



Audit Summary

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Auditor General

December 2025

Employees' Retirement System of the State of Rhode Island

Fiscal Year Ended June 30, 2025

We completed an audit of the fiscal 2025 financial statements for the **Employees' Retirement System of the State of Rhode Island** (the System). We concluded that the financial statements of the System present fairly, in all material respects, the fiduciary net position of the System's plans as of June 30, 2025, 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 System's financial statements and our Independent Auditor's Report thereon are included in the Annual Comprehensive Financial Report of the System.

The audit encompassed the seven defined benefit pension plans administered by the 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 the defined contribution plan. The defined benefit plans covered more than 90,000 retired, vested, or active members. Approximately 45,000 of these members also participated in the defined contribution plan.

Net position of the System increased by \$1.1 billion during fiscal 2025 to \$14.7 billion at June 30, 2025, largely due to the significant positive investment returns experienced during the fiscal year.

The net investment income within the pooled investment trust approximated \$1.0 billion (compared to net investment income of \$1.1 billion during fiscal year 2024). The time-weighted net rate of return, net of investment fees, during the fiscal year was 8.4% (compared to 10.5% during the prior fiscal year). The System reported total investment expenses of \$153.8 million for fiscal 2025.

Benefits paid to retirees and beneficiaries from the defined benefit plans during fiscal 2025 totaled \$1.1 billion. Employee and employer contributions totaled more than \$861.1 million to all the defined benefit plans. The contribution amount includes \$130.2 million contributed for teachers by the State during fiscal 2025.

Amounts accumulated in the defined contribution plan totaled \$2.5 billion at June 30, 2025. Employer and employee contributions to the defined contribution plan were \$159.2 million during fiscal 2025. Investment income within the defined contribution plan totaled \$291.1 million. Distributions from the defined contribution plan totaled \$70.8 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, 2025. 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 200.6% and 108.7% for the Teachers' Survivors Benefits Plan and Judicial Retirement Benefits Trust plans, respectively.

The pension liability for all plans except the RIJRFT was determined using the System's investment return assumption of 7%. The RIJRFT used a municipal bond index rate of 5.2%. The 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%.

During fiscal 2025, participating employers in the plans administered by the System made 100% of the required actuarially determined contributions except for the RIJRFT plan covering 7 judges. The State is not contributing on an advance funded basis to the RIJRFT plan. The plan net position represents only 11.5% of the total pension liability and additional employer contributions will be required to provide benefits to members of the RIJRFT plan.

In accordance with *Government Auditing Standards*, we also issued our Independent Auditor's Report on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The audit report included a finding 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. In conjunction with the finding, we provided 3 recommendations that would enhance the System's internal controls over financial reporting for the defined contribution plan.

We also communicated 5 management comments which include recommendations to enhance internal control or result in other operational efficiencies.

A chart on the following page details the net pension liability (asset) of each defined benefit plan within the System at the June 30, 2025 measurement date. Additionally, the types of assets held within the pooled investment trust at June 30, 2025 are detailed in the accompanying chart.

Our audit report and links to the System's Annual Comprehensive Financial Report are available on our website - www.oag.ri.gov.

Defined Benefit Plans - Net Pension Liability (Asset) – June 30, 2025

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
Employees' Retirement System Trust:				
State Employees	\$ 5,363,379,276	\$ 3,568,470,855	\$ 1,794,908,421	66.5%
Teacher	7,507,872,349	5,266,311,284	2,241,561,065	70.1%
State Police Retirement Benefits Trust	263,331,660	245,291,810	18,039,850	93.1%
Judicial Retirement Benefits Trust	113,160,931	123,028,635	(9,867,704)	108.7%
RI Judicial Retirement Fund Trust	16,498,630	1,896,290	14,602,340	11.5%
State Police Retirement Fund Trust	142,808,442	37,479,792	105,328,650	26.2%
Teachers' Survivors Benefits Trust	241,462,940	484,433,092	(242,970,152)	200.6%
Municipal Employees' Retirement System Trust:				
General Employees	1,568,487,647	1,422,192,738	146,294,909	90.7%
Municipal Police/Fire	1,258,521,900	1,068,220,510	190,301,390	84.9%

Pooled Investment Trust – Asset Allocation – June 30, 2025
(in millions)

