

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

**Municipal Employees' Retirement System
Multiple-Employer Defined Benefit Agent Plan**

GASB STATEMENT No. 68 REPORTS

FISCAL YEAR ENDED JUNE 30, 2018
(For Fiscal 2019 Employer Reporting)



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



Office of the Auditor General

State of Rhode Island and Providence Plantations - General Assembly
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September 30, 2019

JOINT COMMITTEE ON LEGISLATIVE SERVICES:

SPEAKER Nicholas A. Mattiello, Chairman

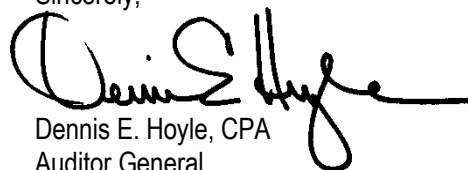
Senator Dominick J. Ruggerio
Senator Dennis L. Algieri
Representative K. Joseph Shekarchi
Representative Blake A. Fillippi

We have completed our audit of the Schedules of Changes in Fiduciary Net Position by Employer - Municipal Employees' Retirement System (MERS) plan for the fiscal year ended June 30, 2018. The Schedules are required for employers participating in the MERS multiple-employer defined benefit agent 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*.

We have also included our report on the MERS plan census data as of June 30, 2017, which was used as the basis for the actuarial valuation of the plan at that date rolled forward to June 30, 2018 – **the plan measurement date for fiscal 2019 financial reporting by participating employers in the MERS plan.**

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

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FISCAL YEAR ENDED JUNE 30, 2018

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Municipal Employees' Retirement System

Multiple-Employer Defined Benefit Agent Plan

GASB STATEMENT No. 68 REPORTS

INTRODUCTION

The Municipal Employees' Retirement System (MERS) 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.

We have previously audited the financial statements of the Employees' Retirement System of the State of Rhode Island for the year ended June 30, 2018 which includes the MERS plan financial statements. ERSRI has prepared and we have audited the Schedules of Changes in Fiduciary Net Position by Employer (the Schedules) for the fiscal year ended June 30, 2018. The amounts included in the Schedules are used by the actuary to determine the net pension liability or asset for each MERS participating employer at the June 30, 2018 measurement date.

The net pension liability and other measures for each MERS employer unit 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.

We have also issued our report on the reliability of the MERS census data at June 30, 2017 used by the actuary to measure the total pension liability for each MERS participating employer. The June 30, 2017 actuarial data, rolled forward to June 30, 2018, was used as the basis for determining the total pension liability at the measurement date (June 30, 2018). **Our report on the census data is intended to be used by each participating employer and their auditors in meeting the employer's fiscal 2019 financial reporting requirements.**

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.



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INDEPENDENT ACCOUNTANT'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 examined the Employees' Retirement System of Rhode Island (the System) management assertions related to the census data it maintained for the Municipal Employees' Retirement System (MERS) which was used by the System's actuary to prepare the actuarial valuations as of June 30, 2017 for the employers participating in MERS. The data in the 2017 valuations were rolled-forward to June 30, 2018 and used to prepare the GASB Statement No. 68 Accounting Valuation Reports as of June 30, 2018 for the employers participating in MERS. Management's assertions are:

1. The key census data elements as of June 30, 2017 provided by the System to its actuary are complete and accurate based on the accumulation of census data reported by the participating employers for the period July 1, 2016 through June 30, 2017. Key census data elements include: employer code, member name, gender, date of birth, date of hire, years of service, eligible compensation, date of termination, employment status (active, inactive or retired) and employee class (such as general employee, police, fire) and annual benefit payments for retirees as outlined in Title 45 of the General Laws of the State of Rhode Island.
2. The census data provided to the actuary as of June 30, 2017 properly reflects benefit provisions in effect through the measurement date of June 30, 2018 as outlined in Rhode Island General Law Title 45.
3. The census data provided to the actuary as of June 30, 2017 properly excludes deceased members based on the System's validation of the existence of plan members by cross matching social security numbers of plan members with the Social Security death file maintained by a private vendor (Pension Benefit Information) on a monthly basis for the period July 1, 2016 through June 30, 2017.

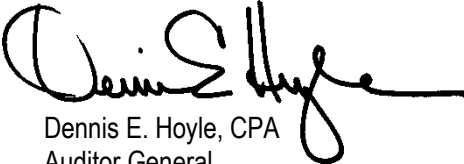
The System's management is responsible for the aforementioned census data assertions. Our responsibility is to express an opinion on these assertions based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertions and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

In our opinion, management's assertions referred to above are fairly stated, in all material respects, based on the law governing MERS (RIGL Title 45).

Our report is intended solely for the information and use of the Employees' Retirement System of the State of Rhode Island's management, the Retirement Board of the Employees' Retirement System of the State of Rhode Island, the Municipal Employees' Retirement System participating employers 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 27, 2019



Office of the Auditor General

State of Rhode Island and Providence Plantations - General Assembly
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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 fiduciary net position as of June 30, 2018, and the changes in fiduciary net position for the year then ended, included in the accompanying Schedules of Changes in Fiduciary Net Position by Employer ("Schedule") of the Municipal Employees' Retirement System (MERS), and the related notes. We have also audited the fiduciary net position of each individual employer as of June 30, 2018, and the changes in fiduciary net position of each individual employer for the year then ended, included in the accompanying Schedule and the related notes.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the 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 an opinion on the fiduciary net position and the changes in fiduciary net position included in the Schedules 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 fiduciary net position and the changes in fiduciary net position included in the Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the fiduciary net position and the changes in fiduciary net position included in the Schedules, 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 fiduciary net position and the changes in fiduciary net position included in the Schedules 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 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 fiduciary net position and the changes in fiduciary net position included in the Schedules.

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

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

Opinions

In our opinion, the Schedules referred to above presents fairly, in all material respects, the fiduciary net position of the Municipal Employees' Retirement System as of June 30, 2018, and the changes in fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the Schedules referred to above presents fairly, in all material respects, the fiduciary net position of each individual employer as of June 30, 2018 and the changes in fiduciary net position of each individual employer for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

The fair values of certain investments (hedge funds, private equity, real estate, certain infrastructure, and the crisis protection class - trend following investments) representing 27% of assets within the pooled investment trust, have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or general partners.

As described in Note 4, the System changed its method of presentation for investment management expenses which were previously reported on a net of fees basis and are now presented on a gross fee basis.

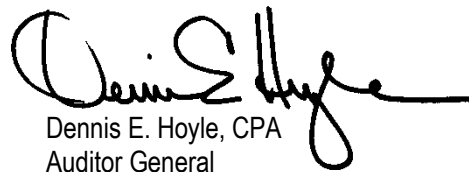
Our opinions are not modified with respect to these matters.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Municipal Employees' Retirement System Plan within the Employees' Retirement System of Rhode Island as of and for the year ended June 30, 2018, and our report thereon, dated December 20, 2018, 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's management, the Retirement Board of the Employees' Retirement System of the State of Rhode Island, the Municipal Employees' Retirement System participating employers 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 27, 2019

Municipal Employees' Retirement System
Schedule of Changes in Fiduciary Net Position By Employer
Fiscal Year Ended June 30, 2018

<i>Employer Unit Type</i>	Barrington (COLA)	Barrington	Barrington	Barrington	Bristol	Bristol	Bristol
<i>General Employees</i>	•				•		
<i>Police</i>		•				•	
<i>Fire</i>			•	•			•
<i>Police and Fire</i>							
<i>Current Employer Unit Number(s)</i>	1002 1003 1007 1009	1004	1005	1008	1012 1019	1014	1015
<i>Legacy Employer Unit Number</i>	3078	4060	4061	4059	3002	4096	4094

