

**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, 2023**



**David A. Bergantino, CPA, CFE**  
**Auditor General**

**State of Rhode Island**  
**General Assembly**  
**Office of the Auditor General**



# Office of the Auditor General

State of Rhode Island - General Assembly

David A. Bergantino, CPA, CFE – Auditor General

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October 29, 2024

## JOINT COMMITTEE ON LEGISLATIVE SERVICES:

SPEAKER K. Joseph Shekarchi, Chairman  
Senator Dominick J. Ruggerio  
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, 2023.

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, 2023.

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, 2023**

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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, 2023 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, 2023, 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, 2023 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 3, the fair values of certain investments (equity options, private equity, real estate, and private real estate) representing 9.0% 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 statements, is required by the Governmental Accounting Standards Board who considers it to be an essential

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

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 and comparing 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 issued a report dated October 29, 2024 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.



David A. Bergantino, CPA, CFE  
Auditor General

October 29, 2024

The background of the slide is a faded, light blue image of the Rhode Island State Capitol building. The building features a prominent dome with a statue on top, and a portico with several columns. The text is centered over this image.

Rhode Island State Employees' and  
Electing Teachers OPEB System

**Management's Discussion and Analysis**

## **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, 2023. 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, 2023. 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.



**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**  
**Management's Discussion and Analysis**

**Financial Highlights for the Fiscal Year Ended June 30, 2023**

- Fiduciary net position increased by \$74.0 million in fiscal 2023 to \$574.9 million. The System began accumulating assets for the future payment of post-employment benefits in 2011.
- Total post-employment health care benefits paid were \$31.2 million, an increase of \$2.1 million from the amount of benefits paid in fiscal 2022.
- Contributions to all plans from members and employers for fiscal 2023 totaled \$46.9 million, a decrease of \$6.9 million compared to the contributions received in fiscal 2022.
- The System experienced a net gain from investing activities of \$56.4 million for fiscal 2023.

<b>Assets, Liabilities and Fiduciary Net Position – All Plans</b>		
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 7,088,667	\$ 5,484,789
Investments	577,127,245	501,559,856
Receivables	2,278,258	2,198,273
Total assets	<u>586,494,170</u>	<u>509,242,918</u>
<b>Liabilities:</b>		
Accounts payable and incurred but not reported claims	1,583,583	1,042,530
Other liabilities	9,972,537	7,230,914
Total liabilities	<u>11,556,120</u>	<u>8,273,444</u>
<b>Fiduciary Net Position:</b>	<u>\$ 574,938,050</u>	<u>\$ 500,969,474</u>

<b>Summary of Changes in Fiduciary Net Position – All Plans</b>		
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
<b>Additions:</b>		
Contributions:		
Employer	\$ 45,177,562	\$ 52,028,695
Member	1,772,895	1,800,954
Other income	1,905,352	2,017,401
Net investment income	56,421,222	(58,250,396)
Total Additions	<u>105,277,031</u>	<u>(2,403,346)</u>
<b>Deductions:</b>		
Benefits	31,205,279	29,122,672
Administrative expenses	103,176	182,532
Total Deductions	<u>31,308,455</u>	<u>29,305,204</u>
<b>Increase (Decrease) in Fiduciary Net Position:</b>	<u>73,968,576</u>	<u>(31,708,550)</u>
<b>Fiduciary Net Position:</b>		
Beginning of year	<u>500,969,474</u>	<u>532,678,024</u>
End of year	<u>\$ 574,938,050</u>	<u>\$ 500,969,474</u>

**RHODE ISLAND STATE EMPLOYEES’ AND ELECTING TEACHERS OPEB SYSTEM**  
**Management’s Discussion and Analysis**

**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.

The following asset allocation targets are in place at the close of fiscal 2023:

<b>Fiscal 2023 – Asset Allocation Targets</b>	
<b>GROWTH</b>	
Global Equity	40.0%
Private Growth	<u>5.0%</u>
<b>Growth - Subtotal</b>	<b><u>45.0%</u></b>
<b>INCOME</b>	<b><u>21.0%</u></b>
<b>STABILITY</b>	
Inflation Protection	8.0%
Volatility Protection	<u>26.0%</u>
<b>Stability - Subtotal</b>	<b><u>34.0%</u></b>
<b>Total</b>	<b><u>100.0%</u></b>

The following table presents the fair value of investment, by type that are within the pooled trust at June 30, 2023:

<b>Investment Type</b>	<b>Fair Value</b>
US Cash and Cash Equivalents:	
US Cash	\$ 622,132
Money Market Mutual Funds	7,079,051
Corporate Bonds	10,525,274
Derivatives:	
Equity and Fixed Income Index Futures	(223,434)
Commingled Funds - International Equity	102,616,828
Commingled Funds - Domestic Equity	404,358,330
Index Fund	
Equity Options	21,798,376
Private Equity	17,689,190
Real Estate	9,307,945
Private Real Assets ex-Real Estate	<u>3,059,866</u>
<b>Investment at Fair Value</b>	<b>576,833,558</b>
Investment receivable	<u>293,687</u>
<b>Total Pooled Investment Trust</b>	<b><u>\$ 577,127,245</u></b>

**Investment Performance**

The System’s actuarial investment return assumption is 5.0%. 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, 2023 was 11.18% while the composite benchmark return was 8.49%.

**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**  
**Management's Discussion and Analysis**

**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 2024 employer contribution rates are all based upon actuarial valuations performed at June 30, 2021. The net employer contribution rates (expressed as a percent of covered payroll) for fiscal year 2024 are 4.52% for State employees, 17.81% for State Police, and 2.15% for members of the Board of Education plan. There is no fiscal 2024 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 2024.

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, 2023**

	<b>State Employees</b>	<b>Teachers</b>	<b>Judges</b>	<b>State Police</b>	<b>Legislators</b>	<b>Board of Education</b>	<b>Memorandum Total</b>
<b>Assets</b>							
Cash and cash equivalents	\$ 4,325,807	\$ 131,791	\$ 857,345	\$ 1,112,326	\$ 128,336	\$ 533,062	\$ 7,088,667
Receivables- contributions and other	1,738,014	42,881	6,645	293,531	27,072	170,115	2,278,258
Investments at fair value - equity in pooled trust	391,692,846	16,359,685	5,295,025	91,857,624	4,025,225	67,896,840	577,127,245
Total assets	<u>397,756,667</u>	<u>16,534,357</u>	<u>6,159,015</u>	<u>93,263,481</u>	<u>4,180,633</u>	<u>68,600,017</u>	<u>586,494,170</u>
<b>Liabilities</b>							
Accounts payable	379,307	36,306	3,721	161,598	5,546	74,105	660,583
Incurred but not reported claims	550,000	86,000	4,000	179,000	15,000	89,000	923,000
Due to other funds	250,375	10,286	3,329	57,749	2,531	43,190	367,460
Other	8,413,577	1,191,500	-	-	-	-	9,605,077
Total liabilities	<u>9,593,259</u>	<u>1,324,092</u>	<u>11,050</u>	<u>398,347</u>	<u>23,077</u>	<u>206,295</u>	<u>11,556,120</u>
Net position held in trust for other post-employment benefits	<u>\$ 388,163,408</u>	<u>\$ 15,210,265</u>	<u>\$ 6,147,965</u>	<u>\$ 92,865,134</u>	<u>\$ 4,157,556</u>	<u>\$ 68,393,722</u>	<u>\$ 574,938,050</u>

