

EMPLOYEES' RETIREMENT SYSTEM OF  
THE STATE OF RHODE ISLAND  
Teachers' Survivors Benefit Cost-Sharing Plan  
Schedule of Employer Allocations  
Schedule of Pension Amounts by Employer  
June 30, 2019 Measurement Date  
(for Fiscal 2020 Employer Reporting)



Dennis E. Hoyle, CPA, Auditor General  
Office of the Auditor General  
General Assembly  
State of Rhode Island



# Office of the Auditor General

State of Rhode Island - General Assembly  
Dennis E. Hoyle, CPA - Auditor General

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

33 Broad Street • Suite 201 • Providence, RI • 02903-4177  
tel: 401.222.2435 • fax: 401.222.2111

September 30, 2020

JOINT COMMITTEE ON LEGISLATIVE SERVICES:

SPEAKER Nicholas A. Mattiello, Chairman

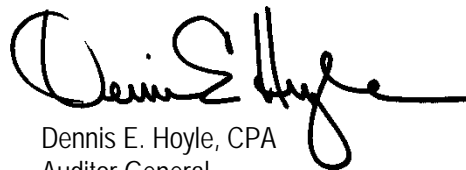
Senator Dominick J. Ruggiero  
Senator Dennis L. Algieri  
Representative K. Joseph Shekarchi  
Representative Blake A. Filippi

We have completed our audit of the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer for the Teachers' Survivors Benefit plan, a cost-sharing defined benefit plan administered by the Employees' Retirement System of the State of Rhode Island for the fiscal year ended June 30, 2019.

These schedules are required for employers participating in the Teachers' Survivors Benefit plan to meet their financial reporting responsibilities under generally accepted accounting principles – specifically the requirements of Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions*.

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

Sincerely,



Dennis E. Hoyle, CPA  
Auditor General

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

*Teachers' Survivors Benefit Cost-Sharing Plan*

Schedule of Employer Allocations

Schedule of Pension Amounts by Employer

June 30, 2019 Measurement Date

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

***Teacher's Survivors Benefit Cost-Sharing Plan***

**Schedules of Employer Allocations**

**Schedules of Pension Amounts by Employer**

June 30, 2019 Measurement Date

**INTRODUCTION**

The Teachers' Survivors Benefit (TSB) Plan covers certain teachers employed by local educational agencies. As a cost-sharing plan, separate valuations are not made for individual employers participating in the plan. The net pension asset is apportioned based on proportionate contributions – see Schedule A.

**The measurement date is June 30, 2019 – the information included herein is intended for use in Fiscal 2020 financial reporting by employers participating in the TSB plan.**

The net pension asset and other measures included herein have been developed consistent with the requirements of GASB 68 – *Accounting and Financial Reporting for Pensions*. Such amounts are intended for accounting and financial reporting by governments which prepare their financial statements in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board. These amounts may and will likely differ from amounts reported in actuarial valuations used to measure actuarially determined contribution amounts consistent with the plan's adopted funding policies.



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## INDEPENDENT AUDITOR'S REPORT

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

RETIREMENT BOARD OF THE EMPLOYEES' RETIREMENT SYSTEM OF THE  
STATE OF RHODE ISLAND:

We have audited the accompanying Schedule of Employer Allocations of the Teachers' Survivors Benefit (TSB) plan as of and for the year ended June 30, 2019, and the related notes. We have also audited the total for all entities of the columns titled ending net pension asset, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying Schedule of Pension Amounts by Employer of the Teachers' Survivors Benefit plan as of and for the year ended June 30, 2019, and the related notes.

### *Management's Responsibility for the Schedules*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on the Schedule of Employer Allocations and the specified column totals included in the Schedule of Pension Amounts by Employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Employer Allocations and specified column totals included in the Schedule of Pension Amounts by Employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of Employer Allocations and specified column totals included in the Schedule of Pension Amounts by Employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule of Employer Allocations and specified column totals included in the Schedule of Pension Amounts by Employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule of Employer Allocations and specified column totals included in the Schedule of Pension Amounts by Employer to design audit procedures that are proper in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control. Accordingly,

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

we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule of Employer Allocations and specified column totals included in the Schedule of Pension Amounts by Employer.

