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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, 2016 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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September 21, 2017

JOINT COMMITTEE ON LEGISLATIVE SERVICES:

SPEAKER Nicholas A. Mattiello, Chairman

Senator Dominick J. Ruggiero  
Senator Dennis L. Algieri  
Representative K. Joseph Shekarchi  
Representative Patricia L. Morgan

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, 2016.

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, 2016 Measurement Date

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*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, 2016 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, 2016 – the information included herein is intended for use in Fiscal 2017 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, 2016, 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, 2016, 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 effectiveness of the

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

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.

### ***Opinion***

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, 2016, 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 within the Employees' Retirement System of Rhode Island as of and for the year ended June 30, 2016, and our report thereon, dated January 20, 2017, expressed an unmodified opinion on those financial statements. As described in Note 3 to the Schedules, the required supplementary information relative to the net pension asset of the Teachers' Survivors Benefit plan which accompanied those financial statements reflected an actuarial valuation of the Teachers' Survivors Benefit plan at June 30, 2014 rolled forward to the June 30, 2016 measurement date. The pension amounts by employer within the Schedule included herein for the Teachers' Survivors Benefit plan as of the June 30, 2016 measurement date reflect a more current actuarial valuation as of June 30, 2016.

### ***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, 2016 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

September 15, 2017

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

Participating Employer Unit	Fiscal 2016 employer contribution	
	Amount	%
Barrington	\$ 30,980	4.82347994%
Bristol-Warren	28,522	4.44072219%
Burrillville	20,586	3.20515468%
Central Falls Collaborative	27,456	4.27487597%
Coventry	45,534	7.08947564%
Cranston	104,893	16.33140696%
Cumberland	43,338	6.74750101%
East Greenwich	23,715	3.69238314%
East Providence	51,508	8.01967585%
Foster	2,726	0.42449060%
Foster-Glocester	11,910	1.85441389%
Glocester	5,568	0.86691742%
Johnston	31,982	4.97948148%
Lincoln	30,731	4.78468663%
Little Compton	3,980	0.61972762%
Middletown	22,340	3.47820720%
Newport	21,187	3.29868150%
North Smithfield	17,184	2.67548651%
Northern RI Collaborative	3,552	0.55302418%
Portsmouth	24,622	3.83357328%
Scituate	14,553	2.26579953%
Smithfield	23,752	3.69811899%
Tiverton	18,780	2.92391721%
Urban Collaborative	1,344	0.20925593%
Westerly	31,533	4.90954266%
<b>Totals</b>	<b>\$ 642,276</b>	<b>100.00000000%</b>

*See notes to schedule.*

Teachers' Survivors Benefit Cost-Sharing Plan - Schedule of Pension Amounts by Employer  
 June 30, 2016 Measurement Date

Schedule B

Participating Employer	FY 2016 Contributions	Proportionate Share	Net Pension Liability (Asset) Beginning of Year	Total Pension Expense
Barrington	\$ 30,980	4.82347994%	\$ (4,396,495)	\$ (101,625)
Bristol-Warren	28,522	4.44072219%	(4,218,325)	(66,168)
Burrillville	20,586	3.20515468%	(3,098,507)	(43,085)
Central Falls Collaborative	27,456	4.27487597%	(3,937,717)	(58,702)
Coventry	45,534	7.08947564%	(6,794,407)	(80,809)
Cranston	104,893	16.33140696%	(14,863,013)	(302,616)
Cumberland	43,338	6.74750101%	(6,344,294)	(140,008)
East Greenwich	23,715	3.69238314%	(3,401,345)	(66,453)
East Providence	51,508	8.01967585%	(7,362,805)	(208,919)
Foster	2,726	0.42449060%	(415,885)	(12,511)
Foster-Glocester	11,910	1.85441389%	(1,693,246)	(31,280)
Glocester	5,568	0.86691742%	(816,917)	(16,582)
Johnston	31,982	4.97948148%	(4,604,566)	(123,955)
Lincoln	30,731	4.78468663%	(4,579,071)	(58,103)
Little Compton	3,980	0.61972762%	(259,292)	(7,636)
Middletown	22,340	3.47820720%	(3,433,424)	(36,680)
Newport	21,187	3.29868150%	(3,292,265)	(52,841)
North Smithfield	17,184	2.67548651%	(2,530,222)	(42,663)
Northern RI Collaborative	3,552	0.55302418%	(490,150)	(13,490)
Portsmouth	24,622	3.83357328%	(3,529,932)	(56,266)
Scituate	14,553	2.26579953%	(2,070,058)	(42,236)
Smithfield	23,752	3.69811899%	(3,428,707)	(45,560)
Tiverton	18,780	2.92391721%	(2,781,941)	(42,147)
Urban Collaborative	1,344	0.20925593%	(222,795)	(173)
Westerly	31,533	4.90954266%	(4,790,221)	(53,449)
<b>Grand Total</b>	<b>\$ 642,276</b>	<b>100.0000000%</b>	<b>\$ (93,355,600)</b>	<b>\$ (1,703,957)</b>

