

**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, 2017 Measurement Date

(for Fiscal 2018 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
Dennis E. Hoyle, CPA - Auditor General

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September 26, 2018

JOINT COMMITTEE ON LEGISLATIVE SERVICES:

SPEAKER Nicholas A. Mattiello, Chairman

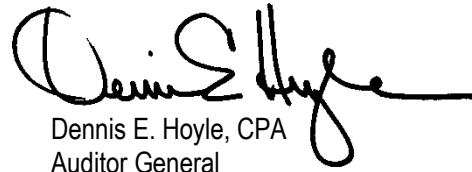
Senator Dominick J. Ruggerio
Senator Dennis L. Algieri
Representative K. Joseph Shekarchi
Representative Patricia L. Morgan

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, 2017.

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, 2017 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, 2017 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, 2017 – the information included herein is intended for use in Fiscal 2018 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 (TSB) plan as of and for the year ended June 30, 2017, 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, 2017, 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 to design audit procedures that are proper in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control. Accordingly,

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

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

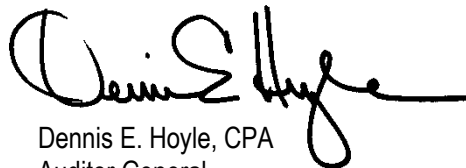
In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and ending net pension asset, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Teachers' Survivors Benefit cost-sharing plan as of and for the year ended June 30, 2017, 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, 2017, and our report thereon, dated December 20, 2017, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of the Employees' Retirement System of the State of Rhode Island management, the Retirement Board of the Employees' Retirement System of the State of Rhode Island, the employers participating in the TSB plan as of and for the year ended June 30, 2017 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 24, 2018

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

Participating Employer Unit	Fiscal 2017 employer contribution	
	Amount	%
Barrington	\$ 26,979	4.57354091%
Bristol-Warren	25,371	4.30094129%
Burrillville	20,160	3.41762439%
Central Falls Collaborative	24,006	4.06956337%
Coventry	42,948	7.28082835%
Cranston	97,874	16.59208498%
Cumberland	39,954	6.77322128%
East Greenwich	21,967	3.72399849%
East Providence	49,771	8.43743314%
Foster	2,822	0.47846742%
Foster-Glocester	10,701	1.81404824%
Glocester	5,895	0.99934829%
Johnston	29,988	5.08370951%
Lincoln	27,552	4.67075334%
Little Compton	2,294	0.38891074%
Middletown	20,831	3.53140620%
Newport	20,487	3.47300144%
North Smithfield	14,976	2.53880669%
Northern RI Collaborative	2,976	0.50450137%
Portsmouth	21,486	3.64246712%
Scituate	12,835	2.17586888%
Smithfield	21,828	3.70030736%
Tiverton	16,564	2.80797174%
Urban Collaborative	1,344	0.22784163%
Westerly	28,275	4.79335383%
Totals	\$ 589,883	100.00000000%

See notes to schedule.

Teachers' Survivor Benefit Cost-Sharing Plan - Schedule of Pension Amounts by Employer
June 30, 2017 Measurement Date

Schedule B

Participating Employer	Beginning Net Pension Liability (Asset)	Pension Expense			Ending Net Pension Liability (Asset)
		Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total	
Barrington	\$ (4,802,832)	\$ 775,320	\$ 15,863	\$ 791,183	\$ (3,783,526)
Bristol-Warren	(4,421,711)	729,106	29,242	758,348	(3,558,014)
Burrillville	(3,191,433)	579,364	(18,473)	560,891	(2,827,278)
Central Falls	(4,256,574)	689,883	43,133	733,016	(3,366,604)
Coventry	(7,059,124)	1,234,264	12,970	1,247,234	(6,023,168)
Cranston	(16,261,489)	2,812,732	(61,152)	2,751,580	(13,726,036)
Cumberland	(6,718,614)	1,148,213	(28,664)	1,119,549	(5,603,243)
East Greenwich	(3,676,575)	631,302	(8,003)	623,299	(3,080,730)
East Providence	(7,985,342)	1,430,335	(131,262)	1,299,073	(6,979,985)
Foster	(422,673)	81,111	(12,901)	68,210	(395,819)
Foster-Glocester	(1,846,475)	307,522	6,018	313,540	(1,500,697)
Glocester	(863,206)	169,412	(20,511)	148,901	(826,725)
Johnston	(4,958,163)	861,803	(53,825)	807,978	(4,205,570)
Lincoln	(4,764,203)	791,798	39,516	831,314	(3,863,946)
Little Compton	(617,074)	65,929	35,517	101,446	(321,732)
Middletown	(3,463,316)	598,653	15,076	613,729	(2,921,405)
Newport	(3,284,559)	588,752	(21,250)	567,502	(2,873,089)
North Smithfield	(2,664,032)	430,385	22,229	452,614	(2,100,264)
Northern RI Collaborative	(550,657)	85,524	2,786	88,310	(417,356)
Portsmouth	(3,817,161)	617,480	36,044	653,524	(3,013,282)
Scituate	(2,256,099)	368,859	9,072	377,931	(1,800,018)
Smithfield	(3,682,287)	627,285	17,145	644,430	(3,061,131)
Tiverton	(2,911,399)	476,014	24,048	500,062	(2,322,934)
Urban Collaborative	(208,360)	38,624	767	39,391	(188,485)
Westerly	(4,888,524)	812,581	46,615	859,196	(3,965,369)
	\$ (99,571,882)	\$ 16,952,251	\$ -	\$ 16,952,251	\$ (82,726,406)