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

***Opinion***

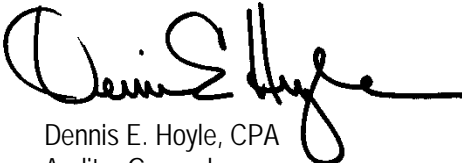
In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and ending net pension asset, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Teachers' Survivors Benefit cost-sharing plan as of and for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Teachers' Survivors Benefit plan within the Employees' Retirement System of Rhode Island as of and for the year ended June 30, 2019, and our report thereon, dated December 31, 2019, expressed an unmodified opinion on those financial statements.

***Restriction on Use***

Our report is intended solely for the information and use of the Employees' Retirement System of the State of Rhode Island management, the Retirement Board of the Employees' Retirement System of the State of Rhode Island, the employers participating in the TSB plan as of and for the year ended June 30, 2019 and their auditors and is not intended to be and should not be used by anyone other than these specified parties.



Dennis E. Hoyle, CPA  
Auditor General

September 30, 2020

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

Participating Employer Unit	Fiscal 2019 employer contribution	
	Amount	%
Barrington	\$ 34,385	4.61013799%
Bristol-Warren	33,364	4.47319336%
Burrillville	24,265	3.25330808%
Central Falls Collaborative	29,972	4.01843680%
Coventry	51,488	6.90324623%
Cranston	122,562	16.43235117%
Cumberland	50,296	6.74342051%
East Greenwich	27,981	3.75153951%
East Providence	62,822	8.42286891%
Foster	3,220	0.43171861%
Foster-Glocester	14,838	1.98943577%
Glocester	6,356	0.85220717%
Johnston	39,265	5.26445446%
Lincoln	34,615	4.64097503%
Little Compton	3,910	0.52422974%
Middletown	26,859	3.60108959%
Newport	26,795	3.59251555%
North Smithfield	19,550	2.62114869%
Northern RI Collaborative	3,645	0.48868535%
Portsmouth	27,652	3.70745058%
Scituate	16,445	2.20484860%
Smithfield	28,620	3.83713912%
Tiverton	21,065	2.82427095%
Urban Collaborative	1,610	0.21585930%
Westerly	34,276	4.59546894%
<b>Totals</b>	<b>\$ 745,856</b>	<b>100.00000000%</b>

*See notes to schedule.*

**Teachers' Survivors Benefit Cost-Sharing Plan**  
**Schedule of Pension Amounts by Employer**  
**June 30, 2019 Measurement Date**

Schedule B

<i>Participating Employer</i>	Beginning Net Pension Liability (Asset)	Ending Net Pension Liability (Asset)	Pension Expense		
			Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total
Barrington	\$ (4,128,543)	\$ (5,230,011)	\$ (21,257)	\$ 11,326	\$ (9,931)
Bristol-Warren	(3,948,426)	(5,074,652)	(20,626)	7,898	(12,728)
Burrillville	(2,965,162)	(3,690,743)	(15,001)	1,882	(13,119)
Central Falls Collaborative	(3,614,461)	(4,558,749)	(18,529)	49,468	30,939
Coventry	(6,438,556)	(7,831,446)	(31,831)	59,723	27,892
Cranston	(14,668,001)	(18,641,818)	(75,769)	(41,354)	(117,123)
Cumberland	(5,900,486)	(7,650,130)	(31,094)	(24,952)	(56,046)
East Greenwich	(3,381,097)	(4,255,965)	(17,298)	(11,421)	(28,719)
East Providence	(7,340,532)	(9,555,394)	(38,838)	(129,430)	(168,268)
Foster	(375,321)	(489,767)	(1,991)	(7,106)	(9,097)
Foster-Glocester	(1,735,933)	(2,256,932)	(9,173)	(15,713)	(24,886)
Glocester	(744,741)	(966,794)	(3,929)	(2,273)	(6,202)
Johnston	(4,578,176)	(5,972,304)	(24,274)	(76,209)	(100,483)
Lincoln	(4,204,930)	(5,264,993)	(21,399)	43,195	21,796
Little Compton	(455,120)	(594,717)	(2,417)	18,748	16,331
Middletown	(3,187,669)	(4,085,286)	(16,604)	6,442	(10,162)
Newport	(3,246,248)	(4,075,559)	(16,565)	(36,068)	(52,633)
North Smithfield	(2,352,105)	(2,973,584)	(12,086)	12,022	(64)
Northern RI Collaborative	(453,127)	(554,393)	(2,253)	4,745	2,492
Portsmouth	(3,202,420)	(4,205,948)	(17,095)	28,007	10,912
Scituate	(1,995,211)	(2,501,309)	(10,166)	5,476	(4,690)
Smithfield	(3,408,169)	(4,353,075)	(17,693)	187	(17,506)
Tiverton	(2,491,578)	(3,204,018)	(13,023)	22,033	9,010
Urban Collaborative	(179,290)	(244,883)	(995)	2,253	1,258
Westerly	(4,233,992)	(5,213,368)	(21,190)	71,121	49,931
	<b>\$ (89,229,294)</b>	<b>\$ (113,445,838)</b>	<b>\$ (461,096.00)</b>	<b>\$ -</b>	<b>\$ (461,096.00)</b>