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, 2023**

	<u>State Employees</u>	<u>Teachers</u>	<u>Judges</u>	<u>State Police</u>	<u>Legislators</u>	<u>Board of Education</u>	<u>Memorandum Total</u>
<b>Additions</b>							
Contributions							
Member contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,772,895	\$ 1,772,895
Employer contributions (note 4)	36,565,974	-	-	6,057,957	-	2,553,631	45,177,562
Total contributions	36,565,974	-	-	6,057,957	-	4,326,526	46,950,457
Other income (note 6)	1,251,751	117,197	23,975	400,641	82,894	28,894	1,905,352
Investment income							
Net appreciation in							
fair value of investments	37,653,317	1,595,299	516,285	8,830,045	392,516	6,557,746	55,545,208
Interest and dividends	1,251,060	50,432	28,512	289,093	13,632	209,381	1,842,110
	38,904,377	1,645,731	544,797	9,119,138	406,148	6,767,127	57,387,318
Less investment expense	(655,115)	(27,571)	(8,956)	(153,734)	(6,783)	(113,937)	(966,096)
Net investment income	38,249,262	1,618,160	535,841	8,965,404	399,365	6,653,190	56,421,222
Total additions	76,066,987	1,735,357	559,816	15,424,002	482,259	11,008,610	105,277,031
<b>Deductions</b>							
Benefits	24,194,786	964,926	(60,676)	3,163,349	173,901	2,768,993	31,205,279
Administrative expense (note 7)	70,621	2,654	859	16,562	653	11,827	103,176
Total deductions	24,265,407	967,580	(59,817)	3,179,911	174,554	2,780,820	31,308,455
Net Increase	51,801,580	767,777	619,633	12,244,091	307,705	8,227,790	73,968,576
Net position held in trust for other							
post-employment benefits							
Net position - beginning	336,361,828	14,442,488	5,528,332	80,621,043	3,849,851	60,165,932	500,969,474
Net position - ending	\$ 388,163,408	\$ 15,210,265	6,147,965	\$ 92,865,134	\$ 4,157,556	\$ 68,393,722	\$ 574,938,050

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

**RHODE ISLAND STATE EMPLOYEES’ AND ELECTING TEACHERS OPEB SYSTEM**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2023**

**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:

<b>Plan</b>	<b>Members</b>	<b>Plan Type</b>
<b>State Employees</b>	State employees (excluding state police, legislators, and judges) and certain employees of the Narragansett Bay Commission, RI Airport Corporation, and RI Commerce Corporation.	Cost-sharing multiple employer
<b>Teachers</b>	Certified public school teachers electing to participate in the System.	Single-employer
<b>Judges</b>	Judges and magistrates.	Single-employer
<b>State Police</b>	State Police officers.	Single-employer
<b>Legislators</b>	Retired and former members of the General Assembly.	Single-employer
<b>Board of Education</b>	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”).

**RHODE ISLAND STATE EMPLOYEES’ AND ELECTING TEACHERS OPEB SYSTEM**

**Notes to Financial Statements**

**For the Fiscal Year Ended June 30, 2023**

**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.

For State employees who retired on or before September 30, 2008, the fiscal 2023 contributions are as follows:

<b>Age of Retirement</b>	<b>Years of Service</b>	<b>Amount of Cost Paid by Retiree</b>
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%

**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**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%.



**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**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, 2022 actuarial valuation follows:

Plan	Members			Participating Employers
	Active	Retired	Total	
State employees	10,761	7,575	18,336	9
Teachers	N/A	66	66	N/A
Judges	62	26	88	1
State police officers	294	164	458	1
Legislators	113	18	131	1
BOE employees	1,799	967	2,766	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 or become measurable, 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 self-insured 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.

# RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM

## Notes to Financial Statements For the Fiscal Year Ended June 30, 2023

### 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.

Commingled funds 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.

Derivative investments (e.g., futures contracts) are valued at the settlement price established each day by the board of trade or exchange on which they are traded.

Other investments 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.

Equity options, money market, private equity, real estate, and private real assets ex-real estate represented 3.8%, 1.2%, 3.1%, 1.6%, and 0.5% respectively of the total reported fair value of all pooled OPEB trust investments at June 30, 2023.

**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.

**RHODE ISLAND STATE EMPLOYEES’ AND ELECTING TEACHERS OPEB SYSTEM**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**2. Summary of Significant Accounting Policies (continued)**

**Memorandum Total Columns** - Total columns on the financial statements are captioned “memorandum only” to indicate that they 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.

**New Accounting Pronouncements** – GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements (SBITA)* was effective for the fiscal year ended June 30, 2023. Management reviewed the applicability of this Statement and determined that there were no accounting changes or disclosure requirements for the System in fiscal 2023 relating to SBITAs. The System will continue to monitor and evaluate any new software subscriptions to determine if there should be any accounting changes or disclosure requirements for a right-to-use asset and a corresponding liability for any potential SBITAs. GASB Statements No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and No. 99 – *Omnibus 2022* were also effective for fiscal year end June 30, 2023 but had no effect on the System’s reporting.

**3. Cash, Cash Equivalents, and Investments**

**Cash and Cash Equivalents**

At June 30, 2023, the carrying amounts of the plans’ cash deposits are listed below:

	State Employees	Teachers	Judges	State Police	Legislators	BOE	Total
Cash Deposits	\$ 1,803,559	\$ 130,221	\$ 857,345	\$ 1,112,326	\$ 128,336	\$ 533,062	\$ 4,564,849
Cash Equivalents:	2,522,248	1,570	-	-	-	-	2,523,818
Total Cash Deposits and Cash Equivalents:	<u>\$ 4,325,807</u>	<u>\$ 131,791</u>	<u>\$ 857,345</u>	<u>\$ 1,112,326</u>	<u>\$ 128,336</u>	<u>\$ 533,062</u>	<u>\$ 7,088,667</u>

At June 30, 2023, bank balances for the plan’s cash accounts totaled:

	State Employees	Teachers	Judges	State Police	Legislators	BOE	Total
Bank Balances	1,803,559	130,221	857,345	1,112,326	128,336	533,062	4,564,849

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.

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, 2023 (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.

**RHODE ISLAND STATE EMPLOYEES’ AND ELECTING TEACHERS OPEB SYSTEM**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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

Cash equivalents are invested in the Ocean State Investment Pool (OSIP), an investment pool established by the State General Treasurer.

