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EMPLOYEES' RETIREMENT SYSTEM  
OF THE STATE OF RHODE ISLAND

Teachers' Survivors Benefit  
Cost-Sharing Plan

**Schedule of Employer Allocations**

**Schedule of Pension Amounts by Employer**

June 30, 2015 Measurement Date

Dennis E. Hoyle, CPA  
Auditor General

State of Rhode Island and Providence Plantations  
General Assembly  
Office of the Auditor General

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# Office of the Auditor General

State of Rhode Island and Providence Plantations - General Assembly  
**Dennis E. Hoyle, CPA - Auditor General**

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October 26, 2016

JOINT COMMITTEE ON LEGISLATIVE SERVICES:

SPEAKER Nicholas A. Mattiello, Chairman

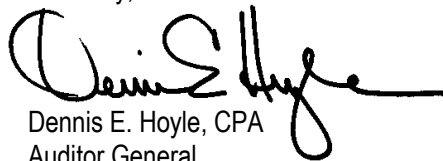
Senator M. Teresa Paiva Weed  
Senator Dennis L. Algieri  
Representative John J. DeSimone  
Representative Brian C. Newberry

We have completed our audit of the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer for the Teachers' Survivors Benefit plan, a cost-sharing defined benefit plan administered by the Employees' Retirement System of the State of Rhode Island for the fiscal year ended June 30, 2015.

These schedules are required for employers participating in the Teachers' Survivors Benefit plan to meet their financial reporting responsibilities under generally accepted accounting principles – specifically the requirements of Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions*.

Our report is contained herein as outlined in the Table of Contents.

Sincerely,



Dennis E. Hoyle, CPA  
Auditor General

*EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND*

***Teachers' Survivors Benefit Cost-Sharing Plan***

**Schedule of Employer Allocations**

**Schedule of Pension Amounts by Employer**

June 30, 2015 Measurement Date

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
I. INTRODUCTION	1
II. INDEPENDENT AUDITOR'S REPORT	2
III. <b>Schedule A</b> - SCHEDULE OF EMPLOYER ALLOCATIONS	4
IV. <b>Schedule B</b> - SCHEDULE OF PENSION AMOUNTS BY EMPLOYER	5
V. NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER	10

**EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND**

**Teacher's Survivors Benefit Cost-Sharing Plan**

**Schedules of Employer Allocations**

**Schedules of Pension Amounts by Employer**

**June 30, 2015 Measurement Date**

**INTRODUCTION**

The Teachers' Survivors Benefit (TSB) Plan covers certain teachers employed by local educational agencies. As a cost-sharing plan, separate valuations are not made for individual employers participating in the plan. The net pension asset is apportioned based on proportionate contributions – see Schedule A.

The measurement date is June 30, 2015 – the information included herein is intended for use in Fiscal 2016 financial reporting by employers participating in the TSB plan.

The net pension asset and other measures included herein have been developed consistent with the requirements of GASB 68 – *Accounting and Financial Reporting for Pensions*. Such amounts are intended for accounting and financial reporting by governments which prepare their financial statements in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board. These amounts may and will likely differ from amounts reported in actuarial valuations used to measure actuarially determined contribution amounts consistent with the plan's adopted funding policies.



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## **INDEPENDENT AUDITOR'S REPORT**

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY  
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

RETIREMENT BOARD OF THE EMPLOYEES' RETIREMENT SYSTEM OF THE  
STATE OF RHODE ISLAND:

We have audited the accompanying Schedule of Employer Allocations of the Teachers' Survivors Benefit plan as of and for the year ended June 30, 2015, and the related notes. We have also audited the total for all entities of the columns titled ending net pension asset, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying Schedule of Pension Amounts by Employer of the Teachers' Survivors Benefit plan as of and for the year ended June 30, 2015, and the related notes.