Additions

Contributions

Member contributions	\$ 232,504	\$ 168,325	\$ 6,743	\$ 168,400	\$ 158,320	\$ 265,401	\$ 39,551
Employer contributions	692,958	515,623	269,105	134,888	709,681	136,150	42,038
Other (net)	1	-	-	-	-	-	-
Net investment income	2,638,717	719,017	444,806	261,264	1,349,236	630,550	35,621
Total Additions	3,564,180	1,402,965	720,654	564,552	2,217,237	1,032,101	117,210

Deductions

Retirement benefits and refunds	2,202,264	747,045	799,228	54,944	1,487,146	37,928	17,356
Administrative expense	35,128	9,572	5,921	3,478	17,962	8,394	474
Service credit transfers (net)	(28,660)	-	-	-	13,369	-	(41,267)
Total Deductions	2,208,732	756,617	805,149	58,422	1,518,477	46,322	(23,437)

Net Increase

	1,355,448	646,348	(84,495)	506,130	698,761	985,779	140,647
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**Net position held in trust
for pension benefits**

Beginning of year	33,908,306	8,962,578	6,028,874	2,985,393	17,332,401	7,440,879	335,391
End of year	\$ 35,263,754	\$ 9,608,926	\$ 5,944,378	\$ 3,491,523	\$ 18,031,161	\$ 8,426,658	\$ 476,038

Municipal Employees' Retirement System
Schedule of Changes in Fiduciary Net Position By Employer
Fiscal Year Ended June 30, 2018

<i>Employer Unit Type</i>	Bristol Housing	Bristol/Warren Regional School	Burrillville	Burrillville	Burrillville Housing	Central Coventry Fire District	Central Falls
<i>General Employees</i>	•	•	•		•		•
<i>Police</i>				•			
<i>Fire</i>						•	
<i>Police and Fire</i>							
<i>Current Employer Unit Number(s)</i>	1016	1023	1032 1033	1034	1036	1045 1235 1525 1585	1052
<i>Legacy Employer Unit Number</i>	3059	3100	3003	4090	3065	4102	3004

Additions

Contributions

Member contributions	\$ 19,501	\$ 125,446	\$ 198,255	\$ 158,993	\$ 4,218	\$ 183,081	\$ 39,609
Employer contributions	-	692,541	483,944	308,922	15,648	337,778	275,704
Other (net)	-	-	-	-	-	-	-
Net investment income	165,557	1,297,578	2,188,863	798,999	70,865	703,964	381,632
Total Additions	185,058	2,115,565	2,871,062	1,266,914	90,731	1,224,823	696,945

Deductions

Retirement benefits and refunds	85,070	1,460,096	1,659,039	618,245	86,463	787,551	443,944
Administrative expense	2,204	17,274	29,139	10,637	943	9,372	5,080
Service credit transfers (net)	-	96,512	(69,686)	-	-	81,439	5,655
Total Deductions	87,274	1,573,882	1,618,492	628,882	87,406	878,362	454,679

Net Increase

	97,784	541,683	1,252,570	638,032	3,324	346,461	242,266
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**Net position held in trust
for pension benefits**

Beginning of year	2,114,719	16,799,115	27,999,346	10,039,767	943,712	9,061,294	4,857,861
End of year	\$ 2,212,503	\$ 17,340,797	\$ 29,251,916	\$ 10,677,799	\$ 947,037	\$ 9,407,755	\$ 5,100,127

Municipal Employees' Retirement System
Schedule of Changes in Fiduciary Net Position By Employer
Fiscal Year Ended June 30, 2018

<i>Employer Unit Type</i>	Central Falls School District	Central Falls Housing	Chariho School District	Charlestown	Charlestown	Coventry Fire District	Coventry Housing
<i>General Employees</i>	•	•	•	•			•
<i>Police</i>					•		
<i>Fire</i>						•	
<i>Police and Fire</i>							
<i>Current Employer Unit Number(s)</i>	1063	1056	1073	1082	1084	1095	1096
<i>Legacy Employer Unit Number</i>	3099	3096	3040	3005	4086	4098	3079

Additions

Contributions

Member contributions	\$ 98,133	\$ 26,751	\$ 166,419	\$ 87,610	\$ 132,559	\$ 53,063	\$ 6,108
Employer contributions	296,721	131,034	573,539	180,697	324,241	113,166	43,554
Other (net)	-	-	-	-	-	-	-
Net investment income	1,192,121	173,163	1,497,381	603,596	727,331	249,278	100,686
Total Additions	1,586,975	330,948	2,237,339	871,903	1,184,131	415,507	150,348

Deductions

Retirement benefits and refunds	900,604	181,231	990,074	275,453	731,633	299,366	45,360
Administrative expense	15,870	2,305	19,934	8,035	9,683	3,319	1,340
Service credit transfers (net)	(325,465)	-	(63,826)	-	(48,170)	(74,259)	-
Total Deductions	591,009	183,536	946,182	283,488	693,146	228,426	46,700

Net Increase	995,966	147,412	1,291,157	588,415	490,986	187,082	103,648
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**Net position held in trust
for pension benefits**

Beginning of year	14,935,510	2,166,737	18,719,808	7,478,028	9,229,053	3,144,264	1,241,924
End of year	\$ 15,931,476	\$ 2,314,149	\$ 20,010,966	\$ 8,066,443	\$ 9,720,039	\$ 3,331,346	\$ 1,345,572

Municipal Employees' Retirement System
Schedule of Changes in Fiduciary Net Position By Employer
Fiscal Year Ended June 30, 2018

<i>Employer Unit Type</i>	Coventry Lighting District	Cranston	Cranston	Cranston	Cranston Housing	Cumberland	Cumberland Fire District
<i>General Employees</i>	•	•			•	•	
<i>Police</i>			•				
<i>Fire</i>				•			•
<i>Police and Fire</i>							
<i>Current Employer Unit Number(s)</i>	1098	1112 1113	1114	1115	1116	1122 1123	1125
<i>Legacy Employer Unit Number</i>	3045	3007	4104	4105	3051	3008	4106

Additions

Contributions

Member contributions	\$ 897	\$ 812,598	\$ 1,057,127	\$ 1,406,154	\$ 38,585	\$ 199,538	\$ 109,059
Employer contributions	-	2,161,301	1,199,854	792,107	60,678	1,138,960	246,580
Other (net)	-	179	1	380	-	159	-
Net investment income	91,557	10,452,584	3,212,740	5,312,666	432,555	2,025,735	356,163
Total Additions	92,454	13,426,662	5,469,722	7,511,307	531,818	3,364,392	711,802

Deductions

Retirement benefits and refunds	61,015	9,149,144	1,061,625	720,365	361,037	1,660,018	315,668
Administrative expense	1,219	139,150	42,770	70,725	5,758	26,968	4,741
Service credit transfers (net)	-	57,724	-	(137,963)	-	71,836	-
Total Deductions	62,234	9,346,018	1,104,395	653,127	366,795	1,758,822	320,409

Net Increase

	30,220	4,080,644	4,365,327	6,858,180	165,022	1,605,571	391,392
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**Net position held in trust
for pension benefits**

Beginning of year	1,193,349	135,607,447	38,569,650	64,140,159	5,615,629	25,466,308	4,368,359
End of year	\$ 1,223,569	\$ 139,688,091	\$ 42,934,978	\$ 70,998,339	\$ 5,780,652	\$ 27,071,879	\$ 4,759,751