At June 30, 2023, the System had an investment in OSIP totaling \$2,523,818 which represented less than 1% of the total OSIP Pool Trust at June 30, 2023. 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.

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 June 22, 2022 and was effective as of January 1, 2023, and may be amended by a majority vote of SIC members. After fiscal year end on June 30, 2023, the SIC approved a revised Investment Policy Statement on December 6, 2023 with an effective date of January 1, 2024. 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 policy targets as of June 30, 2023:

Asset Class	Target Asset Allocation
<b><i>Growth</i></b>	
Global Equity	40.0%
Private Growth	5.0%
<b><i>Growth - Subtotal</i></b>	<b>45.0%</b>
<b><i>Income</i></b>	<b>21.0%</b>
<b><i>Stability</i></b>	
Inflation Protection	8.0%
Volatility Protection	26.0%
<b><i>Stability - Subtotal</i></b>	<b>34.0%</b>
<b>Total</b>	<b>100.0%</b>

**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**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, 2023:

<b>Investment Type</b>	<b>Fair Value</b>
US Cash and Cash Equivalents:	
US Cash	\$ 622,132
Money Market Mutual Funds	7,079,051
Corporate Bonds	10,525,274
Derivatives:	
Equity and Fixed Income Index Futures	(223,434)
Commingled Funds - International Equity	102,616,828
Commingled Funds - Domestic Equity Index Fund	404,358,330
Equity Options	21,798,376
Private Equity	17,689,190
Real Estate	9,307,945
Private Real Assets ex-Real Estate	<u>3,059,866</u>
<b>Investment at Fair Value</b>	576,833,558
Investment receivable	<u>293,687</u>
<b>Total Pooled Investment Trust</b>	<u><u>\$ 577,127,245</u></u>

**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.

**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**  
**Notes to Financial Statements**  
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**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.

The following table presents the investments measured at fair value at June 30, 2023:

<b>Investments at Fair Value</b>	<b>Fair Value June 30, 2023</b>	<b>Quoted Prices in Active Market for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>
<b>Fixed Income</b>			
Corporate Bonds	\$ 10,525,274	\$ -	\$ 10,525,274
<b>Derivatives - Equity and Fixed Income Index Futures</b>	(223,434)	(223,434)	-
Total Investments by fair value level	<u>\$ 10,301,840</u>	<u>\$ (223,434)</u>	<u>\$ 10,525,274</u>
<b>Investments measured at the net asset value (NAV)</b>			
Commingled Funds – International Equity	102,616,828		
Commingled Funds – Domestic Equity Index Fund	404,358,330		
Equity Options	21,798,376		
Money Market Fund	7,079,051		
Private Equity	17,689,190		
Real Estate	9,307,945		
Private Real Estate ex-Real Estate	3,059,866		
	<u>\$ 565,909,586</u>		
<b>Cash and Cash Equivalents</b>			
US Cash and Cash Equivalents	622,132		
<b>Net Investment receivable</b>	293,687		
<b>Total Pooled Investment Trust</b>	<u>\$ 577,127,245</u>		

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:

	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption (if currently eligible)</b>	<b>Redemption Notice Period</b>
Commingled Funds - International Equity	\$ 102,616,828	\$ -	daily	none
Commingled Funds - Domestic Equity Index Fund	404,358,330	-	daily	see note below
Equity Options	21,798,376	-	see note below	see note below
Money Market Fund	7,079,051	-	see note below	see note below
Private Equity	17,689,190	10,124,409	see note below	see note below
Real Estate	9,307,945	2,027,125	see note below	see note below
Private Real Assets ex-Real Estate	3,059,866	-	see note below	see note below
	<u>\$ 565,909,586</u>	<u>\$ 12,151,534</u>		

**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**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, 2023. The underlying investments at June 30, 2023, 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 8 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, 2023. 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 5 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.

**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**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, 2023.

With the exception of two 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** – This fund provides 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 this investment has been determined using the NAV per share of the investment as reported by the general partner at June 30, 2023.

This investment allows for quarterly liquidity (with a notice period of between 45 to 60 days). Redemptions may not be fulfilled in a timely manner due to market conditions and initial lock-up period. The nature of this investment provides 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 Liquid 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 are:

- ICE BofA ML US HY Index
- JP Morgan CLOIE BB Index
- Emerging Market Debt Custom BM: 50% JPM EMBI Global Diversified Index + 50% JPM GBI-EM
- Global Diversified Index
- Bloomberg US Aggregate Bond Index



**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**  
**Notes to Financial Statements**  
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**3. Cash, Cash Equivalents, and Investments (Continued)**

At June 30, 2023, no fixed income manager was outside of their policy guidelines.

The following table shows the OPEB System's fixed income investments by type, fair value and the effective duration at June 30, 2023:

<u>Investment Type:</u>	<u>Fair Value</u>	<u>Effective Duration</u>
Corporate Bonds	\$10,525,274	0.89

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 and a private equity investment that primarily invest in fixed income securities at June 30, 2023:

<u>Investment</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration</u>
US Aggregate Bond Index NL	Commingled Funds - Domestic Equity	\$ 167,063,538	6.29
US High Yield Bond Index NL	Commingled Funds - Domestic Equity	\$ 69,544,045	3.54
Sycamore Tree CLO Fund LP	Private Equity	\$ 12,300,349	Not available

**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, 2023 is as follows:

<u>Quality Rating (1)</u>	<u>Corporate Bonds</u>
Ba1	\$ 1,376,788
Ba2	1,839,816
Ba3	7,308,670
Fair Value	<u>\$10,525,274</u>

(1) Moody's Investors Service Ratings

**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**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 and a private equity investment that primarily invest in fixed income securities at June 30, 2023:

<u>Investment</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Credit Quality</u>	<u>Credit Quality Breakdown</u>
US Aggregate Bond Index NL	Commingled Funds - Domestic Equity	\$ 167,063,538	AA2	Aaa-71.7%, Aa-2.9%, A-11.6%, Baa-12.5%, Not rated-1.3%
US High Yield Bond Index NL	Commingled Funds - Domestic Equity	\$ 69,544,045	B2	BBB or higher - 0.4%, BB-46.0%, B-40.3%, CCC or lower-12.1%, Not rated-1.1%
Sycamore Tree CLO Fund LP	Private Equity	\$ 12,300,349	Not available	AAA-61.7%, AA-12.3%, A-5.9%, BBB-5.9%, BB-3.5%, Not rated-10.6%

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 two funds 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, 2023, all securities were registered in the name of the OPEB System (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.

