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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, 2014 Measurement Date

Dennis E. Hoyle, CPA  
Auditor General

State of Rhode Island and Providence Plantations  
General Assembly  
Office of the Auditor General

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## Office of the Auditor General

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

[oag.ri.gov](http://oag.ri.gov)

86 Weybosset Street • Providence, RI • 02903-2800  
tel: 401.222.2435 • fax: 401.222.2111

November 4, 2015

JOINT COMMITTEE ON LEGISLATIVE SERVICES:

SPEAKER Nicholas A. Mattiello, Chairman

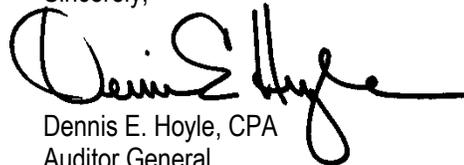
Senator M. Teresa Paiva Weed  
Senator Dennis L. Algieri  
Representative John J. DeSimone  
Representative Brian C. Newberry

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, 2014.

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, 2014 Measurement Date

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
I. INTRODUCTION	1
II. INDEPENDENT AUDITOR'S REPORT	2
III. <b>Schedule A</b> - SCHEDULE OF EMPLOYER ALLOCATIONS	4
IV. <b>Schedule B</b> - SCHEDULE OF PENSION AMOUNTS BY EMPLOYER	5
V. NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER	10

**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, 2014 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, 2014 – the information included herein is intended for use in Fiscal 2015 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.



# 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 accompanying Schedule of Employer Allocations of the Teachers' Survivors Benefit plan as of and for the year ended June 30, 2014, and the related notes. We have also audited the total for all entities of the columns titled beginning net pension asset, 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, 2014, 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 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 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.

**Opinions**

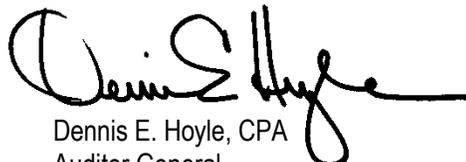
In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and beginning net pension asset, ending net pension asset, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Teachers' Survivors Benefit cost-sharing plan as of and for the year ended June 30, 2014, 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 of and for the year ended June 30, 2014, and our report thereon, dated December 18, 2014, expressed an unmodified opinion on those financial statements. Certain information for the Teachers' Survivors Benefit Plan which was included in those financial statements as required supplementary information within the Schedules of Changes in Participating Employers' Net Pension Liability (Asset) has been subsequently restated. Our report dated December 18, 2014 was updated on November 3, 2015 with respect to Notes 13 and 14 and required supplementary information.

**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 as of and for the year ended June 30, 2014 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

November 4, 2015

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

Participating Employer Unit	Fiscal 2014 employer contribution	
	Amount	%
Barrington	\$ 28,416	4.66472449%
Bristol-Warren	27,516	4.51700329%
Burrillville	20,082	3.29654812%
Central Falls Collaborative	26,797	4.39887492%
Coventry	45,194	7.41898361%
Cranston	98,373	16.14880307%
Cumberland	39,786	6.53117242%
East Greenwich	22,327	3.66518874%
East Providence	45,149	7.41164409%
Foster	2,304	0.37822090%
Foster-Glocester	11,328	1.85958611%
Glocester	5,184	0.85099703%
Johnston	28,320	4.64896528%
Lincoln	30,319	4.97709490%
Little Compton	4,053	0.66537331%
Middletown	22,288	3.65867986%
Newport	20,185	3.31356806%
North Smithfield	16,437	2.69832872%
Northern RI Collaborative	3,168	0.52005374%
Portsmouth	23,843	3.91396256%
Scituate	13,632	2.23780702%
Smithfield	23,444	3.84845352%
Tiverton	18,189	2.98594898%
Urban Collaborative	1,440	0.23638807%
Westerly	31,394	5.15362918%
<b>Totals</b>	<b>\$ 609,168</b>	<b>100.00000000%</b>

