

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, 2021 Measurement Date
(for Fiscal 2022 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

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September 27, 2022

JOINT COMMITTEE ON LEGISLATIVE SERVICES:

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Senator Jessica de la Cruz

Representative Christopher R. Blazejewski

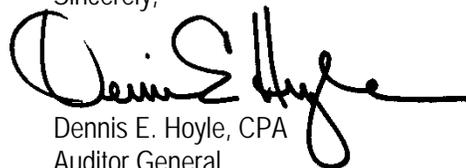
Representative Michael W. Chippendale

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, 2021.

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, 2021 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, 2021 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, 2021 – the information included herein is intended for use in Fiscal 2022 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.



Office of the Auditor General

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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:

Report on the Audit of the Schedules

Opinions

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, 2021, 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, 2021, and the related notes.

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, 2021, 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). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the Teachers' Survivors Benefit cost-sharing plan 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.

Responsibilities of Management 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 Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedules are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable

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

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 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 schedules.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedules, 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 schedules.
- 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 Teachers' Survivors Benefit cost-sharing plan'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 schedules.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

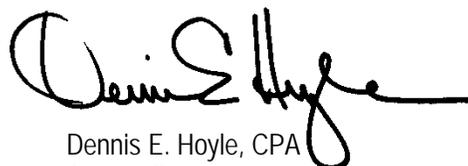
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

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 cost-sharing plan within the Employees' Retirement System of the State of Rhode Island as of and for the year ended June 30, 2021, and our report thereon, dated December 22, 2021 expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of the Employees' Retirement System of the State of Rhode Island's management, the Retirement Board of the Employees' Retirement System of the State of Rhode Island, the Employees' Retirement System employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.



Dennis E. Hoyle, CPA
Auditor General

September 26, 2022

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

Participating Employer Unit	Fiscal 2021 employer contribution	
	Amount	%
Barrington	35,091	4.76658515%
Bristol-Warren	34,572	4.69603166%
Burrillville	23,376	3.17521096%
Central Falls Collaborative	29,406	3.99428933%
Coventry	50,895	6.91330941%
Cranston	122,736	16.67172489%
Cumberland	49,694	6.75013080%
East Greenwich	27,707	3.76348853%
East Providence	59,953	8.14359772%
Foster	2,645	0.35928064%
Foster-Glocester	15,809	2.14740208%
Glocester	6,181	0.83963547%
Johnston	37,661	5.11561576%
Lincoln	35,732	4.85355551%
Little Compton	3,872	0.52590265%
Middletown	25,765	3.49981728%
Newport	26,885	3.65189283%
North Smithfield	18,630	2.53058541%
Northern RI Collaborative	3,286	0.44634881%
Portsmouth	27,741	3.76812318%
Scituate	16,456	2.23522412%
Smithfield	27,689	3.76110872%
Tiverton	20,036	2.72151081%
Westerly	34,377	4.66962827%
Totals	\$ 736,193	100.00000000%

See notes to schedule.

Teachers' Survivors Benefit Cost-Sharing Plan
Schedule of Pension Amounts by Employer
June 30, 2021 Measurement Date