See notes to schedules.

Teachers' Survivor Benefit Cost-Sharing Plan - Schedule of Pension Amounts by Employer
June 30, 2017 Measurement Date

Schedule B

Participating Employer	Deferred Outflows of Resources				
	Difference Between Expected and Actual Experience	Changes in Assumptions	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows
Barrington	\$ 746,705	\$ 623,302	\$ 869,871	\$ 256,995	\$ 2,496,873
Bristol-Warren	702,200	586,152	818,020	213,557	2,319,929
Burrillville	557,984	465,769	650,017	102,169	1,775,939
Central Falls	664,424	554,618	774,013	342,910	2,335,965
Coventry	1,188,716	992,264	1,384,782	271,857	3,837,619
Cranston	2,708,933	2,261,244	3,155,743	166,082	8,292,002
Cumberland	1,105,841	923,085	1,288,237	43,366	3,360,529
East Greenwich	608,005	507,523	708,288	15,853	1,839,669
East Providence	1,377,551	1,149,891	1,604,763	-	4,132,205
Foster	78,118	65,208	91,002	18,835	253,163
Foster-Glocester	296,173	247,227	345,024	74,894	963,318
Glocester	163,160	136,196	190,072	7,304	496,732
Johnston	830,000	692,831	966,900	-	2,489,731
Lincoln	762,578	636,551	888,357	277,615	2,565,101
Little Compton	63,496	53,003	73,969	519,760	710,228
Middletown	576,561	481,276	671,658	179,060	1,908,555
Newport	567,025	473,316	660,550	204,468	1,905,359
North Smithfield	414,502	346,000	482,870	171,775	1,415,147
Northern RI Collaborative	82,368	68,756	95,954	49,893	296,971
Portsmouth	594,693	496,412	692,782	293,256	2,077,143
Scituate	355,247	296,537	413,841	107,345	1,172,970
Smithfield	604,137	504,295	703,783	128,026	1,940,241
Tiverton	458,448	382,683	534,064	173,859	1,549,054
Urban Collaborative	37,199	31,051	43,334	26,372	137,956
Westerly	782,595	653,260	911,675	334,670	2,682,200
	\$ 16,326,659	\$ 13,628,450	\$ 19,019,569	\$ 3,979,921	\$ 52,954,599

See notes to schedules.

Teachers' Survivor Benefit Cost-Sharing Plan - Schedule of Pension Amounts by Employer
June 30, 2017 Measurement Date

Schedule B

Participating Employer	Deferred Inflows of Resources				
	Difference Between Expected and Actual Experience	Changes in Assumptions	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows
Barrington	\$ 795,066	\$ -	\$ 628,137	\$ 134,890	\$ 1,558,093
Bristol-Warren	747,676	-	590,696	1,132	1,339,504
Burrillville	594,120	-	469,380	234,852	1,298,352
Central Falls	707,454	-	558,918	51,047	1,317,419
Coventry	1,265,700	-	999,957	196,757	2,462,414
Cranston	2,884,371	-	2,278,775	636,373	5,799,519
Cumberland	1,177,458	-	930,242	219,281	2,326,981
East Greenwich	647,381	-	511,458	76,428	1,235,267
East Providence	1,466,765	-	1,158,806	894,958	3,520,529
Foster	83,177	-	65,713	104,510	253,400
Foster-Glocester	315,354	-	249,143	36,474	600,971
Glocester	173,727	-	137,252	153,701	464,680
Johnston	883,753	-	698,202	355,941	1,937,896
Lincoln	811,965	-	641,486	-	1,453,451
Little Compton	67,608	-	53,413	306,814	427,835
Middletown	613,900	-	485,007	68,625	1,167,532
Newport	603,747	-	476,986	334,447	1,415,180
North Smithfield	441,347	-	348,682	8,725	798,754
Northern RI Collaborative	87,703	-	69,289	28,741	185,733
Portsmouth	633,207	-	500,260	47,016	1,180,483
Scituate	378,253	-	298,836	43,431	720,520
Smithfield	643,262	-	508,204	25,020	1,176,486
Tiverton	488,138	-	385,650	-	873,788
Urban Collaborative	39,608	-	31,292	20,758	91,658
Westerly	833,277	-	658,324	-	1,491,601
	\$ 17,384,017	\$ -	\$ 13,734,108	\$ 3,979,921	\$ 35,098,046

