

Pensions and Retiree Healthcare

Net pension liabilities included in the 2015 financial statements totaled \$2.9 billion at the June 30, 2014 measurement date. This amount is the combined liability for six defined benefit plans covering state employees and the State's proportionate share of the net pension liability for teachers (\$990 million).

Four plans are managed as trusts by the Employees' Retirement System of RI (ERSRI) - the pension liability is net of amounts accumulated for future benefits (fair value at the June 30, 2014 measurement date). Two additional plans (covering certain judges and state police) are managed as pay-as-you-go plans - no amounts have been accumulated for future benefits - annual benefit payments are appropriated each year.

The net pension liability included in the financial statements is the accounting measure of pension liabilities which differs from measurements used to determine the actuarially determined annual contributions to each plan.

Plan fiduciary net position as a percentage of total pension liability for the four plans managed by ERSRI at the June 30, 2014 measurement date is shown in the table at right.

Plan fiduciary net position as a % of the total pension liability	
ERS - State employees	58.6%
ERS - teachers	61.4%
State Police	97.0%
JRBT - Judges	93.7%
RJRFT - Judges	1.8%

Fiscal 2015 State employer contributions to the defined benefit pension plans totaled \$247 million including \$84.9 million as the State's share for teachers.

Assets of the defined contribution plan, part of the hybrid pension benefit structure, totaled \$410.8 million at June 30, 2015.

Six defined benefit OPEB plans provide healthcare benefits to retired state employees including certain electing teachers and Board of Education employees. The funded status of the plans as of the June 30, 2013 actuarial valuation is shown in the table.

OPEB Plans	Funded Status
State employees	6.2%
Teachers	25.7%
State Police	13.6%
Judicial	204.1%
Legislators	142.2%
Board of Education	13.4%

Total State employer contributions to the OPEB plans totaled

\$58.7 million including contributions of the University and colleges to the Board of Education plan.

The State of Rhode Island's Fiscal 2015 Comprehensive Annual Financial Report (CAFR)

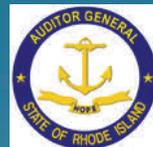
prepared by the Office of Accounts and Control—Department of Administration—includes government-wide financial statements that encompass all the State's financial activity for the year, as well as individual fund level financial statements and notes thereto.

The CAFR includes the *Independent Auditor's Report* of the Auditor General resulting from the annual audit of the State's financial statements required by General Law section 35-7-10.

Management's Discussion and Analysis explains key highlights and changes between fiscal years 2015 and 2014. Required Supplementary Information (RSI) provides summarized budget to actual comparison schedules for the State's General Fund and Intermodal Surface Transportation Fund. RSI also provides important information on the net pension liabilities and employer contributions to the defined benefit pension plans covering employees as well as the progress made in funding retiree healthcare (OPEB). Ten-year trend information is included in the Statistical Section of the report.

The full CAFR is available on the Office of Accounts and Control and Auditor General websites:

http://controller.admin.ri.gov/documents/Financial%20Reports//17_Comprehensive%20Annual%20Financial%20Report_06-30-2015.pdf



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State of Rhode Island



Comprehensive Annual Financial Report Highlights

Fiscal year ended June 30, 2015



2015



State of
Rhode Island

Comprehensive
Annual
Financial
Report

Fiscal Year Ended
June 30, 2015

Gina M. Raimondo
Governor

Department of
Administration
Michael DiEuse
Director of Administration

Office of
Accounts and Control
Marc A. Leonetti, CPA
State Controller

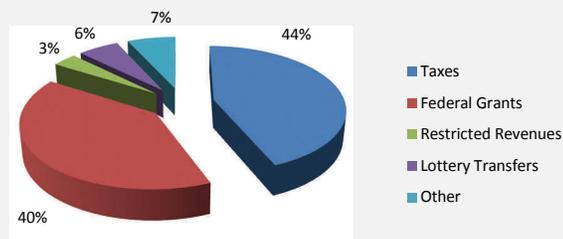
Highlights prepared by the
Office of the Auditor General

