STATE OF RHODE ISLAND

State Employees' and Electing Teachers OPEB System (A Component Unit of the State of Rhode Island)

FISCAL YEAR ENDED JUNE 30, 2024



David A. Bergantino, CPA, CFE Auditor General

State of Rhode Island General Assembly Office of the Auditor General



State of Rhode Island - General Assembly David A. Bergantino, CPA, CFE – Auditor General

• oag.ri.gov

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May 30, 2025

JOINT COMMITTEE ON LEGISLATIVE SERVICES:

SPEAKER K. Joseph Shekarchi, Chairman

Senator Valarie J. Lawson Senator Jessica de la Cruz Representative Christopher R. Blazejewski Representative Michael W. Chippendale

BOARD OF THE RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM:

We have completed our audit of the financial statements of the Rhode Island State Employees' and Electing Teachers OPEB System (System) for the fiscal year ended June 30, 2024.

The System provides retiree healthcare benefits to State employees, electing teachers, and certain employees of the Board of Education.

Section 36-12.1-12 of the Rhode Island General Laws requires the preparation of an annual financial report to be submitted to the Governor for transmittal to the General Assembly. This report is intended to meet the reporting requirement of the General Laws for the fiscal year ended June 30, 2024.

Section V of this report includes our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

Section VI of this report includes the Schedule of Findings and Responses which includes one finding deemed to be a significant deficiency in internal control over financial reporting.

Our report is contained herein as outlined in the Table of Contents.

Sincerely,

David A. Bergantino, CPA, CFE Auditor General

RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM

(A Component Unit of the State of Rhode Island)

FISCAL YEAR ENDED JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY STATE OF RHODE ISLAND:

BOARD OF THE RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the plans which comprise the Rhode Island State Employees' and Electing Teachers OPEB System (the System), a component unit of the State of Rhode Island, as of June 30, 2024 and for the year then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the plans within the System, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 1, the financial statements of the System present only the OPEB trust funds of the State of Rhode Island (the State) and do not purport to, and do not present fairly the financial position of the State, as of June 30, 2024 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note 2, the fair values of certain investments (private equity, real estate, and private real assets ex-real estate) representing 7.9% 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.

Our opinions are not modified with respect to these matters.

Joint Committee on Legislative Services Board of the Rhode Island State Employees' and Electing Teachers OPEB System

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 and other required supplementary information as listed in the table of contents for pages 31 through 42 be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial

Joint Committee on Legislative Services Board of the Rhode Island State Employees' and Electing Teachers OPEB System

statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 30, 2025 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

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David A. Bergantino, CPA, CFE Auditor General

May 30, 2025

Rhode Island State Employees' and Electing Teachers OPEB System

Management's Discussion and Analysis

The Rhode Island State Employees' and Electing Teachers OPEB System (the System) provides this Management's Discussion and Analysis of their financial performance for the readers of the System's financial statements. This narrative provides an overview of the System's financial activity for the fiscal year ended June 30, 2024. This analysis is to be considered in conjunction with the financial statements to provide an objective analysis of the System's financial activities based on the status of the System and issues currently facing management.

The System is administered by the State of Rhode Island OPEB Board and was authorized, created, and established under Chapter 36-12.1 of the RI General Laws. The Board was established under Chapter 36-12.1 as an independent board to hold and administer, in trust, the funds of the OPEB system.

Pursuant to legislation enacted by the General Assembly, a trust was established in fiscal year 2011 to accumulate assets and pay benefits and other costs associated with the System. In addition, beginning in fiscal year 2011, the State and other participating employers were required by law to fund the plans on an actuarially determined basis. Previously the System had been funded on a pay-as-you-go basis with annual contributions designed to fund only current year claims, premiums, and administrative costs.

The System administers other post-employment benefits plans for the following groups:

- **State Employees** covers State employees and certain employees of the Narragansett Bay Commission, RI Airport Corporation, and RI Commerce Corporation.
- Teachers covers certified public school teachers electing to participate in the System.
- Judges covers judges and magistrates.
- State Police covers State Police officers.
- Legislators covers retired and former members of the General Assembly.
- **Board of Education** (BOE) covers certain employees of the State's University and Colleges, primarily faculty.

The plans within the System generally provide healthcare coverage to pre-Medicare eligible retirees and Health Reimbursement Account (HRA) contributions for those members who are eligible for Medicare. Medicare eligible plan members may use their HRA accounts to purchase additional coverage, including Medicare supplement plans and Medicare Advantage plans. The retirees' contribution to the cost of the various plans offered varies based on their years of service.

Understanding the System's Financial Statements

The Statements of Fiduciary Net Position provide a snapshot of the financial position of the System at June 30, 2024. The Statements of Changes in Fiduciary Net Position summarize the additions and deductions that occurred during the fiscal year. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the financial statements. The Required Supplementary Information consists of schedules and related notes, which demonstrate the System's progress in accumulating funds to meet future OPEB benefit obligations for members of the System.

Financial Highlights for the Fiscal Year Ended June 30, 2024

- Fiduciary net position increased by \$88.9 million in fiscal 2024 to \$663.8 million. The System began accumulating assets for the future payment of post-employment benefits in 2011.
- Total post-employment health care benefits paid were \$32.9 million, an increase of \$1.7 million from the amount of benefits paid in fiscal 2023.
- Contributions to all plans from members and employers for fiscal 2024 totaled \$49.2 million, an increase of \$2.2 million compared to the contributions received in fiscal 2023.
- The System experienced a net gain from investing activities of \$70.1 million for fiscal 2024.

Assets, Liabilities and Fiduciary Net Position – All Plans								
	June 30, 2024 June 30, 2							
Assets:								
Cash and cash equivalents	\$	6,647,328 \$	\$ 7,088,667					
Investments		666,100,238	577,127,245					
Receivables		2,798,865	2,278,258					
Total assets		675,546,431	586,494,170					
Liabilities:								
Accounts payable and incurred but not reported claims		1,640,657	1,583,583					
Other liabilities		10,108,261	9,972,537					
Total liabilities		11,748,918	11,556,120					
Fiduciary Net Position:	\$	663,797,513	\$ 574,938,050					

Summary of Changes in Fiduciary Net Position – All Plans								
June 30, 2024 June 30, 2023								
Additions:								
Contributions:								
Employer	\$	47,268,760	\$	45,177,562				
Member		1,885,103		1,772,895				
Other income		2,604,249		1,905,352				
Net investment income		70,105,364		56,421,222				
Total Additions		121,863,476		105,277,031				
Deductions:								
Benefits		32,855,900		31,205,279				
Administrative expenses		148,113		103,176				
Total Deductions		33,004,013		31,308,455				
Increase (Decrease) in Fiduciary Net Position:		88,859,463		73,968,576				
Fiduciary Net Position:								
Beginning of year		574,938,050		500,969,474				
End of year	\$	663,797,513	\$	574,938,050				

Investments

The State Investment Commission (SIC) monitors investment performance of the System and conducts periodic asset/liability (A/L) studies to identify an optimal diversified investment portfolio that maximizes return within an acceptable level of risk. As long-term investors, the SIC is committed to its strategic asset allocation that has been developed as part of a comprehensive A/L study which incorporates capital market return expectations, risks and correlations associated with each asset class as well as the unique profile and objectives of the System.

Fiscal 2024 – Asset Allocation Targets GROWTH Public Growth 40.0% Private Growth 5.0% **Growth - Subtotal** 45.0% INCOME Equity Options 4.0% Liquid Credit 8.0% Collateralized Loan Obligations (CLOs) 4.0% Private Credit 5.0% Income - Subtotal 21.0% STABILITY Inflation Protection - Core Real Estate 4.0% Inflation Protection - Private Real Assets (ex-Real Estate) 4.0% Volatility Protection 26.0% Stability - Subtotal <u>34.0%</u> Total <u>100.0%</u>

The following asset allocation targets are in place as of January 1, 2024:

The following table presents the fair value of investment, by type that are within the pooled trust at June 30, 2024:

Investment Type	Fair Value			
US Cash and Cash Equivalents:				
US Cash Non-US Cash Money Market Mutual Funds	\$ 86,416 45,726 4,586,213			
Corporate Bonds	13,151,733			
Derivatives:				
Equity and Fixed Income Index Futures	13,329			
Commingled Funds - International Equity	103,386,894			
Commingled Funds - Domestic Equity Index Funds	464,693,475			
Equity Options	27,388,454			
Private Equity	25,273,269			
Real Estate	18,463,238			
Private Real Assets (ex-Real Estate) <u>8,905,</u>				
Investment at Fair Value	665,994,218			
Investment receivable 106,0				
Total Pooled Investment Trust	\$ 666,100,238			

Investment Performance

The System's actuarial investment return assumption is 5.00%. The allocation of assets among equity and fixed income securities in the future may have a significant impact on actual investment performance. The actual investment return, net of investment expenses, for the fiscal year ended June 30, 2024 was 11.59% while the composite benchmark return was 10.59%.

Funded Status

Independent actuarial valuations of the System have been conducted every two years with annual valuations beginning June 30, 2018. As part of these valuations, the progress toward funding OPEB obligations of the System will be measured by comparing the actuarial value of assets to the actuarial accrued liability. This measure is referred to as the funded ratio or funded status.

Next Year's Contribution Rates

The fiscal 2025 employer contribution rates are all based upon actuarial valuations performed at June 30, 2022. The net employer contribution rates (expressed as a percent of covered payroll) for fiscal year 2025 are 3.94% for State employees, 13.73% for State Police, and 1.67% for members of the Board of Education plan. There is no fiscal 2025 required contribution to the Judges and Legislators plans due to their funded status. The State's contribution for retired teachers is expressed as a dollar amount and not as a percent of payroll; however, there will be no contribution to this plan for fiscal year 2025.

Future health care inflation experience and the assumed rate of return are key variables that could have a major impact on future employer contributions to the System. Trustees of the System, after consultation with the System's actuaries, will continue to carefully monitor this and other actuarial assumptions and make adjustments to future valuations as appropriate.

Contacting the System's Management

This discussion and analysis presentation is designed to provide a general overview of the System's financial activity. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Accounts and Control 1 Capitol Hill Providence, RI 02908

RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM Statements of Fiduciary Net Position June 30, 2024

	State Employees	Teachers	Judges	State Police	I	egislators	Board of Education	Total
Assets	• •					0		
Cash and cash equivalents	\$ 3,940,177	\$ 58,269	\$ 950,487	\$ 1,034,643	\$	73,361	\$ 590,391	\$ 6,647,328
Contribution receivables	2,133,330	33,751	6,521	386,993		24,335	213,935	2,798,865
Investments at fair value - equity in pooled trust	 456,292,144	 16,150,065	5,922,204	 105,410,346		4,502,000	 77,823,479	666,100,238
Total assets	 462,365,651	16,242,085	6,879,212	 106,831,982		4,599,696	 78,627,805	 675,546,431
Liabilities								
Accounts payable	293,519	17,217	4,632	169,971		42,340	65,778	593,457
Incurred but not reported claims	601,000	93,000	5,000	196,000		39,600	112,600	1,047,200
Due to other funds	358,243	12,362	4,534	80,698		264,311	59,692	779,840
Other	 9,328,421	 -	 	 -			-	 9,328,421
Total liabilities	 10,581,183	 122,579	 14,166	 446,669		346,251	238,070	 11,748,918
Net position held in trust for other post-employment benefits	\$ 451,784,468	\$ 16,119,506	\$ 6,865,046	\$ 106,385,313	\$	4,253,445	\$ 78,389,735	\$ 663,797,513

The accompanying notes are an integral part of this financial statement.

RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM Statements of Changes in Fiduciary Net Position For the Fiscal Year Ended June 30, 2024

	State Employees	Teachers	Judges	State Police	Legislators	Board of Education	Total
Additions							
Contributions							
Member contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,885,103	\$ 1,885,103
Employer contributions (note 4)	38,865,962	-	-	5,264,632	-	3,138,166	47,268,760
Total contributions	38,865,962	-		5,264,632	-	5,023,269	49,153,863
Other income (note 6)	1,820,047	106,474	24,373	485,041	84,561	83,753	2,604,249
Investment income Net appreciation in							
fair value of investments	46,642,218	1,802,164	613,311	10,807,137	466,234	7,995,380	68,326,444
Interest and dividends	2,623,119	104,739	53,581	605,512	25,377	445,366	3,857,694
	49,265,337	1,906,903	666,892	11,412,649	491,611	8,440,746	72,184,138
Less investment expense	(1,419,211)	(54,771)	(18,621)	(328,912)	(14,156)	(243,103)	(2,078,774)
Net investment income	47,846,126	1,852,132	648,271	11,083,737	477,455	8,197,643	70,105,364
Total additions	88,532,135	1,958,606	672,644	16,833,410	562,016	13,304,665	121,863,476
Deductions							
Benefits	24,808,000	1,047,288	(45,642)	3,289,282	465,212	3,291,760	32,855,900
Administrative expense (note 7)	103,075	2,077	1,205	23,949	915	16,892	148,113
Total deductions	24,911,075	1,049,365	(44,437)	3,313,231	466,127	3,308,652	33,004,013
Net Increase	63,621,060	909,241	717,081	13,520,179	95,889	9,996,013	88,859,463
Net position held in trust for other post-employment benefits							
Net position - beginning	388,163,408	15,210,265	6,147,965	92,865,134	4,157,556	68,393,722	574,938,050
Net position - ending	\$ 451,784,468	\$ 16,119,506	6,865,046	\$ 106,385,313	\$ 4,253,445	\$ 78,389,735	\$ 663,797,513

The accompanying notes are an integral part of this financial statement.

1. Plan Descriptions

(a) General

The Rhode Island State Employees' and Electing Teachers OPEB System (the "System"), a component unit of the State of Rhode Island, acts as a common investment and administrative agent for benefits to be provided for six defined benefit other post-employment plans as listed below:

Plan	Plan Members						
State Employees	State Employees State employees (excluding state police, legislators, and judges) and certain employees of the Narragansett Bay Commission, RI Airport Corporation, and RI Commerce Corporation.						
Teachers	Single-employer						
Judges	Judges and magistrates.	Single-employer					
State Police	State Police officers.	Single-employer					
Legislators	Retired and former members of the General Assembly.	Single-employer					
Board of Education	Certain employees of the Board of Education inclusive of URI, RIC and CCRI and the Office of Higher Education.	Cost-sharing multiple employer					

All plans are advance funded through a trust.

Although the assets of the plans are commingled for investment purposes, 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.

As a fiduciary component unit, the System's financial statements are reported as fiduciary funds in the Annual Comprehensive Financial Report of the State of Rhode Island. The accompanying financial statements are not intended to present the financial position and results of operations of the State.

The System is administered by the State of Rhode Island OPEB Board and was authorized, created, and established under Chapter 36-12.1 of the RI General Laws. The Board was established under Chapter 36-12.1 as an independent board to hold and administer, in trust, the funds of the OPEB System. The four members of the OPEB Board are: the State Controller, the State Budget Officer, the State Personnel Administrator and the General Treasurer, or their designees.

Members of the System, which include State employees, legislators, judges, State Police officers, certified public school teachers and employees of certain component units (or related organizations), if they meet certain eligibility requirements, are eligible to receive some form of retiree health care benefits. In addition, certain employees of the Board of Education receive benefits under another plan known as the Rhode Island Board of Education Health Care Insurance Retirement Program (the "BOE Plan").

1. Plan Descriptions (continued)

(b) Membership and Benefit Provisions

The plans within the System generally provide healthcare coverage to pre-Medicare eligible retirees and health reimbursement account (HRA) contributions for members who are Medicare eligible. Medicare eligible plan members may use their HRA accounts to purchase additional coverage, including Medicare supplement plans and Medicare Advantage plans. Members may purchase coverage for spouses and dependents. Depending on the plan and the time of retirement, the cost to purchase coverage for spouses and dependents is either at the "active rate" applicable to active employees or at the retiree rate. Dental and vision coverage is generally not provided (except for those plans that allow active health care coverage to continue after retirement – judges, state police and legislators). Dental and vision coverage may be purchased by these groups with no State subsidy.

Members of the System must meet the eligibility and services requirements set forth in the RI General Laws (RIGL) or other governing documents. RIGL Sections 16-17.1-1 and 2, 36-10-2, 36-12.1, 36-12-2.2 and 36-12-4 govern the provisions of the System, and they may be amended in the future by action of the General Assembly.

Active employees (other than the Board of Education active members) do not make contributions to the respective plans. Retired member contributions consist of the required retiree share of coverage based on the time of retirement and years of service. Other member contributions include purchased coverage for spouses or dependents or for non-subsidized coverage for dental and vision care.

A summary of the principal provisions of the plans follows:

State Employees

For State employees who retired on or before September 30, 2008, the State provides two types of subsidies for health care benefits. The Tier I subsidy applies to non-Medicare eligible plans and provides that the State will pay the portion of the cost of retiree health care for the retiree and any dependents above the active group rate. The retiree pays the active group monthly rate, and the State pays the difference between the active group rate and the early retiree rate. This subsidy is not based on years of service and ends at age 65. In addition to the Tier I benefits, the State pays a portion of the cost of retiree health care above the Tier I costs for certain retirees meeting eligibility requirements based upon the age and service of the retiree, which is referred to as the Tier II benefit.

Age of Retirement	Years of Service	Amount of Cost Paid by Retiree
Below 60:	28-34	10%
	35+	0%
From 60 to 65:	10-15	50%
	16-22	30%
	23-27	20%
	28+	0%
Greater than 65:	10-15	50%
	16-19	30%
	20-27	10%
	28+	0%

For State employees who retired on or before September 30, 2008, the fiscal 2024 contributions are as follows:

1. Plan Descriptions (continued)

(b) Membership and Benefit Provisions (continued)

For members age 59 through 64 who retire on or after October 1, 2008, with a minimum of 20 years of service, the State pays 80% of the actual cost of health care coverage.

At age 65, State retirees must purchase Medicare Part B (deducted from their Social Security payment) and enroll in a HRA plan to which the OPEB Trust contributes based upon 80% of the lowest-cost Medicare supplemental plan available through the program that meets the plan requirements defined in the law. Amounts available in each retiree's HRA plan can be used for any eligible medical care expense including reimbursement for health insurance premiums.

Teachers

Teachers who elect to participate in the System and retired on or before September 30, 2008, receive the Tier I subsidy but no other State cost sharing. For all teachers retiring on or after October 1, 2008, the Tier I subsidy ends and there is no other cost sharing by the State. Retired teachers may purchase coverage through the System at the actual cost for retirees.

Judges

Effective July 1, 2012 new retirees (and spouses and dependents) that are eligible for Medicare are required to enroll in Medicare and a Medicare Supplemental plan. Retirees who retired before that date are able to continue on the active health care plan provided they enroll in Medicare Part B.

State Police

Retired State police officers (including spouses and dependents) receive the active health care plan benefits or Medicare supplement coverage with the same co-share amount in effect at the date of their retirement.

Legislators

Effective July 1, 2012 new retirees (and spouses and dependents) that are eligible for Medicare are required to enroll in Medicare and a Medicare Supplemental plan. Retirees who retired before that date are able to continue on the active health care plan provided they enroll in Medicare Part B.

Board of Education

The BOE Plan offers three types of retiree health care benefits: (1) a self-insured health care plan for retirees not covered by Medicare, (2) a self-insured Medicare supplement plan for Medicare eligible post-65 retirees and (3) a fully insured Medicare HMO plan for Medicare eligible post-65 retirees.

The Tier I non-Medicare eligible plan subsidy provides that the Board will pay the portion of the cost of post-retirement health care for the retiree between the active group rate and the early retiree rate. This subsidy is based on years of service and ends when the retiree enrolls in Medicare. This subsidy is available only to eligible employees retiring before July 1, 2008.

To be eligible for coverage, the retiree retiring before July 1, 2008 must have worked a minimum of 10 years for the Board and must be at least 60 years of age, unless they have 28 years or more of service. Depending on the years of service and the retiree's age, the Board will pay from 50% to 100% of medical insurance premiums while the retiree contributes from 0% to 50%.

1. Plan Descriptions (continued)

(b) Membership and Benefit Provisions (continued)

Employees retiring after June 30, 2008, who are under 65 years of age, who have worked a minimum of 10 years for the Board and are at least 60 years of age or who have 28 years or more of service, may purchase health insurance coverage at the actual (100%) retiree premium rate for themselves and their spouses. The Board will continue to pay a portion of the post-65 Tier II benefits, 50% to 100% of medical insurance premium, depending on the years of service and the retiree's age while the retiree will contribute from 0% to 50%.

Active employees covered by the BOE plan contribute 0.9% of their salary. The contribution of employees covered under the BOE plan can be changed by the Board of Education.

A summary of membership by plan and the number of participating employers as of the June 30, 2023 actuarial valuation follows:

Plan		Members	Participating	
Flan	Active	Retired	Total	Employers
State employees	10,923	7,677	18,600	9
Teachers	N/A	51	51	N/A
Judges	64	23	87	1
State Police officers	239	174	413	1
Legislators	112	19	131	1
BOE employees	1,765	1,201	2,966	5

2. Summary of Significant Accounting Policies

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is responsible for establishing generally accepted accounting principles for other post-employment benefit plans established by governmental entities.

Basis of Accounting - The financial statements of the System have been prepared utilizing the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Plan member contributions are recognized in the period in which the contributions are withheld from retiree benefits. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions.

Benefits are recorded based on (1) recognition of a claim liability for a plan covered service for selfinsured coverage or (2) when premiums are due and payable for insured coverage. Accordingly, at fiscal year-end, an estimated liability for incurred but not reported claims is recognized in the financial statements for self-insured coverage.

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.

2. Summary of Significant Accounting Policies (continued)

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, domestic, and international equity securities are generally based on published market prices and quotations from national securities exchanges and securities pricing services.

<u>Commingled funds</u> include domestic 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.

<u>Derivative investments</u> are valued at the settlement price established each day by the board of trade or exchange on which they are traded.

<u>Other investments</u> that are not traded on a national securities exchange (primarily private equity, equity options, real estate, private real assets ex-real estate investments) are valued based on the reported 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, cash flow analysis, recent sales prices, market comparable transactions, a new round of financing, a change in economic conditions, and other pertinent information.

Private equity, real estate, and private real assets ex-real estate represented 3.8%, 2.8%, and 1.3%, respectively, of the total reported fair value of all pooled OPEB trust investments at June 30, 2024.

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

Investment Expenses - Investment expenses include investment consultant fees, custodial fees, direct investment expenses paid to managers, and certain indirect expenses allocated by managers to fund or partnership investors. When indirect investment expenses for certain types of investments (e.g., private equity, real estate, private real assets ex-real estate, and equity options), are not reported separately to System's management and the investment custodian, additional information is obtained to allow reporting of the System's share of such indirect investment expenses on a gross fee basis.

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 and liabilities in the statement 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.

Total Columns - Total columns on the financial statements are presented only to facilitate financial analysis. Data in these columns are not comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements - The System evaluates the impact of all new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB). Effective for fiscal year 2024, GASB Statement No. 100, *Accounting Changes and Error Corrections*, was implemented by the System. This statement had no impact on the fiscal 2024 financial statements. In subsequent years, the System will consider the impact, if any, of GASB Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*. System management has not yet determined the effect that these statements will have on the financial statements for future periods.

3. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

At June 30, 2024, the carrying amounts of the plans' cash deposits are listed below:

	State Employees	Teachers	Judges	State Police	Legislators	BOE	Total
Cash Deposits: Book Balance	\$ 1,336,729	\$ 52,910	\$ 950,487	\$ 1,034,643	\$ 73,361	\$ 590,391	\$ 4,038,521
Cash Equivalents:	2,603,448	5,359					2,608,807
Total Cash Deposits and Cash Equivalents:	\$ 3,940,177	\$ 58,269	\$ 950,487	\$ 1,034,643	\$ 73,361	\$ 590,391	\$ 6,647,328

At June 30, 2024, bank balances for the plan's cash accounts totaled:

	State						
	Employees	Teachers	Judges	State Police	Legislators	BOE	Total
Bank Balance	1,344,556	52,910	950,487	1,034,643	73,361	590,391	4,046,348

The bank and book balances represent the plans' deposits in short-term trust accounts which include fully insured demand deposit accounts and interest-bearing, collateralized bank deposit accounts. The bank balances, include interest-bearing collateralized bank deposits and are either federally insured or collateralized (102%) with U.S. Treasury, agencies and federal home loan bank letters of credit by a third-party custodian.

In accordance with Rhode Island General Law Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to 100% of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of deposits, regardless of maturity. None of the System deposits were required to be collateralized at June 30, 2024 (excluding the collateralized interest-bearing deposits). However, the SIC has adopted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to 102% of the deposit amounts that are not insured by federal depository insurance unless Federal Home Loan Bank (FHLB) letters of credit are used as collateral, in which case those are required at 100%. The percentage of collateral required is determined by the underlying classification of the collateral.

Cash equivalents are invested in the Ocean State Investment Pool (OSIP), an investment pool established by the State General Treasurer. At June 30, 2024, the System had an investment in OSIP totaling \$2,608,807 which represented less than 1% of the total OSIP Pool Trust at June 30, 2024. Agencies, authorities, commissions, boards, municipalities, political subdivisions, and other public units of the State may invest in OSIP. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue - 2nd Floor, Warwick, RI 02886.

3. Cash, Cash Equivalents, and Investments (Continued)

OSIP has met the criteria outlined in GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants* to permit election to report its investments at amortized cost which approximates fair value. The OSIP is not rated and the weighted average maturity of investments held in the pool, by policy, is not to exceed 60 days. OSIP's investments are high quality and liquid and include U.S. government and government agency obligations, U.S. dollar-denominated money market securities of domestic and foreign issuers such as short-term certificates of deposits, commercial paper, corporate bonds and notes, time deposits, municipal securities, asset-backed securities and repurchase agreements. OSIP transacts with its participants at a stable net asset value (NAV) per share. Investments reported at the NAV are not subject to the leveling categorization described in the "Fair Value Hierarchy" section of this note. There are no participant withdrawal limitations.

Investments

The State Investment Commission (SIC) oversees all investments made by the State of Rhode Island, including those made for the OPEB System. The establishment of the SIC, its legal authority, and investment powers are outlined in Chapter 35-10 of the Rhode Island General Laws.

The SIC has adopted an Investment Policy Statement (IPS) which includes specific asset allocation targets and asset class policies. The most recent policy statement was adopted by the SIC on December 6, 2023 and was effective as of January 1, 2024, and may be amended by a majority vote of SIC members. The SIC's asset allocation policy seeks to achieve the assumed rate of return adopted by the System over the long-term while reducing risk through the prudent diversification of the portfolio across various asset classes.

The System leverages the services of actuaries and consultants to provide guidance regarding actuarial matters, asset allocation, and investment policy development. The SIC manages the investment program pursuant to the investment policy, develops asset class guidelines, monitors and evaluates performance, and makes determinations regarding the retention of managers. Professional investment managers are selected by the SIC to manage portfolios in accordance with investment management agreements.

The SIC adopted the	following asset	allocation p	olicy targets as	of January 1 2024
The bic adopted the	10110 wills ubbet	unocution p	oney angets as	01 Junuary 1, 2021.

Asset Class	Target Asset Allocation
Growth	
Public Growth	40.0%
Private Growth	5.0%
Growth - Subtotal	45.0%
Income	
Equity Options	4.0%
Liquid Credit	8.0%
Collateralized Loan Obligations (CLOs)	4.0%
Private Credit	5.0%
Income - Subtotal	21.0%
Stability	
Inflation Protection – Core Real Estate	4.0%
Inflation Protection – Private Real Assets (ex-Real Estate)	4.0%
Volatility Protection	26.0%
Stability - Subtotal	34.0%
Total	100.0%

3. Cash, Cash Equivalents, and Investments (Continued)

The assets of each of the plans are pooled for investment purposes only, and units are assigned to the plans based on their respective share of fair value. The custodian bank holds assets of the System in a pooled account and each plan holds units in the account. The number of units held by each plan is a function of each plans' respective contributions to, or withdrawals from the account. Investment expense is allocated to each plan based on the plan's units in the pooled trust at the end of each month.

Consistent with a target asset allocation model adopted by the SIC, the OPEB System maintains a diversified portfolio by sector, credit rating and issuer using the prudent person standard, which is the standard of care employed solely in the interest of the participants and beneficiaries of the funds and for the exclusive purpose of providing benefits to participants and defraying reasonable expenses of administering the funds.

Specific manager performance objectives are outlined and generally stated in relation to a benchmark or relevant index. These guidelines also include prohibited investments, limitations on maximum exposure to a single industry or single issuer, a minimum number of holdings within the manager's portfolio and, for fixed income managers, minimum credit quality ratings and duration/maturity targets.

The following table presents the fair value of investments by type that are held within the pooled trust at June 30, 2024:

Investment Type	Fair Value
US Cash and Cash Equivalents:	
US Cash	\$ 86,416
Non-US Cash	45,726
Money Market Mutual Funds	4,586,213
Corporate Bonds	13,151,733
Derivatives:	
Equity and Fixed Income Index Futures	13,329
Commingled Funds - International Equity	103,386,894
Commingled Funds - Domestic Equity Index Fund	464,693,475
Equity Options	27,388,454
Private Equity	25,273,269
Real Estate	18,463,238
Private Real Assets ex-Real Estate	8,905,471
Investment at Fair Value	\$ 665,994,218
Investment receivable	 106,020
Total Pooled Investment Trust	\$ 666,100,238

Fair Value Hierarchy - The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs are other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 includes unobservable inputs for an asset or liability.

3. Cash, Cash Equivalents, and Investments (Continued)

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Investments at Fair Value	Fair Value une 30,2024	C	uoted Prices in Active Market or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Fixed Income				
Corporate Bonds	\$ 13,151,733	\$	-	\$13,151,733
Derivatives				
Equity and Fixed Income Index Futures	 13,329		13,329	
Total Investments by fair value level	\$ 13,165,062	\$	13,329	\$13,151,733
Investments measured at the net asset value (NAV)				
Commingled Funds – International Equity	103,386,894			
Commingled Funds - Domestic Equity Index Fund	464,693,475			
Equity Options	27,388,454			
Money Market Funds	4,586,213			
Private Equity	25,273,269			
Real Estate	18,463,238			
Private Real Assets ex-Real Estate	 8,905,471	_		
	\$ 652,697,014	_		
Cash and Cash Equivalents				
US Cash	86,416			
Non-US cash	 45,726	_		
	\$ 132,142	-		
Net Investment receivable	 106,020	_		
Total Pooled Investment Trust	\$ 666,100,238			

The following table presents the investments measured at fair value at June 30, 2024:

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Derivative instruments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical assets for those securities.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table:

	Fair Value	Unfunded Commitments	Redemption (if currently eligible)	Redemption Notice Period
Commingled Funds - International Equity	\$ 103,386,894	\$ -	daily	none
Commingled Funds - Domestic Equity Index Funds	464,693,475	-	daily	see note below
Equity Options	27,388,454	-	see note below	see note below
Money Marktet Funds	4,586,213	-	see note below	see note below
Private Equity	25,273,269	12,310,448	see note below	see note below
Real Estate	18,463,238	3,864,642	see note below	see note below
Private Real Assets ex-Real Estate	8,905,471	3,340,142	see note below	see note below
	\$ 652,697,014	\$ 19,515,232	_	

3. Cash, Cash Equivalents, and Investments (Continued)

Commingled Funds – International Equity – consist of 46 international equity index funds which are intended to replicate the performance of a specific index; e.g., MSCI CAD. The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the commingled fund managers, which reflects the exchange pricing of the equity holdings within each fund. The international equity commingled funds may be redeemed daily.

Commingled Funds – Domestic Equity – consist of three institutional domestic equity index funds. The fair values of these investments in this type have been determined using the NAV per share of the investments as reported by the commingled fund managers, which reflects the exchange pricing of the equity holdings within each fund. There are no withdrawal limitations for the index funds.

Equity Options – Private LLC Investment – the fund seeks to achieve its goal primarily through a strategy of writing exchange-traded put options on the S&P 500[®] Index. These options are fully collateralized by short duration U.S. Treasury securities. The advisor attempts to generate returns through the receipt of option premiums from selling puts, as well as through investments in short duration fixed income instruments, which collectively are intended to reduce volatility relative to what it would be if the fund held the underlying equity index on which the options are written.

The fair value of the equity options – private LLC investment has been determined using the NAV per share of the investments as reported by the general partner at June 30, 2024. The underlying investments at June 30, 2024, which consist of equity options and fixed income investments were publicly traded.

This investment includes monthly liquidity provisions with 7 business days' notice.

Money Market Mutual Funds – are used as temporary cash management investments. The fair value of these funds reflects the net asset value reported by the fund administrator which is a stable \$1 per unit. The underlying investments, which are short-term cash equivalent type investments are generally carried at amortized cost which approximates fair value. There are no participant withdrawal limitations.

Private Equity – these 14 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, 2024. 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.

Real Estate – these 12 limited partnership 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 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.

3. Cash, Cash Equivalents, and Investments (Continued)

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, 2024.

With the exception of five core/core+ open-end funds which allow for quarterly redemptions (with a notice period of between 15 to 90 days), these investments cannot be redeemed. Redemptions from core/core+ open-end funds may not be fulfilled in a timely manner due to market conditions. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

Private Real Assets ex-Real Estate – these four funds provide inflation-protection and current income to the portfolio through investment 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, hospitals, farmlands, etc. The fair value of these investments have been determined using the NAV per share of the investment as reported by the general partner at June 30, 2024.

With the exception of two open-ended core funds which allow for quarterly liquidity (with a notice period of between 45 to 60 days), these investments cannot be redeemed. Redemptions may not be fulfilled in a timely manner due to market conditions and initial lock-up period. The nature of these investments provide for distributions through the liquidation of the underlying assets or net operating cash flows.

Interest Rate Risk

Interest rate risk is the possibility that the value of a fixed income security will decline due to changes in market interest rates. Due to its significant holdings of fixed income securities, the System manages its investment exposure to interest rate risk by comparing its fixed income and cash managers portfolio-level and security-level interest rate sensitivities against a predetermined benchmark index based on that manager's mandate. In general, the System uses duration (in years) to measure interest rate sensitivity. However, for its credit managers, the System uses effective duration, which takes into effect the embedded optionality, to measure the sensitivity of its investments to changes in interest rates. In some cases, the System also sets absolute restrictions with respect to effective duration or maturity for individual securities or portfolios for manager portfolios. The interest rate risk policies currently utilized by the System vary by asset class which include US High Yield, US Aggregate Bond, and JP Morgan CLOIE BB Index.

The fixed income indices currently used by the System is:

- ICE BofA ML US HY Index
- JP Morgan CLOIE BB Index
- Bloomberg US Aggregate Bond Index

At June 30, 2024, no fixed income manager was outside of their policy guidelines.