### ***Management's Responsibility for the Schedules***

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on the Schedule of Employer Allocations and the specified column totals included in the Schedule of Pension Amounts by Employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Employer Allocations and specified column totals included in the Schedule of Pension Amounts by Employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of Employer Allocations and specified column totals included in the Schedule of Pension Amounts by Employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule of Employer Allocations and specified column totals included in the Schedule of Pension Amounts by Employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule of Employer Allocations and specified column totals included in the Schedule of Pension Amounts by Employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

Joint Committee on Legislative Services, General Assembly  
Retirement Board of the Employees' Retirement System of the State of Rhode Island

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule of Employer Allocations and specified column totals included in the Schedule of Pension Amounts by Employer.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

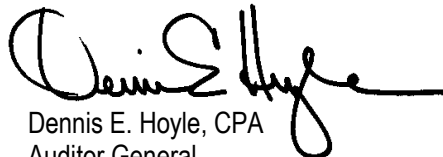
In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and ending net pension asset, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Teachers' Survivors Benefit cost-sharing plan as of and for the year ended June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Teachers' Survivors Benefit plan as of and for the year ended June 30, 2015, and our report thereon, dated December 17, 2015, expressed an unmodified opinion on those financial statements.

**Restriction on Use**

Our report is intended solely for the information and use of the Employees' Retirement System of the State of Rhode Island management, the Retirement Board of the Employees' Retirement System of the State of Rhode Island, the employers participating in the TSB as of and for the year ended June 30, 2015 and their auditors and is not intended to be and should not be used by anyone other than these specified parties.



Dennis E. Hoyle, CPA  
Auditor General

October 26, 2016

**EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND**  
**TEACHERS' SURVIVORS BENEFIT COST SHARING PLAN**  
*Schedule of Employer Allocations*

Participating Employer Unit	Fiscal 2015 employer contribution	
	Amount	%
Barrington	\$ 28,416	4.70940989%
Bristol-Warren	27,264	4.51855581%
Burrillville	20,027	3.31903683%
Central Falls Collaborative	25,451	4.21797627%
Coventry	43,914	7.27798561%
Cranston	96,065	15.92085818%
Cumberland	41,005	6.79583624%
East Greenwich	21,984	3.64342859%
East Providence	47,588	7.88683793%
Foster	2,688	0.44548472%
Foster-Glocester	10,944	1.81375921%
Glocester	5,280	0.87505927%
Johnston	29,761	4.93228649%
Lincoln	29,596	4.90497735%
Little Compton	1,676	0.27774680%
Middletown	22,191	3.67779124%
Newport	21,279	3.52658498%
North Smithfield	16,354	2.71030550%
Northern RI Collaborative	3,168	0.52503556%
Portsmouth	22,815	3.78116756%
Scituate	13,379	2.21739025%
Smithfield	22,161	3.67273811%
Tiverton	17,981	2.97993976%
Urban Collaborative	1,440	0.23865253%
Westerly	30,961	5.13115531%
<b>Totals</b>	<b>\$ 603,388</b>	<b>100.00000000%</b>

*See notes to schedule.*

Teachers' Survivors Benefit Cost-Sharing Plan - Schedule of Pension Amounts by Employer  
June 30, 2015 Measurement Date

Schedule B

Participating Employer	FY 2015 Contributions	Proportionate Share	Net Pension Liability (Asset) Beginning of Year	Total Pension Expense
Barrington	\$ 28,416	4.70940989%	\$ (5,799,218)	\$ (285,218)
Bristol-Warren	27,264	4.51855581%	(5,615,571)	(268,811)
Burrillville	20,027	3.31903683%	(4,098,293)	(199,957)
Central Falls Collaborative	25,451	4.21797627%	(5,468,713)	(229,540)
Coventry	43,914	7.27798561%	(9,223,335)	(416,139)
Cranston	96,065	15.92085818%	(20,076,310)	(919,760)
Cumberland	41,005	6.79583624%	(8,119,601)	(435,060)
East Greenwich	21,984	3.64342859%	(4,556,589)	(214,049)
East Providence	47,588	7.88683793%	(9,214,210)	(524,615)
Foster	2,688	0.44548472%	(470,207)	(34,374)
Foster-Glocester	10,944	1.81375921%	(2,311,851)	(102,454)
Glocester	5,280	0.87505927%	(1,057,966)	(54,846)
Johnston	29,761	4.93228649%	(5,779,628)	(326,460)
Lincoln	29,596	4.90497735%	(6,187,561)	(283,142)
Little Compton	1,676	0.27774680%	(827,197)	28,958
Middletown	22,191	3.67779124%	(4,548,498)	(220,888)
Newport	21,279	3.52658498%	(4,119,452)	(234,642)
North Smithfield	16,354	2.71030550%	(3,354,582)	(162,534)
Northern RI Collaborative	3,168	0.52503556%	(646,535)	(31,797)
Portsmouth	22,815	3.78116756%	(4,865,867)	(209,214)
Scituate	13,379	2.21739025%	(2,782,058)	(129,429)
Smithfield	22,161	3.67273811%	(4,784,426)	(197,733)
Tiverton	17,981	2.97993976%	(3,712,154)	(176,453)
Urban Collaborative	1,440	0.23865253%	(293,879)	(14,454)
Westerly	30,961	5.13115531%	(6,407,029)	(302,411)
<b>TOTAL</b>	<b>\$ 603,388</b>	<b>100.00000000%</b>	<b>\$ (124,320,730)</b>	<b>\$ (5,945,022)</b>