Teachers' Survivors Benefit Plan - Schedule of Pension Amounts by Employer

Schedule B

Participating Employer	FY 2014 Contributions	Proportionate Share	Net Pension Liability (Asset) Beginning of Year	Total Pension Expense
Barrington	\$ 28,416	4.66472449%	(4,564,828)	(447,023)
Bristol-Warren	27,516	4.51700329%	(4,420,270)	(432,867)
Burrillville	20,082	3.29654812%	(3,225,951)	(315,910)
Central Falls Collaborative	26,797	4.39887492%	(4,304,671)	(421,547)
Coventry	45,194	7.41898361%	(7,260,103)	(710,965)
Cranston	98,373	16.14880307%	(15,802,970)	(1,547,549)
Cumberland	39,786	6.53117242%	(6,391,305)	(625,886)
East Greenwich	22,327	3.66518874%	(3,586,697)	(351,237)
East Providence	45,149	7.41164409%	(7,252,921)	(710,262)
Foster	2,304	0.37822090%	(370,121)	(36,245)
Foster-Glocester	11,328	1.85958611%	(1,819,762)	(178,205)
Glocester	5,184	0.85099703%	(832,773)	(81,552)
Johnston	28,320	4.64896528%	(4,549,406)	(445,513)
Lincoln	30,319	4.97709490%	(4,870,508)	(476,958)
Little Compton	4,053	0.66537331%	(651,124)	(63,763)
Middletown	22,288	3.65867986%	(3,580,328)	(350,613)
Newport	20,185	3.31356806%	(3,242,607)	(317,541)
North Smithfield	16,437	2.69832872%	(2,640,543)	(258,582)
Northern RI Collaborative	3,168	0.52005374%	(508,917)	(49,837)
Portsmouth	23,843	3.91396256%	(3,830,144)	(375,077)
Scituate	13,632	2.23780702%	(2,189,884)	(214,450)
Smithfield	23,444	3.84845352%	(3,766,037)	(368,799)
Tiverton	18,189	2.98594898%	(2,922,004)	(286,145)
Urban Collaborative	1,440	0.23638807%	(231,326)	(22,653)
Westerly	31,394	5.15362918%	(5,043,262)	(493,875)
	\$ 609,168	100.00000000%	\$ (97,858,461)	\$ (9,583,055)

Teachers' Survivors Benefit Plan - Schedule of Pension Amounts by Employer

Schedule B

Participating Employer	Collective Deferred Outflows for Plan as a Whole Unrecognized Current Year Deferred Outflow of Resources					Total Deferred Outflows of Resources
	Differences Between Expected and Actual Experience	Changes of Assumptions	Net Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions		
Barrington	-	-	-	-	-	
Bristol-Warren	-	-	-	-	-	
Burrillville	-	-	-	-	-	
Central Falls Collaborative	-	-	-	-	-	
Coventry	-	-	-	-	-	
Cranston	-	-	-	-	-	
Cumberland	-	-	-	-	-	
East Greenwich	-	-	-	-	-	
East Providence	-	-	-	-	-	
Foster	-	-	-	-	-	
Foster-Glocester	-	-	-	-	-	
Glocester	-	-	-	-	-	
Johnston	-	-	-	-	-	
Lincoln	-	-	-	-	-	
Little Compton	-	-	-	-	-	
Middletown	-	-	-	-	-	
Newport	-	-	-	-	-	
North Smithfield	-	-	-	-	-	
Northern RI Collaborative	-	-	-	-	-	
Portsmouth	-	-	-	-	-	
Scituate	-	-	-	-	-	
Smithfield	-	-	-	-	-	
Tiverton	-	-	-	-	-	
Urban Collaborative	-	-	-	-	-	
Westerly	-	-	-	-	-	
	\$ -	\$ -	\$ -	\$ -	\$ -	

