

**EMPLOYEES' RETIREMENT SYSTEM OF
THE STATE OF RHODE ISLAND**

**Municipal Employees' Retirement System
Multiple-Employer Defined Benefit Agent Plan**

GASB STATEMENT No. 68 REPORTS

FISCAL YEAR ENDED JUNE 30, 2017
(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
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September 26, 2018

JOINT COMMITTEE ON LEGISLATIVE SERVICES:

SPEAKER Nicholas A. Mattiello, Chairman

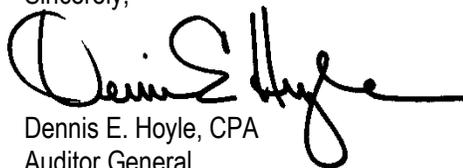
Senator Dominick J. Ruggerio
Senator Dennis L. Algieri
Representative K. Joseph Shekarchi
Representative Patricia L. Morgan

We have completed our audit of the Schedules of Changes in Fiduciary Net Position by Employer - Municipal Employees' Retirement System (MERS) plan for the fiscal year ended June 30, 2017. The Schedules are required for employers participating in the MERS multiple-employer defined benefit agent 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*.

We have also included our report on the MERS plan census data as of June 30, 2016, which was used as the basis for the actuarial valuation of the plan at that date rolled forward to June 30, 2017 – **the plan measurement date for fiscal 2018 financial reporting by participating employers in the MERS plan.**

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

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FISCAL YEAR ENDED JUNE 30, 2017

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Municipal Employees' Retirement System

Multiple-Employer Defined Benefit Agent Plan

GASB STATEMENT No. 68 REPORTS

INTRODUCTION

The Municipal Employees' Retirement System (MERS) Plan covers certain employees of municipalities, fire districts, housing authorities, water and sewer districts, and municipal police and fire units that have elected to participate. MERS is an agent plan and accordingly separate actuarial valuations are performed for each employer unit.

We have previously audited the financial statements of the Employees' Retirement System of the State of Rhode Island for the year ended June 30, 2017 which includes the MERS plan financial statements. ERSRI has prepared and we have audited the Schedules of Changes in Fiduciary Net Position by Employer (the Schedules) for the fiscal year ended June 30, 2017. The amounts included in the Schedules are used by the actuary to determine the net pension liability or asset for each MERS participating employer at the June 30, 2017 measurement date.

The net pension liability and other measures for each MERS employer unit 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.

We have also issued our report on the reliability of the MERS census data at June 30, 2016 used by the actuary to measure the total pension liability for each MERS participating employer. The June 30, 2016 actuarial data, rolled forward to June 30, 2017, was used as the basis for determining the total pension liability at the measurement date (June 30, 2017). **Our report on the census data is intended to be used by each participating employer and their auditors in meeting the employer's fiscal 2018 financial reporting requirements.**

The System's actuary has provided separately issued actuarial valuation reports to each MERS participating employer which contains the beginning net pension liability (asset), ending net pension liability (asset), pension expense and related deferred inflows and outflows. The employer specific actuarial reports also detail actuarial methods and assumptions used by the actuary in measuring the net pension liability (asset) in accordance with the requirements of GASB Statement No. 68.

This audit report and the actuarial valuation reports provided by the actuary will allow employers participating in the MERS agent plan to meet their financial reporting responsibilities pursuant to GASB Statement No. 68.



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INDEPENDENT ACCOUNTANT'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 examined the Employees' Retirement System of Rhode Island (the System) management assertions related to the census data it maintained for the Municipal Employees' Retirement System (MERS) which was used by the System's actuary to prepare the actuarial valuations as of June 30, 2016 for the employers participating in MERS. The data in the 2016 valuations were rolled-forward to June 30, 2017 and used to prepare the GASB Statement No. 68 Accounting Valuation Reports as of June 30, 2017 for the employers participating in MERS. Management's assertions are:

1. The key census data elements as of June 30, 2016 provided by the System to its actuary are complete and accurate based on the accumulation of census data reported by the participating employers for the period July 1, 2015 through June 30, 2016. Key census data elements include: employer code, member name, gender, date of birth, date of hire, years of service, eligible compensation, date of termination, employment status (active, inactive or retired) and employee class (such as general employee, police, fire) and annual benefit payments for retirees as outlined in Title 45 of the General Laws of the State of Rhode Island.
2. The census data provided to the actuary as of June 30, 2016 properly reflects benefit provisions in effect through the measurement date of June 30, 2017 as outlined in Rhode Island General Law Title 45.
3. The census data provided to the actuary as of June 30, 2016 properly excludes deceased members based on the System's validation of the existence of plan members by cross matching social security numbers of plan members with the Social Security death file maintained by a private vendor (Pension Benefit Information) on a monthly basis for the period July 1, 2015 through June 30, 2016.

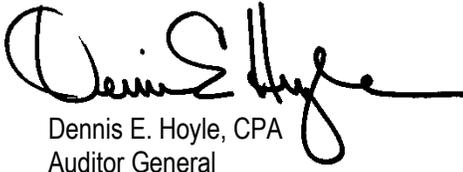
The System's management is responsible for the aforementioned census data assertions. Our responsibility is to express an opinion on these assertions based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertions and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

In our opinion, management's assertions referred to above are fairly stated, in all material respects, based on the law governing MERS (RIGL Title 45).

Our report is intended solely for the information and use of the Employees' Retirement System of the State of Rhode Island's management, the Retirement Board of the Employees' Retirement System of the State of Rhode Island, the Municipal Employees' Retirement System participating employers 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



Office of the Auditor General

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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 fiduciary net position as of June 30, 2017, and the changes in fiduciary net position for the year then ended, included in the accompanying Schedules of Changes in Fiduciary Net Position by Employer ("Schedule") of the Municipal Employees' Retirement System (MERS), and the related notes. We have also audited the fiduciary net position of each individual employer as of June 30, 2017, and the changes in fiduciary net position of each individual employer for the year then ended, included in the accompanying Schedule and the related notes.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the 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 an opinion on the fiduciary net position and the changes in fiduciary net position included in the Schedules 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 fiduciary net position and the changes in fiduciary net position included in the Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the fiduciary net position and the changes in fiduciary net position included in the Schedules, 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 fiduciary net position and the changes in fiduciary net position included in the Schedules 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 fiduciary net position and the changes in fiduciary net position included in the Schedules.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the Schedules referred to above presents fairly, in all material respects, the fiduciary net position of the Municipal Employees' Retirement System as of June 30, 2017, and the changes in fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the Schedules referred to above presents fairly, in all material respects, the fiduciary net position of each individual employer as of June 30, 2017 and the changes in fiduciary net position of each individual employer for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

The fair values of certain investments (hedge funds, private equity, real estate, certain infrastructure investments and the crisis protection class – trend following investments) representing 26% of assets within the pooled investment trust, have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or general partners.

As described in Note 4, certain investment expenses are customarily reported on a net of fees basis and consequently such amounts are not included with other investment expenses as they are not readily separable.

