



Audit Summary

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Employees' Retirement System of the State of Rhode Island

Fiscal Year Ended June 30, 2015

We completed an audit of the fiscal 2015 financial statements for the **Employees' Retirement System of the State of Rhode Island** (the Retirement System). We concluded that the financial statements of the Retirement System present fairly, in all material respects, the fiduciary net position of the System's plans as of June 30, 2015 and the changes in fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The audit encompassed (1) the six defined benefit pension plans administered by the Retirement System – i.e., separate plans for state employees and teachers, the teachers' survivors benefit program, state police, two plans covering judges, and participating municipal employees, and (2) the newly created defined contribution plan. These plans covered nearly 68,000 members.

Net position of the Retirement System decreased by \$92 million during fiscal 2015 to \$8.4 billion at June 30, 2015. The time weighted rate of return during the fiscal year was 2.22% (compared to 15.12% during the prior fiscal year), and net investment income was \$199.6 million (compared to \$1.1 billion during fiscal year 2014).

Pension benefits paid to retirees and beneficiaries from the defined benefit plans during fiscal 2015 totaled \$903 million, and distributions from the defined contribution plan totaled \$2.7 million. Employee and employer contributions totaled more than \$636 million to all plans.

Amounts accumulated in the defined contribution plan totaled \$410.8 million at June 30, 2015 – the third full year of operation. The majority of defined contribution plan assets (92%) are held in target date retirement fund investments.

The Retirement System first implemented GASB Statement No. 67 - *Financial Reporting for Pension Plans* during fiscal 2014. The accounting measures of the net pension liability used for financial reporting will likely differ from the measures used to determine actuarially determined contribution amounts for funding purposes. Employers participating in the System's plans began reporting the net pension liability (asset), or their proportionate share, on their 2015 government-wide financial statements as required by GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions*.

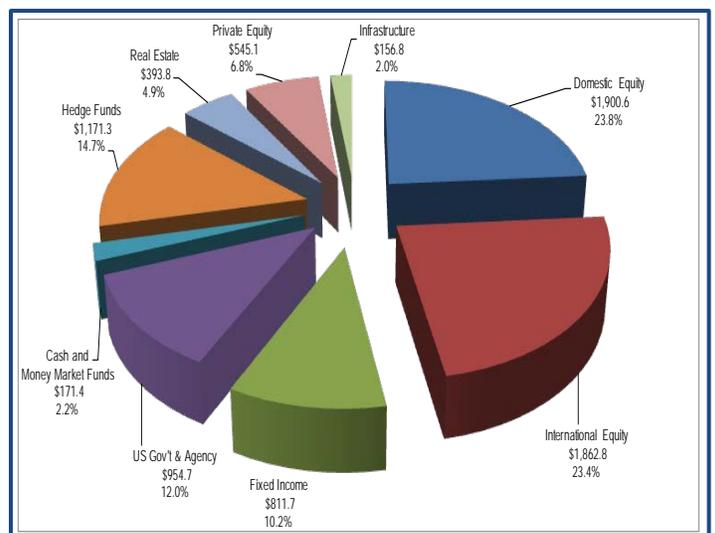
The net pension liability of each plan is shown in the table as of June 30, 2015. The Teachers' Survivors Benefit Plan (TSB) has a net pension asset - net position exceeds the total pension liability.

The determination of the pension liability for all plans except the RIJRFT used the System's investment return assumption of 7.5%. The RIJRFT used a municipal bond index rate of 3.8%.

Plan	Total pension liability	Plan fiduciary net position	Employers' net pension liability (asset)	Plan fiduciary net position as a % of the total pension liability
ERS				
State employees	\$ 4,417,358,768	\$ 2,430,930,476	\$ 1,986,428,292	55.0%
Teachers	6,486,028,286	3,733,025,598	2,753,002,688	57.6%
TSB				
State Police	200,456,053	293,811,653	(93,355,600)	146.6%
JRBT	120,907,073	114,905,593	6,001,480	95.0%
RIJRFT	63,085,295	59,509,873	3,575,422	94.3%
MERS				
General employees	18,811,808	485,597	18,326,211	2.6%
Police and fire	1,125,296,558	935,510,739	189,785,819	83.1%
	576,066,967	456,714,171	119,352,796	79.3%

The System's fiscal 2015 financial statements also include disclosures related to the money-weighted return on investments for each plan, the components of the change in the net pension liability (asset), and the sensitivity of the determination of the net pension liability (asset) by a change in investment return assumption of +1/-1%. The real return assumption for each asset class within the pooled investment trust is disclosed as support for the System's overall investment return assumption of 7.5%.

The assets held within the pooled investment trust at June 30, 2015 are shown in the chart below:



Subsequent to June 30, 2015, litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly.

The audit reports are available on the Office of the Auditor General's website www.oag.ri.gov or by calling the office at 401.222.2435.