See Notes to Schedule

Teachers' Survivors Benefit Cost-Sharing Plan - Schedule of Pension Amounts by Employer  
June 30, 2016 Measurement Date

Schedule B

Participating Employer	Collective Deferred Outflows for Plan as a Whole Unrecognized Current Year Deferred Outflow of Resources					
	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	Contributions After the Measurement Date	Total Deferred Outflows of Resources
Barrington	\$ 914,300	\$ -	\$ 1,270,888	\$ -	\$ -	\$ 2,185,188
Bristol-Warren	841,748	-	1,170,039	78,200	-	2,089,987
Burrillville	607,543	-	844,493	97,317	-	1,549,353
Central Falls Collaborative	810,311	-	1,126,342	94,894	-	2,031,547
Coventry	1,343,824	-	1,867,931	311,849	-	3,523,604
Cranston	3,095,650	-	4,302,990	-	-	7,398,640
Cumberland	1,279,002	-	1,777,828	-	-	3,056,830
East Greenwich	699,899	-	972,867	-	-	1,672,766
East Providence	1,520,146	-	2,113,020	-	-	3,633,166
Foster	80,463	-	111,845	-	-	192,308
Foster-Glocester	351,508	-	488,600	(2,768)	-	837,340
Glocester	164,326	-	228,415	-	-	392,741
Johnston	943,871	-	1,311,991	-	-	2,255,862
Lincoln	906,947	-	1,260,667	183,890	-	2,351,504
Little Compton	117,471	-	163,286	(21,466)	-	259,291
Middletown	659,301	-	916,436	187,725	-	1,763,462
Newport	625,272	-	869,135	52,629	-	1,547,036
North Smithfield	507,144	-	704,936	25,439	-	1,237,519
Northern RI Collaborative	104,827	-	145,711	-	-	250,538
Portsmouth	726,661	-	1,010,068	58,796	-	1,795,525
Scituate	429,487	-	596,992	-	-	1,026,479
Smithfield	700,986	-	974,379	122,710	-	1,798,075
Tiverton	554,234	-	770,392	62,314	-	1,386,940
Urban Collaborative	39,665	-	55,135	28,116	-	122,916
Westerly	930,614	-	1,293,564	245,406	-	2,469,584
<b>Grand Total</b>	<b>\$ 18,955,200</b>	<b>\$ -</b>	<b>\$ 26,347,950</b>	<b>\$ 1,525,051</b>	<b>\$ -</b>	<b>\$ 46,828,201</b>

See Notes to Schedule

Teachers' Survivors Benefit Cost-Sharing Plan - Schedule of Pension Amounts by Employer  
June 30, 2016 Measurement Date