Schedule B

<i>Participating Employer</i>	Pension		Pension Expense		
	Beginning Net Pension Liability (Asset)	Ending Net Pension Liability (Asset)	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	\$ (5,499,932)	\$ (9,327,883)	\$ (1,081,400)	\$ (10,040)	\$ (1,091,440)
Bristol-Warren	(5,212,653)	(9,189,815)	(1,065,393)	(23,465)	(1,088,858)
Burrillville	(3,796,036)	(6,213,672)	(720,363)	12,162	(708,201)
Central Falls Collaborative	(4,759,569)	(7,816,553)	(906,188)	52,704	(853,484)
Coventry	(8,320,277)	(13,528,877)	(1,568,429)	59,182	(1,509,247)
Cranston	(19,705,400)	(32,625,433)	(3,782,331)	(72,985)	(3,855,316)
Cumberland	(8,229,378)	(13,209,547)	(1,531,409)	(24,345)	(1,555,754)
East Greenwich	(4,607,513)	(7,364,891)	(853,826)	(12,011)	(865,837)
East Providence	(9,769,988)	(15,936,467)	(1,847,546)	(92,610)	(1,940,156)
Foster	(460,827)	(703,088)	(81,510)	2,505	(79,005)
Foster-Glocester	(2,454,068)	(4,202,320)	(487,183)	(36,821)	(524,004)
Glocester	(1,001,881)	(1,643,110)	(190,489)	(613)	(191,102)
Johnston	(6,589,596)	(10,010,912)	(1,160,585)	(53,383)	(1,213,968)
Lincoln	(5,473,964)	(9,498,078)	(1,101,131)	13,675	(1,087,456)
Little Compton	(604,360)	(1,029,156)	(119,312)	18,391	(100,921)
Middletown	(4,258,055)	(6,848,905)	(794,007)	20,252	(773,755)
Newport	(4,262,202)	(7,146,506)	(828,508)	(44,271)	(872,779)
North Smithfield	(2,997,871)	(4,952,184)	(574,116)	23,688	(550,428)
Northern RI Collaborative	(572,277)	(873,474)	(101,264)	10,517	(90,747)
Portsmouth	(4,360,405)	(7,373,961)	(854,878)	19,360	(835,518)
Scituate	(2,630,062)	(4,374,182)	(507,107)	1,374	(505,733)
Smithfield	(4,453,357)	(7,360,234)	(853,286)	9,931	(843,355)
Tiverton	(3,415,112)	(5,325,812)	(617,432)	36,599	(580,833)
Urban Collaborative	-	-	-	30,185	30,185
Westerly	(5,328,778)	(9,138,145)	(1,059,403)	60,019	(999,384)
	\$ (118,763,561)	\$ (195,693,205)	\$ (22,687,096)	\$ -	\$ (22,687,096)

See notes to schedule.

Teachers' Survivors Benefit Cost-Sharing Plan
Schedule of Pension Amounts by Employer
June 30, 2021 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	\$ 345,683	\$ 292,751	\$ 333,302	\$ 126,883	\$ 1,098,619
Bristol-Warren	340,566	288,418	328,369	161,937	1,119,290
Burrillville	230,273	195,013	222,026	204,762	852,074
Central Falls Collaborative	289,674	245,318	279,300	194,229	1,008,521
Coventry	501,368	424,597	483,411	439,893	1,849,269
Cranston	1,209,072	1,023,932	1,165,763	141,534	3,540,301
Cumberland	489,534	414,575	472,001	272,130	1,648,240
East Greenwich	272,936	231,143	263,161	141,363	908,603
East Providence	590,591	500,158	569,439	340,953	2,001,141
Foster	26,056	22,066	25,123	99,657	172,902
Foster-Glocester	155,734	131,888	150,157	30,586	468,365
Glocester	60,892	51,568	58,711	97,810	268,981
Johnston	370,995	314,187	357,708	413,247	1,456,137
Lincoln	351,990	298,092	339,384	191,855	1,181,321
Little Compton	38,140	32,300	36,774	219,569	326,783
Middletown	253,814	214,949	244,724	173,747	887,234
Newport	264,843	224,289	255,358	124,089	868,579
North Smithfield	183,523	155,422	176,951	163,212	679,108
Northern RI Collaborative	32,370	27,414	31,211	74,393	165,388
Portsmouth	273,272	231,428	263,485	178,526	946,711
Scituate	162,103	137,281	156,297	67,587	523,268
Smithfield	272,764	230,997	262,995	114,225	880,981
Tiverton	197,370	167,148	190,301	232,698	787,517
Urban Collaborative	-	-	-	195,065	195,065
Westerly	338,651	286,796	326,523	357,040	1,309,010
	\$ 7,252,214	\$ 6,141,730	\$ 6,992,474	\$ 4,756,990	\$ 25,143,408

See notes to schedule.

Teachers' Survivors Benefit Cost-Sharing Plan
Schedule of Pension Amounts by Employer
June 30, 2021 Measurement Date