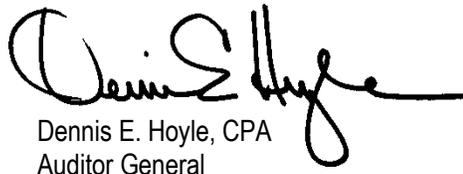
Our opinions are not modified with respect to these matters.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Municipal Employees' Retirement System 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's management, the Retirement Board of the Employees' Retirement System of the State of Rhode Island, the Municipal Employees' Retirement System participating employers 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

Municipal Employees' Retirement System
Schedules of Changes in Fiduciary Net Position by Employer
Year Ended June 30, 2017

<i>Employer Unit Type</i>	Barrington (COLA)	Barrington	Barrington	Barrington	Bristol	Bristol	Bristol	Bristol Housing
<i>General Employees</i>	•				•			•
<i>Police</i>		•				•		
<i>Fire</i>			•	•			•	
<i>Police and Fire</i>								
<i>Current Employer Unit Number(s)</i>	1002 1003 1007 1009	1004	1005	1008	1012 1019	1014	1015	1016
<i>Legacy Employer Unit Number</i>	3078	4060	4061	4059	3002	4096	4094	3059

Additions

Contributions

Member contributions	\$ 247,796	\$ 165,377	\$ 6,611	\$ 148,341	\$ 181,315	\$ 267,742	\$ 9,030	\$ 17,936
Employer contributions	706,278	506,508	253,598	126,090	777,795	135,744	16,215	-
Other (net)	(80)	(21)	(14)	(7)	1,060	(18)	(1)	(5)
Net investment income	3,600,945	951,795	640,246	317,038	1,840,641	790,196	35,617	224,576
Total Additions	4,554,939	1,623,659	900,441	591,462	2,800,811	1,193,664	60,861	242,507

Deductions

Retirement benefits and refunds	2,125,085	738,073	816,675	55,247	1,486,642	38,201	17,856	97,035
Administrative expense	34,020	8,992	6,049	2,995	17,390	7,465	337	2,122
Service credit transfers (net)	133,262	-	-	8,039	-	-	-	-
Total Deductions	2,292,367	747,065	822,724	66,281	1,504,032	45,666	18,193	99,157

Net Increase (Decrease)

	2,262,572	876,594	77,717	525,181	1,296,780	1,147,998	42,669	143,350
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Net position restricted for pensions

Beginning of year	31,645,734	8,085,984	5,951,157	2,460,212	16,035,621	6,292,881	292,722	1,971,369
End of year	\$ 33,908,306	\$ 8,962,578	\$ 6,028,874	\$ 2,985,393	\$ 17,332,401	\$ 7,440,879	\$ 335,391	\$ 2,114,719

Municipal Employees' Retirement System
Schedules of Changes in Fiduciary Net Position by Employer
Year Ended June 30, 2017

<i>Employer Unit Type</i>	Bristol/Warren Regional School	Burrillville	Burrillville	Burrillville Housing	Central Coventry Fire District	Central Falls	Central Falls School District	Central Falls Housing
<i>General Employees</i>	•	•		•		•	•	•
<i>Police</i>			•					
<i>Fire</i>					•			
<i>Police and Fire</i>								
<i>Current Employer Unit Number(s)</i>	1023	1032 1033	1034	1036	1045 1235 1525 1585	1052	1063	1056
<i>Legacy Employer Unit Number</i>	3100	3003	4090	3065	4102	3004	3099	3096

Additions

Contributions

Member contributions	\$ 116,640	\$ 201,088	\$ 151,157	\$ 4,578	\$ 163,557	\$ 39,027	\$ 102,192	\$ 24,864
Employer contributions	669,307	505,102	329,218	18,678	282,880	287,794	323,526	111,045
Other (net)	(40)	(66)	(24)	(2)	45,865	(11)	(35)	47
Net investment income	1,784,008	2,973,434	1,066,189	100,219	962,278	515,888	1,586,100	230,100
Total Additions	2,569,915	3,679,558	1,546,540	123,473	1,454,580	842,698	2,011,783	366,056

Deductions

Retirement benefits and refunds	1,485,236	1,554,384	599,582	69,433	831,065	518,780	893,523	190,198
Administrative expense	16,855	28,092	10,073	947	9,091	4,874	14,985	2,174
Service credit transfers (net)	(201,629)	151,164	-	-	647,866	53,612	270,266	-
Total Deductions	1,300,462	1,733,640	609,655	70,380	1,488,022	577,266	1,178,774	192,372

Net Increase (Decrease)	1,269,454	1,945,918	936,885	53,093	(33,442)	265,432	833,009	173,684
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Net position restricted for pensions

Beginning of year	15,529,661	26,053,428	9,102,882	890,619	9,094,736	4,592,429	14,102,501	1,993,053
End of year	\$ 16,799,115	\$ 27,999,346	\$ 10,039,767	\$ 943,712	\$ 9,061,294	\$ 4,857,861	\$ 14,935,510	\$ 2,166,737

Municipal Employees' Retirement System
Schedules of Changes in Fiduciary Net Position by Employer
Year Ended June 30, 2017

<i>Employer Unit Type</i>	Chariho School District	Charlestown	Charlestown	Coventry Fire District	Coventry Housing	Coventry Lighting District	Cranston	Cranston
<i>General Employees</i>	•	•			•	•	•	
<i>Police</i>			•					•
<i>Fire</i>				•				
<i>Police and Fire</i>								
<i>Current Employer Unit Number(s)</i>	1073	1082	1084	1095	1096	1098	1112 1113	1114
<i>Legacy Employer Unit Number</i>	3040	3005	4086	4098	3079	3045	3007	4104

Additions								
Contributions								
Member contributions	\$ 175,612	\$ 84,753	\$ 136,572	\$ 55,322	\$ 6,506	\$ 902	\$ 836,339	\$ 1,099,252
Employer contributions	607,582	203,506	332,416	119,501	45,870	-	2,342,837	1,040,242
Other (net)	(44)	(18)	(22)	(7)	(3)	(3)	884	20,792
Net investment income	1,987,979	794,141	980,094	333,910	131,888	126,729	14,401,043	4,095,964
Total Additions	2,771,129	1,082,382	1,449,060	508,726	184,261	127,628	17,581,103	6,256,250
Deductions								
Retirement benefits and refunds	977,355	263,172	562,502	303,173	55,192	61,605	9,287,558	941,558
Administrative expense	18,782	7,503	9,260	3,155	1,246	1,197	136,055	38,697
Service credit transfers (net)	8,386	-	-	371,669	-	-	(253,327)	415,643
Total Deductions	1,004,523	270,675	571,762	677,997	56,438	62,802	9,170,286	1,395,898
Net Increase (Decrease)	1,766,606	811,707	877,298	(169,271)	127,823	64,826	8,410,817	4,860,352
Net position restricted for pensions								
Beginning of year	16,953,202	6,666,321	8,351,755	3,313,535	1,114,101	1,128,523	127,196,630	33,709,298
End of year	\$ 18,719,808	\$ 7,478,028	\$ 9,229,053	\$ 3,144,264	\$ 1,241,924	\$ 1,193,349	\$ 135,607,447	\$ 38,569,650

See notes to schedules.