See Notes to Schedule



Teachers' Survivors Benefit Cost-Sharing Plan - Schedule of Pension Amounts by Employer  
June 30, 2015 Measurement Date

Schedule B

Collective Deferred Outflows for Plan as a Whole Unrecognized Current Year Deferred Outflow of Resources						
Participating Employer	Differences Between Expected and Actual Experience		Net Difference Between Projected and Actual Investment Earnings		Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
	Changes of Assumptions					
Barrington	\$ 1,016,468	-	\$ 558,644			\$ 1,575,112
Bristol-Warren	975,273	-	536,004		-	1,511,277
Burrillville	716,372	-	393,714		-	1,110,086
Central Falls Collaborative	910,397	-	500,348		174,242	1,584,987
Coventry	1,570,862	-	863,336		135,810	2,570,008
Cranston	3,436,317	-	1,888,578		219,558	5,544,453
Cumberland	1,466,796	-	806,142		-	2,272,938
East Greenwich	786,388	-	432,194		20,959	1,239,541
East Providence	1,702,275	-	935,559		-	2,637,834
Foster	96,152	-	52,845		-	148,997
Foster-Glocester	391,477	-	215,153		44,140	650,770
Glocester	188,871	-	103,802		-	292,673
Johnston	1,064,572	-	585,082		-	1,649,654
Lincoln	1,058,678	-	581,843		69,464	1,709,985
Little Compton	59,948	-	32,947		373,364	466,259
Middletown	793,805	-	436,270		-	1,230,075
Newport	761,169	-	418,334		-	1,179,503
North Smithfield	584,985	-	321,504		-	906,489
Northern RI Collaborative	113,322	-	62,281		-	175,603
Portsmouth	816,117	-	448,533		127,909	1,392,559
Scituate	478,596	-	263,033		19,665	761,294
Smithfield	792,714	-	435,671		169,250	1,397,635
Tiverton	643,182	-	353,489		5,788	1,002,459
Urban Collaborative	51,510	-	28,310		-	79,820
Westerly	1,107,495	-	608,672		21,646	1,737,813
<b>TOTAL</b>	<b>\$ 21,583,741</b>	<b>\$ -</b>	<b>\$ 11,862,288</b>	<b>\$ -</b>	<b>\$ 1,381,795</b>	<b>\$ 34,827,824</b>

See Notes to Schedule

**Teachers' Survivors Benefit Cost-Sharing Plan - Schedule of Pension Amounts by Employer**  
**June 30, 2015 Measurement Date**