Municipal Employees' Retirement System
Schedule of Changes in Fiduciary Net Position By Employer
Fiscal Year Ended June 30, 2018

<i>Employer Unit Type</i>	Cumberland Housing	Cumberland Hill Fire District	Cumberland Rescue	East Greenwich	East Greenwich	East Greenwich	East Greenwich Housing
<i>General Employees</i>	•			•			•
<i>Police</i>					•		
<i>Fire</i>		•	•			•	
<i>Police and Fire</i>							
<i>Current Employer Unit Number(s)</i>	1126	1135	1148	1152 1153	1154	1155	1156
<i>Legacy Employer Unit Number</i>	3056	4095	4091	3009	4054	4050	3050

Additions

Contributions

Member contributions	\$ 11,412	\$ 77,113	\$ 118,397	\$ 45,568	\$ 248,627	\$ 260,379	\$ 9,753
Employer contributions	36,294	210,825	94,482	57,949	696,413	738,829	46,438
Other (net)	15	-	-	-	-	-	-
Net investment income	104,251	337,969	533,924	553,595	1,177,373	1,054,324	109,710
Total Additions	151,972	625,907	746,803	657,112	2,122,413	2,053,532	165,901

Deductions

Retirement benefits and refunds	95,185	369,417	155,220	488,582	1,137,148	1,079,187	83,376
Administrative expense	1,388	4,499	7,108	7,370	15,674	14,036	1,461
Service credit transfers (net)	-	-	(20,290)	(44,537)	-	140,356	-
Total Deductions	96,573	373,916	142,038	451,415	1,152,822	1,233,579	84,837

Net Increase

	55,399	251,990	604,765	205,697	969,591	819,953	81,064
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**Net position held in trust
for pension benefits**

Beginning of year	1,337,808	4,264,612	6,530,581	7,192,528	14,764,793	13,270,004	1,385,092
End of year	\$ 1,393,207	\$ 4,516,603	\$ 7,135,346	\$ 7,398,225	\$ 15,734,384	\$ 14,089,957	\$ 1,466,156

Municipal Employees' Retirement System
Schedule of Changes in Fiduciary Net Position By Employer
Fiscal Year Ended June 30, 2018

<i>Employer Unit Type</i>	East Greenwich (COLA)	East Greenwich (Fire)	East Providence	East Providence Housing	East Smithfield Water	Exeter/West Greenwich School District	Foster
<i>General Employees</i>	•	•	•	•	•	•	•
<i>Police</i>							
<i>Fire</i>							
<i>Police and Fire</i>							
<i>Current Employer Unit Number(s)</i>	1157 1158	1159	1162 1163	1166	1177	1183	1192 1193
<i>Legacy Employer Unit Number</i>	3101	3150	3010	3052	3067	3011	3012

Additions

Contributions

Member contributions	\$ 190,667	\$ 571	\$ 544,804	\$ 18,771	\$ -	\$ 69,802	\$ 29,647
Employer contributions	265,658	2,868	4,593,669	92,775	-	327,328	160,968
Other (net)	-	-	115	-	-	-	-
Net investment income	1,738,621	12,267	4,883,497	229,422	39,030	771,061	282,987
Total Additions	2,194,946	15,706	10,022,085	340,968	39,030	1,168,191	473,602

Deductions

Retirement benefits and refunds	988,226	21,409	7,444,373	262,629	42,209	618,059	246,825
Administrative expense	23,145	163	65,011	3,054	520	10,265	3,767
Service credit transfers (net)	793,176	142,643	42,128	-	472,600	41,023	44,323
Total Deductions	1,804,547	164,215	7,551,512	265,683	515,329	669,347	294,915

Net Increase

	390,398	(148,509)	2,470,573	75,285	(476,299)	498,845	178,687
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**Net position held in trust
for pension benefits**

Beginning of year	22,844,486	312,446	62,792,367	2,990,704	997,895	9,805,600	3,603,141
End of year	\$ 23,234,884	\$ 163,937	\$ 65,262,940	\$ 3,065,989	\$ 521,596	\$ 10,304,445	\$ 3,781,828

Municipal Employees' Retirement System
Schedule of Changes in Fiduciary Net Position By Employer
Fiscal Year Ended June 30, 2018

<i>Employer Unit Type</i>	Foster	Foster/Glocester Regional School District	Glocester	Glocester	Greenville Water	Hope Valley - Wyoming Fire District	Hopkins Hill Fire District
<i>General Employees</i>		•	•		•	•	
<i>Police</i>	•			•			
<i>Fire</i>							•
<i>Police and Fire</i>							
<i>Current Employer Unit Number(s)</i>	1194	1203	1212 1213	1214	1227	1242	1255
<i>Legacy Employer Unit Number</i>	4082	3041	3013	4088	3068	3046	4103

Additions

Contributions

Member contributions	\$ 54,286	\$ 52,625	\$ 77,574	\$ 115,699	\$ 6,950	\$ 3,178	\$ 74,297
Employer contributions	138,105	217,338	272,162	211,498	6,717	-	89,082
Other (net)	-	-	-	-	-	-	-
Net investment income	213,786	555,626	679,452	518,694	100,990	36,866	223,103
Total Additions	406,177	825,589	1,029,188	845,891	114,657	40,044	386,482

Deductions

Retirement benefits and refunds	246,377	403,350	593,895	350,714	37,493	42,231	35,710
Administrative expense	2,846	7,397	9,045	6,905	1,344	491	2,970
Service credit transfers (net)	-	(2,817)	168,183	-	-	-	138,453
Total Deductions	249,223	407,930	771,123	357,619	38,837	42,722	177,133

Net Increase	156,954	417,660	258,065	488,271	75,819	(2,678)	209,349
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**Net position held in trust
for pension benefits**

Beginning of year	2,700,076	7,007,718	8,822,111	6,443,537	1,273,802	495,353	2,772,195
End of year	\$ 2,857,029	\$ 7,425,377	\$ 9,080,175	\$ 6,931,808	\$ 1,349,622	\$ 492,675	\$ 2,981,544

Municipal Employees' Retirement System
Schedule of Changes in Fiduciary Net Position By Employer
Fiscal Year Ended June 30, 2018

<i>Employer Unit Type</i>	Hopkinton	Hopkinton	Jamestown	Johnston	Johnston	Johnston	Johnston Housing
<i>General Employees</i>	•		•	•			•
<i>Police</i>		•			•		
<i>Fire</i>						•	
<i>Police and Fire</i>							
<i>Current Employer Unit Number(s)</i>	1262	1264	1272 1273	1282 1283	1284	1285	1286
<i>Legacy Employer Unit Number</i>	3014	4087	3015	3016	1284	4016	3072

Additions

Contributions

Member contributions	\$ 44,017	\$ 115,844	\$ 131,898	\$ 220,303	\$ 81,237	\$ 407,671	\$ 4,404
Employer contributions	40,365	329,233	437,961	1,279,294	65,893	338,814	43,913
Other (net)	-	21,469	-	-	-	-	-
Net investment income	435,996	411,277	1,080,585	2,405,314	65,258	681,992	92,447
Total Additions	520,378	877,823	1,650,444	3,904,911	212,388	1,428,477	140,764

Deductions

Retirement benefits and refunds	193,352	475,690	813,841	2,861,885	-	126,426	121,103
Administrative expense	5,804	5,475	14,385	32,021	869	9,079	1,231
Service credit transfers (net)	6,751	313,751	(18,263)	173,049	-	114,369	-
Total Deductions	205,907	794,916	809,963	3,066,955	869	249,874	122,334