Municipal Employees' Retirement System
Schedules of Changes in Fiduciary Net Position by Employer
Year Ended June 30, 2017

<i>Employer Unit Type</i>	Cranston	Cranston Housing	Cumberland	Cumberland Fire District	Cumberland Housing	Cumberland Hill Fire District	Cumberland Rescue
<i>General Employees</i>		•	•		•		
<i>Police</i>							
<i>Fire</i>	•			•		•	•
<i>Police and Fire</i>							
<i>Current Employer Unit Number(s)</i>	1115	1116	1122 1123	1125	1126	1135	1148
<i>Legacy Employer Unit Number</i>	4105	3051	3008	4106	3056	4095	4091

Additions

Contributions

Member contributions	\$ 1,300,194	\$ 47,153	\$ 195,052	\$ 97,713	\$ 10,519	\$ 77,820	\$ 107,091
Employer contributions	971,858	77,948	1,199,279	218,680	39,087	223,187	101,415
Other (net)	828	(13)	4	(10)	12	(10)	(15)
Net investment income	6,811,465	596,360	2,704,434	463,905	142,071	452,887	693,525
Total Additions	9,084,345	721,448	4,098,769	780,288	191,689	753,884	902,016

Deductions

Retirement benefits and refunds	753,251	217,391	1,720,193	302,910	79,145	373,345	139,121
Administrative expense	64,352	5,634	25,550	4,383	1,342	4,279	6,552
Service credit transfers (net)	(296,507)	17,994	(20,197)	(114,857)	-	-	-
Total Deductions	521,096	241,019	1,725,546	192,436	80,487	377,624	145,673

Net Increase (Decrease)

	8,563,249	480,429	2,373,223	587,852	111,201	376,260	756,343
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Net position restricted for pensions

Beginning of year	55,576,910	5,135,200	23,093,085	3,780,507	1,226,607	3,888,352	5,774,238
End of year	\$ 64,140,159	\$ 5,615,629	\$ 25,466,308	\$ 4,368,359	\$ 1,337,808	\$ 4,264,612	\$ 6,530,581

Municipal Employees' Retirement System
Schedules of Changes in Fiduciary Net Position by Employer
Year Ended June 30, 2017

<i>Employer Unit Type</i>	East Greenwich	East Greenwich	East Greenwich	East Greenwich Housing	East Greenwich (COLA)	East Greenwich (Fire)	East Providence
<i>General Employees</i>	•			•	•	•	•
<i>Police</i>		•					
<i>Fire</i>			•				
<i>Police and Fire</i>							
<i>Current Employer Unit Number(s)</i>	1152 1153	1154	1155	1156	1157 1158	1159	1162 1163
<i>Legacy Employer Unit Number</i>	3009	4054	4050	3050	3101	3150	3010

Additions

Contributions

Member contributions	\$ 42,978	\$ 236,164	\$ 268,892	\$ 9,827	\$ 186,912	\$ -	\$ 566,714
Employer contributions	65,206	680,149	767,306	44,365	305,983	-	4,600,763
Other (net)	(17)	(35)	418	(3)	(54)	(1)	(76)
Net investment income	763,822	1,567,970	1,409,229	147,092	2,426,006	33,181	6,668,333
Total Additions	871,989	2,484,248	2,445,845	201,281	2,918,847	33,180	11,835,734

Deductions

Retirement benefits and refunds	546,798	1,144,199	1,165,198	100,710	984,562	21,804	7,200,820
Administrative expense	7,216	14,814	13,314	1,390	22,920	313	63,000
Service credit transfers (net)	-	-	(1,013,950)	-	(100,158)	-	428,538
Total Deductions	554,014	1,159,013	164,562	102,100	907,324	22,117	7,692,358

Net Increase (Decrease)

	317,974	1,325,236	2,281,283	99,181	2,011,523	11,062	4,143,376
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Net position restricted for pensions

Beginning of year	6,874,554	13,439,557	10,988,721	1,285,911	20,832,963	301,384	58,648,991
End of year	\$ 7,192,528	\$ 14,764,793	\$ 13,270,004	\$ 1,385,092	\$ 22,844,486	\$ 312,446	\$ 62,792,367

Municipal Employees' Retirement System
Schedules of Changes in Fiduciary Net Position by Employer
Year Ended June 30, 2017

<i>Employer Unit Type</i>	East Providence Housing	East Smithfield Water	Exeter/West Greenwich School District	Foster	Foster	Foster/Glocester Regional School District	Glocester
<i>General Employees</i>	•	•	•	•		•	•
<i>Police</i>					•		
<i>Fire</i>							
<i>Police and Fire</i>							
<i>Current Employer Unit Number(s)</i>	1166	1177	1183	1192 1193	1194	1203	1212 1213
<i>Legacy Employer Unit Number</i>	3052	3067	3011	3012	4082	3041	3013

Additions

Contributions

Member contributions	\$ 24,252	\$ 3,732	\$ 73,170	\$ 31,290	\$ 50,332	\$ 52,656	\$ 76,176
Employer contributions	106,505	2,841	353,780	143,230	136,147	220,685	271,384
Other (net)	(7)	(2)	(23)	(8)	(6)	(16)	(21)
Net investment income	317,602	105,973	1,041,321	382,641	286,739	744,195	936,878
Total Additions	448,352	112,544	1,468,248	557,153	473,212	1,017,520	1,284,417

Deductions

Retirement benefits and refunds	241,169	39,394	594,486	232,839	228,188	420,351	559,908
Administrative expense	3,001	1,001	9,838	3,615	2,709	7,031	8,851
Service credit transfers (net)	(64,698)	-	1,583	27,706	28,609	(53,287)	(51,858)
Total Deductions	179,472	40,395	605,907	264,160	259,506	374,095	516,901

Net Increase (Decrease)

	268,881	72,149	862,341	292,993	213,706	643,426	767,516
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Net position restricted for pensions

Beginning of year	2,721,823	925,746	8,943,259	3,310,148	2,486,370	6,364,292	8,054,595
End of year	\$ 2,990,704	\$ 997,895	\$ 9,805,600	\$ 3,603,141	\$ 2,700,076	\$ 7,007,718	\$ 8,822,111

Municipal Employees' Retirement System
Schedules of Changes in Fiduciary Net Position by Employer
Year Ended June 30, 2017

<i>Employer Unit Type</i>	Glocester	Greenville Water	Hope Valley - Wyoming Fire District	Hopkins Hill Fire District	Hopkinton	Hopkinton	Jamestown	Johnston
<i>General Employees</i>		•	•		•		•	•
<i>Police</i>	•					•		
<i>Fire</i>				•				
<i>Police and Fire</i>								
<i>Current Employer Unit Number(s)</i>	1214	1227	1242	1255	1262	1264	1272 1273	1282 1283
<i>Legacy Employer Unit Number</i>	4088	3068	3046	4103	3014	4087	3015	3016

Additions								
Contributions								
Member contributions	\$ 109,784	\$ 6,297	\$ 2,874	\$ 72,876	\$ 42,551	\$ 99,089	\$ 126,110	\$ 233,647
Employer contributions	190,473	5,664	1,782	93,353	62,646	308,068	422,427	1,313,489
Other (net)	(15)	(3)	(1)	(7)	(13)	(13)	(32)	(74)
Net investment income	684,281	135,273	52,605	294,398	585,374	574,883	1,444,319	3,324,653
Total Additions	984,523	147,231	57,260	460,620	690,558	982,027	1,992,824	4,871,715
Deductions								
Retirement benefits and refunds	302,803	37,800	42,731	36,210	199,336	480,395	745,452	2,855,249
Administrative expense	6,465	1,278	497	2,781	5,530	5,431	13,645	31,410
Service credit transfers (net)	-	-	92,778	137,866	46,917	301,565	(28,605)	2,499
Total Deductions	309,268	39,078	136,006	176,857	251,783	787,391	730,492	2,889,158
Net Increase (Decrease)	675,256	108,153	(78,746)	283,762	438,774	194,636	1,262,332	1,982,557
Net position restricted for pensions								
Beginning of year	5,768,281	1,165,649	574,099	2,488,433	5,073,400	5,218,750	12,338,099	29,324,045
End of year	\$ 6,443,537	\$ 1,273,802	\$ 495,353	\$ 2,772,195	\$ 5,512,174	\$ 5,413,386	\$ 13,600,431	\$ 31,306,602

See notes to schedules.