CAFR Highlights - Fiscal 2015

- ◆ The Auditor General issued an unmodified opinion on the State's fiscal 2015 financial statements, concluding that the financial statements are fairly presented in accordance with generally accepted accounting principles.
- ◆ The budget reserve or "rainy day" fund is fully funded at \$185.5 million as required by constitution and statute.
- ◆ \$132.6 million is available in the RI Capital Plan Fund (RICAP) for future capital projects.
- ◆ The government-wide (full-accrual) financial statements were restated to recognize the net pension liability for defined benefit pension plans as required by the implementation of GASB Statements No. 68 and 73. Beginning net position (primary government) was decreased by \$2.9 billion.
- ◆ Net pension liabilities included in the financial statements totaled \$2.9 billion for state employees and the State's proportionate share of the net pension liability for teachers (the State funds 40% of the annual required contribution for teachers).
- ◆ Government-wide net position (deficit) of the primary government increased by \$473 million to (\$524) million at June 30, 2015. \$2.9 billion represents the State's net investment in capital assets (net of related debt). \$997.5 million is restricted for specific purposes leaving an unrestricted net deficit of \$4.4 billion.
- ◆ Capital assets of the primary government net of accumulated depreciation totaled \$4.0 billion at June 30, 2015, of which \$2.2 billion were infrastructure assets.
- ◆ An estimated liability was recorded for financial reporting purposes for the State's moral obligation under the Commerce Corporation's Job Creation Guaranty Program - amounts required for future debt service (net of any litigation recoveries) are subject to annual appropriation.
- ◆ A note to the financial statements details the settlement of various lawsuits challenging pension reform measures. The settlement benefit provisions, which largely maintained estimated savings, were enacted by the General Assembly and approved by the Court in July 2015.

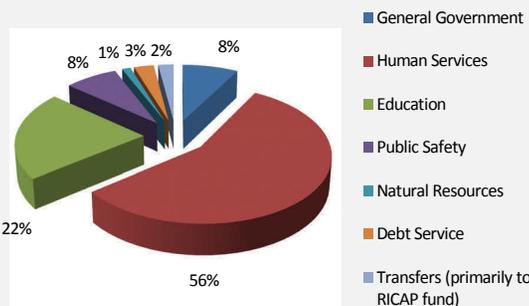
General Fund Operations

General Fund Revenues and Other Sources



- ◆ Tax revenues totaled \$2.9 billion in fiscal 2015, a 7.8% increase over fiscal 2014.
- ◆ Lottery transfers totaled \$381.9 million, an increase of \$5.6 million compared to fiscal 2014.
- ◆ Federal revenues totaled \$2.6 billion, an increase of \$273.5 million or 11.7% over fiscal 2014; largely due to Medicaid expansion under the Affordable Care Act and reimbursement of Healthsource RI expenditures.

General Fund Expenditures and Transfers



- ◆ Expenditures totaled \$6.3 billion, an increase of \$428.2 million or 7.2% over fiscal 2014. The largest increase, \$336.4 million, or 10.1%, was in human services.
- ◆ General Fund revenues and other sources (including a special item totaling \$31.3 million) exceeded expenditures and transfers by \$106.5 million.

Transportation Operations

The Intermodal Surface Transportation (IST) Fund reported fund balance of \$112.5 million; a decrease of \$6.0 million from the prior year due to spending of prior year resources for highway construction projects.

(in millions)	
Inflows:	
Taxes	\$ 158.7
Federal grants	270.6
Transfers from Bond Capital and RICAP funds	23.8
Fees	20.9
Other	7.8
Total	\$ 481.8
Outflows:	
Maintenance and Infrastructure capital outlay	\$ 338.6
Debt service	55.6
Transfers to RIPTA - Gas Tax	43.0
Transfers to General Fund - Gas Tax	4.4
Transfers to General Fund - Debt Service	46.2
Total	487.8
Decrease in fund balance	\$ (6.0)

Long-Term Debt

Long-term liabilities of the primary government totaled \$5.9 billion. With the implementation of GASB 68, the net pension liability for defined benefit pension plans is included in the financial statements.

	Changes in Long-Term Liabilities (in millions)			
	Beginning	Additions	Decreases	Ending
Governmental				
Bonds payable	\$ 2,399.9	\$ 991.2	\$ (1,003.2)	\$ 2,387.9
Net pension liability	3,215.4		(308.1)	2,907.3
Other	423.9	128.9	(129.6)	423.2
Total	\$ 6,039.2	\$ 1,120.1	\$ (1,440.9)	\$ 5,718.4
Business-Type				
Bonds payable	\$ 230.8	\$ 36.7	\$ (45.8)	\$ 221.7
Net pension liability	14.6		(1.3)	13.3
Other	62.1	21.2	(74.6)	8.7
Total	\$ 307.5	\$ 57.9	\$ (121.7)	\$ 243.7
Total	\$ 6,346.7	\$ 1,178.0	\$ (1,562.6)	\$ 5,962.1