Net Increase

	314,471	82,907	840,481	837,956	211,519	1,178,603	18,430
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**Net position held in trust
for pension benefits**

Beginning of year	5,512,174	5,413,386	13,600,431	31,306,602	660,583	7,935,522	1,217,025
End of year	\$ 5,826,646	\$ 5,496,292	\$ 14,440,911	\$ 32,144,559	\$ 872,102	\$ 9,114,125	\$ 1,235,455

Municipal Employees' Retirement System
Schedule of Changes in Fiduciary Net Position By Employer
Fiscal Year Ended June 30, 2018

<i>Employer Unit Type</i>	Lime Rock Fire District (Administrative)	Lincoln	Lincoln Rescue	Lincoln Housing	Middletown	Middletown	Narragansett Housing
<i>General Employees</i>	•	•		•	•		•
<i>Police</i>							
<i>Fire</i>			•				
<i>Police and Fire</i>						•	
<i>Current Employer Unit Number(s)</i>	1293	1302 1303	1305	1306	1322 1323	1324	1336
<i>Legacy Employer Unit Number</i>	3098	3017	4107	3057	3019	4109	3043

Additions

Contributions

Member contributions	\$ 4,842	\$ 11,546	\$ 87,109	\$ 11,035	\$ 159,410	\$ 416,679	\$ 3,698
Employer contributions	13,781	130,511	152,968	48,719	525,837	270,791	7,507
Other (net)	-	1,598	-	-	371	14	-
Net investment income	26,061	187,052	291,985	129,013	1,454,167	635,104	50,189
Total Additions	44,684	330,707	532,062	188,767	2,139,785	1,322,588	61,394

Deductions

Retirement benefits and refunds	14,541	102,764	300,304	133,757	1,059,459	49,854	(2,985)
Administrative expense	347	2,490	3,887	1,717	19,359	8,455	668
Service credit transfers (net)	-	(98,732)	-	-	119,360	-	-
Total Deductions	14,888	6,522	304,191	135,474	1,198,178	58,309	(2,317)

Net Increase

	29,796	324,185	227,871	53,293	941,608	1,264,279	63,711
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**Net position held in trust
for pension benefits**

Beginning of year	318,483	2,175,572	3,674,207	1,670,839	18,491,847	7,223,228	607,014
End of year	\$ 348,279	\$ 2,499,757	\$ 3,902,078	\$ 1,724,132	\$ 19,433,454	\$ 8,487,507	\$ 670,725

Municipal Employees' Retirement System
Schedule of Changes in Fiduciary Net Position By Employer
Fiscal Year Ended June 30, 2018

<i>Employer Unit Type</i>	New Shoreham	New Shoreham	Newport	Newport Housing	Newport Police Department	North Cumberland Fire District	North Kingstown
<i>General Employees</i>	•		•	•			•
<i>Police</i>		•			•		
<i>Fire</i>						•	
<i>Police and Fire</i>							
<i>Current Employer Unit Number(s)</i>	1342 1343	1344	1352 1353 1354	1356	1364	1365	1372 1373
<i>Legacy Employer Unit Number</i>	3022	4108	3021	3069	1364	4101	3023

Additions

Contributions

Member contributions	\$ 62,060	\$ 42,350	\$ 467,122	\$ 50,101	\$ 81,908	\$ 69,861	\$ 346,900
Employer contributions	163,153	76,772	3,134,419	289,492	75,809	138,742	2,007,543
Other (net)	-	478	1,061	-	-	-	1
Net investment income	563,546	115,731	3,742,196	513,496	39,848	397,912	3,687,578
Total Additions	788,759	235,331	7,344,798	853,089	197,565	606,515	6,042,022

Deductions

Retirement benefits and refunds	392,676	78,671	5,031,067	685,956	-	269,165	4,099,387
Administrative expense	7,502	1,541	49,818	6,836	530	5,297	49,091
Service credit transfers (net)	-	-	(378,748)	-	-	-	(245,401)
Total Deductions	400,178	80,212	4,702,137	692,792	530	274,462	3,903,077

Net Increase

388,581	155,120	2,642,661	160,297	197,034	332,053	2,138,946
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**Net position held in trust
for pension benefits**

Beginning of year	7,142,633	1,391,511	47,367,960	6,702,048	335,488	4,985,639	47,141,764
End of year	\$ 7,531,214	\$ 1,546,630	\$ 50,010,621	\$ 6,862,345	\$ 532,523	\$ 5,317,692	\$ 49,280,709

Municipal Employees' Retirement System
Schedule of Changes in Fiduciary Net Position By Employer
Fiscal Year Ended June 30, 2018

<i>Employer Unit Type</i>	North Kingstown	North Kingstown	North Providence	North Providence	North Providence Housing	North Smithfield	North Smithfield
<i>General Employees</i>			•		•	•	
<i>Police</i>	•						•
<i>Fire</i>		•		•			
<i>Police and Fire</i>							
<i>Current Employer Unit Number(s)</i>	1374	1375	1382 1383	1385	1386	1392 1393	1394
<i>Legacy Employer Unit Number</i>	4056	4055	3024	4058	3066	3025	4076

Additions

Contributions

Member contributions	\$ 341,854	\$ 466,922	\$ 145,980	\$ 499,877	\$ 12,664	\$ 104,875	\$ 162,981
Employer contributions	908,307	1,340,527	423,981	1,313,991	82,837	186,431	331,340
Other (net)	-	1	(15,112)	1	-	-	-
Net investment income	1,684,774	2,510,954	2,194,487	2,589,355	71,430	1,152,455	743,448
Total Additions	2,934,935	4,318,404	2,749,336	4,403,224	166,931	1,443,761	1,237,769

Deductions

Retirement benefits and refunds	1,478,246	2,354,088	1,857,788	2,551,774	112,332	902,565	826,486
Administrative expense	22,429	33,427	29,214	34,471	951	15,342	9,897
Service credit transfers (net)	-	(4,973)	487	-	-	(39,176)	-
Total Deductions	1,500,675	2,382,542	1,887,489	2,586,245	113,283	878,731	836,383

Net Increase

	1,434,260	1,935,862	861,847	1,816,979	53,648	565,030	401,385
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**Net position held in trust
for pension benefits**

Beginning of year	21,081,018	31,620,467	28,465,226	32,787,095	900,936	14,836,346	9,534,030
End of year	\$ 22,515,278	\$ 33,556,329	\$ 29,327,073	\$ 34,604,074	\$ 954,584	\$ 15,401,376	\$ 9,935,415

Municipal Employees' Retirement System
Schedule of Changes in Fiduciary Net Position By Employer
Fiscal Year Ended June 30, 2018

<i>Employer Unit Type</i>	North Smithfield Fire and Rescue	Northern RI Collaborative	Pawtucket	Pawtucket Housing	Richmond	Richmond	Scituate
<i>General Employees</i>		•	•	•	•		•
<i>Police</i>						•	
<i>Fire</i>	•						
<i>Police and Fire</i>							
<i>Current Employer Unit Number(s)</i>	1395 1435	1403	1412 1413	1416	1452	1454	1462 1463
<i>Legacy Employer Unit Number</i>	4047	3081	3026	3053	3029	4029	3030

