



# Audit Summary

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## GASB 68 REPORTS

June 30, 2015 measurement date

for use in fiscal 2016 employer financial reporting

Implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions* requires that governmental entities include the net pension liability or asset related to defined benefit plans covering their employees within their financial statements. As the auditors of the Employees' Retirement System of Rhode Island (ERSRI), we have issued three reports to provide information for employers participating in the following plans administered by ERSRI:

- **Employees' Retirement System (ERS)**  
Cost-sharing – multiple employer plan
- **Teachers' Survivors Benefit (TSB)**  
Cost-sharing – multiple employer plan
- **Municipal Employees' Retirement System (MERS)**  
Agent – multiple employer plan

These reports supplement other reports resulting from the annual audit of ERSRI's financial statements.

The *Employees' Retirement System (ERS)* plan covers state employees, certain employees of quasi-public agencies, and teachers employed by local educational agencies, collaboratives and certain charter schools. ERS is a cost-sharing plan with a special funding situation related to teacher members. For cost-sharing plans like the Employees' Retirement System (ERS) plan (covering state employees and teachers) and the Teachers' Survivors Benefits (TSB) plan – the schedules of employer allocations and pension amounts by employer detail each employer's proportionate share of pension expense and the net pension liability (asset). These Schedules will be used by employers participating in the ERS cost-sharing defined benefit plan to meet their fiscal 2016 financial reporting responsibilities under generally accepted accounting principles.

Separate actuarial valuations are made for ERS state employee and teacher members; however, separate valuations are not made for individual employers participating in the plan. Consequently, total plan amounts are apportioned based on proportionate contributions. For employers with teacher members in ERS, due to the "special funding" situation, the State

will report approximately 40% of the net pension liability in its financial statements and the remaining 60% will be reported as a liability in the financial statements of the employer with teacher members in the plan.

The *Teachers' Survivors Benefit* plan covers certain teachers employed by local educational agencies that do not participate in social security. As a cost-sharing plan, separate valuations are not made for individual employers participating in the plan. This plan is "overfunded" and consequently, employers participating in the plan share a net pension asset resulting from the fiduciary net position of the plan exceeding the total pension liability. The net pension asset is apportioned based on proportionate contributions.

## Audit Highlights

Aggregate net pension liability (asset) of the multiple employer plans at the June 30, 2015 measurement date:

	<i>in millions</i>
<b>Employees' Retirement System:</b>	
State employee participating employers	\$1,986.4
State share for teacher employers	\$1,117.4
Teacher employers	\$1,635.6

<b>Teachers' Survivors Benefit: (net pension asset)</b>	
Teacher employers	(\$93.4)

<b>Municipal Employees' Retirement System</b>	
General employee employer units	\$189.8
Police and Fire employer units	\$119.4

Plan fiduciary net position as a percentage of the total pension liability

<b>Employees' Retirement System:</b>	
State employees	55.0%
Teachers	57.6%

<b>Teachers' Survivors Benefit:</b>	146.6%
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<b>Municipal Employees' Retirement System:</b>	
General employees	83.1%
Police and Fire employees	79.3%

The *Municipal Employees' Retirement System* plan covers certain employees of municipalities, fire districts, housing authorities, water and sewer districts, and municipal police and fire units that have elected to participate. MERS is an agent plan

and accordingly separate actuarial valuations are performed for each employer unit. For the Municipal Employees' Retirement System (MERS) plan, a multiple-employer agent defined benefit plan, we have reported on the Schedule of Changes in Fiduciary Net Position by Employer and also opined on management's representations regarding the MERS census data used by the actuary in measuring the pension liability of each employer participating in the plan.

The System's actuary has provided separately issued actuarial valuation reports to each MERS participating employer which contains the beginning net pension liability (asset), ending net pension liability (asset), pension expense and related deferred inflows and outflows. The employer specific actuarial reports also detail actuarial methods and assumptions used by the actuary in measuring the net pension liability (asset) in accordance with the requirements of GASB Statement No. 68. This audit report and the actuarial valuation reports provided by the actuary will allow employers participating in the MERS agent plan to meet their financial reporting responsibilities pursuant to GASB Statement No. 68.

The net pension liability (asset) and other measures for all the plans have been developed consistent with the requirements of GASB Statement No. 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.

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

In addition to these reports, templates for journal entries, note disclosures and required supplementary information schedules have been made available to all participating employers to facilitate compliance with these accounting requirements.

Copies of these reports are available on our website [www.oag.ri.gov](http://www.oag.ri.gov).

All the GASB 68 related information for employers participating in the ERSRI administered multiple employer plans is available on ERSRI's website <http://content.ersri.org/actuarial-valuations/gasb-68-fund-information/#gsc.tab=0>