Municipal Employees' Retirement System
Schedules of Changes in Fiduciary Net Position by Employer
Year Ended June 30, 2017

<i>Employer Unit Type</i>	Johnston	Johnston	Johnston Housing	Lime Rock Fire District (Administrative)	Lincoln	Lincoln Rescue	Lincoln Housing	Middletown
<i>General Employees</i>			•	•	•		•	•
<i>Police</i>	•							
<i>Fire</i>		•				•		
<i>Police and Fire</i>								
<i>Current Employer Unit Number(s)</i>	1284	1285	1286	1293	1302 1303	1305	1306	1322 1323
<i>Legacy Employer Unit Number</i>	1284	4016	3072	3098	3017	4107	3057	3019

Additions

Contributions

Member contributions	\$ 70,238	\$ 400,601	\$ 4,745	\$ 4,734	\$ 10,772	\$ 94,281	\$ 10,656	\$ 179,523
Employer contributions	65,378	334,335	51,194	13,507	129,264	175,174	35,431	571,040
Other (net)	(2)	(19)	20	(1)	(5)	(9)	(4)	751
Net investment income	70,152	842,725	129,244	33,822	231,038	390,188	177,437	1,963,771
Total Additions	205,766	1,577,642	185,203	52,062	371,069	659,634	223,520	2,715,085

Deductions

Retirement benefits and refunds	-	118,651	144,004	15,041	105,764	193,838	139,361	1,008,605
Administrative expense	663	7,962	1,221	320	2,183	3,686	1,676	18,553
Service credit transfers (net)	-	-	-	-	4,888	190,235	-	(18,184)
Total Deductions	663	126,613	145,225	15,361	112,835	387,759	141,037	1,008,974

Net Increase (Decrease)

	205,103	1,451,030	39,978	36,701	258,234	271,875	82,483	1,706,111
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Net position restricted for pensions

Beginning of year	455,480	6,484,492	1,177,047	281,782	1,917,338	3,402,332	1,588,356	16,785,736
End of year	\$ 660,583	\$ 7,935,522	\$ 1,217,025	\$ 318,483	\$ 2,175,572	\$ 3,674,207	\$ 1,670,839	\$ 18,491,847

Municipal Employees' Retirement System
Schedules of Changes in Fiduciary Net Position by Employer
Year Ended June 30, 2017

Employer Unit Type	Middletown	Narragansett Housing	New Shoreham	New Shoreham	Newport	Newport Housing	Newport Police Department
General Employees		•	•		•	•	
Police				•			•
Fire							
Police and Fire	•						
Current Employer Unit Number(s)	1324	1336	1342 1343	1344	1352 1353 1354	1356	1364
Legacy Employer Unit Number	4109	3043	3022	4108	3021	3069	1364

Additions

Contributions

Member contributions	\$ 404,870	\$ 3,698	\$ 58,797	\$ 39,445	\$ 474,296	\$ 49,979	\$ 39,675
Employer contributions	258,363	9,023	176,642	87,723	3,064,589	334,103	35,962
Other (net)	196	(1)	(17)	365	494	(16)	(1)
Net investment income	767,082	64,463	758,523	147,774	5,030,314	711,734	35,628
Total Additions	1,430,511	77,183	993,945	275,307	8,569,693	1,095,800	111,264

Deductions

Retirement benefits and refunds	39,061	5,739	373,082	79,345	5,045,437	676,137	-
Administrative expense	7,247	609	7,166	1,396	47,524	6,724	337
Service credit transfers (net)	(66,511)	-	-	(28,609)	(66,955)	-	(206,886)
Total Deductions	(20,203)	6,348	380,248	52,132	5,026,006	682,861	(206,549)

Net Increase (Decrease)

	1,450,714	70,835	613,697	223,175	3,543,687	412,939	317,813
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Net position restricted for pensions

Beginning of year	5,772,514	536,179	6,528,936	1,168,336	43,824,273	6,289,109	17,675
End of year	\$ 7,223,228	\$ 607,014	\$ 7,142,633	\$ 1,391,511	\$ 47,367,960	\$ 6,702,048	\$ 335,488

Municipal Employees' Retirement System
Schedules of Changes in Fiduciary Net Position by Employer
Year Ended June 30, 2017

<i>Employer Unit Type</i>	North Cumberland Fire District	North Kingstown	North Kingstown	North Kingstown	North Providence	North Providence
<i>General Employees</i>		•			•	
<i>Police</i>			•			
<i>Fire</i>	•			•		•
<i>Police and Fire</i>						
<i>Current Employer Unit Number(s)</i>	1365	1372 1373	1374	1375	1382 1383	1385
<i>Legacy Employer Unit Number</i>	4101	3023	4056	4055	3024	4058

Additions

Contributions

Member contributions	\$ 68,331	\$ 338,355	\$ 343,854	\$ 467,432	\$ 144,593	\$ 474,611
Employer contributions	148,480	2,066,476	910,527	1,398,263	421,695	1,153,275
Other (net)	(12)	(102)	(50)	1,548	15,902	(56)
Net investment income	529,458	5,006,293	2,238,732	3,357,985	3,022,909	3,481,877
Total Additions	746,257	7,411,022	3,493,063	5,225,228	3,605,099	5,109,707

Deductions

Retirement benefits and refunds	272,554	3,992,027	1,459,517	2,384,429	1,955,024	2,428,977
Administrative expense	5,002	47,297	21,151	31,725	28,559	32,895
Service credit transfers (net)	-	24,345	-	-	140,084	-
Total Deductions	277,556	4,063,669	1,480,668	2,416,154	2,123,667	2,461,872

Net Increase (Decrease)

	468,701	3,347,353	2,012,395	2,809,074	1,481,432	2,647,834
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Net position restricted for pensions

Beginning of year	4,516,938	43,794,411	19,068,623	28,811,393	26,983,794	30,139,261
End of year	\$ 4,985,639	\$ 47,141,764	\$ 21,081,018	\$ 31,620,467	\$ 28,465,226	\$ 32,787,095

Municipal Employees' Retirement System
Schedules of Changes in Fiduciary Net Position by Employer
Year Ended June 30, 2017

<i>Employer Unit Type</i>	North Providence Housing	North Smithfield	North Smithfield	North Smithfield Fire and Rescue	Northern RI Collaborative	Pawtucket	Pawtucket Housing
<i>General Employees</i>	•	•			•	•	•
<i>Police</i>			•				
<i>Fire</i>				•			
<i>Police and Fire</i>							
<i>Current Employer Unit Number(s)</i>	1386	1392 1393	1394	1395 1435	1403	1412 1413	1416
<i>Legacy Employer Unit Number</i>	3066	3025	4076	4047	3081	3026	3053

