



AUDIT SUMMARY

ERNEST A. ALMONTE, CPA, CFE
AUDITOR GENERAL
EALMONTE@OAG.STATE.RI.US

INTEGRITY ♦ RELIABILITY ♦ INDEPENDENCE ♦ ACCOUNTABILITY

JULY 2004

EMPLOYEES' RETIREMENT SYSTEM

FISCAL YEAR ENDED JUNE 30, 2003

We completed an audit of the Employees' Retirement System of Rhode Island (the "System") for the fiscal year ended June 30, 2003. Benefits are provided under the following plans which comprise the System:

- ❑ Employees' Retirement System (ERS) - provides pension benefits to state employees as well as teachers and other employees of local school districts;
- ❑ Municipal Employees' Retirement System (MERS) - provides pension benefits to employees of participating municipalities, housing authorities, water and sewer districts, and municipal police and firemen;
- ❑ State Police Retirement Benefits Trust (SPRBT) - provides pension benefits to state police and superintendents hired after July 1, 1987; and
- ❑ Judicial Retirement Benefits Trust (JRBT) - provides pension benefits to judges appointed after December 31, 1989.

Each plan's assets may be used only for the payment of benefits to members of that plan.

We concluded that the System's financial statements present fairly, in all material respects, the net assets of the

plans within the System as of June 30, 2003 and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We did not find any material instances of noncompliance with laws, regulations and contracts that we are required to report under *Government Auditing Standards*. We reported a matter involving the System's internal control over financial reporting that we considered to be a material weakness. This matter relates to the System's implementation of a new member and financial reporting database during fiscal 2002 and impacts contributions and contributions receivable reported by the accounting system.

At June 30, 2003, the combined net assets of the plans was approximately \$5.4 billion (fair value). Net investment income including net appreciation in the fair value of the plans' investments during the year, was \$145 million.

Benefits paid to retirees and beneficiaries under the plans totaled \$470 million while contributions to all plans by both employers and members totaled \$300 million.

The financial statements include required supplementary information that provides the progress made, by plan, in accumulating sufficient assets to pay benefits when due.

Key financial highlights for each of the plans are summarized in the table below.

Copies of this report can be obtained by calling 222-2435 or by visiting our website at www.oag.ri.gov.

FINANCIAL HIGHLIGHTS (IN MILLIONS)

	<u>ERS</u>	<u>MERS</u>	<u>SPRBT</u>	<u>JRBT</u>
Net assets available for benefits (at fair value)	\$4,702	\$708	\$18.0	\$11.0
Pension benefits provided to retirees	432	38	0.1	0.1
Employer and member contributions	271	24	3.0	2.0
Net investment income	126	18	1.0	0.5