**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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

The System's exposure to foreign currency risk at June 30, 2023, is detailed in the following table:

<b>Currency Code</b>	<b>Currency</b>	<b>Commingled Funds</b>
AUD	Australian Dollar	\$ 4,860,123
ATS	Austrian Schilling	121,528
BEF	Belgian Franc	609,405
BRL	Brazilian Real	1,584,126
CAD	Canadian Dollar	7,781,494
CLP	Chilean Peso	153,545
CNY	Chinese Yuan	8,473,985
COP	Colombian Peso	29,448
CZK	Czech Republic Koruna	47,684
DKK	Danish Krone	2,024,286
NLG	Dutch Guilder	3,079,357
EGP	Egyptian Pound	22,734
FIM	Finnish Markka	579,139
FRF	French Franc	8,248,829
DEM	German Deutsche Mark	5,706,829
GBP	Great Britain Pound	9,765,970
GRD	Greek Drachmae	132,172
HKD	Hong Kong Dollar	1,657,016
HUF	Hungarian Forint	66,904
INR	Indian Rupee	4,142,864
IDR	Indonesia Rupiah	566,239
IEP	Irish Pound	538,832
ILS	Israeli Shekel	412,204
ITL	Italian Lira	1,681,890
JPY	Japanese Yen	14,835,047
KWD	Kuwaiti Dinar	235,116
MYR	Malaysian Ringgit	379,110
MXN	Mexican Peso	802,994
TWD	New Taiwan Dollar	4,484,377
NZD	New Zealand Dollar	135,401
NOK	Norwegian Krone	418,408
PEN	Peruvian Nouveau Sol	75,913
PHP	Philippine Peso	183,480
PLN	Polish Zloty	238,479
PTE	Portuguese Escudo	139,178
QAR	Qatari Real	255,480
SAR	Saudi Riyal	1,203,323
SGD	Singapore Dollar	927,211
ESP	Spanish Peseta	1,737,494
SEK	Swedish Krona	2,147,679
CHF	Swiss Franc	6,646,977
ZAR	South African Rand	912,791
KRW	South Korean Won	3,497,759
THB	Thailand Baht	548,099
TRY	Turkish Lira	156,819
AED	United Arab Emirates Dirham	369,090
	<b>Total</b>	<b>\$ 102,616,828</b>

**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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

**Derivatives and Other Similar Investments**

Certain of the System 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 Interest Rate Risk.

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, 2023:

<u>Investment Derivative Instruments</u>	<u>Fair Value at June 30, 2022</u>	<u>Fair Value at June 30, 2023</u>	<u>Notional Amount</u>
Fixed income futures - long	N/A	\$ 741	\$ 1,498,406
Fixed income futures - short	N/A	(153,978)	15,862,391
Equity index futures - long	N/A	8,951	(1,097,690)
Equity index futures - short	N/A	(79,148)	(9,318,975)
Total	\$ -	\$ (223,434)	

**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2023**

**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, 2023, the annual money weighted returns on investments within each of the plans net of investment expense, are shown in the following table:

	<b>State Employees</b>	<b>Teachers</b>	<b>Judges</b>	<b>State Police</b>	<b>Legislators</b>	<b>Board of Education</b>
<b>Fiscal Year Ended June 30, 2023</b>	11.89%	16.85%	9.70%	11.27%	11.07%	11.07%

**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, 2023, the State and other participating employers paid \$45,177,562 into the plans.

The annual required contribution rates for fiscal year 2023 were determined based on the June 30, 2020 Actuarial Valuation for all plans.

The table below displays the contribution rates for the year ended June 30, 2023:

<b>Plan</b>	<b>Employee (Active)</b>	<b>Employer</b>
State Employees	none	4.48%
Teachers	not applicable	not applicable
Judges	none	none
State Police	none	20.67%
Legislators	none	none
Board of Education	0.90%	1.83%

**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2023**

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

The Net OPEB Liability (Asset) of employers participating in the various plans of the System as of June 30, 2023 were as follows:

<b>Plan</b>	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Employer's Net OPEB Liability (Asset)</b>	<b>Plan Fiduciary Net Position as a % of the Total OPEB Liability</b>
State Employees	\$ 596,330,822	\$ 388,163,408	\$ 208,167,414	65.09%
Teachers	6,913,489	15,210,265	(8,296,776)	220.01%
Judges	166,176	6,147,965	(5,981,789)	3699.67%
State Police	84,034,968	92,865,134	(8,830,166)	110.51%
Legislators	779,406	4,157,556	(3,378,150)	533.43%
Board of Education	77,806,501	68,393,722	9,412,779	87.90%

**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, 2022 rolled forward to June 30, 2023 (measurement date).

**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**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, 2022 valuation.

Summary of Actuarial Methods and Assumptions used in the June 30, 2022 valuation						
	State Employees' Plan	Teachers Plan	Judges Plan	State Police Plan	Legislators Plan	Board of Education Plan
<b>Actuarial Cost Method</b>	Individual Entry Age					
<b>Amortization Method</b>	Level Percent of Payroll	Level Dollar	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
<b>Actuarial Assumptions</b>						
<b>Investment Rate of Return</b>	5.00%					
<b>Projected Salary Increases</b>	3.25% to 6.25%	N/A	2.75%	3.75% to 11.75%	3.25% to 6.25%	3.25% to 6.25%
<b>Valuation Healthcare Cost Trend Rate</b>	Pre-Medicare: 7.25% in 2022, grading to 3.50% in 2033 Medicare: 6.00% in 2022, grading to 3.50% in 2033					
<b>Mortality Rates</b>	<p><b>Post-Retirement Mortality:</b>  <i>Healthy Male State Employees, State Police, Legislators, and Board of Education:</i> PUB-10 Median Table for General Healthy retiree males loaded by 115%, projected with scale ultimate MP16.</p> <p><i>Healthy Female State Employees, State Police, Legislators, and Board of Education:</i> PUB-10 Median Table for General Healthy retiree females loaded by 111%, projected with scale ultimate MP16.</p> <p><i>Healthy Male Teachers:</i> PUB-10 Median Table for Healthy Teacher retiree males, loaded by 108%, projected with scale ultimate MP16.</p> <p><i>Healthy Female Teachers:</i> PUB-10 Median Table for Healthy Teacher retiree females, loaded by 115%, projected with scale ultimate MP16.</p> <p><i>Healthy Judges:</i> Sex distinct PUB-10 Above Median Income Tables for Healthy retirees, projected with scale ultimate MP16.</p> <p>The assumption for future mortality improvements is fully generational mortality improvements using MP 2016 ultimate rates with a base year of 2010.</p> <p><i>Disabled State Employees, Teachers, Judges, Legislators, and Board of Education:</i> Sex distinct PUB-10 Tables for General Disabled retirees, projected with scale ultimate MP-16.</p> <p><i>Disabled State Police:</i> Sex distinct PUB-10 Tables for Safety Disabled retirees, projected with scale ultimate MP16.</p> <p><b>Pre-Retirement Mortality Rates.</b>  <i>State Employees (excluding Correctional Officers), Legislators, and Board of Education:</i> Sex distinct PUB-10 Tables for General Employees, projected with Scale Ultimate MP16.</p> <p><i>State Police and Correctional Officers:</i> Sex distinct PUB-10 Tables for Safety Employees, projected with Scale Ultimate MP16.</p> <p><i>Judges:</i> Sex distinct PUB-10 Above Median Income Tables for General Employees, projected with Scale Ultimate MP16.</p>					
<b>Note:</b> Although an inflation rate was not explicitly used, for purposes of determining total OPEB liability inflation was consistent with a 2.5% assumption.						