Teachers' Survivors Benefit Plan - Schedule of Pension Amounts by Employer

Schedule B

Participating Employer	Collective Deferred Inflows for Plan as a Whole Unrecognized Current Year Deferred Inflow of Resources					Total Deferred Inflows of Resources	Total Deferred (Inflows) and Outflows of Resources	Ending Net Pension Liability (Asset)
	Differences Between Expected and Actual Experience	Changes of Assumptions	Net Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions				
Barrington	-	-	758,950	-	758,950	(758,950)	(5,799,218)	
Bristol-Warren	-	-	734,919	-	734,919	(734,919)	(5,615,571)	
Burrillville	-	-	536,350	-	536,350	(536,350)	(4,098,293)	
Central Falls Collaborative	-	-	715,699	-	715,699	(715,699)	(5,468,713)	
Coventry	-	-	1,207,072	-	1,207,072	(1,207,072)	(9,223,335)	
Cranston	-	-	2,627,418	-	2,627,418	(2,627,418)	(20,076,310)	
Cumberland	-	-	1,062,625	-	1,062,625	(1,062,625)	(8,119,601)	
East Greenwich	-	-	596,328	-	596,328	(596,328)	(4,556,589)	
East Providence	-	-	1,205,878	-	1,205,878	(1,205,878)	(9,214,210)	
Foster	-	-	61,537	-	61,537	(61,537)	(470,207)	
Foster-Glocester	-	-	302,556	-	302,556	(302,556)	(2,311,851)	
Glocester	-	-	138,458	-	138,458	(138,458)	(1,057,966)	
Johnston	-	-	756,389	-	756,389	(756,389)	(5,779,628)	
Lincoln	-	-	809,776	-	809,776	(809,776)	(6,187,561)	
Little Compton	-	-	108,257	-	108,257	(108,257)	(827,197)	
Middletown	-	-	595,269	-	595,269	(595,269)	(4,548,498)	
Newport	-	-	539,119	-	539,119	(539,119)	(4,119,452)	
North Smithfield	-	-	439,019	-	439,019	(439,019)	(3,354,582)	
Northern RI Collaborative	-	-	84,613	-	84,613	(84,613)	(646,535)	
Portsmouth	-	-	636,804	-	636,804	(636,804)	(4,865,867)	
Scituate	-	-	364,092	-	364,092	(364,092)	(2,782,058)	
Smithfield	-	-	626,145	-	626,145	(626,145)	(4,784,426)	
Tiverton	-	-	485,815	-	485,815	(485,815)	(3,712,154)	
Urban Collaborative	-	-	38,460	-	38,460	(38,460)	(293,879)	
Westerly	-	-	838,498	-	838,498	(838,498)	(6,407,029)	
	\$ -	\$ -	\$ 16,270,046	\$ -	\$ 16,270,046	\$ (16,270,046)	\$ (124,320,730)	

See notes to Schedules

Teachers' Survivors Benefit Plan - Schedule of Pension Amounts by Employer

Schedule B

Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Plan Years Ending in						
Participating Employer	2015	2016	2017	2018	2019	Thereafter
Barrington	(189,740)	(189,740)	(189,740)	(189,740)	-	-
Bristol-Warren	(183,730)	(183,730)	(183,730)	(183,730)	-	-
Burrillville	(134,087)	(134,087)	(134,087)	(134,087)	-	-
Central Falls Collaborative	(178,925)	(178,925)	(178,925)	(178,925)	-	-
Coventry	(301,768)	(301,768)	(301,768)	(301,768)	-	-
Cranston	(656,854)	(656,854)	(656,854)	(656,854)	-	-
Cumberland	(265,656)	(265,656)	(265,656)	(265,656)	-	-
East Greenwich	(149,082)	(149,082)	(149,082)	(149,082)	-	-
East Providence	(301,469)	(301,469)	(301,469)	(301,469)	-	-
Foster	(15,384)	(15,384)	(15,384)	(15,384)	-	-
Foster-Glocester	(75,639)	(75,639)	(75,639)	(75,639)	-	-
Glocester	(34,614)	(34,614)	(34,614)	(34,614)	-	-
Johnston	(189,097)	(189,097)	(189,097)	(189,097)	-	-
Lincoln	(202,444)	(202,444)	(202,444)	(202,444)	-	-
Little Compton	(27,064)	(27,064)	(27,064)	(27,064)	-	-
Middletown	(148,817)	(148,817)	(148,817)	(148,817)	-	-
Newport	(134,780)	(134,780)	(134,780)	(134,780)	-	-
North Smithfield	(109,755)	(109,755)	(109,755)	(109,755)	-	-
Northern RI Collaborative	(21,153)	(21,153)	(21,153)	(21,153)	-	-
Portsmouth	(159,201)	(159,201)	(159,201)	(159,201)	-	-
Scituate	(91,023)	(91,023)	(91,023)	(91,023)	-	-
Smithfield	(156,536)	(156,536)	(156,536)	(156,536)	-	-
Tiverton	(121,454)	(121,454)	(121,454)	(121,454)	-	-
Urban Collaborative	(9,615)	(9,615)	(9,615)	(9,615)	-	-
Westerly	(209,624)	(209,624)	(209,624)	(209,624)	-	-
	\$ (4,067,511)	\$ (4,067,511)	\$ (4,067,511)	\$ (4,067,511)	-	-