See notes to schedule.



**Teachers' Survivors Benefit Cost-Sharing Plan**  
**Schedule of Pension Amounts by Employer**  
**June 30, 2019 Measurement Date**

**Schedule B**

	Deferred Outflows of Resources				
	Difference Between Expected and Actual Experience	Changes in Assumptions	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows
<i>Participating Employer</i>					
Barrington	\$ 569,953	\$ 455,716	\$ 254,861	\$ 201,625	\$ 1,482,155
Bristol-Warren	553,022	442,179	247,292	154,713	1,397,206
Burrillville	402,207	321,592	179,853	208,889	1,112,541
Central Falls Collaborative	496,800	397,226	222,151	286,105	1,402,282
Coventry	853,449	682,392	381,632	525,142	2,442,615
Cranston	2,031,534	1,624,353	908,430	234,606	4,798,923
Cumberland	833,690	666,593	372,797	152,987	2,026,067
East Greenwich	463,803	370,843	207,396	44,987	1,087,029
East Providence	1,041,321	832,608	465,642	159,804	2,499,375
Foster	53,373	42,676	23,867	57,453	177,369
Foster-Glocester	245,954	196,658	109,982	52,740	605,334
Glocester	105,359	84,241	47,113	130,120	366,833
Johnston	650,845	520,396	291,035	-	1,462,276
Lincoln	573,764	458,765	256,567	263,574	1,552,670
Little Compton	64,811	51,821	28,981	363,632	509,245
Middletown	445,203	355,971	199,079	129,398	1,129,651
Newport	444,143	355,123	198,605	189,177	1,187,048
North Smithfield	324,053	259,103	144,905	138,021	866,082
Northern RI Collaborative	60,416	48,307	27,016	53,575	189,314
Portsmouth	458,353	366,485	204,959	248,668	1,278,465
Scituate	272,586	217,951	121,891	105,503	717,931
Smithfield	474,386	379,305	212,129	86,802	1,152,622
Tiverton	349,165	279,182	156,134	137,616	922,097
Urban Collaborative	26,687	21,338	11,933	39,453	99,411
Westerly	568,139	454,266	254,051	413,966	1,690,422
	<b>\$ 12,363,016</b>	<b>\$ 9,885,090</b>	<b>\$ 5,528,301</b>	<b>\$ 4,378,556</b>	<b>\$ 32,154,963</b>

See notes to schedule.

**Teachers' Survivors Benefit Cost-Sharing Plan**  
**Schedule of Pension Amounts by Employer**  
**June 30, 2019 Measurement Date**

