**
- **Thursday, November 16 – 6:30 PM**
- **Wednesday, December 6 – 6:30 PM**



## Investment Update

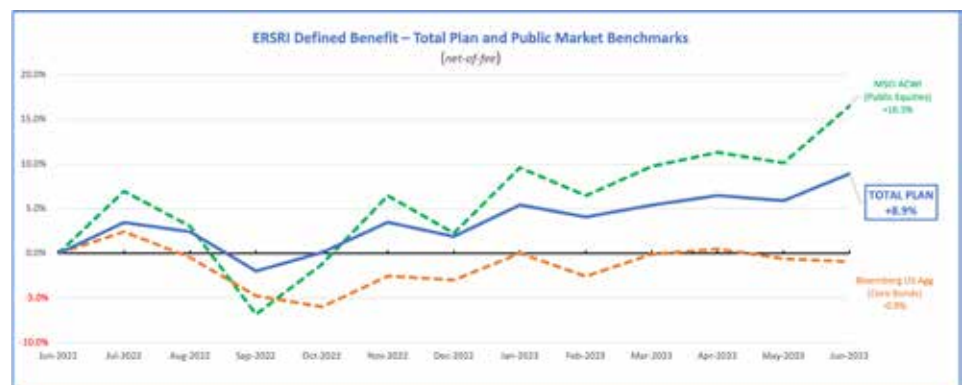
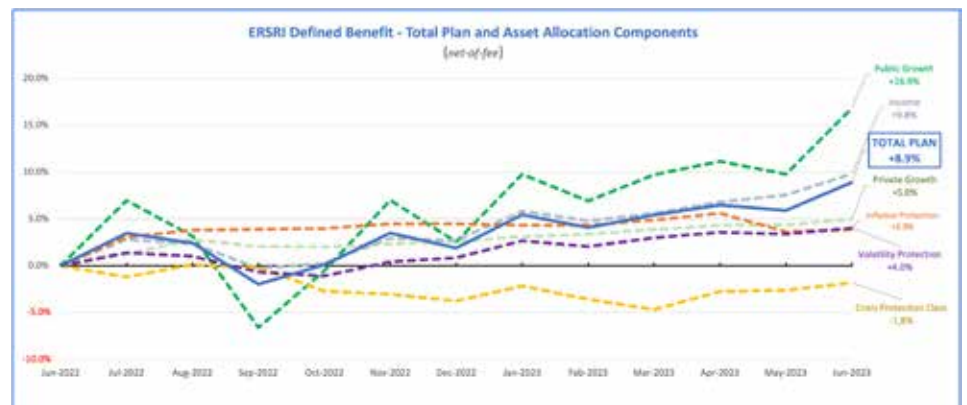
# ERSRI PORTFOLIO PERFORMANCE

The Employees' Retirement System of Rhode Island (ERSRI) defined benefit investment portfolio continued its strong performance throughout Fiscal Year 2023. For the fiscal year ended June 30, 2023, the ERSRI defined benefit plan returned 8.9% on a net-of-fees basis, outperforming its assumed rate of return of 7.0% and its strategic benchmark return of 7.1%. The portfolio closed Fiscal Year 2023 with \$10.5 billion in assets, the highest Fiscal Year-end asset value in the state's history. Fiscal Year 2023 was marked by a resilient US economy and labor market, despite the Federal Reserve's continued hiking of interest rates in its efforts to suppress inflation. This created a favorable environment for public equities while fixed income and other rate-sensitive asset classes declined. The MSCI All Country World Index (Global Stocks) returned 16.5% as the Bloomberg US Aggregate Bond Index (US Investment Grade Fixed Income) returned -0.9% during the fiscal year. As such, the portfolio's Public Growth allocation bucket, which is comprised of publicly traded equity securities, was the greatest contributor to the portfolio's strong performance, returning 16.9% during the fiscal year.