**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**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, 2023 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 42 nationally recognized investment consulting firms. The June 30, 2023 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
<b><i>GROWTH</i></b>		
Global Equity	40.00%	6.84%
Private Growth	5.00%	9.24%
Subtotal	45.00%	
<b><i>INCOME</i></b>		
Equity Options	4.00%	6.20%
Liquid Credit	4.00%	4.56%
Emerging Market Debt	4.00%	4.53%
Collateralized Loan Obligations	4.00%	4.56%
Private Credit	5.00%	4.56%
Subtotal	21.00%	
<b><i>STABILITY</i></b>		
<b>Inflation Protection</b>		
Core Real Estate	4.00%	5.01%
Private Real Assets	4.00%	5.91%
Subtotal	8.00%	
<b>Volatility Protection</b>		
US Aggregate Bond	26.00%	1.78%
Subtotal	26.00%	
<b>Total</b>	<b>100.00%</b>	

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.



**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**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 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 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.

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

Plan	1.0% Decrease 4.0%	Current Single Discount Rate Assumption 5.0%	1.0% Increase 6.0%
State Employees	\$ 286,009,939	\$ 208,167,414	\$ 143,626,186
Teachers	(7,739,851)	(8,296,776)	(8,787,656)
Judges	(5,973,121)	(5,981,789)	(5,992,634)
State Police	(1,752,769)	(8,830,166)	(15,165,998)
Legislators	(3,323,356)	(3,378,150)	(3,426,842)
Board of Education	20,816,306	9,412,779	105,118

**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 6.00% 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.

**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**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	Current Healthcare Cost Trend Rate Assumption	1.0% Increase
State Employees	\$ 121,895,311	\$ 208,167,414	\$ 316,903,776
Teachers	(8,933,837)	(8,296,776)	(7,580,538)
Judges	(5,994,656)	(5,981,789)	(5,970,356)
State Police	(18,239,663)	(8,830,166)	2,261,454
Legislators	(3,447,886)	(3,378,150)	(3,299,152)
Board of Education	(2,688,240)	9,412,779	24,931,904

**6. Other Income**

Drug rebates received from drug manufacturers relating to claims paid for retirees totaling \$1,905,352 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 2023, administrative expenses of the System totaled \$103,176.

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**

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

State Employees' Plan							
	Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
<b>Total OPEB liability</b>							
Service cost	\$ 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	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	(36,185,418)	2,952,563	(32,742,035)	(32,616,568)	(39,458,052)	(3,327,426)	(31,336,582)
Changes of assumptions	-	(1,781,102)	(31,489,165)	(21,442,501)	(4,429,631)	-	36,061,281
Benefit payments, net of retiree contributions	(24,194,786)	(22,653,352)	(23,771,476)	(24,667,526)	(24,192,503)	(26,076,925)	(26,815,313)
<b>Net change in total OPEB liability</b>	(14,219,297)	23,014,637	(40,273,889)	(29,188,724)	(33,641,742)	21,440,314	25,544,598
<b>Total OPEB liability - beginning</b>	610,550,119	587,535,482	627,809,371	656,998,095	690,639,837	669,199,523	643,654,925
<b>Total OPEB liability - ending (a)</b>	<b>\$ 596,330,822</b>	<b>\$ 610,550,119</b>	<b>\$ 587,535,482</b>	<b>\$ 627,809,371</b>	<b>\$ 656,998,095</b>	<b>\$ 690,639,837</b>	<b>\$ 669,199,523</b>
<b>Plan fiduciary net position</b>							
Employer contributions	\$ 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	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	(24,194,786)	(22,653,352)	(23,771,476)	(24,667,526)	(24,192,503)	(26,076,925)	(26,815,313)
OPEB plan administrative expense	(70,621)	(123,762)	(51,872)	(169,968)	(123,499)	(218,614)	(82,273)
Other	1,251,751	1,409,340	1,165,170	1,515,368	1,055,044	1,848,386	1,721,604
<b>Net change in plan fiduciary net position</b>	51,801,580	(19,215,312)	88,671,988	46,383,660	39,211,579	31,554,230	31,847,855
<b>Plan fiduciary net position - beginning</b>	336,361,828	355,577,140	266,905,152	220,521,492	181,309,913	149,755,683	117,907,828
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 388,163,408</b>	<b>\$ 336,361,828</b>	<b>\$ 355,577,140</b>	<b>\$ 266,905,152</b>	<b>\$ 220,521,492</b>	<b>\$ 181,309,913</b>	<b>\$ 149,755,683</b>
<b>Net OPEB liability (asset) - ending (a) - (b)</b>	<b>\$ 208,167,414</b>	<b>\$ 274,188,291</b>	<b>\$ 231,958,342</b>	<b>\$ 360,904,219</b>	<b>\$ 436,476,603</b>	<b>\$ 509,329,924</b>	<b>\$ 519,443,840</b>
<b>Plan fiduciary net position as a percentage of total OPEB liability (asset)</b>	65.09 %	55.09 %	60.52 %	42.51 %	33.57 %	26.25 %	22.38 %
<b>Covered-payroll</b>	\$ 796,091,187	\$ 772,904,065	\$ 790,412,182	\$ 767,390,468	\$ 745,039,289	\$ 708,886,705	\$ 708,886,705
<b>Net OPEB liability (asset) as a percentage of covered-payroll</b>	26.15 %	35.48 %	29.35 %	47.03 %	58.58 %	71.85 %	73.28 %

See notes to required supplementary information.