Schedule B

Participating Employer

Deferred Inflows 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 Inflows
Barrington	\$ 1,001,564	\$ 335,873	\$ 2,639,303	\$ 230,191	\$ 4,206,931
Bristol-Warren	986,739	330,901	2,600,237	388,540	4,306,417
Burrillville	667,182	223,738	1,758,144	104,284	2,753,348
Central Falls Collaborative	839,288	281,454	2,211,676	22,733	3,355,151
Coventry	1,452,638	487,139	3,827,965	169,197	5,936,939
Cranston	3,503,094	1,174,756	9,231,294	486,335	14,395,479
Cumberland	1,418,351	475,641	3,737,611	312,933	5,944,536
East Greenwich	790,792	265,190	2,083,879	168,064	3,307,925
East Providence	1,711,149	573,830	4,509,187	499,648	7,293,814
Foster	75,493	25,316	198,937	49,788	349,534
Foster-Glocester	451,216	151,315	1,189,037	250,142	2,041,710
Glocester	176,426	59,164	464,914	79,215	779,719
Johnston	1,074,903	360,467	2,832,565	476,172	4,744,107
Lincoln	1,019,839	342,001	2,687,460	254,630	4,303,930
Little Compton	110,504	37,057	291,197	224,046	662,804
Middletown	735,388	246,611	1,937,882	69,467	2,989,348
Newport	767,343	257,327	2,022,088	280,460	3,327,218
North Smithfield	531,732	178,315	1,401,209	58,754	2,170,010
Northern RI Collaborative	93,788	31,452	247,148	14,171	386,559
Portsmouth	791,765	265,517	2,086,446	191,484	3,335,212
Scituate	469,670	157,503	1,237,665	77,391	1,942,229
Smithfield	790,291	265,023	2,082,562	94,420	3,232,296
Tiverton	571,849	191,769	1,506,926	61,405	2,331,949
Urban Collaborative	-	-	-	19,061	19,061
Westerly	981,191	329,041	2,585,617	174,459	4,070,308
	\$ 21,012,195	\$ 7,046,400	\$ 55,370,949	\$ 4,756,990	\$ 88,186,534

See notes to schedule.

Teachers' Survivors Benefit Cost-Sharing Plan
Schedule of Pension Amounts by Employer
June 30, 2021 Measurement Date

Schedule B

Collective Deferred Inflows for Plan as a Whole						
<i>Participating Employer</i>	2023	2024	2025	2026	2027	Thereafter
Barrington	\$ (634,354)	\$ (605,561)	\$ (714,127)	\$ (829,025)	\$ (187,191)	\$ (138,054)
Bristol-Warren	(638,538)	(610,171)	(721,067)	(843,144)	(203,769)	(170,438)
Burrillville	(403,718)	(384,538)	(457,535)	(514,398)	(91,072)	(50,012)
Central Falls Collaborative	(470,457)	(446,329)	(557,511)	(662,553)	(132,561)	(77,218)
Coventry	(846,304)	(804,544)	(981,050)	(1,131,264)	(203,342)	(121,167)
Cranston	(2,256,601)	(2,155,895)	(2,571,180)	(2,866,145)	(613,271)	(392,086)
Cumberland	(908,458)	(867,684)	(1,002,804)	(1,142,542)	(249,971)	(124,838)
East Greenwich	(504,942)	(482,209)	(573,214)	(646,105)	(128,825)	(64,027)
East Providence	(1,159,236)	(1,110,044)	(1,258,640)	(1,365,341)	(270,018)	(129,395)
Foster	(44,553)	(42,382)	(44,658)	(47,238)	(3,533)	5,731
Foster-Glocester	(318,082)	(305,110)	(360,130)	(407,237)	(103,728)	(79,059)
Glocester	(110,586)	(105,514)	(123,138)	(127,827)	(27,608)	(16,063)
Johnston	(723,412)	(692,511)	(787,260)	(874,274)	(173,768)	(36,745)
Lincoln	(622,030)	(592,712)	(714,151)	(842,957)	(191,448)	(159,310)
Little Compton	(50,490)	(47,314)	(95,605)	(106,323)	(22,282)	(14,008)
Middletown	(438,144)	(417,003)	(497,987)	(586,445)	(113,042)	(49,494)
Newport	(522,586)	(500,526)	(567,172)	(644,550)	(132,976)	(90,828)
North Smithfield	(307,761)	(292,475)	(351,201)	(422,248)	(76,618)	(40,600)
Northern RI Collaborative	(47,945)	(45,248)	(55,344)	(66,939)	(7,553)	1,859
Portsmouth	(474,178)	(451,417)	(552,798)	(650,817)	(154,684)	(104,607)
Scituate	(291,389)	(277,887)	(332,629)	(385,249)	(79,476)	(52,329)
Smithfield	(482,689)	(459,969)	(565,159)	(647,122)	(126,017)	(70,360)
Tiverton	(319,857)	(303,417)	(368,324)	(443,859)	(84,599)	(24,376)
Urban Collaborative	30,185	30,185	30,399	29,459	26,467	29,309
Westerly	(551,596)	(523,389)	(635,879)	(769,703)	(155,636)	(125,095)
	\$ (13,097,721)	\$ (12,493,664)	\$ (14,858,164)	\$ (16,993,846)	\$ (3,506,521)	\$ (2,093,210)

See notes to schedule.