Additions

Contributions

Member contributions	\$ 145,348	\$ 27,980	\$ 670,915	\$ 104,021	\$ 24,576	\$ 67,961	\$ 84,155
Employer contributions	227,756	117,692	3,132,995	-	98,796	72,114	422,438
Other (net)	-	-	5,384	-	-	-	-
Net investment income	597,130	239,194	7,038,026	1,142,514	181,512	154,144	777,934
Total Additions	970,234	384,866	10,847,320	1,246,535	304,884	294,219	1,284,527

Deductions

Retirement benefits and refunds	364,236	173,505	7,658,104	527,519	127,885	26,392	895,133
Administrative expense	7,949	3,184	93,694	15,210	2,416	2,052	10,356
Service credit transfers (net)	(2,620)	(17,245)	(139,076)	-	(46,243)	-	29,312
Total Deductions	369,565	159,444	7,612,722	542,729	84,058	28,444	934,801

Net Increase

	600,668	225,422	3,234,598	703,807	220,826	265,774	349,726
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**Net position held in trust
for pension benefits**

Beginning of year	7,379,355	2,971,163	90,821,411	14,564,726	2,204,902	1,794,196	10,046,567
End of year	\$ 7,980,024	\$ 3,196,585	\$ 94,056,010	\$ 15,268,533	\$ 2,425,728	\$ 2,059,971	\$ 10,396,293

Municipal Employees' Retirement System
Schedule of Changes in Fiduciary Net Position By Employer
Fiscal Year Ended June 30, 2018

Employer Unit Type	Scituate	Smithfield	Smithfield	Smithfield	Smithfield Housing	Smithfield (COLA)	Scituate
General Employees			•		•	•	
Police	•			•			•
Fire		•					
Police and Fire							
Current Employer Unit Number(s)	1464	1465	1472 1473	1474	1476	1478	1484
Legacy Employer Unit Number	4073	1465	3031	4031	3084	3094	1484

Additions

Contributions

Member contributions	\$ -	\$ 93,806	\$ 81,927	\$ 319,103	\$ 6,408	\$ 130,490	\$ 27,793
Employer contributions	-	73,919	253,881	230,711	-	342,216	23,624
Other (net)	-	-	-	-	-	-	-
Net investment income	17,378	114,069	947,088	1,243,190	42,266	1,177,963	6,894
Total Additions	17,378	281,794	1,282,896	1,793,004	48,674	1,650,669	58,311

Deductions

Retirement benefits and refunds	3,609	-	913,496	300,483	-	835,283	-
Administrative expense	231	1,519	12,608	16,550	563	15,682	92
Service credit transfers (net)	-	8,344	117,797	-	-	-	-
Total Deductions	3,840	9,863	1,043,901	317,033	563	850,965	92

Net Increase

	13,538	271,932	238,995	1,475,971	48,111	799,704	58,219
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**Net position held in trust
for pension benefits**

Beginning of year	218,704	1,252,487	12,417,871	15,137,987	516,733	14,942,560	33,909
End of year	\$ 232,242	\$ 1,524,419	\$ 12,656,866	\$ 16,613,958	\$ 564,844	\$ 15,742,264	\$ 92,128

Municipal Employees' Retirement System
Schedule of Changes in Fiduciary Net Position By Employer
Fiscal Year Ended June 30, 2018

<i>Employer Unit Type</i>	South Kingstown	South Kingstown	South Kingstown Housing	South Kingstown (EMT)	Union Fire District	Tiogue Lighting and Fire District	Tiverton
<i>General Employees</i>	•		•		•	•	•
<i>Police</i>		•					
<i>Fire</i>				•			
<i>Police and Fire</i>							
<i>Current Employer Unit Number(s)</i>	1492 1493	1494	1496	1505	1515	1528	1532 1533
<i>Legacy Employer Unit Number</i>	3032	4063	3080	4099	3027	3042	3033

Additions

Contributions

Member contributions	\$ 416,695	\$ 346,748	\$ 3,765	\$ 74,194	\$ 8,008	\$ -	\$ 89,582
Employer contributions	1,454,110	786,772	339	26,042	25,801	-	45,660
Other (net)	13	-	-	-	-	-	-
Net investment income	4,285,588	1,814,095	36,612	321,512	63,728	3,704	1,058,628
Total Additions	6,156,406	2,947,615	40,716	421,748	97,537	3,704	1,193,870

Deductions

Retirement benefits and refunds	3,488,130	1,780,867	-	189,661	13,383	2,004	672,518
Administrative expense	57,052	24,150	487	4,280	848	49	14,093
Service credit transfers (net)	(116,908)	-	-	20,290	-	-	(12,418)
Total Deductions	3,428,274	1,805,017	487	214,231	14,231	2,053	674,193

Net Increase

	2,728,132	1,142,598	40,228	207,517	83,305	1,651	519,677
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**Net position held in trust
for pension benefits**

Beginning of year	54,544,359	23,100,928	449,052	4,089,163	768,349	47,851	13,627,807
End of year	\$ 57,272,490	\$ 24,243,526	\$ 489,281	\$ 4,296,680	\$ 851,654	\$ 49,501	\$ 14,147,485

Municipal Employees' Retirement System
Schedule of Changes in Fiduciary Net Position By Employer
Fiscal Year Ended June 30, 2018

<i>Employer Unit Type</i>	Tiverton	Tiverton (Local 2670A)	Valley Falls Fire District	Warren	Warren	Warren Housing	West Greenwich
<i>General Employees</i>		•		•		•	•
<i>Police</i>							
<i>Fire</i>	•		•				
<i>Police and Fire</i>					•		
<i>Current Employer Unit Number(s)</i>	1534	1538	1555	1562	1564 1565	1566	1602
<i>Legacy Employer Unit Number</i>	4077	3077	4042	3034	4062	3071	3037

Additions

Contributions

Member contributions	\$ 189,024	\$ 26,652	\$ 60,044	\$ 68,765	\$ 169,072	\$ 7,361	\$ 29,380
Employer contributions	287,696	86,673	107,546	267,090	414,902	11,017	177,223
Other (net)	-	-	-	-	-	-	-
Net investment income	785,535	313,907	274,389	440,043	842,323	90,833	226,897
Total Additions	1,262,255	427,232	441,979	775,898	1,426,297	109,211	433,500

Deductions

Retirement benefits and refunds	697,489	287,740	268,832	350,747	682,450	109,213	229,705
Administrative expense	10,457	4,179	3,653	5,858	11,213	1,209	3,021
Service credit transfers (net)	-	-	-	12,543	-	-	14,983
Total Deductions	707,946	291,919	272,485	369,148	693,663	110,422	247,709

Net Increase	554,309	135,313	169,494	406,750	732,634	(1,212)	185,792
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**Net position held in trust
for pension benefits**

Beginning of year	9,943,563	4,059,728	3,497,435	5,473,972	10,524,156	1,215,097	2,846,461
End of year	\$ 10,497,871	\$ 4,195,041	\$ 3,666,929	\$ 5,880,722	\$ 11,256,790	\$ 1,213,886	\$ 3,032,252

Municipal Employees' Retirement System
Schedule of Changes in Fiduciary Net Position By Employer
Fiscal Year Ended June 30, 2018

Employer Unit Type	West Greenwich	West Warwick Housing	Westerly	Woonsocket	Woonsocket	Woonsocket	Albion Fire District
General Employees		•	•	•			•
Police					•		
Fire						•	
Police and Fire	•						
Current Employer Unit Number(s)	1604	1616	1622 1623	1632 1633	1634	1635	1702
Legacy Employer Unit Number	4089	3083	3036	3039	4085	4093	3103