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

**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*

Teachers Plan							
	Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
<b>Total OPEB liability</b>							
Interest on the total OPEB liability	\$ 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	79,487	(68,895)	(963,502)	(1,212,233)	1,953,684	91,200	1,625,377
Changes of assumptions	-	135,020	(695,985)	(164,307)	(44,957)	-	216,323
Benefit payments, net of retiree contributions	(964,926)	(891,031)	(898,605)	(628,511)	(1,438,073)	(1,201,727)	(1,609,591)
<b>Net change in total OPEB liability</b>	<b>(537,036)</b>	<b>(452,053)</b>	<b>(2,081,361)</b>	<b>(1,449,111)</b>	<b>(900,479)</b>	<b>(498,946)</b>	<b>793,803</b>
<b>Total OPEB liability - beginning</b>	<b>7,450,525</b>	<b>7,902,578</b>	<b>9,983,939</b>	<b>11,433,050</b>	<b>12,333,529</b>	<b>12,832,475</b>	<b>12,038,672</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 6,913,489</b>	<b>\$ 7,450,525</b>	<b>\$ 7,902,578</b>	<b>\$ 9,983,939</b>	<b>\$ 11,433,050</b>	<b>\$ 12,333,529</b>	<b>\$ 12,832,475</b>
<b>Plan fiduciary net position</b>							
Employer contributions	\$ -	\$ -	\$ -	\$ -	\$ 2,277,327	\$ 2,321,057	\$ 2,321,057
OPEB plan net investment income	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	(964,926)	(891,031)	(898,605)	(628,511)	(1,438,073)	(1,201,727)	(1,609,591)
OPEB plan administrative expense	(2,654)	(5,248)	(2,383)	(24,093)	(2,562)	(16,645)	6,752
Other	117,197	34,254	108,281	150,032	117,494	135,678	102,934
<b>Net change in plan fiduciary net position</b>	<b>767,777</b>	<b>(2,570,148)</b>	<b>2,583,284</b>	<b>579,120</b>	<b>2,054,715</b>	<b>2,018,518</b>	<b>1,685,189</b>
<b>Plan fiduciary net position - beginning</b>	<b>14,442,488</b>	<b>17,012,636</b>	<b>14,429,352</b>	<b>13,850,232</b>	<b>11,795,517</b>	<b>9,776,999</b>	<b>8,091,810</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 15,210,265</b>	<b>\$ 14,442,488</b>	<b>\$ 17,012,636</b>	<b>\$ 14,429,352</b>	<b>\$ 13,850,232</b>	<b>\$ 11,795,517</b>	<b>\$ 9,776,999</b>
<b>Net OPEB liability (asset) - ending (a) - (b)</b>	<b>\$ (8,296,776)</b>	<b>\$ (6,991,963)</b>	<b>\$ (9,110,058)</b>	<b>\$ (4,445,413)</b>	<b>\$ (2,417,182)</b>	<b>\$ 538,012</b>	<b>\$ 3,055,476</b>
<b>Plan fiduciary net position as a percentage of total OPEB liability (asset)</b>	<b>220.01%</b>	<b>193.85%</b>	<b>215.28%</b>	<b>144.53%</b>	<b>121.14%</b>	<b>95.64%</b>	<b>76.19%</b>
<b>Covered-payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Net OPEB liability (asset) as a percentage of covered-payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

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.

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

**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*

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

See notes to required supplementary information.

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**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*

State Police Plan							
	Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
<b>Total OPEB liability</b>							
Service cost	\$ 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	4,509,242	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	(11,472,648)	(6,713,436)	(6,872,647)	(2,230,148)	629,748	(906,705)	(174,805)
Changes of assumptions	-	3,739,734	4,147,775	(6,974,066)	(1,161,395)	-	(6,004,696)
Benefit payments, net of retiree contributions	(3,163,349)	(2,805,039)	(3,388,477)	(3,008,878)	(2,801,411)	(2,848,978)	(3,129,860)
<b>Net change in total OPEB liability</b>	<b>(5,336,328)</b>	<b>3,245,668</b>	<b>2,376,432</b>	<b>(3,340,892)</b>	<b>354,587</b>	<b>4,312,373</b>	<b>(1,270,615)</b>
<b>Total OPEB liability - beginning</b>	<b>89,371,296</b>	<b>86,125,628</b>	<b>83,749,196</b>	<b>87,090,088</b>	<b>86,735,501</b>	<b>82,423,128</b>	<b>83,693,743</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 84,034,968</b>	<b>\$ 89,371,296</b>	<b>\$ 86,125,628</b>	<b>\$ 83,749,196</b>	<b>\$ 87,090,088</b>	<b>\$ 86,735,501</b>	<b>\$ 82,423,128</b>
<b>Plan fiduciary net position</b>							
Employer contributions	\$ 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	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	(3,163,349)	(2,805,039)	(3,388,477)	(3,008,878)	(2,801,411)	(2,848,978)	(3,129,860)
OPEB plan administrative expense	(16,562)	(28,781)	(12,406)	(35,353)	(10,762)	(73,579)	(1,031)
Other	400,641	423,411	223,350	334,325	276,804	197,488	163,266
<b>Net change in plan fiduciary net position</b>	<b>12,244,091</b>	<b>(5,831,711)</b>	<b>20,041,922</b>	<b>9,862,454</b>	<b>10,404,306</b>	<b>8,607,061</b>	<b>8,225,165</b>
<b>Plan fiduciary net position - beginning</b>	<b>80,621,043</b>	<b>86,452,754</b>	<b>66,410,832</b>	<b>56,548,378</b>	<b>46,144,072</b>	<b>37,537,011</b>	<b>29,311,846</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 92,865,134</b>	<b>\$ 80,621,043</b>	<b>\$ 86,452,754</b>	<b>\$ 66,410,832</b>	<b>\$ 56,548,378</b>	<b>\$ 46,144,072</b>	<b>\$ 37,537,011</b>
<b>Net OPEB liability (asset) - ending (a) - (b)</b>	<b>\$ (8,830,166)</b>	<b>\$ 8,750,253</b>	<b>\$ (327,126)</b>	<b>\$ 17,338,364</b>	<b>\$ 30,541,710</b>	<b>\$ 40,591,429</b>	<b>\$ 44,886,117</b>
<b>Plan fiduciary net position as a percentage of total OPEB liability (asset)</b>	110.51%	90.21%	100.38%	79.30%	64.93%	53.20%	45.54%
<b>Covered- payroll</b>	\$ 30,261,702	\$ 29,380,293	\$ 25,400,782	\$ 24,660,953	\$ 23,942,673	\$ 21,333,758	\$ 21,333,758
<b>Net OPEB liability (asset) as a percentage of covered-payroll</b>	(29.18)%	29.78%	(1.28)%	70.31%	127.56%	190.27%	210.40%

See notes to required supplementary information.

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**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*

