



Audit Summary

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Employees' Retirement System of the State of Rhode Island

Fiscal Year Ended June 30, 2021

We completed an audit of the fiscal 2021 financial statements for the **Employees' Retirement System of the State of Rhode Island** (the Retirement System). We concluded that the financial statements of the Retirement System present fairly, in all material respects, the fiduciary net position of the System's plans as of June 30, 2021 and the changes in fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The audit encompassed (1) the seven defined benefit pension plans administered by the Retirement System – i.e., separate plans for state employees and teachers, the teachers' survivors benefit program, two plans covering state police, two plans covering judges, and participating municipal employees, and (2) the defined contribution plan. The defined benefit plans covered more than 72,000 members (more than 38,000 of these members also participated in the defined contribution plan).

Net position of the Retirement System increased by \$2.4 billion during fiscal 2021 to \$12.2 billion at June 30, 2021 largely due to significant investment earnings for the fiscal year. The significant increase in net position of the plans also favorably impacted the net pension liability (asset) measured as of June 30, 2021.

Net investment income within the pooled investment trust was \$2.3 billion (compared to net investment income of \$319 million during fiscal year 2020). The time weighted net rate of return during the fiscal year was 25.6% (compared to 3.78% during the prior fiscal year). The System reported total investment expenses of \$187 million for fiscal 2021.

Benefits paid to retirees and beneficiaries from the defined benefit plans during fiscal 2021 totaled \$979.4 million. Employee and employer contributions totaled more than \$680 million to all the defined benefit plans.

Amounts accumulated in the defined contribution plan totaled \$1.6 billion at June 30, 2021. Employer and employee contributions to the defined contribution plan were \$131.6 million during fiscal 2021. Investment gains within the defined contribution plan totaled \$344 million. Most defined contribution plan assets (89%) are held in target date retirement fund investments. Distributions from the defined contribution plan totaled \$32 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, 2021. 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 185.7% and 107.7% for the Teachers' Survivors Benefit Plan and Judicial Retirement Benefit Trust plans, respectively.

The total pension liability for all defined benefit plans was determined by actuarial valuations performed as of June 30, 2020 and rolled forward to June 30, 2021 (measurement date) using generally accepted actuarial principles. The actuarial assumptions used in the calculation of the total pension liability were consistent with the 2019 Actuarial Experience Investigation Study as approved by the System's Board on May 22, 2020.

The pension liability for all plans except the RIJRT was determined using the System's investment return assumption of 7%. The RIJRT used a municipal bond index rate of 1.92%.

The System's fiscal 2021 financial statements also include disclosures related to the money-weighted return on investments for each plan, the components of the change in the net pension liability (asset), and the sensitivity of the determination of the net pension liability (asset) by a change in investment return assumption of +1/-1%. The real return assumption for each asset class within the pooled investment trust is disclosed as support for the System's overall investment return assumption of 7%.

During fiscal 2021, participating employers in the plans administered by the System made 100% of the required actuarially determined contributions except for the RIJRT plan covering 7 judges. The State is not contributing on an advance funded basis to the RIJRT plan. We highlighted that plan net position represents only 6.0% of the total pension liability and additional employer contributions will be required to provide benefits to members of the RIJRT plan.

A chart on the following page details the net pension liability (asset) of each defined benefit plan within the System at the June 30, 2021 measurement date. Additionally, the types of assets held within the pooled investment trust at June 30, 2021 are detailed in the accompanying chart.

The audit report is available on our website - www.oag.ri.gov or by calling the office at 401.222.2435.

Defined Benefit Plans - Net Pension Liability (Asset) – June 30, 2021

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				
State Employees	\$ 4,835,772,488	\$ 3,057,226,491	\$ 1,778,545,997	63.2%
Teacher	7,025,039,500	4,671,641,313	2,353,398,187	66.5%
State Police Retirement Benefit Trust	199,555,312	196,304,642	3,250,670	98.4%
Judicial Retirement Benefit Trust	94,114,838	101,371,283	(7,256,445)	107.7%
RI Judicial Retirement Fund Trust	23,524,834	1,419,660	22,105,174	6.0%
State Police Retirement Fnd Trust	168,432,304	23,499,498	144,932,806	14.0%
TSB	228,280,538	423,973,743	(195,693,205)	185.7%
Municipal Employees' Retirement System				
General Employees	1,325,219,363	1,271,635,384	53,583,979	96.0%
Municipal Police/Fire	881,319,721	807,915,220	73,404,501	91.7%

Pooled Investment Trust – Asset Allocation – June 30, 2021
(in millions)