**Schedule B**

Deferred Inflows of Resources					
<i>Participating Employer</i>	Difference Between Expected and Actual Experience	Changes in Assumptions	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows
Barrington	\$ 1,388,989	\$ -	\$ 306,364	\$ 136,466	\$ 1,831,819
Bristol-Warren	1,347,730	-	297,265	138,583	1,783,578
Burrillville	980,191	-	216,198	169,568	1,365,957
Central Falls Collaborative	1,210,717	-	267,044	36,891	1,514,652
Coventry	2,079,882	-	458,753	142,711	2,681,346
Cranston	4,950,910	-	1,092,007	460,593	6,503,510
Cumberland	2,031,728	-	448,132	268,678	2,748,538
East Greenwich	1,130,303	-	249,308	104,753	1,484,364
East Providence	2,537,730	-	559,739	810,770	3,908,239
Foster	130,073	-	28,690	83,562	242,325
Foster-Glocester	599,398	-	132,207	165,916	897,521
Glocester	256,762	-	56,633	126,617	440,012
Johnston	1,586,130	-	349,848	405,420	2,341,398
Lincoln	1,398,281	-	308,415	31,642	1,738,338
Little Compton	157,945	-	34,838	326,422	519,205
Middletown	1,084,974	-	239,309	106,245	1,430,528
Newport	1,082,391	-	238,740	360,374	1,681,505
North Smithfield	789,727	-	174,188	79,599	1,043,514
Northern RI Collaborative	147,236	-	32,475	23,127	202,838
Portsmouth	1,117,019	-	246,378	141,620	1,505,017
Scituate	664,300	-	146,523	76,997	887,820
Smithfield	1,156,093	-	254,996	124,443	1,535,532
Tiverton	850,926	-	187,686	29,020	1,067,632
Urban Collaborative	65,036	-	14,345	28,539	107,920
Westerly	1,384,571	-	305,391	-	1,689,962
	<b>\$ 30,129,042</b>	<b>\$ -</b>	<b>\$ 6,645,472</b>	<b>\$ 4,378,556</b>	<b>\$ 41,153,070</b>

See notes to schedule.

**Teachers' Survivors Benefit Cost-Sharing Plan**  
**Schedule of Pension Amounts by Employer**  
**June 30, 2019 Measurement Date**

**Schedule B**

<b>Collective Deferred Outflows for Plan as a Whole</b>						
<i>Participating Employer</i>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Thereafter</b>
Barrington	\$ 82,375	\$ (118,757)	\$ (7,345)	\$ 20,502	\$ (84,365)	\$ (242,073)
Bristol-Warren	76,836	(118,321)	(10,220)	16,801	(88,826)	(262,644)
Burrillville	52,020	(89,916)	(11,295)	8,357	(66,486)	(146,095)
Central Falls Collaborative	111,397	(63,919)	33,192	57,466	(54,287)	(196,219)
Coventry	166,111	(135,064)	31,763	73,463	(102,806)	(272,198)
Cranston	211,891	(505,021)	(107,909)	(8,648)	(418,275)	(876,624)
Cumberland	78,973	(215,229)	(52,265)	(11,530)	(146,492)	(375,929)
East Greenwich	46,395	(117,277)	(26,616)	(3,954)	(94,677)	(201,204)
East Providence	378	(367,096)	(163,545)	(112,666)	(267,866)	(498,071)
Foster	(453)	(19,288)	(8,855)	(6,247)	(10,235)	(19,879)
Foster-Glocester	14,947	(71,848)	(23,771)	(11,753)	(63,038)	(136,724)
Glocester	10,861	(26,319)	(5,725)	(577)	(18,498)	(32,921)
Johnston	4,923	(224,755)	(97,531)	(65,731)	(163,999)	(332,028)
Lincoln	114,719	(87,758)	24,398	52,432	(63,981)	(225,478)
Little Compton	26,827	3,956	16,625	19,791	(28,461)	(48,699)
Middletown	61,940	(95,169)	(8,143)	13,609	(69,768)	(203,345)
Newport	19,297	(137,437)	(50,619)	(28,918)	(94,160)	(202,620)
North Smithfield	52,417	(61,938)	1,406	17,239	(43,628)	(142,927)
Northern RI Collaborative	12,276	(9,044)	2,766	5,718	(5,379)	(19,861)
Portsmouth	85,144	(76,605)	12,991	35,386	(64,561)	(218,907)
Scituate	39,456	(56,738)	(3,454)	9,864	(44,159)	(114,858)
Smithfield	59,322	(108,084)	(15,354)	7,824	(99,163)	(227,456)
Tiverton	65,559	(57,659)	10,594	27,654	(39,682)	(152,002)
Urban Collaborative	5,580	(3,838)	1,379	2,683	(2,207)	(12,105)
Westerly	141,943	(58,548)	52,508	80,267	(30,469)	(185,241)
	<b>\$ 1,541,134</b>	<b>\$ (2,821,672)</b>	<b>\$ (405,025)</b>	<b>\$ 199,032</b>	<b>\$ (2,165,468)</b>	<b>\$ (5,346,108)</b>