Legislators Plan							
	Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
<b>Total OPEB liability</b>							
Service cost	\$ 29,986	\$ 27,940	\$ 39,453	\$ 56,615	\$ 72,406	\$ 53,830	\$ 63,441
Interest on the total OPEB liability	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	(75,075)	(134,901)	(87,535)	(86,248)	283,708	102,219	168,094
Changes of assumptions	-	38,313	(41,375)	(349,860)	(60,748)	-	(45,367)
Benefit payments, net of retiree contributions	(173,901)	(61,801)	(163,516)	(85,058)	(97,907)	(161,061)	(36,212)
<b>Net change in total OPEB liability</b>	(174,874)	(79,605)	(194,648)	(384,605)	19,286	68,571	216,096
<b>Total OPEB liability - beginning</b>	954,280	1,033,885	1,228,533	1,613,138	1,593,852	1,525,281	1,309,185
<b>Total OPEB liability - ending (a)</b>	<u>\$ 779,406</u>	<u>\$ 954,280</u>	<u>\$ 1,033,885</u>	<u>\$ 1,228,533</u>	<u>\$ 1,613,138</u>	<u>\$ 1,593,852</u>	<u>\$ 1,525,281</u>
<b>Plan fiduciary net position</b>							
Employer contributions	\$ -	\$ -	\$ -	\$ -	\$ 14,680	\$ 14,283	\$ 26,743
OPEB plan net investment income	399,365	(420,351)	853,922	263,185	275,693	247,459	283,490
Benefit payments, net of retiree contributions	(173,901)	(61,801)	(163,516)	(85,058)	(97,907)	(161,061)	(36,212)
OPEB plan administrative expense	(653)	(1,289)	(586)	(1,640)	72	(5,176)	82
Other	82,894	70,072	54,203	75,102	32,728	42,261	29,026
<b>Net change in plan fiduciary net position</b>	307,705	(413,369)	744,023	251,589	225,266	137,766	303,129
<b>Plan fiduciary net position - beginning</b>	3,849,851	4,263,220	3,519,197	3,267,608	3,042,342	2,904,576	2,601,447
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 4,157,556</u>	<u>\$ 3,849,851</u>	<u>\$ 4,263,220</u>	<u>\$ 3,519,197</u>	<u>\$ 3,267,608</u>	<u>\$ 3,042,342</u>	<u>\$ 2,904,576</u>
<b>Net OPEB liability (asset) - ending (a) - (b)</b>	<u>\$ (3,378,150)</u>	<u>\$ (2,895,571)</u>	<u>\$ (3,229,335)</u>	<u>\$ (2,290,664)</u>	<u>\$ (1,654,470)</u>	<u>\$ (1,448,490)</u>	<u>\$ (1,379,295)</u>
<b>Plan fiduciary net position as a percentage of total OPEB liability (asset)</b>	533.43%	403.43%	412.35%	286.46%	202.56 %	190.88 %	190.43 %
<b>Covered-payroll</b>	\$ 2,012,491	\$ 1,953,874	\$ 1,924,524	\$ 1,868,470	\$ 1,814,049	\$ 1,719,143	\$ 1,719,143
<b>Net OPEB liability (asset) as a percentage of covered-payroll</b>	(167.86)%	(148.20)%	(167.80)%	(122.60)%	(91.20)%	(84.26)%	(80.23)%

See notes to required supplementary information.

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**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*

Board of Education Plan							
	Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
<b>Total OPEB liability</b>							
Service cost	\$ 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	3,930,613	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	(4,780,466)	4,145,885	(7,386,783)	4,535,783	(7,702,715)	404,539	(7,140,117)
Changes of assumptions	-	1,810,458	(11,620,555)	(2,463,515)	(436,983)	-	5,767,020
Benefit payments, net of retiree contributions	(2,768,993)	(2,793,225)	(2,819,135)	(2,272,019)	(2,780,591)	(2,346,016)	(2,091,088)
<b>Net change in total OPEB liability</b>	(761,664)	9,218,346	(14,401,194)	6,999,640	(5,567,809)	5,118,673	3,472,943
<b>Total OPEB liability - beginning</b>	78,568,165	69,349,819	83,751,013	76,751,373	82,319,181	77,200,508	73,727,565
<b>Total OPEB liability - ending (a)</b>	<u>\$ 77,806,501</u>	<u>\$ 78,568,165</u>	<u>\$ 69,349,819</u>	<u>\$ 83,751,013</u>	<u>\$ 76,751,373</u>	<u>\$ 82,319,181</u>	<u>\$ 77,200,508</u>
<b>Plan fiduciary net position</b>							
Employer contributions	\$ 2,553,631	\$ 4,679,867	\$ 3,994,538	\$ 5,481,374	\$ 5,599,588	\$ 5,490,009	\$ 3,911,529
Employee contributions	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	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	(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	(11,827)	(21,752)	(9,106)	(26,548)	(9,202)	(37,025)	(7,997)
Other	28,894	53,657	40,352	49,308	66,729	54,575	33,862
<b>Net change in plan fiduciary net position</b>	8,227,790	(3,232,478)	15,391,004	8,400,115	7,842,562	7,021,555	5,731,330
<b>Plan fiduciary net position - beginning</b>	60,165,932	63,398,410	48,007,406	39,607,291	31,764,729	24,743,174	19,011,844
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 68,393,722</u>	<u>\$ 60,165,932</u>	<u>\$ 63,398,410</u>	<u>\$ 48,007,406</u>	<u>\$ 39,607,291</u>	<u>\$ 31,764,729</u>	<u>\$ 24,743,174</u>
<b>Net OPEB liability (asset) - ending (a) - (b)</b>	<u>\$ 9,412,779</u>	<u>\$ 18,402,233</u>	<u>\$ 5,951,409</u>	<u>\$ 35,743,607</u>	<u>\$ 37,144,082</u>	<u>\$ 50,554,452</u>	<u>\$ 52,457,334</u>
<b>Plan fiduciary net position as a percentage of total OPEB liability (asset)</b>	87.90%	76.58%	91.42%	57.32%	51.60%	38.59%	32.05%
<b>Covered-payroll</b>	\$ 143,576,985	\$ 139,395,131	\$ 138,520,137	\$ 134,485,570	\$ 130,568,515	\$ 124,967,304	\$ 124,967,304
<b>Net OPEB liability (asset) as a percentage of covered-payroll</b>	6.56%	13.20%	4.30%	26.58%	28.45%	40.45%	41.98%

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**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**  
*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
<b>Fiscal Year ended June 30, 2023</b>	11.89%	16.85%	9.70%	11.27%	11.07%	11.07%
<b>Fiscal Year ended June 30, 2022</b>	-10.47%	-7.68%	-9.16%	-10.38%	-9.81%	-10.67%
<b>Fiscal Year ended June 30, 2021</b>	20.04%	23.69%	22.19%	24.96%	23.94%	25.21%
<b>Fiscal Year ended June 30, 2020</b>	9.17%	7.45%	7.14%	8.21%	8.24%	8.24%
<b>Fiscal Year ended June 30, 2019</b>	10.11%	8.31%	8.45%	9.56%	9.31%	9.64%
<b>Fiscal Year ended June 30, 2018</b>	8.70%	6.95%	7.96%	8.60%	8.75%	8.59%
<b>Fiscal Year ended June 30, 2017</b>	10.42%	7.94%	9.83%	11.32%	9.99%	11.13%

*See notes to required supplementary information.*

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**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**

***Required Supplementary Information***

***Schedules of Employer Contributions***

<b>Fiscal Year Ended June 30</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
<b>State Employees</b>					
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 %
<b>Teachers</b>					
2023	\$ -	\$ -	\$ -	\$ -	-
2022	-	-	-	-	-
2021	-	-	-	-	-
2020	-	-	-	-	-
2019	2,321,057	2,277,327	43,730	-	-
2018	2,321,057	2,321,057	-	-	-
2017	2,321,057	2,321,057	-	-	-
2016	2,321,057	2,321,057	-	-	-
2015	2,321,057	2,321,057	-	-	-
<b>Judges</b>					
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 %
<b>State Police</b>					
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 %
<b>Legislators</b>					
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 %
<b>Board of Education</b>					
2023	\$ 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 %

See notes to required supplementary information.