See notes to schedules.

Teachers' Survivor Benefit Cost-Sharing Plan - Schedule of Pension Amounts by Employer
June 30, 2017 Measurement Date

Schedule B

Participating Employer	Collective Deferred Outflows (Inflows) for Plan as a Whole to be Recognized in Future Years					
	2019	2020	2021	2022	2023	Thereafter
Barrington	\$ 150,040	\$ 336,068	\$ 200,438	\$ 904	\$ 111,429	\$ 139,900
Bristol-Warren	155,422	330,363	202,816	15,174	119,113	157,537
Burrillville	81,792	220,805	119,453	(29,652)	52,940	32,249
Central Falls	162,525	328,055	207,369	29,822	128,169	162,607
Coventry	226,573	522,722	306,803	(10,845)	165,107	164,844
Cranston	425,623	1,100,508	608,457	(115,423)	285,549	187,770
Cumberland	170,047	445,549	244,684	(50,819)	112,866	111,221
East Greenwich	101,251	252,725	142,287	(20,184)	69,812	58,512
East Providence	116,273	459,467	209,249	(158,860)	45,043	(59,495)
Foster	1,136	20,598	6,409	(14,466)	(2,903)	(11,011)
Foster-Glocester	59,238	133,025	79,228	84	43,924	46,848
Glocester	8,808	49,456	19,820	(23,780)	371	(22,623)
Johnston	95,320	302,100	151,339	(70,453)	52,402	21,127
Lincoln	176,545	366,529	228,014	24,238	137,114	179,209
Little Compton	46,927	62,746	51,212	34,245	43,644	43,619
Middletown	118,680	262,320	157,593	3,525	88,867	110,038
Newport	80,640	221,905	118,910	(32,610)	51,320	50,013
North Smithfield	96,712	199,978	124,688	13,925	75,279	105,812
Northern RI Collaborative	17,587	38,108	23,146	1,136	13,328	17,934
Portsmouth	142,906	291,064	183,044	24,130	112,155	143,361
Scituate	72,907	161,411	96,884	1,955	54,538	64,754
Smithfield	125,704	276,214	166,479	5,042	94,465	95,850
Tiverton	106,428	220,642	137,370	14,863	82,722	113,241
Urban Collaborative	7,451	16,719	9,962	22	5,528	6,617
Westerly	187,241	382,212	240,061	30,936	146,775	203,373
	<u>\$ 2,933,776</u>	<u>\$ 7,001,289</u>	<u>\$ 4,035,715</u>	<u>\$ (327,091)</u>	<u>\$ 2,089,557</u>	<u>\$ 2,123,307</u>

See notes to schedules.

Teachers' Survivor Benefit Cost-Sharing Plan - Schedule of Pension Amounts by Employer
June 30, 2017 Measurement Date

Schedule B

Participating Employer	Net Pension Liability (Asset)	Net Pension Liability (Asset)	Net Pension Liability (Asset)
	1% Decrease (6.0% Discount Rate)	(7.0% Discount Rate)	1% Increase (8.0% Discount Rate)
Barrington	\$ (2,587,825)	\$ (3,783,526)	\$ (4,673,696)
Bristol-Warren	(2,433,582)	(3,558,014)	(4,395,125)
Burrillville	(1,933,779)	(2,827,278)	(3,492,465)
Central Falls	(2,302,663)	(3,366,604)	(4,158,681)
Coventry	(4,119,678)	(6,023,168)	(7,440,267)
Cranston	(9,388,225)	(13,726,036)	(16,955,426)
Cumberland	(3,832,461)	(5,603,243)	(6,921,544)
East Greenwich	(2,107,133)	(3,080,730)	(3,805,548)
East Providence	(4,774,115)	(6,979,985)	(8,622,200)
Foster	(270,729)	(395,819)	(488,945)
Foster-Glocester	(1,026,435)	(1,500,697)	(1,853,773)
Glocester	(565,457)	(826,725)	(1,021,232)
Johnston	(2,876,492)	(4,205,570)	(5,195,035)
Lincoln	(2,642,831)	(3,863,946)	(4,773,036)
Little Compton	(220,056)	(321,732)	(397,427)
Middletown	(1,998,160)	(2,921,405)	(3,608,739)
Newport	(1,965,113)	(2,873,089)	(3,549,055)
North Smithfield	(1,436,522)	(2,100,264)	(2,594,403)
Northern RI Collaborative	(285,460)	(417,356)	(515,549)
Portsmouth	(2,061,001)	(3,013,282)	(3,722,232)
Scituate	(1,231,162)	(1,800,018)	(2,223,517)
Smithfield	(2,093,728)	(3,061,131)	(3,781,338)
Tiverton	(1,588,822)	(2,322,934)	(2,869,462)
Urban Collaborative	(128,919)	(188,485)	(232,831)
Westerly	(2,712,202)	(3,965,369)	(4,898,321)
	<u>\$ (56,582,550)</u>	<u>\$ (82,726,406)</u>	<u>\$ (102,189,847)</u>