3. Cash, Cash Equivalents, and Investments (Continued)

The following table shows the OPEB System's fixed income investments by type, fair value and the effective duration at June 30, 2024:

Investment Type:	<u>Fair Value</u>	Duration
Corporate Bonds	\$13,151,733	2.44

In addition to the fixed income investments shown above, the following table depicts the investment type, fair value and effective duration for two commingled domestic equity fund investments that primarily invest in fixed income securities at June 30, 2024:

Investment	Investment Type	<u>Fair Value</u>	Effective Duration
US Aggregate Bond Index NL	Commingled Funds - Domestic Equity	\$ 198,273,725	6.13
US High Yield Bond Index NL	Commingled Funds - Domestic Equity	\$ 76,947,707	3.09

Credit Risk

Credit risk is the possibility of a loss due to the failure of a counterparty to repay a loan or meet another contractual obligation. The System may be exposed to credit risk with respect to its fixed income investments. The System manages its credit risk by setting credit rating criteria to govern the investment activities of its fixed income managers at the portfolio and security level. Ratings criteria may be expressed on a relative basis against predetermined benchmark index or on an absolute basis based on that manager's mandate. If a security is not rated by any rating agency, the internal rating assigned by the investment manager, or an affiliate (internal rating) will be used. The credit risk policies currently utilized by the System vary by asset class and reflect the manager's strategy and the System's overall asset allocation targets and related objectives.

The OPEB System generally manages exposure to credit risk by instructing fixed income managers to adhere to an overall target weighted average credit quality for their portfolios and by establishing limits on the percentage of the portfolios that are invested in non-investment grade securities.

The OPEB System's exposure to credit risk on corporate bonds as of June 30, 2024 is as follows:

<u>Corporate</u> <u>Bonds</u>
\$ 2,000,681
1,724,393
19,454
9,407,205
\$13,151,733

(1) Moody's Investors Service Ratings

3. Cash, Cash Equivalents, and Investments (Continued)

In addition to the exposure to credit risk on corporate bonds shown above, the following table depicts credit ratings for two commingled domestic equity fund investments that primarily invest in fixed income securities at June 30, 2024:

<u>Investment</u>	Investment Type	<u>Fair Value</u>	<u>Average</u> <u>Credit</u> <u>Quality</u>	<u>Credit Quality</u> <u>Breakdown</u>
US Aggregate Bond Index NL	Commingled Funds - Domestic Equity	\$ 198,273,725	AA3	Aaa-3.6%, Aa-70.4%, A-11.6%, Baa-12.4%, Not rated-2.0%
US High Yield Bond Index NL	Commingled Funds - Domestic Equity	\$ 76,947,707	B1	BBB or higher - 0.8%, BB-49.6%, B-36.2%, CCC or lower-12.4%, Not rated-1.0%

Average Credit Quality for the US Aggregate Bond Index NL reflects market value weight of all the rated securities held by the portfolio (excluding unrated securities) using the middle rating provided by either S&P, Moody's and Fitch or lower if only two agency ratings are available. Information on the methodology for determining average credit quality for the other fund listed was not available.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a System's investments in a single issuer. There is no single issuer exposure within the System's portfolio that comprises more than 5% of the overall portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the OPEB System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2024, all securities were registered in the name of the State of Rhode Island OPEB System Trust (or in the nominee name of its custodial agent) and were held in the possession of its custodial bank, Bank of New York Mellon.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. Portfolios are diversified to limit foreign currency and security risk. The System may enter into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on foreign investments.

3. Cash, Cash Equivalents, and Investments (Continued)

Currency Code	Currency	Commingled Funds
AUD	Australian Dollar	\$ 4,930,332
ATS	Austrian Schilling	123,472
BEF	Belgian Franc	627,803
BRL	Brazilian Real	1,273,487
CAD	Canadian Dollar	7,692,934
CLP	Chilean Peso	132,16
CNY	Chinese Yuan	7,543,863
COP	Colombian Peso	32,539
CZK	Czech Republic Koruna	39,682
DKK	Danish Krone	2,616,58
NLG	Dutch Guilder	3,550,93
EGP	Egyptian Pound	20,340
FIM	Finnish Markka	664,329
FRF	French Franc	7,379,43
DEM	German Deutsche Mark	5,681,04
GBP	Great Britain Pound	9,784,58
GRD	Greek Drachmae	147,61
HKD	Hong Kong Dollar	1,172,32
HUF	Hungarian Forint	72,832
INR	Indian Rupee	5,738,88
IDR	Indonesia Rupiah	472,87
IEP	Irish Pound	228,59
ILS	Israeli Shekel	483,23
ITL	Italian Lira	1,768,24
JPY	Japanese Yen	14,940,894
KWD	Kuwaiti Dinar	218,75
MYR	Malaysian Ringgit	409,47
MXN	Malaysian Kinggit Mexican Peso	641,132
TWD	New Taiwan Dollar	5,814,93
NZD	New Zealand Dollar	115,23
NOK	Norwegian Krone	392,25
PEN	Peruvian Nouveau Sol	92,43
PHP	Philippine Peso	154,82
PLN	Polish Zloty	288,60
PTE	Portuguese Escudo	
QAR	Qatari Real	126,13 236,32
SAR	Saudi Riyal	
		1,161,393
SGD	Singapore Dollar	893,994
ESP	Spanish Peseta	1,743,910
SEK	Swedish Krona	2,125,85
CHF	Swiss Franc	6,362,79
ZAR	South African Rand	884,42
KRW	South Korean Won	3,643,812
THB	Thailand Baht	397,23
TRY	Turkish Lira	234,488
AED	United Arab Emirates Dirham	329,860
	Total	\$103,386,894

The System's exposure to foreign currency risk at June 30, 2024, is detailed in the following table:

3. Cash, Cash Equivalents, and Investments (Continued)

Derivatives and Other Similar Investments

Certain of the System's investment managers are allowed to invest in derivative type transactions consistent with the terms and limitations governing their investment objective and related contract specifications. Derivatives and other similar investments are financial contracts whose value depends on one or more underlying assets, reference rates, or financial indices.

The System's derivative investments include futures contracts. The System enters into these transactions to enhance performance, rebalance the portfolio consistent with overall asset allocation targets, gain or reduce exposure to a specific market, or mitigate specific risks.

Futures contracts – The System uses futures to manage its exposure to the domestic and international equity, money market, and bond markets and the fluctuations in interest rates and currency values. Futures are also used to obtain target market exposures in a cost-effective manner and to narrow the gap between the System's actual cash exposures and the target policy exposures. Using futures contracts in this fashion is designed to reduce (or hedge) the risk of the actual plan portfolio deviating from the policy portfolio more efficiently than by using cash securities. The program is only used to manage intended exposures and asset allocation rebalancing.

Buying futures tends to increase the System's exposure to the underlying instrument. Selling futures tends to decrease the System's exposure to the underlying instrument or hedge other System investments. Losses may arise due to movements in the underlying or reference markets.

Additionally, the System is an investor in a private investment fund that writes collateralized put options on both U.S. indices, including the S&P 500[®] Index and exchange traded funds. The advisor attempts to generate returns through the receipt of option premiums from selling puts, as well as through investments in fixed income instruments, which collectively are intended to reduce volatility relative to what it would be if the fund held the underlying equity index on which the options are written.

Additional information regarding interest rate risks for these investments is included in the **Interest Rate Risk** section.

The System may sell a security in anticipation of a decline in the fair value of that security or to lessen the portfolio allocation of an asset class. Short sales may increase the risk of loss to the System when the price of a security underlying the short sale increases and the System is obligated to deliver the security in order to cover the position.

The following summarize the System's exposure to specific derivative investments at June 30, 2024:

	Ch	lange in Fair						
	Valı	ue Included in	Fair	Value at	Fa	ir Value at		
Investment Derivative Instruments	Inves	stment Income	June	30, 2023	Jur	ne 30, 2024	No	tional Amount
Fixed income futures - long	\$	14,905	\$	741	\$	15,646	\$	3,068,484
Fixed income futures – short		153,978	(15	53,978)		N/A		N/A
Equity index futures - long		(8,092)		8,951		859		460,300
Equity index futures - short		75,972	(7	79,148)		(3,176)	-	828,225
Total	\$	236,763	\$ (22	23,434)	\$	13,329	_	

3. Cash, Cash Equivalents, and Investments (Continued)

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended June 30, 2024, the annual money weighted returns on investments within each of the plans net of investment expense, are shown in the following table:

	State Employees	Teachers	Judges	State Police	Legislators	Board of Education		
Fiscal Year Ended June 30, 2024	12.65%	3.62%	10.45%	11.86%	19.76%	11.85%		

4. Contributions

RIGL Sections 36-10-2, 36-12.1, 36-12-2.2 and 36-12-4 govern the provisions of the System. The contribution requirements of plan members, the State, and other participating employers are statutorily determined and may be amended by the General Assembly. Beginning in fiscal year 2011, the State and other participating employers were required by law to fund the plans on an actuarially determined basis.

For the fiscal year ended June 30, 2024, the State and other participating employers paid \$47,268,760 into the plans.

The annual required contribution rates for fiscal year 2024 were determined based on the June 30, 2021 Actuarial Valuation for all plans.

The table below displays the contribution rates for the year ended June 30, 2024

Plan	Employee (Active)	Employer
State Employees	none	4.52%
Teachers	not applicable	not applicable
Judges	none	none
State Police	none	17.81%
Legislators	none	none
Board of Education	0.90%	2.15%

5. Net OPEB Liability (Asset) of the Participating Employers

Plan	Total OPEB Liability	Plan Fiduciary Net Position	Employer's Net OPEB Liability (Asset)	Plan Fiduciary Net Position as a % of the Total OPEB Liability
State Employees	\$ 590,175,712	\$451,784,468	\$138,391,244	76.55%
Teachers	9,013,101	16,119,506	(7,106,405)	178.85%
Judges	512,738	6,865,046	(6,352,308)	1338.90%
State Police	76,567,852	106,385,313	(29,817,461)	138.94%
Legislators	1,651,684	4,253,445	(2,601,761)	257.52%
Board of Education	79,121,464	78,389,735	731,729	99.08%

The Net OPEB Liability (Asset) of employers participating in the various plans of the System as of June 30, 2024 were as follows:

a. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The total OPEB liability was based on valuations performed as of June 30, 2023 rolled forward to June 30, 2024 (measurement date).

5. Net OPEB Liability (Asset) of the Participating Employers (continued)

a. Actuarial Methods and Assumptions (continued)

The following table summarizes the assumptions and methods employed in the June 30, 2023 valuation.

	State Employees' Plan	Plan Plan Ind Ind Ind Level Dollar Level Dollar Level Peroperation N/A 2.75% Pre-Medicare: 7.25% Medicare: 6.50% in	Judges Plan	State Police Plan	Legislators Plan	Board of Education Plan					
Actuarial Cost Method		Individual Entry Age									
Amortization Method	Level Percent of Payroll	Level Dollar	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll					
Actuarial Assumptions											
Investment Rate of Return			5.	.00%	Legislators PlanEducation PlanLevel Percent of PayrollLevel Percent of Payroll3.25% to 6.25%3.25% to 6.25%% in 2038 n 20386.25%Education: PUB-10 Median Table ultimate MP16.Education: PUB-10 Median Table						
Projected Salary Increases	3.25% to 6.25%	N/A	2.75%	3.75% to 11.75%	to	to					
Valuation Healthcare Cost Trend Rate				.0 0							
Mortality Rates	for General Health Healthy Female St for General Health Healthy Male Tea projected with sca Healthy Female T projected with sca	hy retiree males lo tate Employees, St ny retiree females achers: PUB-10 le ultimate MP16. Ceachers: PUB-10 le ultimate MP16. Sex distinct PUB-	paded by 115%, p ate Police, Legisl loaded by 111%, Median Table fo Median Table fo	projected with scal lators, and Board of projected with sca or Healthy Teacho or Healthy Teacho	<i>e ultimate MP16.</i> of <i>Education</i> : PUB- ale ultimate MP16. er retiree males, le er retiree females, l	10 Median Table baded by 108%, boaded by 115%,					

5. Net OPEB Liability (Asset) of the Participating Employers (continued)

a. Actuarial Methods and Assumptions (continued)

The actuarial assumptions used in the calculation of total OPEB liability at the June 30, 2024 measurement date were consistent with the Actuarial Experience Investigation Study for the six years ended June 30, 2019 performed for the Employees' Retirement System of Rhode Island.