Additions

Contributions

Member contributions	\$ 107,004	\$ 7,375	\$ -	\$ 351,489	\$ 607,345	\$ 727,343	\$ -
Employer contributions	198,919	52,175	-	1,320,137	1,622,148	690,307	-
Other (net)	-	-	-	1	137	1	-
Net investment income	355,050	117,859	35,934	4,689,702	2,991,525	3,801,549	10,826
Total Additions	660,973	177,409	35,934	6,361,329	5,221,155	5,219,200	10,826

Deductions

Retirement benefits and refunds	219,123	166,550	137,474	4,547,004	2,598,498	1,544,840	9,474
Administrative expense	4,727	1,569	478	62,432	39,825	63,026	144
Service credit transfers (net)	(14,983)	-	-	(216,460)	-	-	-
Total Deductions	208,867	168,119	137,952	4,392,976	2,638,323	1,607,866	9,618

Net Increase	452,106	9,290	(102,018)	1,968,354	2,582,833	3,611,333	1,208
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**Net position held in trust
for pension benefits**

Beginning of year	4,292,771	1,565,770	582,242	60,704,714	37,395,839	47,192,473	143,475
End of year	\$ 4,744,878	\$ 1,575,060	\$ 480,224	\$ 62,673,068	\$ 39,978,671	\$ 50,803,807	\$ 144,683

**Municipal Employees' Retirement System
Schedule of Changes in Fiduciary Net Position By Employer
Fiscal Year Ended June 30, 2018**

<i>Employer Unit Type</i>	Albion Fire District	Harrisville Fire District	Harrisville Fire District	Pascoag Fire District (Administrative)	Pascoag Fire District	Saylesville Fire District	Total			
<i>General Employees</i>		•		•						
<i>Police</i>										
<i>Fire</i>	•		•		•	•				
<i>Police and Fire</i>										
<i>Current Employer Unit Number(s)</i>	1705	1712	1715	1802	1805	1815				
<i>Legacy Employer Unit Number</i>	4111	3102	4110	1802	1805	1815				
Additions										
Contributions										
Member contributions	\$ 25,103	\$ 10,793	\$ 37,102	\$ 1,161	\$ 23,790	\$ 8,541	\$	17,709,035		
Employer contributions	46,193	15,016	15,435	7,686	45,987	6,881		47,003,638		
Other (net)	-	-	-	-	-	22		16,290		
Net investment income	79,174	67,887	130,539	2,208	20,886	1,248		116,765,906		
Total Additions	150,470	93,696	183,076	11,055	90,663	16,692		181,494,869		
Deductions										
Retirement benefits and refunds	39,968	-	-	-	-	-		98,732,034		
Administrative expense	1,054	904	1,738	29	278	17		1,566,863		
Service credit transfers (net)	-	-	-	-	-	-		1,032,270		
Total Deductions	41,022	904	1,738	29	278	17	-	101,331,167		
Net Increase	109,448	92,792	181,338	11,026	90,385	16,675	-	80,163,702		
Net position held in trust for pension benefits										
Beginning of year	948,631	814,450	1,563,179	18,481	188,737	-		1,480,293,037		
End of year	\$ 1,058,079	\$ 907,242	\$ 1,744,517	\$ 29,507	\$ 279,122	\$ 16,675	\$	\$ 1,560,456,739		

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

Municipal Employees' Retirement System - Multiple-Employer Defined Benefit Agent Plan

Notes to Schedules of Changes in Fiduciary Net Position by Employer

Fiscal Year Ended June 30, 2018

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 as an independent retirement board to hold and administer, in trust, the funds of the retirement system.

Each plan's assets 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 Municipal Employees' Retirement System (MERS) was established by Rhode Island General Law and placed under the management of the Retirement Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. MERS is a multiple-employer defined benefit agent plan.

2. Plan Membership and Benefit Provisions

Participating employers are summarized below:

Municipalities, housing authorities, water and sewer districts	69
Municipal police and fire departments	<u>48</u>
Total participating units as of the actuarial valuation at June 30, 2017	<u>117</u>

Plan members (as of the June 30, 2017 valuation date):

	<i>Retirees and beneficiaries</i>	<i>Terminated plan members entitled to but not yet receiving benefits</i>	<i>Active Vested</i>	<i>Active Non-vested</i>	<i>Total by Plan</i>
MERS					
General Employees	4,636	2,849	4,211	1,769	13,465
Public Safety	801	206	1,172	349	2,528
Total by type	5,437	3,055	5,383	2,118	15,993

Plan vesting provisions – after five years of service.

Summary of Benefit Provisions

For general employees prior to June 30, 2012 the plan provided retirement benefits equal to 2% of a member's final average salary multiplied by the number of years of total service up to a maximum of 75%. Such benefits are available to members at least age 58 with 10 years of service or after 30 years of service at any age. Benefits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act until it is exceeded by the member's full years of service credit, including service after June 30, 2012, multiplied by the average of five consecutive years of compensation. Effective July 1, 2012, the retirement age mirrors the Social Security Normal Retirement Age not to

Municipal Employees' Retirement System - Multiple-Employer Defined Benefit Agent Plan

Notes to Schedules of Changes in Fiduciary Net Position by Employer

Fiscal Year Ended June 30, 2018

2. Plan Membership and Benefit Provisions (continued)

exceed age 67. Members will receive a benefit accrual of 1.0% per year based on the five-year average compensation.

Effective July 1, 2015, general employees with more than 20 years of service at July 1, 2012 increased their employee contribution rates to 8.25% (9.25% for units with a cost of living adjustment provision) and participate solely in the defined benefit plan. These members receive a benefit accrual of 2% per year based on the three or five-year average compensation.

Effective July 1, 2015 general employees are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service.

Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.

Joint and survivor options are available. For members with 10 years of service as of July 1, 2005, the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62).

Prior to June 30, 2012, police and fire personnel may retire at age 55 if they have 10 years of service or after 25 years of service at any age. An option may be elected to provide a 20-year service pension with a benefit equal to 2.5% for each year of service up to a maximum of 75% for police and fire personnel. Benefits are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

From June 30, 2012 to June 30, 2015, retirement age for police and fire personnel is 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers or firefighters, that are at least 45 years old, have 10 or more years of contributing service and are eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52. Effective July 1, 2015, police and fire personnel may retire at age 50 with 25 years of service, or any age with 27 years of service. MERS police and fire personnel will contribute 9.00% (10.00% for units with a cost of living adjustment).

As of June 30, 2012, members will continue to have a frozen benefit accrual of 2.0% per year for a standard 25 year with any age and out plan; 2.5% for a standard 20 year with any age and out plan. Effective July 1, 2012 the optional 20 and 25 year with retirement at any age plans have been eliminated. The benefit accrual for all plans will be 2.0% per year based on the five-year average compensation, exclusive of overtime. Police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit will be calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act.

Other benefit provisions

The plan also provides survivor's benefits; and certain lump sum death benefits. A member is eligible for a nonservice-connected disability retirement provided he/she has credit for at least five years of service. Members are not eligible for an ordinary disability benefit if they are eligible for unreduced retirement. Members are also eligible for service-connected disability retirement with no minimum service requirement.

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

Municipal Employees' Retirement System - Multiple-Employer Defined Benefit Agent Plan

Notes to Schedules of Changes in Fiduciary Net Position by Employer

Fiscal Year Ended June 30, 2018

2. Plan Membership and Benefit Provisions (continued)

Joint and survivor benefit options are available to retirees. For some employees, a Social Security Option is also available where an annuity is paid at one amount prior to age 62, and at a reduced amount after age 62, designed to provide a level total income when combined with the member's age 62 Social Security benefit. Benefits cease upon the member's death.