See notes to schedules.

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, 2017 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.

The Schedule of Employer Allocations (Schedule A) reflects employer contribution amounts which are the preliminary basis for allocating the pension amounts to each employer. The final or effective allocations also include any changes in allocations between years which are reflected as deferred outflows/inflows and recognized over the remaining service lives of the respective employee group.

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 fiscal year ended June 30, 2017, (2) Required Supplementary Information prepared in accordance with the requirements of GASB Statement No. 67, and (3) certain data from the actuarial valuation of the Plan performed at June 30, 2016 rolled-forward to June 30, 2017. This Schedule utilizes the proportionate employer contribution schedule detailed in the Schedule of Employer Allocations to apportion each employer's amounts for the cost-sharing plan.

The Schedule of Pension Amounts by Employer includes the sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.0 percent, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

Net Pension Liability (Asset) – Sensitivity Analysis

	<u>1.00% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1.00% Increase (8.0%)</u>
TSB	\$ (56,582,550)	\$ (82,726,406)	\$ (102,189,847)

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.

Certain amounts included in the notes to the System's fiscal 2017 financial statements and required supplementary information regarding the beginning total pension liability are different from amounts included in the schedule of pension amounts by employer. Amounts reported in the System's financial statements were based on a June 30, 2014 valuation rolled forward to the June 30, 2017 measurement date. Amounts included herein reflect a more current June 30, 2016 valuation rolled forward to the same June 30, 2017 measurement date. The total pension asset at the measurement date of June 30, 2017 is unchanged, however, the beginning total pension liability, interest, and the difference in experience changed to reflect the more current valuation (see reconciliation below).

\$ 209,118,520	GASB 67 – Beginning total pension liability as reflected in ERSRI financial statements
(23,870,746)	Recognize difference in experience
<u>1,665,401</u>	Recognize interest variance - (based on different valuation dates)
\$ 186,913,175	GASB 68 – Beginning total pension liability
<u>286,485,057</u>	Fiduciary net position June 30, 2016
<u>\$ (99,571,882)</u>	Net Pension Asset - beginning on schedule of pension amounts by employer

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, 2017. 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, 2017 were as follows:

<i>Fiscal year ended June 30, 2017</i>	
Total pension liability	\$ 229,234,027
Plan Fiduciary net position	<u>311,960,433</u>
Employers' Net Pension Liability (Asset)	\$ (82,726,406)
 Plan Fiduciary Net Position as a percentage of total pension liability	 136.1%

Teachers' Survivors Benefit Cost-Sharing Plan

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

7. Actuarial methods and assumptions

The total pension liability was determined by actuarial valuations performed as of June 30, 2016, rolled forward to 2017, using the following actuarial assumptions, applied to all periods included in the measurement.

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

Investment Rate of Return - 7.00%

Projected Salary Increases – 3.0% to 13.0%

Mortality:

- Male Employees, RP-2014 Combined Healthy for Males with White Collar adjustments, projected with Scale Ultimate MP16.
- Female Employees, RP-2014 Combined Healthy for Females with White Collar adjustments, projected with Scale Ultimate MP16.

Inflation – 2.50%

Cost of Living Adjustments: eligible survivors receive a yearly cost of living adjustment based on the annual social security adjustment – for valuation purposes, a 2.50% cost of living adjustment is assumed.

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 7.0 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.

Teachers' Survivors Benefit Cost-Sharing Plan

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

9. Deferred Outflows and Inflows of Resources (continued)

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 7.0%.

Changes in proportion between the June 30, 2016 and June 30, 2017 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 2017 is 8.2814 years.