The long-term expected rate of return best-estimate on OPEB 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 OPEB plan expense and inflation) for each major asset class, based on a collective summary of capital market expectation from 40 nationally recognized investment consulting firms. The June 30, 2024 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Target Asset Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return
GROWTH		
Global Equity	40.00%	6.52%
Private Growth	5.00%	8.90%
Subtotal	45.00%	
INCOME		
Equity Options	4.00%	5.81%
Liquid Credit	4.00%	4.42%
Emerging Market Debt	4.00%	4.45%
Collaterized Loan Obligations	4.00%	4.42%
Private Credit	5.00%	4.42%
Subtotal	21.00%	
STABILITY		
Inflation Protection		
Core Real Estate	4.00%	4.94%
Private Real Assets	4.00%	6.12%
Subtotal	8.00%	
Volatility Protection		
US Aggregate Bond	26.00%	1.96%
Subtotal	26.00%	
Total	100.00%	

¹ The target asset allocation used in the actuarial assumptions was adopted by the SIC on

June 22, 2022 in an Investment Policy Statement which was effective as of January 1, 2023.

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

5. Net OPEB Liability (Asset) of the Participating Employers (continued)

b. Discount rate

The discount rate used to measure the total OPEB liability of the plans was 5.0%. The projection of cash flows used to determine the discount rate assumed that the contributions, if any, from the plan members will be made at the current contribution rate and that the contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions and the projection of cash flows of each fiscal year ending, the OPEB plan's fiduciary net position and future contributions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

c. Sensitivity of the Net OPEB Liability (Asset) to changes in the discount rate

The following table presents the Net OPEB Liability (Asset) of the employers calculated using the discount rate of 5.0%, as well as what the employers' Net OPEB 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.

Plan	1.0% Decrease 4.0%	1.0% Increase 6.0%			
State Employees	\$ 212,610,938	\$ 138,391,244	\$ 76,213,967		
Teachers	(6,402,802)	(7,106,405)	(7,727,657)		
Judges	(6,338,393)	(6,352,308)	(6,366,209)		
State Police	(23,306,545)	(29,817,461)	(35,637,937)		
Legislators	(2,459,895)	(2,601,761)	(2,724,278)		
Board of Education	12,113,180	731,729	(8,651,241)		

Sensitivity of Net OPEB Liability (Asset) to the Single Discount Rate Assumption

d. Sensitivity of the Net OPEB Liability (Asset) to changes in the healthcare inflation rate

The healthcare cost trend rate for Medicare eligible plan members was 6.50% and gradually decreasing to an ultimate rate of 3.5%. Similarly, the healthcare cost trend rate for Not Medicare eligible/HRA plan members was 7.25% and gradually decreasing to an ultimate rate of 3.5%. The following presents the Net OPEB Liability (Asset) of the employers calculated using the assumed healthcare cost trend rates, as well as, what the employers' Net OPEB Liability (Asset) would be if it were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

5. Net OPEB Liability (Asset) of the Participating Employers (continued)

d. Sensitivity of the Net OPEB Liability (Asset) to changes in the healthcare inflation rate (continued)

Sensitivity of Net OPEB Liability (Asset) to the Healthcare Cost Trend Rate Assumption

Plan	1.0% Decrease	H Co	Current ealthcare ost Trend Assumption	1.0% Increase		
State Employees	\$ 60,367,235	\$	138,391,244	\$	235,235,048	
Teachers	(7,818,532)		(7,106,405)		(6,311,336)	
Judges	(6,399,411)		(6,352,308)		(6,301,068)	
State Police	(37,994,486)		(29,817,461)		(20,120,407)	
Legislators	(2,761,901)		(2,601,761)		(2,414,063)	
Board of Education	(10,706,483)		731,729		15,249,459	

6. Other Income

Drug rebates received from drug manufacturers relating to claims paid for retirees totaling \$2,604,249 are included in other income.

7. Administrative Expenses

Pursuant to General Law section 36-12.1-15, a restricted receipts account within the General Fund is funded and used to pay the expenses of the OPEB Board and the cost of maintaining and administering the OPEB System. This restricted receipt account is funded from a transfer from the OPEB trust funds equal to 25 basis points of the average total investments before lending activities for the preceding five fiscal years or \$200,000, whichever is greater. Any non-encumbered funds on June 30 of any fiscal year are returned to the OPEB System. For fiscal year 2024, administrative expenses of the System totaled \$148,113.

Administrative expenses recorded within the OPEB System consist primarily of actuarial, investment advisory, custodial fees, and plan design/administration services. Other costs related to administering the post-employment benefit program such as enrollment of retirees, payment of claims, accounting, and investment monitoring have been allocated to the System starting in fiscal year 2018.

Rhode Island State Employees' and Electing Teachers OPEB System

Required Supplementary Information

Schedules of Changes in the Participating Employers' Net OPEB Liability (Asset) and Related Ratios

Schedules of Investment Returns

Schedules of Employer Contributions

Notes to Required Supplementary Information

RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM Required Supplementary Information

						State Employ	005' P	lan								
						State Employ	ccs r	1411								
	Fiscal Year Ended		Fisc	al Year Ended	Fiscal Year Ended Fiscal Year Ended		Fiscal Year Ended		Fiscal Year Ended		Fiscal Year Ended		Fisc	al Year Ended		
	Ju	ne 30, 2024	Jı	ine 30, 2023	į	June 30, 2022	J	une 30, 2021	J	une 30, 2020	J	une 30, 2019	J	June 30, 2018	Jı	ine 30, 2017
Total OPEB liability																
Service cost	\$	14,280,082	\$	15,842,215	\$	15,303,500	\$	16,519,615	\$	16,882,590	\$	17,372,538	\$	17,596,695	\$	15,729,608
Interest on the total OPEB liability		29,553,343		30,318,692		29,193,028		31,209,172		32,655,281		34,361,493		33,247,970		31,905,604
Changes of benefit terms		-		-		-		-		-		(17,295,587)		-		-
Difference between expected and																
actual experience		(48,706,805)		(36,185,418)		2,952,563		(32,742,035)		(32,616,568)		(39,458,052)		(3,327,426)		(31,336,582)
Changes of assumptions		23,526,270		-		(1,781,102)		(31,489,165)		(21,442,501)		(4,429,631)		-		36,061,281
Benefit payments, net of retiree contributions		(24,808,000)		(24,194,786)		(22,653,352)		(23,771,476)		(24,667,526)		(24,192,503)		(26,076,925)		(26,815,313)
Net change in total OPEB liability		(6,155,110)		(14,219,297)		23,014,637		(40,273,889)		(29,188,724)		(33,641,742)		21,440,314		25,544,598
Total OPEB liability - beginning		596,330,822		610,550,119		587,535,482		627,809,371		656,998,095		690,639,837		669,199,523		643,654,925
Total OPEB liability - ending (a)	\$	590,175,712	\$	596,330,822	\$	610,550,119	\$	587,535,482	\$	627,809,371	\$	656,998,095	\$	690,639,837	\$	669,199,523
Plan fiduciary net position																
Employer contributions	\$	38,865,962	\$	36,565,974	\$	41,484,573	\$	41,024,947	\$	50,407,617	\$	43,857,850	\$	42,265,174	\$	42,731,807
OPEB plan net investment income		47,846,126		38,249,262		(39,332,111)		70,305,219		19,298,169		18,614,687		13,736,209		14,292,030
Benefit payments, net of retiree contributions		(24,808,000)		(24,194,786)		(22,653,352)		(23,771,476)		(24,667,526)		(24,192,503)		(26,076,925)		(26,815,313)
OPEB plan administrative expense		(103,075)		(70,621)		(123,762)		(51,872)		(169,968)		(123,499)		(218,614)		(82,273)
Other		1,820,047		1,251,751		1,409,340		1,165,170		1,515,368		1,055,044		1,848,386		1,721,604
Net change in plan fiduciary net position		63,621,060		51,801,580		(19,215,312)		88,671,988		46,383,660		39,211,579		31,554,230		31,847,855
Plan fiduciary net position - beginning		388,163,408		336,361,828		355,577,140		266,905,152		220,521,492		181,309,913		149,755,683		117,907,828
Plan fiduciary net position - ending (b)	\$	451,784,468	\$	388,163,408	\$	336,361,828	\$	355,577,140	\$	266,905,152	\$	220,521,492	\$	181,309,913	\$	149,755,683
Net OPEB liability (asset) - ending (a) - (b)	\$	138,391,244	\$	208,167,414	\$	274,188,291	\$	231,958,342	\$	360,904,219	\$	436,476,603	\$	509,329,924	\$	519,443,840
Plan fiduciary net position as a percentage																
of total OPEB liability (asset)		76.55 %		65.09 %		55.09 %		60.52 %		42.51 %		33.57 %		26.25 %		22.38 %
Covered-payroll	\$	855,094,706	\$	796,091,187	\$	772,904,065	\$	790,412,182	\$	767,390,468	\$	745,039,289	\$	708,886,705	\$	708,886,705
Net OPEB liability (asset) as a percentage																
of covered-payroll		16.18 %		26.15 %		35.48 %		29.35 %		47.03 %		58.58 %		71.85 %		73.28 %
× •																

Schedules of Changes in the Participating Employers' Net OPEB Liability (Asset) and Related Ratios

See notes to required supplementary information.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedules of Changes in the Participating Employers' Net OPEB Liability (Asset) and Related Ratios

			Teacher	s Plaı	n				
	 al Year Ended ine 30, 2024	 cal Year Ended une 30, 2023	iscal Year Ended June 30, 2022		scal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020	scal Year Ended June 30, 2019	cal Year Ended June 30, 2018	al Year Ended une 30, 2017
Total OPEB liability	 ·		·		i i i i i i i i i i i i i i i i i i i			·	
Interest on the total OPEB liability	\$ 319,492	\$ 348,403	\$ 372,853	\$	476,731	\$ 555,940	\$ 580,725	\$ 611,581	\$ 561,694
Changes of benefit terms	-	-	-		-	-	(1,951,858)	-	-
Difference between expected and									
actual experience	(728,998)	79,487	(68,895)		(963,502)	(1,212,233)	1,953,684	91,200	1,625,377
Changes of assumptions	3,556,406	-	135,020		(695,985)	(164,307)	(44,957)	-	216,323
Benefit payments, net of retiree									
contributions	 (1,047,288)	(964,926)	(891,031)		(898,605)	 (628,511)	 (1,438,073)	 (1,201,727)	 (1,609,591)
Net change in total OPEB liability	2,099,612	(537,036)	(452,053)		(2,081,361)	(1,449,111)	(900,479)	(498,946)	793,803
Total OPEB liability - beginning	6,913,489	7,450,525	7,902,578		9,983,939	11,433,050	12,333,529	12,832,475	12,038,672
Total OPEB liability - ending (a)	\$ 9,013,101	\$ 6,913,489	\$ 7,450,525	\$	7,902,578	\$ 9,983,939	\$ 11,433,050	\$ 12,333,529	\$ 12,832,475
Plan fiduciary net position									
Employer contributions	\$ -	\$ -	\$ -	\$	-	\$ -	\$ 2,277,327	\$ 2,321,057	\$ 2,321,057
OPEB plan net investment income	1,852,132	1,618,160	(1,708,123)		3,375,991	1,081,692	1,100,529	780,155	864,037
Benefit payments, net of retiree contributions	(1,047,288)	(964,926)	(891,031)		(898,605)	(628,511)	(1,438,073)	(1,201,727)	(1,609,591)
OPEB plan administrative expense	(2,077)	(2,654)	(5,248)		(2,383)	(24,093)	(2,562)	(16,645)	6,752
Other	 106,474	117,197	34,254		108,281	 150,032	 117,494	 135,678	 102,934
Net change in plan fiduciary net position	909,241	767,777	(2,570,148)		2,583,284	579,120	2,054,715	2,018,518	1,685,189
Plan fiduciary net position - beginning	15,210,265	14,442,488	17,012,636		14,429,352	13,850,232	11,795,517	9,776,999	8,091,810
Plan fiduciary net position - ending (b)	\$ 16,119,506	\$ 15,210,265	\$ 14,442,488	\$	17,012,636	\$ 14,429,352	\$ 13,850,232	\$ 11,795,517	\$ 9,776,999
Net OPEB liability (asset) - ending (a) - (b)	\$ (7,106,405)	\$ (8,296,776)	\$ (6,991,963)	\$	(9,110,058)	\$ (4,445,413)	\$ (2,417,182)	\$ 538,012	\$ 3,055,476
Plan fiduciary net position as a percentage						 			
of total OPEB liability (asset)	178.85%	220.01%	193.85%		215.28%	144.53%	121.14%	95.64%	76.19%
Covered-payroll	N/A	N/A	N/A		N/A	N/A	N/A	N/A	N/A
Net OPEB liability (asset) as a percentage									
of covered-payroll	N/A	N/A	N/A		N/A	N/A	N/A	N/A	N/A

Contributions for the Teachers plan are determined at a fixed amount rather than a percentage of payroll thus covered payroll is not applicable for this plan.