An optional cost-of-living provision may be elected for police and fire personnel and general employees. The Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision will be reviewed in a four-year interval while the plans are less than 80% funded. When the funding level of a plan exceeds 80% funded eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA calculation is represented by the following formula: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5.5% (5 yr return – 5.5%, with a max of 4%) and 50% calculated using the percentage increase in the CPI-U from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%. This COLA is calculated on the first \$31,549 for all members and/or beneficiaries of members who retired on or before June 30, 2015.

This COLA is calculated on the first \$26,291, effective January 1, 2018, for all other members/beneficiaries and indexed as of that date as well. The indexing formula is run annually regardless of funding level each year. The COLA will be delayed until the later of the Social Security Retirement Age or three years after retirement for general employees and until the later of age 50 and three years after retirement for police and fire personnel, other than those entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect. Once the plan achieves 80% funding, the COLA limitation will be returned to the \$25,855, which will continue to be indexed annually.

3. Relationship to the Plan Financial Statements

Contributions, benefits and net position are maintained for each MERS employer unit. Certain costs which are common to the administration of the overall pension system are allocated first to each plan and then to each MERS employer unit.

This report was prepared to provide participating employers with additional information needed to comply with the financial reporting requirements of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. Additional financial information for the Employees' Retirement System of Rhode Island (including the MERS plan) is available in the System's audited financial statements for the fiscal year ended June 30, 2018 at www.ersri.org.

Certain additions and deductions are presented differently on the Schedules of Changes in Fiduciary Net Position by Employer from the presentation in the System's audited financial statements for the fiscal year ended June 30, 2018 as summarized below.

As presented in the on System's audited financial statements for the fiscal year ended June 30, 2018:	
Interest on service credits purchased	\$ 16,143
Miscellaneous revenue	147
Service credit transfers (net)	-
As presented in the Schedule of Changes in Fiduciary Net Position by Employer:	
Additions – Other (net)	\$16,290

Rounding results in minor differences between the Schedules of Changes in Fiduciary Net Position by Employer and the System's audited financial statements for the fiscal year ended June 30, 2018.

Municipal Employees' Retirement System - Multiple-Employer Defined Benefit Agent Plan

Notes to Schedules of Changes in Fiduciary Net Position by Employer

Fiscal Year Ended June 30, 2018

4. Summary of Significant Accounting Policies

Basis of Accounting –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.

These financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for defined benefit and defined contribution plans established and administered by governmental entities.

Cash and Cash Equivalents - Cash represents cash held in trust in a financial institution. Cash equivalents are highly liquid investments with a maturity of three months or less at the time of purchase.

Investments - Investment transactions are recorded on a trade date basis. Gains or losses on foreign currency exchange contracts are included in income consistent with changes in the underlying exchange rates. Dividend income is recorded on the ex-dividend date. MERS holds units in the System's Pooled Investment Trust. The number of units held by each plan within the System is a function of each plans' respective contribution to, or withdrawals from, the trust. Investment expense is allocated to each plan based on the plan's units in the Pooled Trust at the end of each month.

Method Used to Value Investments - Investments are recorded in the financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Short-term investments are generally carried at cost or amortized cost, which approximates fair value.

The fair value of fixed income securities and domestic and international equity securities is generally based on published market prices and quotations from national security exchanges and securities pricing services. The fair value of mutual fund investments reflects the published closing net asset value as reported by the fund manager.

Commingled funds include institutional domestic equity index and international equity index funds. The fair value of these commingled funds is based on the reported net asset value (NAV) based upon the fair value of the underlying securities or assets held in the fund.

Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they are traded.

The System also trades in foreign exchange contracts to manage exposure to foreign currency risks. Such contracts are used to purchase and sell foreign currency at a guaranteed future price. The change in the estimated fair value of these contracts, which reflects current foreign exchange rates, is included in the determination of the fair value of the System's investments.

Other investments that are not traded on a national security exchange (primarily private equity, real estate, hedge funds, certain infrastructure investments, and crisis protection class – trend following investments) are valued based on the reported Net Asset Value (NAV) by the fund manager or general partner. Publicly traded investments held by the partnerships are valued based on quoted market prices. If not publicly traded, the fair value is determined by the general partner following U.S. generally accepted accounting principles. Financial Accounting Standards Board ASC Topic 820, Fair Value Measurements and Disclosures, requires the limited partnership general partners for these investment types to value non-publicly traded assets at current fair value, taking into consideration the financial

Municipal Employees' Retirement System - Multiple-Employer Defined Benefit Agent Plan

Notes to Schedules of Changes in Fiduciary Net Position by Employer

Fiscal Year Ended June 30, 2018

4. Summary of Significant Accounting Policies (continued)

performance of the issuer, cash flow analysis, recent sales prices, market comparable transactions, a new round of financing, a change in economic conditions, and other pertinent information.

Hedge funds represented 6.5% of the total reported fair value of all investments within the System's Pooled Investment Trust at June 30, 2018. This portfolio is comprised of 9 limited partnerships divided into two sub-categories: global equity and absolute return. Global equity funds are designed to benefit from the stock market with considerably less risk. They own stakes in companies they expect to outperform and also sell short stocks that they expect to underperform. Absolute return hedge funds employ strategies that seek to generate long-term returns and mitigate risk, regardless of broader market moves. The funds invest across asset classes, including government bonds, other fixed income securities, equity indexes, commodities, and currencies.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2018. Of the underlying holdings within the hedge funds approximately 69% were valued based on Tier 1 inputs (unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted investments).

The system's investments in hedge funds are generally subject to "lock-up" provisions that limit (subject to certain exceptions) the ability to withdraw amounts previously invested for a period of one to three years after the initial investment. At June 30, 2018, investments totaling \$1.5 million are subject to these withdrawal limitation provisions. The remainder of hedge fund assets is available for redemption on a month-end, quarter-end, semi-annual or annual basis, and is subject to notice periods which vary by fund and range from 2 days to 75 days.

As part of an overall change in asset allocation during fiscal 2017, the State Investment Commission opted to reduce its investment in hedge funds. Approximately, \$236 million was received during fiscal 2018 from the System's liquidation of certain hedge funds. At June 30, 2018, approximately \$1.5 million is pending and expected to be received during fiscal 2019.

Private equity represented 8.0% of the total reported fair value of all all investments within the System's Pooled Investment Trust at June 30, 2018. These 86 limited partnership funds provide the portfolio exposure to private companies through equity and/or debt investments. Private equity fund managers invest in private companies with the goal of enhancing their value over the long-term.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2018.

Private equity investments cannot be redeemed. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

Real estate represented 7.1% of the total reported fair value of all investments within the System's Pooled Investment Trust at June 30, 2018. These 16 limited partnerships investments are comprised of two different private real estate equity components, Core and Non-Core, which generally refer to the relative levels of risk in the underlying assets. Core investments include existing, substantially leased, income-producing properties located principally in economically diversified metropolitan areas. Non-Core investments represent those properties and/or investment strategies that require specialized acquisition and management expertise and skill to mitigate the business and leasing

Municipal Employees' Retirement System - Multiple-Employer Defined Benefit Agent Plan

Notes to Schedules of Changes in Fiduciary Net Position by Employer

Fiscal Year Ended June 30, 2018

4. Summary of Significant Accounting Policies (continued)

risks that may be associated with individual investments. Non-Core investments, which may be referred to as Value Added and Opportunistic investments, are expected to be held for shorter periods, have greater volatility compared to Core investments, and as such, are expected to provide yields higher than those associated with Core investments.