Schedule B

Participating Employer	Collective Deferred Inflows for Plan as a Whole Unrecognized Current Year Deferred Inflow 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	Total Deferred Inflows of Resources			
Barrington	\$ 954,792	\$ -	\$ 392,391	\$ 154,330	\$ 1,501,513	\$ 683,675	\$ (4,802,830)	
Bristol-Warren	879,027	-	361,254	-	1,240,281	849,706	(4,421,711)	
Burrillville	634,450	-	260,740	-	895,190	654,163	(3,191,433)	
Central Falls Collaborative	846,198	-	347,762	-	1,193,960	837,587	(4,256,574)	
Coventry	1,403,339	-	576,731	-	1,980,070	1,543,534	(7,059,124)	
Cranston	3,232,752	-	1,328,565	226,588	4,787,905	2,610,735	(16,261,491)	
Cumberland	1,335,646	-	548,911	174,500	2,059,057	997,773	(6,718,614)	
East Greenwich	730,895	-	300,376	31,605	1,062,876	609,890	(3,676,575)	
East Providence	1,587,469	-	652,403	537,672	2,777,544	855,622	(7,985,342)	
Foster	84,027	-	34,532	35,452	154,011	38,297	(422,673)	
Foster-Glocester	367,075	-	150,857	-	517,932	319,408	(1,846,475)	
Glocester	171,604	-	70,524	12,036	254,164	138,577	(863,206)	
Johnston	985,672	-	405,082	287,876	1,678,630	577,232	(4,958,163)	
Lincoln	947,113	-	389,235	-	1,336,348	1,015,156	(4,764,203)	
Little Compton	122,673	-	50,415	-	173,088	86,203	(617,074)	
Middletown	688,500	-	282,953	-	971,453	792,009	(3,463,316)	
Newport	652,963	-	268,349	-	921,312	625,724	(3,284,559)	
North Smithfield	529,604	-	217,651	-	747,255	490,264	(2,664,032)	
Northern RI Collaborative	109,469	-	44,989	32,808	187,266	63,272	(550,657)	
Portsmouth	758,844	-	311,862	-	1,070,706	724,819	(3,817,161)	
Scituate	448,508	-	184,323	32,184	665,015	361,464	(2,256,099)	
Smithfield	732,031	-	300,843	-	1,032,874	765,201	(3,682,287)	
Tiverton	578,780	-	237,861	-	816,641	570,299	(2,911,399)	
Urban Collaborative	41,422	-	17,023	-	58,445	64,471	(208,360)	
Westerly	971,828	-	399,392	-	1,371,220	1,098,364	(4,888,524)	
<b>Grand Total</b>	<b>\$ 19,794,681</b>	<b>\$ -</b>	<b>\$ 8,135,024</b>	<b>\$ 1,525,051</b>	<b>\$ 29,454,756</b>	<b>\$ 17,373,445</b>	<b>\$ (99,571,882)</b>	

See Notes to Schedule

Teachers' Survivors Benefit Cost-Sharing Plan - Schedule of Pension Amounts by Employer  
June 30, 2016 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					
	2018	2019	2020	2021	2022	Thereafter
Barrington	\$ 148,363	\$ 148,363	\$ 344,558	\$ 201,514	\$ (8,925)	\$ (150,198)
Bristol-Warren	163,983	163,983	344,610	212,917	19,177	(54,963)
Burrillville	123,029	123,029	253,399	158,348	18,514	(22,158)
Central Falls Collaborative	162,853	162,853	336,734	209,960	23,455	(58,268)
Coventry	286,617	286,617	574,982	364,738	55,438	(24,856)
Cranston	543,790	543,790	1,208,073	723,754	11,245	(419,912)
Cumberland	209,696	209,696	484,151	284,049	(10,331)	(179,488)
East Greenwich	124,912	124,912	275,100	165,599	4,508	(85,141)
East Providence	206,716	206,716	532,917	295,088	(54,795)	(331,021)
Foster	9,489	9,489	26,755	14,166	(4,353)	(17,249)
Foster-Glocester	64,828	64,828	140,257	85,263	4,358	(40,127)
Glocester	28,348	28,348	63,610	37,901	79	(19,707)
Johnston	134,118	134,117	336,659	188,988	(28,257)	(188,394)
Lincoln	189,873	189,873	384,490	242,597	33,850	(25,527)
Little Compton	24,482	24,482	49,689	31,311	4,273	(48,035)
Middletown	143,587	143,587	285,063	181,914	30,167	7,693
Newport	118,120	118,119	252,294	154,469	10,554	(27,832)
North Smithfield	96,000	96,000	204,826	125,482	8,756	(40,802)
Northern RI Collaborative	15,172	15,172	37,667	21,266	(2,861)	(23,145)
Portsmouth	142,417	142,417	298,348	184,661	17,409	(60,433)
Scituate	75,193	75,193	167,355	100,161	1,309	(57,748)
Smithfield	146,102	146,102	296,524	186,853	25,511	(35,892)
Tiverton	109,390	109,390	228,321	141,610	14,045	(32,458)
Urban Collaborative	10,671	10,671	19,182	12,977	3,847	7,123
Westerly	200,998	200,998	400,694	255,098	40,904	(328)
<b>Grand Total</b>	<b>\$ 3,478,747</b>	<b>\$ 3,478,745</b>	<b>\$ 7,546,258</b>	<b>\$ 4,580,684</b>	<b>\$ 217,877</b>	<b>\$ (1,928,866)</b>