The ERSRI defined benefit investment portfolio implements an asset allocation strategy that seeks to emphasize diversification. This diversification has cultivated a risk profile that has helped to mitigate drawdown risk and generate positive asymmetry – the portfolio has participated in market gains at a proportionately greater rate than it has participated in market losses. While the portfolio may exhibit short-term underperformance when markets are rapidly rising, the asymmetric return profile has led to steady and meaningful long-term outperformance, as

evidenced by the portfolio's relative performance versus public market benchmarks. Over the trailing 3-year period ended June 30, 2023, the ERSRI defined benefit investment portfolio has outperformed a traditional 60/40 benchmark (60% Global Stocks + 40% US Investment Grade Bonds) by 5.5%, annualized. Over the trailing 10-year period, the portfolio has outperformed the 60/40 benchmark by 1.7%, annualized.

The ERSRI defined benefit investment portfolio continues to demonstrate outperformance relative to its peers. The Fiscal Year 2023 return of 8.9% ranks in the 20th percentile (1st being the highest, 100th being the lowest) relative to other funds in the Investment Metrics Public Defined Benefit Plans (with greater than \$1 billion of assets) Net Universe ("universe"). The portfolio has similarly outperformed over longer time horizons as well – the ERSRI defined benefit investment portfolio's 5-year annualized return of 8.3% ranks in the 2nd percentile of the universe, the portfolio's 10-year annualized return of 7.8% ranks in the 25th percentile.



## Getting Divorced?

# HOW DIVORCE MAY AFFECT YOUR PENSION BENEFIT

An active or retired member of ERSRI may have their retirement benefits considered a marital asset in a divorce proceeding, and the former spouse of the member may be entitled to a portion of their retirement benefit.

If you are the Participant (member) in the Plan, you will be provided with your pension information upon request by contacting ERSRI at (401) 462-7600, where you will be connected with the Legal Department. Your former spouse (known as the Alternate Payee) or their lawyer can also request your pension information. Alternate Payees and lawyers must provide ERSRI with a release signed by you or a Subpoena before information will be provided.

ERSRI estimated pension calculations may require information from the member's current and/or prior employer. Consequently, it is encouraged that members and their attorneys contact ERSRI **well in advance** of scheduled court hearings and conferences. Requests for pension information from members and attorneys will typically be provided within **30 to 60 days** of the date of request.

A **Qualified Domestic Relations Order (QDRO)** is a court order that has been approved by the Plan Administrator (ERSRI in this case). Under federal law the Plan Administrator has the final authority to qualify the order or to deny it if it fails to meet the federal requirements or provides for benefits not otherwise available under the Plan. ERSRI must receive this document in order to make pension payments to your ex-spouse.

Once a QDRO has been drafted, it must be sent to ERSRI for review. **Members should be aware that the Retirement System is not able to assist in**

**drafting a QDRO.** The role of ERSRI in approving QDROs is simply to determine whether the QDRO satisfies the technical requirements of the retirement plan. ERSRI cannot give legal or actuarial advice with regard to the terms of the QDRO, the future value of the benefit, or tax consequences. You should seek assistance from a lawyer who is well versed in the area of domestic relations orders for legal advice.

Once a court entered QDRO has been received by ERSRI, pension benefits are payable to your former spouse either upon your retirement (if you are still an active or deferred member) or the month following receipt of the order (if you are already retired). It is extremely important that all parties comply with the QDRO requirements in order to avoid delays in processing a retirement benefit to a Participant and/or the Alternate Payee.

Finally, upon divorce, a copy of the Final Judgment of Divorce and Property or Marital Settlement Agreement should be sent to ERSRI for placement in your file, even if your former spouse waived their rights to your pension benefit.

The information provided here is strictly limited to the Defined Benefit portion of your pension. For more information, including **ERSRI Model QDROs** and answers to **Frequently Asked Questions (FAQs)** about Divorce and QDRO, visit [www.ersri.org/members/changes-in-your-life/divorce](http://www.ersri.org/members/changes-in-your-life/divorce).

For information on the division of the Defined Contribution portion of your pension, please contact TIAA at [www.tiaa.org](http://www.tiaa.org) or call (800) 842-2252.