See notes to required supplementary information.

Schedules of Changes in the Participating Employers' Net OPEB Liability (Asset) and Related Ratios

			Judges 1	Plan					
	 Year Ended ne 30, 2024	 al Year Ended ine 30, 2023	 cal Year Ended June 30, 2022		scal Year Ended June 30, 2021	iscal Year Ended June 30, 2020	 cal Year Ended June 30, 2019	 cal Year Ended June 30, 2018	al Year Ended ine 30, 2017
Total OPEB liability									
Service cost	\$ 47,964	\$ 8,818	\$ 7,356	\$	13,183	\$ 22,108	\$ 21,662	\$ 15,496	\$ 19,825
Interest on the total OPEB liability	10,649	13,385	15,171		17,849	64,241	59,547	68,300	49,824
Changes of benefit terms	-	-	-		-	-	(42,183)	-	-
Difference between expected and									
actual experience	(148,477)	(149,653)	(143,527)		(143,712)	(959,905)	102,138	(271,123)	(305,715)
Changes of assumptions	390,784	-	13,316		(7,174)	(68,955)	(11,454)	-	502,717
Benefit payments, net of retiree contributions	 45,642	60,676	81,776		56,664	 (18,402)	 (53,714)	 72,064	138,035
Net change in total OPEB liability	346,562	(66,774)	(25,908)		(63,190)	(960,913)	75,996	(115,263)	404,686
Total OPEB liability - beginning	 166,176	232,950	258,858		322,048	 1,282,961	 1,206,965	 1,322,228	917,542
Total OPEB liability - ending (a)	\$ 512,738	\$ 166,176	\$ 232,950	\$	258,858	\$ 322,048	\$ 1,282,961	\$ 1,206,965	\$ 1,322,228
Plan fiduciary net position									
Employer contributions	\$ -	\$ -	\$ -	\$	-	\$ -	\$ -	\$ -	\$ -
OPEB plan net investment income	648,271	535,841	(552,275)		1,080,261	326,697	340,565	293,204	334,455
Benefit payments, net of retiree contributions	45,642	60,676	81,776		56,664	(18,402)	(53,714)	72,064	138,035
OPEB plan administrative expense	(1,205)	(859)	(1,700)		(771)	(2,021)	(48)	(6,344)	(75)
Other	 24,373	23,975	26,667		25,487	56,517	 48,945	 54,150	26,236
Net change in plan fiduciary net position	717,081	619,633	(445,532)		1,161,641	362,791	335,748	413,074	498,651
Plan fiduciary net position - beginning	6,147,965	5,528,332	5,973,864		4,812,223	4,449,432	4,113,684	3,700,610	3,201,959
Plan fiduciary net position - ending (b)	\$ 6,865,046	\$ 6,147,965	\$ 5,528,332	\$	5,973,864	\$ 4,812,223	\$ 4,449,432	\$ 4,113,684	\$ 3,700,610
Net OPEB liability (asset) - ending (a) - (b)	\$ (6,352,308)	\$ (5,981,789)	\$ (5,295,382)	\$	(5,715,006)	\$ (4,490,175)	\$ (3,166,471)	\$ (2,906,719)	\$ (2,378,382)
Plan fiduciary net position as a percentage									
of total OPEB liability (asset)	1338.90%	3699.67%	2373.18%		2307.78%	1494.26%	346.81%	340.83%	279.88%
Covered-payroll	\$ 13,703,951	\$ 12,597,489	\$ 12,290,160	\$	11,984,760	\$ 11,635,690	\$ 11,296,786	\$ 10,746,388	\$ 10,746,388
Net OPEB liability (asset) as a percentage									
of covered-payroll	(46.35)%	(47.48)%	(43.09)%		(47.69)%	(38.59)%	(28.03)%	(27.05)%	(22.13)%

See notes to required supplementary information.

Schedules of Changes in the Participating Employers' Net OPEB Liability (Asset) and Related Ratios

			State Polic	e Pla	an				
	l Year Ended ne 30, 2024	al Year Ended une 30, 2023	 cal Year Ended June 30, 2022		scal Year Ended June 30, 2021	iscal Year Ended June 30, 2020	 cal Year Ended June 30, 2019	 cal Year Ended June 30, 2018	al Year Ended ine 30, 2017
Total OPEB liability									
Service cost	\$ 3,650,628	\$ 4,790,427	\$ 4,671,467	\$	4,280,032	\$ 4,480,895	\$ 4,107,886	\$ 3,920,121	\$ 3,836,395
Interest on the total OPEB liability	4,210,782	4,509,242	4,352,942		4,209,749	4,391,305	4,369,437	4,147,935	4,202,351
Changes of benefit terms	-	-	-		-	-	(4,789,678)	-	-
Difference between expected and									
actual experience	(14,221,172)	(11,472,648)	(6,713,436)		(6,872,647)	(2,230,148)	629,748	(906,705)	(174,805)
Changes of assumptions	2,181,928	-	3,739,734		4,147,775	(6,974,066)	(1,161,395)	-	(6,004,696)
Benefit payments, net of retiree contributions	 (3,289,282)	(3,163,349)	(2,805,039)		(3,388,477)	 (3,008,878)	 (2,801,411)	 (2,848,978)	(3,129,860)
Net change in total OPEB liability	(7,467,116)	(5,336,328)	3,245,668		2,376,432	(3,340,892)	354,587	4,312,373	(1,270,615)
Total OPEB liability - beginning	84,034,968	89,371,296	86,125,628		83,749,196	87,090,088	86,735,501	82,423,128	83,693,743
Total OPEB liability - ending (a)	\$ 76,567,852	\$ 84,034,968	\$ 89,371,296	\$	86,125,628	\$ 83,749,196	\$ 87,090,088	\$ 86,735,501	\$ 82,423,128
Plan fiduciary net position									
Employer contributions	\$ 5,264,632	\$ 6,057,957	\$ 5,864,255	\$	6,178,412	\$ 7,796,954	\$ 8,256,965	\$ 7,919,243	\$ 7,701,758
OPEB plan net investment income	11,083,737	8,965,404	(9,285,557)		17,041,043	4,775,406	4,682,710	3,412,887	3,491,032
Benefit payments, net of retiree contributions	(3,289,282)	(3,163,349)	(2,805,039)		(3,388,477)	(3,008,878)	(2,801,411)	(2,848,978)	(3,129,860)
OPEB plan administrative expense	(23,949)	(16,562)	(28,781)		(12,406)	(35,353)	(10,762)	(73,579)	(1,031)
Other	 485,041	400,641	423,411		223,350	 334,325	276,804	 197,488	163,266
Net change in plan fiduciary net position	13,520,179	12,244,091	(5,831,711)		20,041,922	9,862,454	10,404,306	8,607,061	8,225,165
Plan fiduciary net position - beginning	92,865,134	80,621,043	86,452,754		66,410,832	56,548,378	46,144,072	37,537,011	29,311,846
Plan fiduciary net position - ending (b)	\$ 106,385,313	\$ 92,865,134	\$ 80,621,043	\$	86,452,754	\$ 66,410,832	\$ 56,548,378	\$ 46,144,072	\$ 37,537,011
Net OPEB liability (asset) - ending (a) - (b)	\$ (29,817,461)	\$ (8,830,166)	\$ 8,750,253	\$	(327,126)	\$ 17,338,364	\$ 30,541,710	\$ 40,591,429	\$ 44,886,117
Plan fiduciary net position as a percentage									
of total OPEB liability (asset)	138.94%	110.51%	90.21%		100.38%	79.30%	64.93%	53.20%	45.54%
Covered- payroll	\$ 28,790,439	\$ 30,261,702	\$ 29,380,293	\$	25,400,782	\$ 24,660,953	\$ 23,942,673	\$ 21,333,758	\$ 21,333,758
Net OPEB liability (asset) as a percentage									
of covered-payroll	(103.57)%	(29.18)%	29.78%		(1.28)%	70.31%	127.56%	190.27%	210.40%

See notes to required supplementary information.

Schedules of Changes in the Participating Employers' Net OPEB Liability (Asset) and Related Ratios

			Legislator	s Pla	n				
	l Year Ended ne 30, 2024	al Year Ended ine 30, 2023	scal Year Ended June 30, 2022		scal Year Ended June 30, 2021	iscal Year Ended June 30, 2020	cal Year Ended June 30, 2019	scal Year Ended June 30, 2018	cal Year Ended une 30, 2017
Total OPEB liability									
Service cost	\$ 53,647	\$ 29,986	\$ 27,940	\$	39,453	\$ 56,615	\$ 72,406	\$ 53,830	\$ 63,441
Interest on the total OPEB liability	28,681	44,116	50,844		58,325	79,946	79,055	73,583	66,140
Changes of benefit terms	-	-	-		-	-	(257,228)	-	-
Difference between expected and	-								
actual experience	529,745	(75,075)	(134,901)		(87,535)	(86,248)	283,708	102,219	168,094
Changes of assumptions	725,417	-	38,313		(41,375)	(349,860)	(60,748)	-	(45,367)
Benefit payments, net of retiree contributions	(465,212)	(173,901)	(61,801)		(163,516)	 (85,058)	(97,907)	 (161,061)	(36,212)
Net change in total OPEB liability	872,278	(174,874)	(79,605)		(194,648)	(384,605)	19,286	68,571	216,096
Total OPEB liability - beginning	 779,406	954,280	1,033,885		1,228,533	 1,613,138	1,593,852	 1,525,281	1,309,185
Total OPEB liability - ending (a)	\$ 1,651,684	\$ 779,406	\$ 954,280	\$	1,033,885	\$ 1,228,533	\$ 1,613,138	\$ 1,593,852	\$ 1,525,281
Plan fiduciary net position									
Employer contributions	\$ -	\$ -	\$ -	\$	-	\$ -	\$ 14,680	\$ 14,283	\$ 26,743
OPEB plan net investment income	477,455	399,365	(420,351)		853,922	263,185	275,693	247,459	283,490
Benefit payments, net of retiree contributions	(465,212)	(173,901)	(61,801)		(163,516)	(85,058)	(97,907)	(161,061)	(36,212)
OPEB plan administrative expense	(915)	(653)	(1,289)		(586)	(1,640)	72	(5,176)	82
Other	 84,561	82,894	70,072		54,203	 75,102	32,728	 42,261	29,026
Net change in plan fiduciary net position	95,889	307,705	(413,369)		744,023	251,589	225,266	137,766	303,129
Plan fiduciary net position - beginning	4,157,556	3,849,851	4,263,220		3,519,197	3,267,608	3,042,342	2,904,576	2,601,447
Plan fiduciary net position - ending (b)	\$ 4,253,445	\$ 4,157,556	\$ 3,849,851	\$	4,263,220	\$ 3,519,197	\$ 3,267,608	\$ 3,042,342	\$ 2,904,576
Net OPEB liability (asset) - ending (a) - (b)	\$ (2,601,761)	\$ (3,378,150)	\$ (2,895,571)	\$	(3,229,335)	\$ (2,290,664)	\$ (1,654,470)	\$ (1,448,490)	\$ (1,379,295)
Plan fiduciary net position as a percentage									
of total OPEB liability (asset)	257.52%	533.43%	403.43%		412.35%	286.46%	202.56 %	190.88 %	190.43 %
Covered-payroll	\$ 2,055,430	\$ 2,012,491	\$ 1,953,874	\$	1,924,524	\$ 1,868,470	\$ 1,814,049	\$ 1,719,143	\$ 1,719,143
Net OPEB liability (asset) as a percentage									
of covered-payroll	(126.58)%	(167.86)%	(148.20)%		(167.80)%	(122.60)%	(91.20)%	(84.26)%	(80.23)%

See notes to required supplementary information.