See Notes to Schedule

Teachers' Survivors Benefit Cost-Sharing Plan - Schedule of Pension Amounts by Employer  
 June 30, 2016 Measurement Date

Schedule B

Participating Employer	Discount Rate Sensitivity		
	Ending Net Pension Liability (Asset)		
	1% Lower 6.50%	7.50%	1% Higher 8.50%
Barrington	\$ (3,811,101)	\$ (4,802,830)	\$ (5,614,245)
Bristol-Warren	(3,508,678)	(4,421,711)	(5,168,737)
Burrillville	(2,532,439)	(3,191,433)	(3,730,610)
Central Falls Collaborative	(3,377,641)	(4,256,574)	(4,975,702)
Coventry	(5,601,496)	(7,059,124)	(8,251,729)
Cranston	(12,903,678)	(16,261,491)	(19,008,790)
Cumberland	(5,331,297)	(6,718,614)	(7,853,691)
East Greenwich	(2,917,405)	(3,676,575)	(4,297,715)
East Providence	(6,336,461)	(7,985,342)	(9,334,427)
Foster	(335,396)	(422,673)	(494,082)
Foster-Glocester	(1,465,199)	(1,846,475)	(2,158,428)
Glocester	(684,964)	(863,206)	(1,009,040)
Johnston	(3,934,360)	(4,958,163)	(5,795,821)
Lincoln	(3,780,449)	(4,764,203)	(5,569,091)
Little Compton	(489,656)	(617,074)	(721,326)
Middletown	(2,748,181)	(3,463,316)	(4,048,427)
Newport	(2,606,336)	(3,284,559)	(3,839,470)
North Smithfield	(2,113,940)	(2,664,032)	(3,114,108)
Northern RI Collaborative	(436,952)	(550,657)	(643,687)
Portsmouth	(3,028,961)	(3,817,161)	(4,462,052)
Scituate	(1,790,241)	(2,256,099)	(2,637,256)
Smithfield	(2,921,937)	(3,682,287)	(4,304,391)
Tiverton	(2,310,229)	(2,911,399)	(3,403,266)
Urban Collaborative	(165,336)	(208,360)	(243,561)
Westerly	(3,879,100)	(4,888,524)	(5,714,416)
<b>Grand Total</b>	<b>\$ (79,011,433)</b>	<b>\$ (99,571,882)</b>	<b>\$ (116,394,068)</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, 2016 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, 2016, and (2) certain data from the actuarial valuation of the Plan performed at June 30, 2016. 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 amounts included in the Schedule of Pension Amounts by Employer reflect a more current actuarial valuation of the Plan performed as June 30, 2016 which differs from amounts included as required supplementary information, prepared in accordance with the requirements of GASB Statement No. 67, with the Plan's financial statements for the fiscal year ended June 30, 2017. Those GASB Statement No. 67 amounts reflected an actuarial valuation of the Teachers' Survivors Benefit plan at June 30, 2014 rolled forward to the June 30, 2016 measurement date.

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

	1.00% Decrease (6.50%)	Discount Rate (7.5%)	1.00% Increase (8.50%)
TSB	\$ (79,011,433)	\$ (99,571,882)	\$ (116,394,068)

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

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, 2016. 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, 2016 were as follows:

<i>Fiscal year ended June 30, 2016</i>	
Total pension liability	\$ 186,913,175
Plan Fiduciary net position	<u>286,485,057</u>
Employers' Net Pension Liability (Asset)	\$ (99,571,882)
Plan Fiduciary Net Position as a percentage of total pension liability	153.27%

7. Actuarial methods and assumptions

The total pension liability was determined by an actuarial valuation performed as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Cost Method - Entry Age Normal - the level-dollar version 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 35 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, 2015 and June 30, 2016 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 2016 is 9.2113 years.

**10. Subsequent Event**

In May 2017, the Employees' Retirement System of Rhode Island Board voted to lower the investment rate of return assumption from 7.5% to 7.0 % which will be reflected in the determination of the net pension liability (asset) for the various plans administered by the System beginning with the June 30, 2017 measurement date valuations.