Schedule B

Participating Employer	Collective Deferred Inflows for Plan as a Whole Unrecognized Current Year Deferred Inflow of Resources					Total Deferred Inflows of Resources	Total Deferred (Inflows) and Outflows of Resources	Ending Net Pension Liability (Asset)
	Differences Between Expected and Actual Experience	Changes of Assumptions	Net Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions				
Barrington	\$ -	\$ -	\$ 574,667	\$ 43,041	\$ 617,708	\$ 957,404	\$ (4,396,495)	
Bristol-Warren	-	-	551,378	1,496	552,874	958,403	(4,218,325)	
Burrillville	-	-	405,007	21,661	426,668	683,418	(3,098,507)	
Central Falls Collaborative	-	-	514,700	-	514,700	1,070,287	(3,937,717)	
Coventry	-	-	888,099	-	888,099	1,681,909	(6,794,407)	
Cranston	-	-	1,942,748	-	1,942,748	3,601,705	(14,863,013)	
Cumberland	-	-	829,264	254,925	1,084,189	1,188,749	(6,344,294)	
East Greenwich	-	-	444,591	-	444,591	794,950	(3,401,345)	
East Providence	-	-	962,394	457,709	1,420,103	1,217,731	(7,362,805)	
Foster	-	-	54,360	64,789	119,149	29,848	(415,885)	
Foster-Glocester	-	-	221,325	-	221,325	429,445	(1,693,246)	
Glocester	-	-	106,779	23,176	129,955	162,718	(816,917)	
Johnston	-	-	601,864	272,897	874,761	774,893	(4,604,566)	
Lincoln	-	-	598,532	-	598,532	1,111,453	(4,579,071)	
Little Compton	-	-	33,892	-	33,892	432,367	(259,292)	
Middletown	-	-	448,784	18,408	467,192	762,883	(3,433,424)	
Newport	-	-	430,333	205,179	635,512	543,991	(3,292,265)	
North Smithfield	-	-	330,726	11,536	342,262	564,227	(2,530,222)	
Northern RI Collaborative	-	-	64,068	4,799	68,867	106,736	(490,150)	
Portsmouth	-	-	461,398	-	461,398	931,161	(3,529,932)	
Scituate	-	-	270,578	-	270,578	490,716	(2,070,058)	
Smithfield	-	-	448,167	-	448,167	949,468	(3,428,707)	
Tiverton	-	-	363,628	-	363,628	638,831	(2,781,941)	
Urban Collaborative	-	-	29,122	2,181	31,303	48,517	(222,795)	
Westerly	-	-	626,131	-	626,131	1,111,682	(4,790,221)	
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,202,535</b>	<b>\$ 1,381,797</b>	<b>\$ 13,584,332</b>	<b>\$ 21,243,494</b>	<b>\$ (93,355,600)</b>	

See Notes to Schedule

**Teachers' Survivors Benefit Cost-Sharing Plan - Schedule of Pension Amounts by Employer**  
**June 30, 2015 Measurement Date**

Schedule B

Participating Employer	Collective Deferred Outflows for Plan as a Whole Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Years Ending June 30					
	2017	2018	2019	2020	2021	Thereafter
Barrington	\$ 66,653	\$ 66,653	\$ 66,652	\$ 258,206	\$ 118,548	\$ 380,694
Bristol-Warren	68,798	68,798	68,798	252,591	118,590	380,828
Burrillville	48,030	48,030	48,030	183,033	84,604	271,691
Central Falls Collaborative	85,612	85,612	85,612	257,178	132,091	424,182
Coventry	127,645	127,645	127,645	423,678	207,844	667,452
Cranston	269,786	269,786	269,786	917,369	445,224	1,429,754
Cumberland	72,699	72,699	72,699	349,121	147,585	473,946
East Greenwich	58,174	58,174	58,174	206,371	98,322	315,735
East Providence	64,660	64,660	64,659	385,458	151,568	486,726
Foster	(1,089)	(1,089)	(1,089)	17,031	3,820	12,264
Foster-Glocester	33,065	33,065	33,065	106,840	53,051	170,359
Glocester	10,536	10,536	10,536	46,129	20,178	64,803
Johnston	42,062	42,062	42,062	242,684	96,413	309,610
Lincoln	83,339	83,339	83,339	282,850	137,389	441,197
Little Compton	49,709	49,709	49,709	61,006	52,770	169,464
Middletown	53,903	53,903	53,903	203,498	94,430	303,246
Newport	28,850	28,850	28,850	172,294	67,711	217,436
North Smithfield	39,971	39,971	39,971	150,213	69,836	224,265
Northern RI Collaborative	7,431	7,431	7,431	28,787	13,217	42,439
Portsmouth	73,300	73,300	73,300	227,100	114,967	369,194
Scituate	36,246	36,246	36,246	126,438	60,680	194,860
Smithfield	76,680	76,680	76,680	226,069	117,151	376,208
Tiverton	46,197	46,197	46,197	167,406	79,034	253,800
Urban Collaborative	3,377	3,377	3,377	13,084	6,007	19,295
Westerly	80,968	80,968	80,968	289,679	137,511	441,588
<b>TOTAL</b>	<b>\$ 1,526,602</b>	<b>\$ 1,526,602</b>	<b>\$ 1,526,600</b>	<b>\$ 5,594,113</b>	<b>\$ 2,628,541</b>	<b>\$ 8,441,036</b>

