



# Audit Summary

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## Employees' Retirement System of the State of Rhode Island

**Fiscal Year Ended June 30, 2022**

We completed an audit of the fiscal 2022 financial statements for the **Employees' Retirement System of the State of Rhode Island** (the Retirement System). We concluded that the financial statements of the Retirement System present fairly, in all material respects, the fiduciary net position of the System's plans as of June 30, 2022 and the changes in fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The audit encompassed (1) the seven defined benefit pension plans administered by the Retirement System – i.e., separate plans for state employees and teachers, the teachers' survivors benefit program, two plans covering state police, two plans covering judges, and participating municipal employees, and (2) the defined contribution plan. The defined benefit plans covered more than 73,000 members (more than 40,000 of these members also participated in the defined contribution plan).

Net position of the Retirement System decreased by \$620.2 million during fiscal 2022 to \$11.6 billion at June 30, 2022 largely due to negative investment returns for the fiscal year and the normally expected payment of benefits.

The net investment loss within the pooled investment trust was \$278.6 million (compared to net investment income of \$2.3 billion during fiscal year 2021). The time weighted net rate of return during the fiscal year was -1.4% (compared to 25.6% during the prior fiscal year). The System reported total investment expenses of \$166.7 million for fiscal 2022.

Benefits paid to retirees and beneficiaries from the defined benefit plans during fiscal 2022 totaled \$1.0 billion. Employee and employer contributions totaled more than \$822.4 million to all the defined benefit plans including a one-time State appropriated contribution of \$62 million to eliminate actuarial liabilities associated with pension deferral in fiscal years 1991 and 1992.

Amounts accumulated in the defined contribution plan totaled \$1.5 billion at June 30, 2022. Employer and employee contributions to the defined contribution plan were \$139.8 million during fiscal 2022. Investment losses within the defined contribution plan totaled \$237.2 million. Most defined contribution plan assets (89%) are held in target date retirement fund investments. Distributions from the defined contribution plan totaled \$46.3 million.

The accounting measures of the net pension liability (GASB Statement No. 67) used for financial reporting differ from the measures used to determine actuarially determined contribution amounts for funding purposes. Employers participating in the System's plans report the net pension liability (asset), or their proportionate share, on their government-wide financial statements as required by GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions*.

The net pension liability (asset) of each plan is shown in the table on the following page as of June 30, 2022. Two of the defined benefit plans were more than 100% funded whereby net position exceeds the total pension liability and results in a net pension asset. Net position as a percentage of the total pension liability was 177.7% and 101.1% for the Teachers' Survivors Benefit Plan and Judicial Retirement Benefit Trust plans, respectively.

The pension liability for all plans except the RIJRT was determined using the System's investment return assumption of 7%. The RIJRT used a municipal bond index rate of 3.69%.

The System's fiscal 2022 financial statements also include disclosures related to the money-weighted return on investments for each plan, the components of the change in the net pension liability (asset), and the sensitivity of the determination of the net pension liability (asset) by a change in investment return assumption of +1/-1%. The real return assumption for each asset class within the pooled investment trust is disclosed as support for the System's overall investment return assumption of 7%.

During fiscal 2022, participating employers in the plans administered by the System made 100% of the required actuarially determined contributions except for the RIJRT plan covering 7 judges. The State is not contributing on an advance funded basis to the RIJRT plan. We highlighted that plan net position represents only 7.4% of the total pension liability and additional employer contributions will be required to provide benefits to members of the RIJRT plan.

The audit report includes a finding and recommendations related to the defined contribution plan which is administered by an external entity and is not subject to controls and processes in place for the defined benefit plans. We recommended that the System enhance its oversight of the defined contribution plan and consider modifying the existing contribution and benefit system to also capture employee and employer contribution data for the defined contribution plan.

A chart on the following page details the net pension liability (asset) of each defined benefit plan within the System at the June 30, 2022 measurement date. Additionally, the types of assets held within the pooled investment trust at June 30, 2022 are detailed in the accompanying chart.

*The audit report is available on our website - [www.oag.ri.gov](http://www.oag.ri.gov) or by calling the office at 401.222.2435.*

Defined Benefit Plans - Net Pension Liability (Asset) – June 30, 2022

Plan	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b>ERS</b>				
State Employees	\$ 4,884,260,227	\$ 2,911,444,771	\$ 1,972,815,456	59.6%
Teacher	7,119,287,066	4,418,568,123	2,700,718,943	62.1%
SPRBT	210,670,703	190,522,713	20,147,990	90.4%
JRBT	96,802,758	97,841,373	(1,038,615)	101.1%
RIJRFT	19,328,980	1,425,240	17,903,740	7.4%
SPRFT	160,763,062	23,894,678	136,868,384	14.9%
TSB	226,067,483	401,796,555	(175,729,072)	177.7%
<b>MERS</b>				
General Employees	1,348,780,386	1,193,660,231	155,120,155	88.5%
Municipal Police/Fire	930,564,179	790,938,243	139,625,936	85.0%

Pooled Investment Trust – Asset Allocation – June 30, 2022  
(in millions)