**See notes to schedule.**

**Teachers' Survivors Benefit Cost-Sharing Plan**  
**Schedule of Pension Amounts by Employer**  
**June 30, 2019 Measurement Date**

Schedule B

<i>Participating Employer</i>	Net Pension Liability (Asset) 1% Decrease (6.0% Discount Rate)	Net Pension Liability (Asset) (7.0% Discount Rate)	Net Pension Liability (Asset) 1% Increase (8.0% Discount Rate)
Barrington	\$ (4,030,202)	\$ (5,230,011)	\$ (6,123,357)
Bristol-Warren	(3,910,484)	(5,074,652)	(5,941,463)
Burrillville	(2,844,056)	(3,690,743)	(4,321,165)
Central Falls Collaborative	(3,512,934)	(4,558,749)	(5,337,438)
Coventry	(6,034,847)	(7,831,446)	(9,169,150)
Cranston	(14,365,231)	(18,641,818)	(21,826,064)
Cumberland	(5,895,127)	(7,650,130)	(8,956,863)
East Greenwich	(3,279,612)	(4,255,965)	(4,982,935)
East Providence	(7,363,307)	(9,555,394)	(11,187,570)
Foster	(377,410)	(489,767)	(573,425)
Foster-Glocester	(1,739,173)	(2,256,932)	(2,642,443)
Glocester	(745,003)	(966,794)	(1,131,933)
Johnston	(4,602,208)	(5,972,304)	(6,992,445)
Lincoln	(4,057,160)	(5,264,993)	(6,164,317)
Little Compton	(458,284)	(594,717)	(696,302)
Middletown	(3,148,088)	(4,085,286)	(4,783,102)
Newport	(3,140,592)	(4,075,559)	(4,771,714)
North Smithfield	(2,291,419)	(2,973,584)	(3,481,508)
Northern RI Collaborative	(427,211)	(554,393)	(649,090)
Portsmouth	(3,241,069)	(4,205,948)	(4,924,375)
Scituate	(1,927,488)	(2,501,309)	(2,928,562)
Smithfield	(3,354,443)	(4,353,075)	(5,096,632)
Tiverton	(2,468,990)	(3,204,018)	(3,751,302)
Urban Collaborative	(188,705)	(244,883)	(286,712)
Westerly	(4,017,378)	(5,213,368)	(6,103,874)
	<b>\$ (87,420,421)</b>	<b>\$ (113,445,838)</b>	<b>\$ (132,823,741)</b>

**See notes to schedule.**

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

Teachers' Survivors Benefit Cost-Sharing Plan

NOTES TO THE SCHEDULES OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER

June 30, 2019 Measurement Date

1. Plan Description and Governance

The Employees' Retirement System of the State of Rhode Island (the System) acts as a common investment and administrative agent for pension benefits to be provided through various defined benefit and defined contribution retirement plans. The System is administered by the State of Rhode Island Retirement Board which was authorized, created and established in the Office of the General Treasurer as an independent retirement board to hold and administer, in trust, the funds of the retirement system.

Each plan's assets, including those of the Teachers' Survivors Benefit cost-sharing plan, are accounted for separately and may be used only for the payment of benefits to the members of that plan, in accordance with the terms of that plan.

The Teachers' Survivors Benefit Cost-Sharing Plan was established and placed under the management of the Retirement Board for the purpose of providing monthly benefits to certain survivors of deceased teachers previously employed in school districts that do not participate in social security. Specific eligibility criteria and the amount of the benefit is subject to the provisions of Chapter 16-16 of the Rhode Island General Laws.