Additions

Contributions

Member contributions	\$ 12,952	\$ 99,685	\$ 164,628	\$ 145,448	\$ 25,685	\$ 660,191	\$ 108,759
Employer contributions	82,106	232,064	343,389	248,566	111,774	3,349,306	-
Other (net)	(2)	(35)	(22)	(17)	(7)	6,983	(34)
Net investment income	95,676	1,575,569	1,012,481	783,662	315,527	9,644,921	1,546,724
Total Additions	190,732	1,907,283	1,520,476	1,177,659	452,979	13,661,401	1,655,449

Deductions

Retirement benefits and refunds	107,232	970,223	666,252	302,557	170,008	8,256,419	501,773
Administrative expense	904	14,885	9,566	7,404	2,981	91,121	14,613
Service credit transfers (net)	-	(214,471)	68,260	-	35,133	(450,650)	-
Total Deductions	108,136	770,637	744,078	309,961	208,122	7,896,890	516,386

Net Increase (Decrease)

	82,596	1,136,645	776,399	867,698	244,857	5,764,510	1,139,063
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Net position restricted for pensions

Beginning of year	818,340	13,699,701	8,757,631	6,511,657	2,726,306	85,056,901	13,425,663
End of year	\$ 900,936	\$ 14,836,346	\$ 9,534,030	\$ 7,379,355	\$ 2,971,163	\$ 90,821,411	\$ 14,564,726

Municipal Employees' Retirement System
Schedules of Changes in Fiduciary Net Position by Employer
Year Ended June 30, 2017

<i>Employer Unit Type</i>	Richmond	Richmond	Scituate	Scituate	Smithfield	Smithfield	Smithfield
<i>General Employees</i>	•		•			•	
<i>Police</i>		•		•			•
<i>Fire</i>					•		
<i>Police and Fire</i>							
<i>Current Employer Unit Number(s)</i>	1452	1454	1462 1463	1464	1465	1472 1473	1474
<i>Legacy Employer Unit Number</i>	3029	4029	3030	4073	1465	3031	4031

Additions

Contributions

Member contributions	\$ 23,739	\$ 70,238	\$ 87,512	\$ -	\$ 82,418	\$ 79,890	\$ 306,210
Employer contributions	102,529	85,456	418,948	-	70,384	258,086	202,710
Other (net)	(1)	(4)	211	(1)	(3)	(29)	(36)
Net investment income	234,153	190,537	1,066,911	23,226	133,010	1,318,735	1,607,602
Total Additions	360,420	346,227	1,573,582	23,225	285,809	1,656,682	2,116,486

Deductions

Retirement benefits and refunds	127,446	26,892	914,069	4,109	20,873	930,114	309,560
Administrative expense	2,212	1,800	10,080	219	1,257	12,459	15,188
Service credit transfers (net)	48,318	191,842	345,345	-	-	-	-
Total Deductions	177,976	220,534	1,269,494	4,328	22,130	942,573	324,748

Net Increase (Decrease)

	182,444	125,693	304,088	18,896	263,679	714,109	1,791,738
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Net position restricted for pensions

Beginning of year	2,022,458	1,668,503	9,742,479	199,808	988,808	11,703,762	13,346,249
End of year	\$ 2,204,902	\$ 1,794,196	\$ 10,046,567	\$ 218,704	\$ 1,252,487	\$ 12,417,871	\$ 15,137,987

Municipal Employees' Retirement System
Schedules of Changes in Fiduciary Net Position by Employer
Year Ended June 30, 2017

<i>Employer Unit Type</i>	Smithfield Housing	Smithfield (COLA)	Scituate	South Kingstown	South Kingstown	South Kingstown Housing	South Kingstown (EMT)	Union Fire District
<i>General Employees</i>	•	•		•		•		•
<i>Police</i>			•		•			
<i>Fire</i>							•	
<i>Police and Fire</i>								
<i>Current Employer Unit Number(s)</i>	1476	1478	1484	1492 1493	1494	1496	1505	1515
<i>Legacy Employer Unit Number</i>	3084	3094	1484	3032	4063	3080	4099	3027

Additions

Contributions

Member contributions	\$ 6,096	\$ 136,865	\$ 16,401	\$ 431,900	\$ 328,146	\$ 3,875	\$ 80,103	\$ 7,669
Employer contributions	-	369,799	13,941	1,481,417	825,285	6,801	39,491	25,708
Other (net)	(1)	(35)	-	(121)	(54)	(1)	(10)	(2)
Net investment income	54,875	1,586,848	3,601	5,792,423	2,453,239	47,688	434,255	81,596
Total Additions	60,970	2,093,477	33,943	7,705,619	3,606,616	58,363	553,839	114,971

Deductions

Retirement benefits and refunds	-	726,630	-	3,375,303	1,710,279	-	121,882	13,883
Administrative expense	518	14,992	34	54,725	23,177	451	4,103	771
Service credit transfers (net)	-	364,205	-	(36,957)	(2,317)	-	-	-
Total Deductions	518	1,105,827	34	3,393,071	1,731,139	451	125,985	14,654

Net Increase (Decrease)	60,452	987,650	33,909	4,312,549	1,875,477	57,912	427,854	100,317
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Net position restricted for pensions

Beginning of year	456,281	13,954,910	-	50,231,810	21,225,451	391,140	3,661,309	668,032
End of year	\$ 516,733	\$ 14,942,560	\$ 33,909	\$ 54,544,359	\$ 23,100,928	\$ 449,052	\$ 4,089,163	\$ 768,349

Municipal Employees' Retirement System
Schedules of Changes in Fiduciary Net Position by Employer
Year Ended June 30, 2017

<i>Employer Unit Type</i>	Tiogue Lighting and Fire District	Tiverton	Tiverton	Tiverton (Local 2670A)	Valley Falls Fire District	Warren	Warren	Warren Housing
<i>General Employees</i>	•	•		•		•		•
<i>Police</i>								
<i>Fire</i>			•		•			
<i>Police and Fire</i>							•	
<i>Current Employer Unit Number(s)</i>	1528	1532 1533	1534	1538	1555	1562	1564 1565	1566
<i>Legacy Employer Unit Number</i>	3042	3033	4077	3077	4042	3034	4062	3071

Additions

Contributions

Member contributions	\$ -	\$ 99,370	\$ 180,418	\$ 26,601	\$ 64,042	\$ 66,363	\$ 166,658	\$ 4,406
Employer contributions	-	95,346	298,773	100,786	113,497	244,089	438,977	6,887
Other (net)	-	(32)	(23)	(10)	(8)	(13)	(25)	(3)
Net investment income	5,082	1,447,226	1,055,972	431,129	371,416	581,317	1,117,629	129,039
Total Additions	5,082	1,641,910	1,535,140	558,506	548,947	891,756	1,723,239	140,329

Deductions

Retirement benefits and refunds	2,489	593,324	835,087	256,830	304,530	369,921	611,762	110,865
Administrative expense	48	13,673	9,976	4,073	3,509	5,492	10,559	1,219
Service credit transfers (net)	-	42,588	58,581	-	-	(6,286)	-	(24,383)
Total Deductions	2,537	649,585	903,644	260,903	308,039	369,127	622,321	87,701

Net Increase (Decrease)

	2,545	992,325	631,496	297,603	240,908	522,629	1,100,918	52,628
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Net position restricted for pensions

Beginning of year	45,306	12,635,482	9,312,067	3,762,125	3,256,527	4,951,343	9,423,238	1,162,469
End of year	\$ 47,851	\$ 13,627,807	\$ 9,943,563	\$ 4,059,728	\$ 3,497,435	\$ 5,473,972	\$ 10,524,156	\$ 1,215,097