See Notes to Schedule

Teachers' Survivors Benefit Cost-Sharing Plan - Schedule of Pension Amounts by Employer  
 June 30, 2015 Measurement Date

Schedule B

Participating Employer	Ending Net Pension Liability		
	1% Lower		1% Higher
	6.50%	7.50%	8.50%
Barrington	\$ (3,414,217)	\$ (4,396,495)	\$ (5,200,357)
Bristol-Warren	(3,275,852)	(4,218,325)	(4,989,609)
Burrillville	(2,406,228)	(3,098,507)	(3,665,042)
Central Falls Collaborative	(3,057,939)	(3,937,717)	(4,657,694)
Coventry	(5,276,377)	(6,794,407)	(8,036,705)
Cranston	(11,542,267)	(14,863,013)	(17,580,584)
Cumberland	(4,926,830)	(6,344,294)	(7,504,292)
East Greenwich	(2,641,404)	(3,401,345)	(4,023,251)
East Providence	(5,717,781)	(7,362,805)	(8,709,029)
Foster	(322,966)	(415,885)	(491,926)
Foster-Glocester	(1,314,935)	(1,693,246)	(2,002,841)
Glocester	(634,398)	(816,917)	(966,283)
Johnston	(3,575,798)	(4,604,566)	(5,446,470)
Lincoln	(3,555,999)	(4,579,071)	(5,416,314)
Little Compton	(201,360)	(259,292)	(306,701)
Middletown	(2,666,317)	(3,433,424)	(4,061,196)
Newport	(2,556,695)	(3,292,265)	(3,894,226)
North Smithfield	(1,964,911)	(2,530,222)	(2,992,851)
Northern RI Collaborative	(380,639)	(490,150)	(579,770)
Portsmouth	(2,741,262)	(3,529,932)	(4,175,349)
Scituate	(1,607,558)	(2,070,058)	(2,448,550)
Smithfield	(2,662,653)	(3,428,707)	(4,055,616)
Tiverton	(2,160,390)	(2,781,941)	(3,290,594)
Urban Collaborative	(173,018)	(222,795)	(263,532)
Westerly	(3,719,973)	(4,790,221)	(5,666,071)
<b>TOTAL</b>	<b>\$ (72,497,767)</b>	<b>\$ (93,355,600)</b>	<b>\$ (110,424,853)</b>

See Notes to Schedule

**EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND**

**Teachers' Survivors Benefit Cost-Sharing Plan**

**NOTES TO THE SCHEDULES OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER**

**1. Plan Description and Governance**

The Employees' Retirement System of the State of Rhode Island (the System) acts as a common investment and administrative agent for pension benefits to be provided through various defined benefit and defined contribution retirement plans. The System is administered by the State of Rhode Island Retirement Board which was authorized, created and established in the Office of the General Treasurer as an independent retirement board to hold and administer, in trust, the funds of the retirement system.

Each plan's assets, including those of the Teachers' Survivors Benefit cost-sharing plan, are accounted for separately and may be used only for the payment of benefits to the members of that plan, in accordance with the terms of that plan.

The Teachers' Survivors Benefit Cost-Sharing Plan was established and placed under the management of the Retirement Board for the purpose of providing monthly benefits to certain survivors of deceased teachers previously employed in school districts that do not participate in social security. Specific eligibility criteria and the amount of the benefit is subject to the provisions of Chapter 16-16 of the Rhode Island General Laws.