These funds acquire, manage and sell physical properties, including office, retail, apartment, and industrial buildings as well as more niche property types, such as student housing, self-storage and hotels. The primary goals of this asset class are to provide current income, risk-adjusted total returns, and diversification.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2018.

With the exception of five core open-end funds which allow for quarterly redemptions, the investments cannot be redeemed. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

Infrastructure investments represented 3.6% of the total reported fair value of all investments within the System's Pooled Investment Trust at June 30, 2018. These four funds provide inflation-protection and current income to the portfolio through investments in facilities and services required for an economy to function including electricity production and distribution, pipelines, sewers and waste management, airports, roads, bridges, ports, railroads, telephone and cable networks, and hospitals. The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2018.

With the exception of one open-end core fund which allows for quarterly liquidity, the investments cannot be redeemed. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

Crisis Protection Class – *Trend Following* – Trend Following investments represented 3.6% of the total reported fair value of all investments within the System's Pooled Investment Trust at June 30, 2018. These three funds were created as limited liability companies with the Employees' Retirement System of the State of Rhode Island as the sole member. The investment managers' principal investment objectives for the companies include:

- providing diversified exposure to market trends across asset classes, geographies and time horizons to generate sizable profits during the periods when growth-risk exposed assets decline significantly;
- generating significant medium-term capital growth independent of overall movements in traditional stock and bond markets within a rigorous risk management framework; and
- outperforming the Credit Suisse Liquid Alternative Beta Managed Futures Index (CLABT18 Index) over a 5-year period.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2018. As the Employees' Retirement System of the State of Rhode Island is the sole member, the limited liability company could be liquidated at its option. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

Municipal Employees' Retirement System - Multiple-Employer Defined Benefit Agent Plan

Notes to Schedules of Changes in Fiduciary Net Position by Employer

Fiscal Year Ended June 30, 2018

4. Summary of Significant Accounting Policies (continued)

Investment expenses – Investment expenses include investment consultant fees, custodial fees, direct investment expenses paid to managers, and certain indirect expenses allocated by managers to fund or partnership investors. Certain Office of the General Treasurer expenses associated with oversight of the pooled investment trust are also allocated and included as investment expenses. When indirect investment expenses for certain types of investments (e.g., hedge funds, private equity, real estate, infrastructure, and crisis protection class), are not reported separately to System management and the investment custodian, additional information is obtained to allow reporting of the System's share of such indirect investment expenses on a gross fee basis.

The System changed its method of reporting investment expenses in fiscal 2018 from reporting certain investment income and related expenses on a net of fees basis to reporting all material investment expenses on a gross fee basis to enhance transparency of all investment related expenses. The change had no effect on net position of the defined benefit plans participating in the pooled investment trust.

Contributions - Plan member contributions for the defined benefit plans 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 each defined benefit plan are recognized when due and the employer has made a formal commitment to provide the contributions.

Benefits - Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies. These estimates are subject to a certain amount of uncertainty in the near term, which could result in changes in the values reported for those assets in the statements of fiduciary net position. Because of the inherent uncertainty in the valuation of privately held securities, the fair value may differ from the values that would have been used if a ready market for such securities existed, and the difference can be material. Estimates also affect the reported amounts of income/additions and expenses/deductions during the reporting period. Actual results could differ from these estimates.

5. Contributions

Contribution requirements for plan members and employers are established pursuant to Rhode Island General Laws. Employers are required to contribute at an actuarially determined rate for the defined benefit plans. Plan member contributions for the defined benefit and defined contribution plans are fixed by statute. Member and employer contribution rates are subject to amendment by the General Assembly.

(a). Funding Policy

The funding policies, as set forth in Rhode Island General Law, Section 36-10-2 and 45-21-42 provide for actuarially determined periodic contributions to the plans. The actuarial valuation uses the Entry Age Normal actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial liability. The valuation is prepared on the projected benefit basis, under which the present value, at the assumed rate of return (currently 7.0 percent), of each participant's expected benefit payable at retirement or death is determined, based on age, service, gender and compensation.

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

Municipal Employees' Retirement System - Multiple-Employer Defined Benefit Agent Plan

Notes to Schedules of Changes in Fiduciary Net Position by Employer

Fiscal Year Ended June 30, 2018

5. Contributions (continued)

The employer contributions required to support the benefits of the Plan are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution. The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the rate of contribution which, if applied to the compensation of each individual member during the entire period of anticipated covered service, would be required to meet the cost of all benefits payable on his behalf. This method is commonly referred to as the Individual Entry Age Actuarial Cost Method.

The unfunded actuarial accrued liability (UAAL) is amortized as a level percent of payroll over a closed period. For underfunded plans, the period is 25 years as measured from June 30, 2010, or 19 years as of the current valuation date for any existing UAAL. Beginning with the June 30, 2014 actuarial valuation, new experience gains and losses for underfunded plans are amortized over individual closed periods of 20 years using the process of "laddering". Overfunded plans will have an amortization rate calculated using a single base amortized over an open period of 20 years.

(b). Contribution rates

Employer contribution rates for fiscal 2018 for MERS employers were developed based on actuarial valuations performed as of June 30, 2015. Employee contribution rates are statutorily determined. The table below displays the contribution rates for the year ended June 30, 2018:

Plan	Employee	Employer
General Employees	1.00% (additional 1% with a cost-of-living adjustment) Effective July 1, 2015, members with 20 or more years of service at June 30, 2012 contribute an additional 7.25%	69 Municipalities, housing authorities, water and sewer districts contributed various actuarially determined rates.
Public Safety	9.00% (additional 1% with a cost-of-living adjustment)*	48 Municipal police and fire departments contributed various actuarially determined rates.

6. Administrative Expenses

Pursuant to General Law section 36-8-10.1, administrative costs of the System are financed through investment earnings up to a maximum of 0.175% of the average total investments before lending activities as reported in the annual report of the Auditor General for the next preceding five (5) fiscal years. Such amounts are transferred to a restricted receipt account within the State's general fund. Any unencumbered funds on June 30 of any fiscal year are credited to the plans in the same proportion as their contributions to the restricted receipt account.

Administrative expenses of the System, financed as described in the preceding paragraph, include expenses within the Office of General Treasurer related to oversight of the System's investment portfolio. Consistent with generally accepted accounting principles, these expenses have been included with net investment income (loss) on the Schedule of Changes in Fiduciary Net Position by Employer.

Municipal Employees' Retirement System - Multiple-Employer Defined Benefit Agent Plan

Notes to Schedules of Changes in Fiduciary Net Position by Employer

Fiscal Year Ended June 30, 2018

7. Commitments

The State Investment Commission has committed to fund certain private equity, real estate, and infrastructure investment managers at a predetermined subscription amount. Outstanding unfunded investment commitments at June 30, 2018 totaled \$714.4 million. These commitments will be funded through cash available within the pooled investment trust generated through investment income and/or liquidation of other investments.

The system's investments in hedge funds are generally subject to "lock-up" provisions that limit (subject to certain exceptions) the ability to withdraw amounts previously invested for a period of one to three years after the initial investment. Hedge fund assets are available for redemption either on a month end or quarter end basis, and are subject to notice periods which vary by fund and range from 2 days to 90 days. At June 30, 2018 \$1.5 million was in liquidation.

The System is committed under a ten-year development and operating agreement to design, transition, and implement new line-of-business, general ledger accounting system, and payroll administration systems. The contract requires monthly payments through fiscal 2025. Total payments over the contract period are estimated at \$22 million.