Municipal Employees' Retirement System
Schedules of Changes in Fiduciary Net Position by Employer
Year Ended June 30, 2017

<i>Employer Unit Type</i>	West Greenwich	West Greenwich	West Warwick Housing	Westerly	Woonsocket	Woonsocket	Woonsocket	Albion Fire District
<i>General Employees</i>	•		•	•	•			•
<i>Police</i>						•		
<i>Fire</i>							•	
<i>Police and Fire</i>		•						
<i>Current Employer Unit Number(s)</i>	1602	1604	1616	1622 1623	1632 1633	1634	1635	1702
<i>Legacy Employer Unit Number</i>	3037	4089	3083	3036	3039	4085	4093	3103

Additions

Contributions

Member contributions	\$ 28,125	\$ 99,502	\$ 6,212	\$ -	\$ 353,190	\$ 576,684	\$ 685,843	\$ -
Employer contributions	171,730	207,164	26,057	362,522	1,513,400	1,666,401	784,627	-
Other (net)	(7)	(10)	(4)	(1)	107	1,204	(111)	-
Net investment income	302,284	455,877	166,279	61,832	6,446,631	3,971,309	5,011,678	15,236
Total Additions	502,132	762,533	198,544	424,353	8,313,328	6,215,598	6,482,037	15,236

Deductions

Retirement benefits and refunds	266,204	213,222	169,877	145,691	4,769,427	2,685,468	1,485,015	9,474
Administrative expense	2,856	4,307	1,571	584	60,905	37,519	47,348	144
Service credit transfers (net)	(256,230)	-	5,402	-	(124,977)	94,938	13,376	-
Total Deductions	12,830	217,529	176,850	146,275	4,705,355	2,817,925	1,545,739	9,618

Net Increase (Decrease)

	489,303	545,004	21,694	278,078	3,607,973	3,397,673	4,936,298	5,619
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Net position restricted for pensions

Beginning of year	2,357,158	3,747,767	1,544,076	304,164	57,096,741	33,998,166	42,256,175	137,856
End of year	\$ 2,846,461	\$ 4,292,771	\$ 1,565,770	\$ 582,242	\$ 60,704,714	\$ 37,395,839	\$ 47,192,473	\$ 143,475

Municipal Employees' Retirement System
Schedules of Changes in Fiduciary Net Position by Employer
Year Ended June 30, 2017

<i>Employer Unit Type</i>	Albion Fire District	Harrisville Fire District	Harrisville Fire District	Pascoag Fire District (Administrative)	Pascoag Fire District	Total
<i>General Employees</i>		•		•		
<i>Police</i>						
<i>Fire</i>	•		•		•	
<i>Police and Fire</i>						
<i>Current Employer Unit Number(s)</i>	1705	1712	1715	1802	1805	
<i>Legacy Employer Unit Number</i>	4111	3102	4110	1802	1805	

Additions

Contributions

Member contributions	\$ 22,126	\$ 10,770	\$ 36,201	\$ 1,107	\$ 28,275	\$ 17,412,163
Employer contributions	43,101	10,808	19,043	7,329	54,657	48,542,830
Other (net)	(2)	(2)	(4)	-	-	95,830
Net investment income	100,741	86,492	166,004	1,963	20,043	157,202,022
Total Additions	165,966	108,068	221,244	10,399	102,975	\$ 223,252,845

Deductions

Retirement benefits and refunds	23,765	-	-	-	-	\$ 98,279,936
Administrative expense	952	817	1,568	19	189	1,485,182
Service credit transfers (net)	-	-	-	-	-	1,071,013
Total Deductions	24,717	817	1,568	19	189	\$ 100,836,131

Net Increase (Decrease)

	141,249	107,251	219,676	10,380	102,786	\$ 122,416,714
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Net position restricted for pensions

Beginning of year	807,382	707,199	1,343,503	8,101	85,951	\$ 1,357,876,323
End of year	\$ 948,631	\$ 814,450	\$ 1,563,179	\$ 18,481	\$ 188,737	\$ 1,480,293,037

**Municipal Employees' Retirement System
Multiple-Employer Defined Benefit Agent Plan**

NOTES TO SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION 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 as an independent retirement board to hold and administer, in trust, the funds of the retirement system.

Each plan's assets 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 Municipal Employees' Retirement System (MERS) was established by Rhode Island General Law and placed under the management of the Retirement Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. MERS is a multiple-employer defined benefit agent plan.

2. Plan Membership and Benefit Provisions

Participating employers are summarized below:

Municipalities, housing authorities, water and sewer districts	69
Municipal police and fire departments	<u>47</u>
Total participating units as of the actuarial valuation at June 30, 2016	<u>116</u>

Plan members (as of the June 30, 2016 valuation date):

	<i>Retirees and beneficiaries</i>	<i>Terminated plan members entitled to but not yet receiving benefits</i>	<i>Active Vested</i>	<i>Active Non-vested</i>	<i>Total by Plan</i>
MERS					
General Employees	4,561	2,870	4,354	1,528	13,313
Public Safety	<u>773</u>	<u>178</u>	<u>1,138</u>	<u>353</u>	<u>2,442</u>
Total by type	5,334	3,048	5,492	1,851	15,755

Plan vesting provisions – after five years of service.

Summary of Benefit Provisions

For general employees prior to June 30, 2012 the plan provided retirement benefits equal to 2% of a member's final average salary multiplied by the number of years of total service up to a maximum of 75%. Such benefits are available to members at least age 58 with 10 years of service or after 30 years of service at any age. Benefits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act until it is exceeded by the member's full years of service credit, including service after June 30, 2012, multiplied by the average of five consecutive years of compensation. Effective July 1, 2012, the retirement age mirrors the Social Security Normal Retirement Age not to

**Municipal Employees' Retirement System
Multiple-Employer Defined Benefit Agent Plan**

NOTES TO SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

2. Plan Membership and Benefit Provisions (continued)

exceed age 67. Members will receive a benefit accrual of 1.0% per year based on the five-year average compensation.

Effective July 1, 2015, general employees with more than 20 years of service at July 1, 2012 increased their employee contribution rates to 8.25% (9.25% for units with a cost of living adjustment provision) and participate solely in the defined benefit plan. These members receive a benefit accrual of 2% per year based on the three or five-year average compensation.

Effective July 1, 2015 general employees are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service.

Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.

Joint and survivor options are available. For members with 10 years of service as of July 1, 2005, the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62).

Prior to June 30, 2012, police and fire personnel may retire at age 55 if they have 10 years of service or after 25 years of service at any age. An option may be elected to provide a 20-year service pension with a benefit equal to 2.5% for each year of service up to a maximum of 75% for police and fire personnel. Benefits are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

From June 30, 2012 to June 30, 2015, retirement age for police and fire personnel is 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers or firefighters, that are at least 45 years old, have 10 or more years of contributing service and are eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52. Effective July 1, 2015, police and fire personnel may retire at age 50 with 25 years of service, or any age with 27 years of service. MERS police and fire personnel will contribute 9.00% (10.00% for units with a cost of living adjustment).

As of June 30, 2012, members will continue to have a frozen benefit accrual of 2.0% per year for a standard 25 year with any age and out plan; 2.5% for a standard 20 year with any age and out plan. Effective July 1, 2012 the optional 20 and 25 year with retirement at any age plans have been eliminated. The benefit accrual for all plans will be 2.0% per year based on the five-year average compensation, exclusive of overtime. Police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit will be calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act.