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

## **RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**

### ***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, 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.

## **RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**

### ***Notes to Required Supplementary Information***

#### **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 2024 will be based on valuations performed as of June 30, 2021. The following table summarizes the assumptions and methods employed in the June 30, 2020 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.

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

**2. Actuarially determined contributions (continued)**

<b>Summary of Actuarial Methods and Assumptions as of June 30, 2020 valuation used to determine fiscal 2023 contribution rates</b>						
	<b>State Employees Plan</b>	<b>Teachers Plan</b>	<b>Judges Plan</b>	<b>State Police Plan</b>	<b>Legislators Plan</b>	<b>Board of Education Plan</b>
<b>Actuarial Cost Method</b>	Entry Age Normal – the Individual Entry Age Actuarial cost methodology is used.					
<b>Amortization Method</b>	Level Percent of Payroll	Level Dollar	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
<b>Remaining Amortization Period</b>	16 years closed	Determined by Statutory Contribution	30 years open	16 years closed	30 years open	16 years closed
<b>Asset Valuation Method</b>	Four-year smoothed market; 20% corridor					
<b>Actuarial Assumptions</b>						
<b>Investment Rate of Return</b>	5.0%, net of OPEB plan expenses, including inflation					
<b>Projected Salary Increases</b>	3.25% to 6.25%	N/A	2.75%	3.75% to 11.75%	3.25% to 6.25%	3.25% to 6.25%
<b>Retirement Age</b>	Experience-based table of rates that are specific to the type of eligibility condition.					
<b>Mortality</b>	<p style="text-align: center;"><b>Post-Retirement Mortality:</b></p> <p>Healthy Male State Employees, State Police, Legislators, and Board of Education: PUB-10 Median Table for General Healthy Retiree Males, loaded by 115%, projected with Scale Ultimate MP16.</p> <p>Healthy Female State Employees, State Police, Legislators, and Board of Education: PUB-10 Median Table for Healthy General Retiree Females, loaded by 111%, projected with Scale Ultimate MP16.</p> <p>Healthy Male Teachers: PUB-10 Median Table for Healthy Teacher Retiree Males, loaded by 108%, projected with Scale Ultimate MP16.</p> <p>Healthy Female Teachers: PUB-10 Median Table for Healthy Teacher Retiree Females, loaded by 115%, projected with Scale Ultimate MP16.</p> <p>Healthy Judges: Sex distinct PUB-10 Above Median Income Tables for Healthy Retirees, projected with Scale Ultimate MP16.</p> <p style="text-align: center;"><b>Disabled Mortality:</b></p> <p>State Police: Sex distinct PUB-10 Tables for Safety Disabled Retirees, projected with Scale Ultimate MP16.</p> <p>All other groups: Sex distinct PUB-10 Tables for General Disabled Retirees, projected with Scale Ultimate MP16.</p> <p style="text-align: center;"><b>Pre-Retirement Mortality:</b></p> <p>State Employees (excluding Correctional Officers), Legislators, and Board of Education: Sex distinct PUB-10 Tables for General Employees, projected with Scale Ultimate MP16.</p> <p>State Police and Correctional Officers: Sex distinct PUB-10 Tables for Safety Employees, projected with Scale Ultimate MP16.</p> <p>Judges: Sex distinct PUB-10 Above Median Income Tables for General Employees, projected with Scale Ultimate MP16.</p>					
<b>Healthcare Trend Rate</b>	Pre-Medicare: 7.50% in 2021, grading to 3.5% in 2033. Medicare: 6.25% in 2021, grading to 3.5% in 2033.					
<b>Aging Factors</b>	The tables used in developing the retiree only premium are based on a recent study of health care costs titled "Health Care Costs-From Birth to Death".					
<b>Inflation</b>	Not explicitly used, consistent with a 2.50% assumption.					

## **RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM**

### ***Notes to Required Supplementary Information***

#### **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*





# Office of the Auditor General

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

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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, 2023 and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated October 29, 2024.

### **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 2023-01 that we consider to be a significant deficiency.

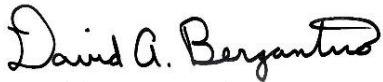
Joint Committee on Legislative Services  
Board of the Rhode Island State Employees' and Electing Teachers OPEB System

### **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.



David A. Bergantino, CPA, CFE  
Auditor General

October 29, 2024

**Finding 2023-01**

*(significant deficiency – repeat finding – 2022-01)*

RHODE ISLAND STATE EMPLOYEES’ AND ELECTING TEACHERS OPEB SYSTEM - ASSESS THE RESOURCES AND SYSTEMS NECESSARY TO EFFECTIVELY ADMINISTER THE OPEB SYSTEM

**The resources necessary to effectively manage and administer the OPEB System to ensure all System functions are met and adequately controlled should be assessed. This would improve controls over the administration of the benefit programs and the process to accumulate data necessary for periodic actuarial valuations of the OPEB plans for both funding and accounting purposes.**

**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 2023, required employer and employee contributions to OPEB plans approximated \$47 million, with \$31 million in retiree benefits paid. OPEB assets totaled more than \$587 million at June 30, 2023.

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 through 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.

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 co-pays 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.

The State improved certain reporting on OPEB enrollment by ensuring that all pre-65 retirees were 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.

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

- 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)).
- Monitoring and analysis on OPEB liabilities reported for retirees over age 65 – requires determining estimate of percentage of HSA commitment that is ultimately utilized by retirees over the course of their retirement.

**Cause:** The State and System have not implemented System specific administrative processes and computer applications to effectively support the overall administration of the OPEB System, accumulate plan census data, manage and control the eligibility, copay determination, and plan enrollment functions. Existing processes used to support healthcare plan enrollment for active employees have generally been used 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 co-pays 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 actuarially determined contribution amount and the net OPEB liability or asset for each plan.

**RECOMMENDATIONS**

- 2023-01a: Assess the resources necessary to effectively manage and administer the OPEB System to ensure all System functions are met and adequately controlled.
- 2023-01b: 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.
- 2023-01c: Evaluate assigned responsibilities for key functions and segregate certain responsibilities for incompatible functions to enhance controls over critical plan administrative functions.
- 2023-01d: Establish consistent procedures to identify deceased plan members and prompt timely termination of coverage.

***Management's Views and Corrective Actions:***

*Management reviewed the recommendations and agrees that it is appropriate to consider 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 solutions. Additionally, the process to document procedures for deceased plan members began.*

*Anticipated Completion Date:*                      *Ongoing*

*Contact Persons:*                                      *Office of Accounts and Control*  
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