Teachers' Survivors Benefit Cost-Sharing Plan
Schedule of Pension Amounts by Employer
June 30, 2021 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	(8,388,537)	(9,327,883)	(10,527,154)
Bristol-Warren	(8,264,373)	(9,189,815)	(10,371,334)
Burrillville	(5,587,936)	(6,213,672)	(7,012,554)
Central Falls Collaborative	(7,029,402)	(7,816,553)	(8,821,514)
Coventry	(12,166,478)	(13,528,877)	(15,268,262)
Cranston	(29,339,952)	(32,625,433)	(36,820,031)
Cumberland	(11,879,306)	(13,209,547)	(14,907,877)
East Greenwich	(6,623,224)	(7,364,891)	(8,311,783)
East Providence	(14,331,617)	(15,936,467)	(17,985,393)
Foster	(632,285)	(703,088)	(793,483)
Foster-Glocester	(3,779,134)	(4,202,320)	(4,742,605)
Glocester	(1,477,643)	(1,643,110)	(1,854,361)
Johnston	(9,002,783)	(10,010,912)	(11,297,999)
Lincoln	(8,541,593)	(9,498,078)	(10,719,231)
Little Compton	(925,517)	(1,029,156)	(1,161,473)
Middletown	(6,159,199)	(6,848,905)	(7,729,457)
Newport	(6,426,831)	(7,146,506)	(8,065,321)
North Smithfield	(4,453,484)	(4,952,184)	(5,588,878)
Northern RI Collaborative	(785,513)	(873,474)	(985,775)
Portsmouth	(6,631,381)	(7,373,961)	(8,322,019)
Scituate	(3,933,688)	(4,374,182)	(4,936,563)
Smithfield	(6,619,036)	(7,360,234)	(8,306,527)
Tiverton	(4,789,486)	(5,325,812)	(6,010,543)
Urban Collaborative	-	-	-
Westerly	(8,217,906)	(9,138,145)	(10,313,022)
	\$ (175,986,304)	\$ (195,693,205)	\$ (220,853,159)

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, 2021 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. Basis of Presentation

The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (collectively, "the Schedules") present amounts that are elements of the financial statements of the Plan or of its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the Plan or its participating employers. The accompanying Schedules were prepared in accordance with accounting principles generally accepted in the United States of America. Such preparation requires management of the System to make several estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

3. Schedule of Employer Allocations

The Schedule of Employer Allocations reflects employer contributions recognized for the fiscal year ended June 30, 2021 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.

4. 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, 2021, (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, 2020 rolled-forward to June 30, 2021. 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.

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

June 30, 2021 Measurement Date

4. Schedule of Pension Amounts by Employer (continued)

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

	1.0% Decrease (6.0%)	Discount Rate (7.0%)	1.0% Increase (8.0%)
	<u> </u>	<u> </u>	<u> </u>
TSB	\$ (175,986,304)	\$ (195,693,205)	\$ (220,853,159)

5. 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.

6. 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, 2021. 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.

7. Net Pension Liability (Asset)

The components of the net pension liability of the employers participating in the TSB Plan at June 30, 2021 were as follows:

Fiscal year ended June 30, 2021	
Total pension liability	\$ 228,280,538
Plan Fiducary net position	\$ 423,973,743
Employers' Net Pension Liability (Asset)	<u>\$ (195,693,205)</u>
 Plan Fiducary Net Position as a percentage of total pension liability	 185.7%

Teachers' Survivors Benefit Cost-Sharing Plan

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

June 30, 2021 Measurement Date

8. Actuarial methods and assumptions

The total pension liability was determined by actuarial valuations performed as of June 30, 2020, rolled forward to 2021, 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: Variants of the PUB (10) Tables for Healthy and Disabled Retirees, projected with Scale Ultimate MP16.

Inflation – 2.50%

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 39 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.

9. 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.

10. 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, 2020 and June 30, 2021 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 2021 is 7.9360 years.