Other benefit provisions

The plan also provides survivor's benefits; and certain lump sum death benefits. A member is eligible for a nonservice-connected disability retirement provided he/she has credit for at least five years of service. Members are not eligible for an ordinary disability benefit if they are eligible for unreduced retirement. Members are also eligible for service-connected disability retirement with no minimum service requirement.

**Municipal Employees' Retirement System
Multiple-Employer Defined Benefit Agent Plan**

NOTES TO SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

2. Plan Membership and Benefit Provisions (continued)

Joint and survivor benefit options are available to retirees. For some employees, a Social Security Option is also available where an annuity is paid at one amount prior to age 62, and at a reduced amount after age 62, designed to provide a level total income when combined with the member's age 62 Social Security benefit. Benefits cease upon the member's death.

An optional cost-of-living provision may be elected for police and fire personnel and general employees. The Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision will be reviewed in a four-year interval while the plans are less than 80% funded. When the funding level of a plan exceeds 80% funded eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA calculation is represented by the following formula: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5.5% (5 yr return – 5.5%, with a max of 4%) and 50% calculated using the percentage increase in the CPI-U from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%. This COLA is calculated on the first \$31,026 for all members and/or beneficiaries of members who retired on or before June 30, 2015.

This COLA is calculated on the first \$26,098, effective January 1, 2017, for all other members/beneficiaries and indexed as of that date as well. The indexing formula is run annually regardless of funding level each year. The COLA will be delayed until the later of the Social Security Retirement Age or three years after retirement for general employees and until the later of age 50 and three years after retirement for police and fire personnel, other than those entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect. Once the plan achieves 80% funding, the COLA limitation will be returned to the \$25,855, which will continue to be indexed annually.

3. Relationship to the Plan Financial Statements

Contributions, benefits and net position are maintained for each MERS employer unit. Certain costs which are common to the administration of the overall pension system are allocated first to each plan and then to each MERS employer unit.

This report was prepared to provide participating employers with additional information needed to comply with the financial reporting requirements of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. Additional financial information for the Employees' Retirement System of Rhode Island (including the MERS plan) is available in the System's audited financial statements for the fiscal year ended June 30, 2017 at www.ersri.org.

Certain additions and deductions are presented differently on the Schedules of Changes in Fiduciary Net Position by Employer from the presentation in the System's audited financial statements for the fiscal year ended June 30, 2017 as summarized below.

As presented in the on System's audited financial statements for the fiscal year ended June 30, 2017:	
Interest on service credits purchased	\$ 44,273
Miscellaneous revenue	51,557
Service credit transfers (net)	-
As presented in the Schedule of Changes in Fiduciary Net Position by Employer:	
Additions – Other (net)	\$95,830

Rounding results in minor differences between the Schedules of Changes in Fiduciary Net Position by Employer and the System's audited financial statements for the fiscal year ended June 30, 2017.

**Municipal Employees' Retirement System
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NOTES TO SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

4. Summary of Significant Accounting Policies

Basis of Accounting –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.

These financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for defined benefit and defined contribution plans established and administered by governmental entities.

Cash and Cash Equivalents - Cash represents cash held in trust in a financial institution. Cash equivalents are highly liquid investments with a maturity of three months or less at the time of purchase.

Investments - Investment transactions are recorded on a trade date basis. Gains or losses on foreign currency exchange contracts are included in income consistent with changes in the underlying exchange rates. Dividend income is recorded on the ex-dividend date. MERS holds units in the System's Pooled Investment Trust. The number of units held by each plan within the System is a function of each plans' respective contribution to, or withdrawals from, the trust. Investment expense is allocated to each plan based on the plan's units in the Pooled Trust at the end of each month.

Method Used to Value Investments - Investments are recorded in the financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Short-term investments are generally carried at cost or amortized cost, which approximates fair value.

The fair value of fixed income securities and domestic and international equity securities is generally based on published market prices and quotations from national security exchanges and securities pricing services. The fair value of mutual fund investments reflects the published closing net asset value as reported by the fund manager.

Commingled funds include institutional domestic equity index and international equity index funds. The fair value of these commingled funds is based on the reported net asset value (NAV) based upon the fair value of the underlying securities or assets held in the fund.

Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they are traded.

The System also trades in foreign exchange contracts to manage exposure to foreign currency risks. Such contracts are used to purchase and sell foreign currency at a guaranteed future price. The change in the estimated fair value of these contracts, which reflects current foreign exchange rates, is included in the determination of the fair value of the System's investments.

Other investments that are not traded on a national security exchange (primarily private equity, real estate, hedge funds, infrastructure investments, and Crisis Protection Class – Trend Following) are valued based on the reported Net Asset Value (NAV) by the fund manager or general partner. Publicly traded investments held by the partnerships are valued based on quoted market prices. If not publicly traded, the fair value is determined by the general partner following U.S. generally accepted accounting principles. Financial Accounting Standards Board ASC Topic 820, Fair Value Measurements and Disclosures, requires the limited partnership general partners for these investment types to value non-publicly traded assets at current fair value, taking into consideration the financial performance of the issuer,

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NOTES TO SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

4. Summary of Significant Accounting Policies (continued)

cash flow analysis, recent sales prices, market comparable transactions, a new round of financing, a change in economic conditions, and other pertinent information.

Hedge funds represented 9.2 % of the total reported fair value of all investments within the System's Pooled Investment Trust at June 30, 2017. This portfolio is comprised of 17 limited partnerships divided into two sub-categories: hedged equity and absolute return. Hedged equity funds are designed to benefit from the stock market with considerably less risk. They own stakes in companies they expect to outperform and also sell short stocks that they expect to underperform. Absolute return hedge funds employ strategies that seek to generate long-term returns and mitigate risk, regardless of broader market moves. The funds invest across asset classes, including government bonds, other fixed income securities, equity indexes, commodities, and currencies.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2017. Of the underlying holdings within the hedge funds approximately 73% were valued based on Tier 1 inputs (unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted investments).

The system's investments in hedge funds are generally subject to "lock-up" provisions that limit (subject to certain exceptions) the ability to withdraw amounts previously invested for a period of one to three years after the initial investment. At June 30, 2017, investments totaling \$45,834,624 are subject to these withdrawal limitation provisions. The remainder of hedge fund assets is available for redemption on a month-end, quarter-end, semi-annual or annual basis, and is subject to notice periods which vary by fund and range from 2 days to 150 days.

As part of an overall change in asset allocation during fiscal 2017, the State Investment Commission opted to reduce its investment in hedge funds. Approximately, \$371 million was received during fiscal 2017 from the System's liquidation of certain hedge funds. At June 30, 2017, approximately \$244 million is pending and expected to be received during fiscal 2018. Of the amounts pending distribution to the System, assets totaling \$8.6 million are held in three vehicles managing the liquidation of investments held in private securities. Cash will be distributed as investments are sold. An additional \$13.7 million represents non-invested, liquid assets to be distributed upon completion of the funds' annual audits.

Private equity represented 7.1% of the total reported fair value of all all investments within the System's Pooled Investment Trust at June 30, 2017. These 84 limited partnership funds provide the portfolio exposure to private companies through equity and/or debt investments. Private equity fund managers invest in private companies with the goal of enhancing their value over the long-term.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2017.