**2. Schedule of Employer Allocations**

The Schedule of Employer Allocations reflects employer contributions recognized for the fiscal year ended June 30, 2015 consistent with contributions reflected within the Plan's financial statements.

The percentages included in the Schedules of Employer Allocations have been rounded to 8 decimal places.

**3. Schedule of Pension Amounts by Employer**

The Schedule of Pension Amounts by Employer was prepared by the Plan's actuary using amounts from (1) the Plan's financial statements for the year ended June 30, 2015, (2) Required Supplementary Information prepared in accordance with the requirements of GASB Statement No. 67 which was presented with the Plan's financial statements for the year ended June 30, 2015, and (3) certain data from the actuarial valuation of the Plan performed at June 30, 2014 rolled-forward to June 30, 2015. This Schedule utilizes the proportionate employer contribution schedule detailed in the Schedule of Employer Allocations to apportion each employer's amounts for the cost-sharing plan.

The Schedule of Pension Amounts by Employer includes the sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

**Net Pension Liability (Asset) – Sensitivity Analysis**

	<u>1.00% Decrease (6.50%)</u>	<u>Discount Rate (7.5%)</u>	<u>1.00% Increase (8.50%)</u>
<b>TSB</b>	\$ (72,497,767)	\$ (93,355,600)	\$ (110,424,853)

**Teachers' Survivors Benefit Cost-Sharing Plan**

**NOTES TO THE SCHEDULES OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER**

**4. Relationship to the Plan financial statements**

The components associated with pension expense and deferred outflows and inflows of resources have been determined based on the net increase in fiduciary net position as reflected for the TSB Plan in the System's financial statements and consistent with the requirements of GASB Statements No. 67 and 68.

**5. Summary of Significant Accounting Policies**

**Basis of Accounting** – The underlying information to prepare the allocation schedules is based on the System's financial statements as of and for the year ended June 30, 2015. The financial statements of the System are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Plan member contributions are recognized in the period in which the wages, subject to required contributions, are earned for the performance of duties for covered employment. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions.

**6. Net Pension Liability (Asset)**

The components of the net pension liability of the employers participating in the TSB Plan at June 30, 2015 were as follows:

<b>Fiscal year ended June 30, 2015</b>	
Total pension liability	\$ 200,456,053
Plan Fiduciary net position	<u>293,811,653</u>
Employers' Net Pension Liability (Asset)	\$ (93,355,600)
 Plan Fiduciary Net Position as a percentage of total pension liability	  146.6%

**7. Actuarial methods and assumptions**

The total pension liability was determined by actuarial valuations performed as of June 30, 2014 and rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Cost Method - Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.

Investment Rate of Return - 7.50%

Projected Salary Increases – teachers - 3.50% to 13.5%

Mortality – teachers: Male and female teachers: 97% and 92%, respectively of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.

Inflation - 2.75%

Cost of Living Adjustments: eligible survivors receive a yearly cost of living adjustment based on the annual social security adjustment – for valuation purposes, a 2.75% cost of living adjustment is assumed.

*Teachers' Survivors Benefit Cost-Sharing Plan*

**NOTES TO THE SCHEDULES OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER**

**7. Actuarial methods and assumptions (continued)**

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources.

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

**8. Discount rate**

The discount rate used to measure the total pension liability of the TSB plan was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**9. Deferred Outflows and Inflows of Resources**

Consistent with the requirements of GASB Statement No. 68, differences between expected and actual experience and changes in assumptions are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period.

Differences between projected and actual earnings on pension plan investments are to be recognized in pension expense using a systematic and rational method over a closed five-year period. Projected earnings of the plan reflect the plan's investment return assumption or discount rate of 7.5%.

Changes in proportion between the June 30, 2014 and June 30, 2015 measurement dates are also recognized in pension expense using the expected remaining service lives of teachers.

For teachers, the average of the expected remaining service lives for purposes of recognizing the applicable deferred inflows/outflows of resources established in fiscal 2015 is 9.2113 years (9.9573 years as of the June 30, 2014 measurement date).