2. Schedule of Employer Allocations

The Schedule of Employer Allocations reflects employer contributions recognized for the fiscal year ended June 30, 2019 consistent with contributions reflected within the Plan's financial statements. The percentages included in the Schedules of Employer Allocations have been rounded to 8 decimal places.

The Schedule of Employer Allocations (Schedule A) reflects employer contribution amounts which are the preliminary basis for allocating the pension amounts to each employer. The final or effective allocations also include any changes in allocations between years which are reflected as deferred outflows/inflows and recognized over the remaining service lives of the respective employee group.

3. Schedule of Pension Amounts by Employer

The Schedule of Pension Amounts by Employer was prepared by the Plan's actuary using amounts from (1) the Plan's financial statements for the fiscal year ended June 30, 2019, (2) Required Supplementary Information prepared in accordance with the requirements of GASB Statement No. 67, and (3) certain data from the actuarial valuation of the Plan performed at June 30, 2018 rolled-forward to June 30, 2019. This Schedule utilizes the proportionate employer contribution schedule detailed in the Schedule of Employer Allocations to apportion each employer's amounts for the cost-sharing plan.

The Schedule of Pension Amounts by Employer includes the sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.0 percent, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

Net Pension Liability (Asset) – Sensitivity Analysis

	1.00% Decrease (6.0%)	Discount Rate (7.0%)	1.00% Increase (8.0%)
TSB	\$ (87,420,421)	\$ (113,445,838)	\$ (132,823,741)

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

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NOTES TO THE SCHEDULES OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER

June 30, 2019 Measurement Date

4. Relationship to the Plan financial statements

The components associated with pension expense and deferred outflows and inflows of resources have been determined based on the net increase in fiduciary net position as reflected for the TSB Plan in the System's financial statements and consistent with the requirements of GASB Statements No. 67 and 68.

5. Summary of Significant Accounting Policies

**Basis of Accounting** – The underlying information to prepare the allocation schedules is based on the System's financial statements as of and for the year ended June 30, 2019. The financial statements of the System are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Plan member contributions are recognized in the period in which the wages, subject to required contributions, are earned for the performance of duties for covered employment. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions.

6. Net Pension Liability (Asset)

The components of the net pension liability of the employers participating in the TSB Plan at June 30, 2019 were as follows:

<i>Fiscal year ended June 30, 2019</i>	
Total pension liability	\$ 225,971,393
Plan Fiduciary net position	<u>339,417,231</u>
Employers' Net Pension Liability (Asset)	\$ (113,445,838)
Plan Fiduciary Net Position as a percentage of total pension liability	150.2%

7. Actuarial methods and assumptions

The total pension liability was determined by actuarial valuations performed as of June 30, 2018, rolled forward to 2019, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Cost Method - Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.

Investment Rate of Return - 7.00%

Projected Salary Increases – 3.0% to 13.0%

Mortality:

- Male Employees, RP-2014 Combined Healthy for Males with White Collar adjustments, projected with Scale Ultimate MP16.
- Female Employees, RP-2014 Combined Healthy for Females with White Collar adjustments, projected with Scale Ultimate MP16.

Inflation – 2.50%

Teachers' Survivors Benefit Cost-Sharing Plan

NOTES TO THE SCHEDULES OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER

June 30, 2019 Measurement Date

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

Cost of Living Adjustments: eligible survivors receive a yearly cost of living adjustment based on the annual social security adjustment – for valuation purposes, a 2.50% cost of living adjustment is assumed.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 34 sources. 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.

**8. Discount rate**

The discount rate used to measure the total pension liability of the TSB plan was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**9. Deferred Outflows and Inflows of Resources**

Consistent with the requirements of GASB Statement No. 68, differences between expected and actual experience and changes in assumptions are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period.

Differences between projected and actual earnings on pension plan investments are to be recognized in pension expense using a systematic and rational method over a closed five-year period. Projected earnings of the plan reflect the plan's investment return assumption or discount rate of 7.0%.

Changes in proportion between the June 30, 2018 and June 30, 2019 measurement dates are also recognized in pension expense using the expected remaining service lives of teachers.

For teachers, the average of the expected remaining service lives for purposes of recognizing the applicable deferred inflows/outflows of resources established in fiscal 2019 is 8.3395 years.