Schedules of Changes in the Participating Employers' Net OPEB Liability (Asset) and Related Ratios

						Board of Educ	catio	n Plan								
		al Year Ended ine 30, 2024		cal Year Ended une 30, 2023		scal Year Ended June 30, 2022		scal Year Ended June 30, 2021		ïscal Year Ended June 30, 2020		ccal Year Ended June 30, 2019		iscal Year Ended June 30, 2018		al Year Ended ine 30, 2017
Total OPEB liability																
Service cost	\$	2,707,873	\$	2,857,182	\$	2,592,749	\$	3,227,519	\$	3,335,242	\$	3,128,836	\$	3,179,293	\$	3,222,465
Interest on the total OPEB liability		3,875,728		3,930,613		3,462,479		4,197,760		3,864,149		4,124,665		3,880,857		3,714,663
Changes of benefit terms		-		-		-		-		-		(1,901,021)		-		-
Difference between expected and																
actual experience		(8,234,728)		(4,780,466)		4,145,885		(7,386,783)		4,535,783		(7,702,715)		404,539		(7,140,117)
Changes of assumptions		6,257,850		-		1,810,458		(11,620,555)		(2,463,515)		(436,983)		-		5,767,020
Benefit payments, net of retiree contributions		(3,291,760)		(2,768,993)		(2,793,225)		(2,819,135)		(2,272,019)		(2,780,591)		(2,346,016)		(2,091,088)
Net change in total OPEB liability		1,314,963		(761,664)		9,218,346		(14,401,194)		6,999,640		(5,567,809)		5,118,673		3,472,943
Total OPEB liability - beginning		77,806,501		78,568,165		69,349,819		83,751,013		76,751,373		82,319,181		77,200,508		73,727,565
Total OPEB liability - ending (a)	\$	79,121,464	\$	77,806,501	\$	78,568,165	\$	69,349,819	\$	83,751,013	\$	76,751,373	\$	82,319,181	\$	77,200,508
Plan fiduciary net position																
Employer contributions	\$	3,138,166	\$	2,553,631	\$	4,679,867	\$	3,994,538	\$	5,481,374	\$	5,599,588	\$	5,490,009	\$	3,911,529
Employee contributions		1,885,103		1,772,895		1,800,954		1,763,111		1,744,523		1,697,586		1,571,271		1,596,432
OPEB plan net investment income		8,197,643		6,653,190		(6,951,979)		12,421,244		3,423,477		3,268,452		2,288,741		2,288,592
Benefit payments, net of retiree contributions		(3,291,760)		(2,768,993)		(2,793,225)		(2,819,135)		(2,272,019)		(2,780,591)		(2,346,016)		(2,091,088)
OPEB plan administrative expense		(16,892)		(11,827)		(21,752)		(9,106)		(26,548)		(9,202)		(37,025)		(7,997)
Other		83,753		28,894		53,657		40,352		49,308		66,729		54,575		33,862
Net change in plan fiduciary net position		9,996,013		8,227,790		(3,232,478)		15,391,004		8,400,115		7,842,562		7,021,555		5,731,330
Plan fiduciary net position - beginning		68,393,722		60,165,932		63,398,410		48,007,406		39,607,291		31,764,729		24,743,174		19,011,844
Plan fiduciary net position - ending (b)	\$	78,389,735	\$	68,393,722	\$	60,165,932	\$	63,398,410	\$	48,007,406	\$	39,607,291	\$		\$	24,743,174
Net OPEB liability (asset) - ending (a) - (b)	\$	731,729	\$	9,412,779	\$	18,402,233	\$	5,951,409	\$	35,743,607	\$	37,144,082	\$	50,554,452	\$	52,457,334
Plan fiduciary net position as a percentage																
of total OPEB liability (asset)		99.08%		87.90%		76.58%		91.42%		57.32%		51.60%		38.59%		32.05%
Covered-payroll	\$	147,166,996	\$	143,576,985	\$	139,395,131	\$		\$	134,485,570	\$	130,568,515	\$		\$	124,967,304
Net OPEB liability (asset) as a percentage	Ŧ	,,	Ŧ	,,	Ŧ	,,-01	Ŧ	,,,	Ŧ	,,-,-,-	Ŧ	,,	Ŧ		Ŧ	,, ,
of covered-payroll		0.50%		6.56%		13.20%		4.30%		26.58%		28.45%		40.45%		41.98%

See notes to required supplementary information.

Schedules of Investment Returns

Annual Money-Weighted Rate of Return, Net of Investment Expense

	State Employees	Teachers	Judges	State Police	Legislators	Board of Education
Fiscal Year ended June 30, 2024	12.65%	3.62%	10.45%	11.86%	19.76%	11.85%
Fiscal Year ended June 30, 2023	11.89%	16.85%	9.70%	11.27%	11.07%	11.07%
Fiscal Year ended June 30, 2022	-10.47%	-7.68%	-9.16%	-10.38%	-9.81%	-10.67%
Fiscal Year ended June 30, 2021	20.04%	23.69%	22.19%	24.96%	23.94%	25.21%
Fiscal Year ended June 30, 2020	9.17%	7.45%	7.14%	8.21%	8.24%	8.24%
Fiscal Year ended June 30, 2019	10.11%	8.31%	8.45%	9.56%	9.31%	9.64%
Fiscal Year ended June 30, 2018	8.70%	6.95%	7.96%	8.60%	8.75%	8.59%
Fiscal Year ended June 30, 2017	10.42%	7.94%	9.83%	11.32%	9.99%	11.13%

See notes to required supplementary information.

	Fiscal Year Ended	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee
C4-4- El	June 30			(Payroll
State Employe		¢ 28.965.062	¢ 28.865.062	¢	¢ 955 004 707	4.550/
	2024	\$ 38,865,962	\$ 38,865,962	\$ -	\$ 855,094,706	4.55%
	2023	36,565,974	36,565,974	-	796,091,187	4.59%
	2022	41,484,573	41,484,573	-	772,904,065	5.37%
	2021	41,024,947	41,024,947	-	790,412,182	5.19%
	2020	50,407,617	50,407,617	-	767,390,468	6.57%
	2019	43,857,850	43,857,850	-	745,039,289	5.89%
	2018	42,265,174	42,265,174	-	708,886,705	5.96%
	2017	42,731,807	42,731,807	-	708,886,705	6.03%
	2016	40,709,025	40,709,025	-	682,965,470	5.96%
	2015	45,694,525	45,694,525	-	682,965,470	6.69%
Teachers						
	2024	\$ -	\$ -	\$ -	\$ -	-
	2023	-	-	-	-	-
	2022	-	-	-	-	-
	2021	-	-	-	-	-
	2020	-	-	-	-	-
	2019	2,321,057	2,277,327	43,730	-	-
	2019	2,321,057	2,321,057	-	-	-
	2018	2,321,057	2,321,057	-		-
	2017			-	-	-
		2,321,057	2,321,057	-	-	-
Inda	2015	2,321,057	2,321,057	-	-	-
Judges	2021		¢	•	¢ 10,500,051	0.0001
	2024	\$ -	\$ -	\$ -	\$ 13,703,951	0.00%
	2023	-	-	-	12,597,489	0.00%
	2022	-	-	-	12,290,160	0.00%
	2021	-	-	-	11,984,760	0.00%
	2020	-	-	-	11,635,690	0.00%
	2019	-	-	-	11,296,786	0.00%
	2018	-	-	-	10,746,388	0.00%
	2017	-	-	-	10,746,388	0.00%
	2016	-	-	-	10,281,486	0.00%
	2015	13,377	13,377	-	10,281,486	0.13%
State Police						
	2024	\$ 5,264,632	\$ 5,264,632	s -	\$ 28,790,439	18.29%
	2023	6,057,957	6,057,957	-	30,261,702	20.02%
	2022	5,864,255	5,864,255	-	29,380,293	19.96%
	2021	6,178,412	6,178,412	-	25,400,782	24.32%
	2020	7,796,954	7,796,954	-	24,660,953	31.62%
	2019	8,256,965	8,256,965	_	23,942,673	34.49%
	2018	7,919,243	7,919,243	-	21,333,758	37.12%
	2017	7,701,758	7,701,758	-	21,333,758	36.10%
	2016	6,823,477	6,823,477	-	18,119,355	37.66%
	2015	8,134,524	8,134,524	-	18,119,355	44.89%
Legislators						
	2024	\$ -	\$ -	\$ -	2,055,430	0.00%
	2023	-	-	-	2,012,491	0.00%
	2022	-	-	-	1,953,874	0.00%
	2021	-	-	-	1,924,524	0.00%
	2020	-	-	-	1,868,470	0.00%
	2019	14,680	14,680	-	1,814,049	0.81%
	2018	14,283	14,283	-	1,719,143	0.83%
	2017	26,743	26,743	-	1,719,143	1.56%
	2016	26,572	26,572	-	1,741,853	1.53%
	2015	-	-	-	1,741,853	0.00%
Board of Educ				Ì	-,. 11,000	/
a or radic	2024	\$ 3,138,166	\$ 3,138,166	\$ -	\$ 147,166,996	2.13%
	2024	2,553,631	2,553,631		143,576,985	1.78%
	2022	4,679,867	4,679,867	-	139,395,131	3.36%
	2021	3,994,538	3,994,538	-	138,520,137	2.88%
	2020	5,481,374	5,481,374	-	134,485,570	4.08%
	2019	5,599,588	5,599,588	-	130,568,515	4.29%
	2018	5,490,009	5,490,009	-	124,967,304	4.39%
	2017	3,911,529	3,911,529	-	124,967,304	3.13%
	2016	3,558,196	3,558,196	-	113,947,197	3.12%
	2015	2,530,372	2,530,372	-	113,947,197	2.22%

Schedules of Employer Contributions

See notes to required supplementary information.

1. Actuarial assumptions and methods used to calculate the net OPEB liability (asset) of the participating employers

The actuarial methods and assumptions used to calculate the net OPEB liability (asset) of the participating employers are described in Note 5 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

June 30, 2024 Measurement Date:

The net OPEB liability (asset) measured as of June 30, 2024 reflected updated assumptions for the health care trend rates compared to the June 30, 2023 measurement date.

June 30, 2023 Measurement Date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability (asset) of the plans as of the June 30, 2023 measurement date compared to the June 30, 2022 measurement date.

June 30, 2022 Measurement Date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability (asset) of the plans as of the June 30, 2022 measurement date compared to the June 30, 2021 measurement date.

June 30, 2021 Measurement Date:

Certain actuarial assumptions for State Employees (including Correctional Officers), Teachers, Judges, State Police, Legislators, and the Board of Education were updated to match the assumptions used in the pension valuation for the Employees' Retirement System of Rhode Island (ERSRI) and the results of an actuarial experience investigation performed for ERSRI for the period ended June 30, 2019. Changes were made to the following assumptions:

- The mortality assumptions for State Employees, Teachers, Judges, State Police, Legislators, and the Board of Education
- Rates of turnover for State Employees, Legislators, and the Board of Education
- Rates of retirement for State Employees, State Police, Legislators, and the Board of Education
- Rates of individual salary increases for State Employees, State Police, Legislators, and the Board of Education
- Probabilities of disability for State Employees, State Police, Legislators, and the Board of Education
- Lower wage assumptions for Judges

June 30, 2020 Measurement Date:

The "Cadillac tax" which was a tax provision from the federal Affordable Care Act (ACA) was repealed in December, 2019. As a result, liability amounts previously included for the "Cadillac tax" within the development of the total OPEB liability have been removed as of the June 30, 2020 measurement date.