Private equity investments cannot be redeemed. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

Real estate represented 7.4% of the total reported fair value of all investments within the System's Pooled Investment Trust at June 30, 2017. These 14 limited partnerships investments are comprised of two different private real estate equity components, Core and Non-Core, which generally refer to the relative levels of risk in the underlying assets. Core investments include existing, substantially leased, income-producing properties located principally in economically diversified metropolitan areas. Non-Core investments represent those properties and/or investment strategies that require specialized acquisition and management expertise and skill to mitigate the business and leasing

**Municipal Employees' Retirement System
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NOTES TO SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

4. Summary of Significant Accounting Policies (continued)

risks that may be associated with individual investments. Non-Core investments, which may be referred to as Value Added and Opportunistic investments, are expected to be held for shorter periods, have greater volatility compared to Core investments, and as such, are expected to provide yields higher than those associated with Core investments.

These funds acquire, manage and sell physical properties, including office, retail, apartment, and industrial buildings as well as more niche property types, such as student housing, self-storage and hotels. The primary goals of this asset class are to provide current income, risk-adjusted total returns, and diversification.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2017.

With the exception of five core open-end funds which allow for quarterly redemptions, the investments cannot be redeemed. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

Infrastructure investments represented 3.5% of the total reported fair value of all investments within the System's Pooled Investment Trust at June 30, 2017. These four funds provide inflation-protection and current income to the portfolio through investments in facilities and services required for an economy to function including electricity production and distribution, pipelines, sewers and waste management, airports, roads, bridges, ports, railroads, telephone and cable networks, and hospitals. The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2017.

With the exception of one open-end core fund which allows for quarterly liquidity, the investments cannot be redeemed. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

Crisis Protection Class – Trend Following investments represented 1.0% of the total reported fair value of all investments within the System's Pooled Investment Trust at June 30, 2017. These two funds were created as limited liability companies with the Employees' Retirement System of the State of Rhode Island as the sole member. The investment managers' principal investment objectives for the companies include providing diversified exposure to market trends across asset classes, geographies, and time horizons to generate sizable profits during the periods when growth-risk exposed assets decline significantly and to outperform the Credit Suisse Liquid Alternative Beta Managed Futures Index (CLABT18 Index) over a 5-year period.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2017. As the Employees' Retirement System of the State of Rhode Island is the sole member, the limited liability company could be liquidated at its option. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

Investment expenses – Certain investment management expenses are presented separately as a component of net investment income and include investment consultants, custodial fees, direct investment expenses allocated by managers, and allocated Office of the General Treasurer expenses associated with oversight of the portfolio. In some instances (hedge funds, private equity, real estate, infrastructure, crisis protection class – trend following, and cash investments), investment related costs are not readily separable from investment income and consequently investment income is recorded net of related expenses.

**Municipal Employees' Retirement System
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NOTES TO SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

4. Summary of Significant Accounting Policies (continued)

Contributions - Plan member contributions for the defined benefit plans 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 each defined benefit plan are recognized when due and the employer has made a formal commitment to provide the contributions.

Benefits - Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies. These estimates are subject to a certain amount of uncertainty in the near term, which could result in changes in the values reported for those assets in the statements of fiduciary net position. Because of the inherent uncertainty in the valuation of privately held securities, the fair value may differ from the values that would have been used if a ready market for such securities existed, and the difference can be material. Estimates also affect the reported amounts of income/additions and expenses/deductions during the reporting period. Actual results could differ from these estimates.

5. Contributions

Contribution requirements for plan members and employers are established pursuant to Rhode Island General Laws. Employers are required to contribute at an actuarially determined rate for the defined benefit plans. Plan member contributions for the defined benefit and defined contribution plans are fixed by statute. Member and employer contribution rates are subject to amendment by the General Assembly.

(a). Funding Policy

The funding policies, as set forth in Rhode Island General Law, Section 36-10-2 and 45-21-42 provide for actuarially determined periodic contributions to the plans. The actuarial valuation uses the Entry Age Normal actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial liability. The valuation is prepared on the projected benefit basis, under which the present value, at the assumed rate of return (currently 7.0 percent), of each participant's expected benefit payable at retirement or death is determined, based on age, service, gender and compensation.

The employer contributions required to support the benefits of the Plan are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution. The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the rate of contribution which, if applied to the compensation of each individual member during the entire period of anticipated covered service, would be required to meet the cost of all benefits payable on his behalf. This method is commonly referred to as the Individual Entry Age Actuarial Cost Method.

The unfunded actuarial accrued liability (UAAL) is amortized as a level percent of payroll over a closed period. For underfunded plans, the period is 25 years as measured from June 30, 2010, or 21 years as of the current valuation date for any existing UAAL. Beginning with the June 30, 2014 actuarial valuation, new experience gains and losses for underfunded plans are amortized over individual closed periods of 20 years using the process of "laddering". Overfunded plans will have an amortization rate calculated using a single base amortized over an open period of 20 years.

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NOTES TO SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

5. Contributions (continued)

(b). Contribution rates

Employer contribution rates for fiscal 2017 for MERS employers were developed based on actuarial valuations performed as of June 30, 2014. Employee contribution rates are statutorily determined. The table below displays the contribution rates for the year ended June 30, 2017:

Plan	Employee	Employer
General Employees	1.00% (additional 1% with a cost-of-living adjustment) Effective July 1, 2015, members with 20 or more years of service at June 30, 2012 contribute an additional 7.25%	69 Municipalities, housing authorities, water and sewer districts contributed various actuarially determined rates.
Public Safety	7.00% (additional 1% with a cost-of-living adjustment)*	47 Municipal police and fire departments contributed various actuarially determined rates.

6. Administrative Expenses

Pursuant to General Law section 36-8-10.1, administrative costs of the System are financed through investment earnings up to a maximum of 0.175% of the average total investments before lending activities as reported in the annual report of the Auditor General for the next preceding five (5) fiscal years. Such amounts are transferred to a restricted receipt account within the State's general fund. Any unencumbered funds on June 30 of any fiscal year are credited to the plans in the same proportion as their contributions to the restricted receipt account.

Administrative expenses of the System, financed as described in the preceding paragraph, include expenses within the Office of General Treasurer related to oversight of the System's investment portfolio. Consistent with generally accepted accounting principles, these expenses have been included with net investment income (loss) on the Schedule of Changes in Fiduciary Net Position by Employer.

7. Commitments

The State Investment Commission has committed to fund certain private equity, real estate, and infrastructure investment managers at a predetermined subscription amount. Outstanding unfunded investment commitments at June 30, 2017 totaled \$565 million. These commitments will be funded through cash available within the pooled investment trust generated through investment income and/or liquidation of other investments.

The system's investments in hedge funds are generally subject to "lock-up" provisions that limit (subject to certain exceptions) the ability to withdraw amounts previously invested for a period of one to three years after the initial investment. At June 30, 2017, investments totaling approximately \$ 46 million are subject to these withdrawal limitation provisions. The remainder of hedge fund assets are available for redemption either on a month end or quarter end basis, and are subject to notice periods which vary by fund and range from 2 days to 90 days.

The System is committed under a ten-year development and operating agreement to design, transition, and implement new line-of-business, general ledger accounting system, and payroll administration systems. The contract requires monthly payments through fiscal 2025. Total payments over the contract period are estimated at \$22 million.