Teachers' Survivors Benefit Plan - Schedule of Pension Amounts by Employer

Schedule B

Participating Employer	Discount Rate Sensitivity		
	Ending Net Pension Liability (Asset)		
	1% Lower 6.50%	7.50%	1% Higher 8.50%
Barrington	(4,969,850)	(5,799,218)	(6,628,473)
Bristol-Warren	(4,812,464)	(5,615,571)	(6,418,563)
Burrillville	(3,512,178)	(4,098,293)	(4,684,323)
Central Falls Collaborative	(4,686,609)	(5,468,713)	(6,250,705)
Coventry	(7,904,266)	(9,223,335)	(10,542,213)
Cranston	(17,205,110)	(20,076,310)	(22,947,096)
Cumberland	(6,958,382)	(8,119,601)	(9,280,653)
East Greenwich	(3,904,932)	(4,556,589)	(5,208,153)
East Providence	(7,896,446)	(9,214,210)	(10,531,784)
Foster	(402,961)	(470,207)	(537,444)
Foster-Glocester	(1,981,223)	(2,311,851)	(2,642,431)
Glocester	(906,661)	(1,057,966)	(1,209,248)
Johnston	(4,953,058)	(5,779,628)	(6,606,078)
Lincoln	(5,302,651)	(6,187,561)	(7,072,343)
Little Compton	(708,896)	(827,197)	(945,481)
Middletown	(3,897,997)	(4,548,498)	(5,198,904)
Newport	(3,530,311)	(4,119,452)	(4,708,508)
North Smithfield	(2,874,829)	(3,354,582)	(3,834,266)
Northern RI Collaborative	(554,071)	(646,535)	(738,985)
Portsmouth	(4,169,978)	(4,865,867)	(5,561,655)
Scituate	(2,384,184)	(2,782,058)	(3,179,875)
Smithfield	(4,100,184)	(4,784,426)	(5,468,568)
Tiverton	(3,181,262)	(3,712,154)	(4,242,968)
Urban Collaborative	(251,850)	(293,879)	(335,902)
Westerly	(5,490,732)	(6,407,029)	(7,323,194)
	\$ (106,541,085)	\$ (124,320,730)	\$ (142,097,813)

**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**

**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, 2014 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.

**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 year ended June 30, 2014, (2) Required Supplementary Information (subsequently restated) prepared in accordance with the requirements of GASB Statement No. 67 which was presented with the Plan's financial statements for the year ended June 30, 2014, and (3) certain data from the actuarial valuation of the Plan performed at June 30, 2013 rolled-forward to June 30, 2014. 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 7.5 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**

	<b>1.00% Decrease</b>	<b>Current</b>	<b>1.00% Increase</b>
	<b>(6.50%)</b>	<b>(7.5%)</b>	<b>(8.50%)</b>
<b>TSB</b>	\$ (106,541,085)	\$ (124,320,730)	\$ (142,097,813)

**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.

**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, 2014. 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, 2014 were as follows:

<b><i>Fiscal year ended June 30, 2014</i></b>	
Total pension liability	\$ 169,601,073
Plan Fiduciary net position	293,921,803
Employers' Net Pension Liability (Asset)	\$ (124,320,730)
Plan Fiduciary Net Position as a percentage of total pension liability	173.3%

**7. Actuarial methods and assumptions**

The total pension liability was determined by actuarial valuations performed as of June 30, 2013 and rolled forward to June 30, 2014, 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 - 7.50%

Projected Salary Increases – teachers - 3.50% to 13.5%

Mortality – teachers: Male and female teachers: 97% and 92%, respectively of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.

Inflation - 2.75%

Cost of Living Adjustments: eligible survivors receive a yearly cost of living adjustment based on the annual social security adjustment – for valuation purposes, a 2.75% cost of living adjustment is assumed.

**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**

**7. Actuarial methods and assumptions (continued)**

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 forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms.

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

**8. Discount rate**

The discount rate used to measure the total pension liability of the TSB plan was 7.5 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.

The difference 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 7.5%.