June 30, 2019 Measurement Date:

The June 30, 2018 actuarial valuation rolled forward to the June 30, 2019 measurement date reflected a change in Excise Tax load on pre-65 liabilities from 11.0% to 9.5%. The healthcare cost trend rate used in determining the OPEB liability at the June 30, 2019 measurement date decreased slightly from the previous measurement date.

June 30, 2018 Measurement Date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability (asset) of the plans as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

1. Actuarial assumptions and methods used to calculate the net OPEB liability (asset) of the participating employers (continued)

June 30, 2017 Measurement Date:

Certain actuarial assumptions for State Employees, Legislators, and Board of Education were updated to match the assumptions used for State Employees in the pension valuation for the Employees' Retirement System of Rhode Island (ERSRI) and the results of an actuarial experience investigation performed for ERSRI at June 30, 2016. Changes were made to the following assumptions:

- Merit and longevity portion of the salary increase assumption
- Rates of separation from active membership
- Rates of retirement
- Rates of disability
- The rate of wage inflation
- The mortality assumption
- The trend assumption
- Aging factors and health and inflation trends

The excise tax load on pre-65 liabilities was changed from 13.8% to 11.0%.

The Patient Protection and Affordable Care Act includes an excise tax ("Cadillac tax") on high cost health plans beginning in 2022. The excise tax is 40% of costs above a threshold. The actual actuarial assumptions used in the most recent valuations assume that the plans will be subject to the excise tax in 2022.

2. Actuarially determined contributions

Actuarially determined contributions were previously calculated biennially but are now performed annually commencing with the June 30, 2017 valuation. The Actuarially Determined Employer Contribution is still three years prior to the fiscal years in which the contributions are reported. For example, the contribution rates for fiscal 2025 will be based on valuations performed as of June 30, 2022. The following table summarizes the assumptions and methods employed in the June 30, 2021 valuation.

Other assumptions, including those relating to rates of termination, rates of retirement, percent married, and retiree health care election rates, were based on the most recent experience study at that time for the Employees' Retirement System of Rhode Island, as well as on anticipated experience changes in conjunction with the adopted retirement plan changes enacted through legislation.

2. Actuarially determined contributions (continued)

	State				L	Doord of					
	State Employees Plan	Teachers Plan	Judges Plan	State Police Plan	Legislators Plan	Board of Education Plan					
Actuarial Cost Method		Entry Age Normal	- the Individual En	ry Age Actuarial cost	methodology is used	1.					
Amortization Method	Level Percent of Payroll	Level Dollar	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll					
Remaining Amortization Period	15 years closed	Determined by Statutory Contribution	30 years open	15 years closed	30 years open	15 years closed					
Asset Valuation Method			Four-year smooth	ed market; 20% corrido	or						
Actuarial Assumptions											
Investment Rate of Return		5.0%	6, net of OPEB plan	expenses, including in	flation						
Projected Salary Increases	3.25% to 6.25%	N/A	2.75%	3.75% to 11.75%	3.25% to 6.25%	3.25% to 6.25%					
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.										
Mortality	Healthy Female State Employees, State Police, Legislators, and Board of Education: PUB-10 Median Tai Healthy General Retiree Females, loaded by 111%, projected with Scale Ultimate MP16. Healthy Male Teachers: PUB-10 Median Table for Healthy Teacher Retiree Males, loaded by 108%, projected Scale Ultimate MP16. Healthy Female Teachers: PUB-10 Median Table for Healthy Teacher Retiree Females, loaded by 115%, pro- with Scale Ultimate MP16. Healthy Judges: Sex distinct PUB-10 Above Median Income Tables for Healthy Retirees, projected with Ultimate MP16. Bisabled Mortality: State Police: Sex distinct PUB-10 Tables for Safety Disabled Retirees, projected with Scale Ultimate MP16. All other groups: Sex distinct PUB-10 Tables for General Disabled Retirees, projected with Scale Ultimate M Pre-Retirement Mortality: State Employees (excluding Correctional Officers), Legislators, and Board of Education: Sex distinct PUB-10 for General Employees, projected with Scale Ultimate MP16. State Police and Correctional Officers: Sex distinct PUB-10 Tables for Safety Employees, projected with Scale Ultimate MP16.										
Healthcare Trend Rate	 MP16. Pre-Medicare: 7.50% in 2022, grading to 3.5% in 2033. Medicare: 6.25% in 2022, grading to 3.5% in 2033. The tables used in developing the retiree only premium are based on a recent study of health care costs titled "Health 										
Aging Factors	The tables used in Care Costs-From		tiree only premium	are based on a recent s	study of health care	costs titled "Hea					
		d, consistent with a									

3. Covered employee payroll

Covered employee payroll, as included in required supplementary information schedules, includes projected annualized payroll amounts for employees beginning employment during the fiscal year. Consequently, the covered employee payroll amounts included in the required supplementary information schedules may differ from the actual fiscal year payroll base to which the actuarially determined contribution rate was applied. Additionally, the contribution amount as a percentage of covered payroll may differ from the Board approved contribution rate expressed as a percentage of payroll.

4. Schedules of Investment Returns

The annual money-weighted return on investments within each of the plans, net of investment expense, are shown in the required supplementary information schedule. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

The schedules are intended to present ten years of data. Additional years of data will be presented as they become available.

Rhode Island State Employees' and Electing Teachers OPEB System

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY STATE OF RHODE ISLAND:

BOARD OF THE RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the plans within the Rhode Island State Employees' and Electing Teachers OPEB System (System), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated May 30, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2024-01 that we consider to be a significant deficiency.

Joint Committee on Legislative Services Board of the Rhode Island State Employees' and Electing Teachers OPEB System

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and other matters, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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David A. Bergantino, CPA, CFE Auditor General May 30, 2025

Finding 2024-01

(significant deficiency – repeat finding – 2023-01)

<u>RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM – ASSESS</u> <u>THE RESOURCES AND SYSTEMS NECESSARY TO EFFECTIVELY ADMINISTER THE OPEB</u> SYSTEM

The State has not implemented administrative processes and computer applications to effectively support the overall administration of the OPEB System. Current functions including 1) accumulating plan census data, 2) managing member eligibility, 3) determining member copays, and 4) plan enrollment functions are supported through decentralized processes that do not adequately support plan administration.

Background: The Rhode Island State Employees' and Electing Teachers OPEB System (the System), acts as a common investment and administrative agent for post-employment health care benefits provided by six plans covering state employees and certain employees of the Board of Education. In fiscal 2024, required employer and employee contributions to OPEB plans approximated \$49 million, with \$33 million in retiree benefits paid. OPEB assets totaled \$676 million at June 30, 2024.

When the State began to advance fund its retiree health benefits, OPEB trusts were established for each of the plans and a formalized governance structure was established by statute; however, no dedicated personnel were specifically tasked with administering the System and no administrative systems were implemented at that time, or subsequently, to capture and control membership data for the various OPEB plans. Instead, membership data, the determination of eligibility for benefits and any required retiree copays are administered through a variety of processes which largely lack the controls needed to administer plans of this size and complexity.

The System's functions are managed across various units within State government. The Department of Administration's Office of Employee Benefits (OEB) currently determines eligibility and manages member benefits for the State Employees, Teachers, Judges, State Police and Legislator plans. The Human Resources Department at the University of Rhode Island separately determines eligibility, calculates benefits, and manages member subsidy receivables for the Board of Education plan. The Office of Accounts and Control handles the accounting and financial reporting aspects of the System and coordinates the actuarial valuations. The Office of the General Treasurer oversees the investment activity of the System.

The State currently manages OPEB enrollment by ensuring that all pre-65 retirees are registered in the State's Workterra software platform, which the State also utilizes to administer active employee benefits. This improvement provides systemic reporting of pre-65 enrollees and assists in ensuring their timely transition to Medicare and post-65 OPEB benefits. State employees, once enrolled in Medicare, are enrolled in Via Benefits which establishes a health savings account (HSA) for the retiree. The State funds a predetermined amount for the retiree who can utilize the funds to pay health claims or purchase Medicare gap insurance coverage. The State, however, lacks a complete system that it considers to be the official record of System enrollment.

Census data for each plan is provided to the System's actuary to prepare required actuarial valuations of the plans. Each plan has unique benefit eligibility and healthcare coverage provisions.

Criteria: As the System grows and matures, the administrative infrastructure supporting the System should be assessed to ensure adequate resources and systems with appropriate controls are in place to manage the System effectively.

Maintaining membership data and determining the eligibility for benefits and required copays should be managed through systems and processes with adequate controls to ensure that membership data is reliable,

benefits are accurately and consistently determined in accordance with plan provisions, and census data is maintained to facilitate extraction for actuarial valuations. Duties should be appropriately segregated to ensure that no one individual is responsible for determining eligibility and required copays, enrolling the individual for coverage, collecting and accounting for copay amounts, and maintaining plan census data.

Condition: We identified the following control deficiencies over the various disjointed processes used to administer the OPEB plans:

- Insufficient resources have been allocated and centralized to administer the System effectively. Knowledge of key System benefit provisions, administrative operations and operating procedures are dispersed amongst too many separate units of State government without effective coordination.
- The accumulation of census data provided to the actuary for plan valuation purposes is derived from multiple sources and requires analysis of other external source data to establish the active and retiree plan members for each plan. Controls are inadequate to prevent duplicate or inaccurate census data from being provided to the actuary. The State lacks a documented comprehensive reconciliation of all System members and retirees that ensures completeness and accuracy of reported census data to the State's actuary.
- Inadequate segregation of duties exists between eligibility determinations, benefit calculations, copay receivable billings and collections, healthcare plan enrollment, and maintenance of the plan census information.
- Periodic reconciliations between the plans' records and healthcare providers enrollment data are not documented.
- Procedures for identifying and terminating coverage for deceased members, spouses and dependents are inconsistent and can be improved.
- Documentation and monitoring of user entity controls relating to functions contracted to service organizations (health insurance provider Blue Cross / CVS Caremark, health benefits administration system Workterra, health savings account (HSA) administrator VIA Benefits) are lacking.
- Monitoring and analysis of OPEB liabilities reported for retirees over age 65 requires determining an estimate of the percentage of HSA commitment that is ultimately utilized by retirees over the course of their retirement to prevent overstatement of the liability amount accrued annually.

Cause: The State and System have not implemented administrative processes and computer applications to effectively support the overall administration of the OPEB System, including 1) accumulating plan census data, 2) managing member eligibility, 3) determining member copays, and 4) plan enrollment functions. Existing processes in place to support healthcare plan enrollment for active employees have generally been adopted to support the OPEB System but lack certain functions and controls that are unique to and requisite for the administration of the OPEB System.

Effect: Inadequate controls over key plan administrative functions could impact the reliability of amounts (e.g., member copays and member benefits) reported on the System's financial statements as well as the accuracy of census data used by the actuary to determine each plan's annual contribution amount and the net OPEB liability or asset for each plan.

RECOMMENDATIONS

2024-01a	Assess the resources necessary to effectively manage and administer the OPEB System to ensure all System functions are met and adequately controlled.
2024-01b	Implement a member benefit computer application to accumulate and manage plan membership data to support the overall administration of the OPEB System with enhanced controls.
2024-01c	Evaluate assigned responsibilities for key functions and segregate certain responsibilities for incompatible functions to enhance controls over critical plan administrative functions.
2024-01d	Establish consistent procedures to identify deceased plan members and prompt timely termination of coverage.

Management's Views and Corrective Actions:

Management is reviewing the recommendations and is considering administrative review and operational enhancements such as those described in the recommendations. During fiscal year 2023, steps were taken to address the finding, including the posting of a Request for Information (RFI) to solicit OPEB system assessment and software solution. Unfortunately, the responses received were inadequate. Continued efforts will be made to address the OPEB issue set forth in this report, however all resources are currently prioritized to the ERP implementation.

Anticipated Completion Date: Ongoing

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