The Employees' Retirement System of Rhode Island

Annual Financial Report

For the Fiscal Year Ending June 30, 2011

2011

Employees' Retirement System Of Rhode Island

Annual Financial Report

For the Fiscal Year Ended June 30, 2011

Employees' Retirement System of Rhode Island
50 Service Avenue, Second Floor
Warwick, RI 02886
www.ersri.org
Frank J. Karpinski, Executive Director
Zachary J. Saul, Director of Finance

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Actuarial valuations and experience studies for the Employees' Retirement System (ERS), Municipal Employees' Retirement System (MERS), State Police Retirement Benefits Trust (SPRBT), and Judicial Retirement Benefits Trust (JRBT) are available at www.ersri.org. For a hardcopy of the valuation information please contact the Employees' Retirement System of Rhode Island at (401)-462-7600.

2011

Employees' Retirement System of Rhode Island
Annual Financial Report

Introductory Section

The Honorable Lincoln D. Chafee, Governor, State of Rhode Island and Providence Plantations
Gordon D. Fox, Speaker of the House
M. Teresa Paiva Weed, President of the Senate
A. Ralph Mollis, Secretary of State
State House
Providence, R.I.

In accordance with Rhode Island General Laws, 36-8-8 and 45-21-34, enclosed is the Seventy-fifth Annual Financial Report of the Employees' Retirement System and the Fifty-second Annual Financial Report of the Municipal Employees Retirement System of the State of Rhode Island for transmittal to the General Assembly.

This report also contains an accounting of the State Police Retirement Plan and the Judicial Retirement Plan.

The report includes the audited financial statements of the System for the fiscal year ending June 30, 2011.

Respectfully submitted,

Gina M. Raimondo, General Treasurer & Chair of the Board
Employees' Retirement System of Rhode Island

ERSRI Board

The 15-member State Retirement Board oversees the Employees' Retirement System of Rhode Island. The Board handles administrative tasks such as voting on investment rate of return assumptions, approving disability pensions and making decisions that affect the future of Rhode Island's retirees.

The State Retirement Board, as of June 30, 2011, included:

General Treasurer Gina M. Raimondo, *Chair, Ex Officio Member*

William B. Finelli, Vice Chairperson, *Teacher Representative*

Gary R. Alger, Esq., *Public Representative (appointed by the General Treasurer)*

Daniel L. Beardsley, *Executive Director, Rhode Island League of Cities and Towns, Ex Officio Member*

Frank R. Benell, Jr., *Public Representative (appointed by the General Treasurer)*

Roger P. Boudreau, *Retired Member Representative*

Michael R. Boyce, *Retired Member Representative*

M. Carl Heintzelman, *CLU, Public Representative (appointed by the Governor)*

Richard A. Licht, *Director of Administration*

John P. Maguire, *Teacher Representative*

John J. Meehan, *State Employee Representative*

Thomas A. Mullaney, *State Budget Officer*

Louis M. Prata, *Municipal Representative*

Linda C. Riendeau, *State Employee Representative*

Jean Rondeau, *Public Representative (appointed by the Governor)*

ERSRI Administration

Day-to-day operations of the Employees' Retirement System of Rhode Island are overseen by the following administrators (as of June 30, 2011):

Frank J. Karpinski, *Executive Director*
Diane S. Bourne, *Assistant Executive Director*
Zachary J. Saul, *Director of Finance*
Melissa A. Malone, Esquire, *Assistant Director for Member Services*
Michael P. Robinson, Esquire, *Retirement Board Counsel*

State Investment Commission

The State Investment Commission is responsible for the investment of the assets of the Employees' Retirement System and the Municipal Employees' Retirement System. The State Investment Commission, as of June 30, 2011, included:

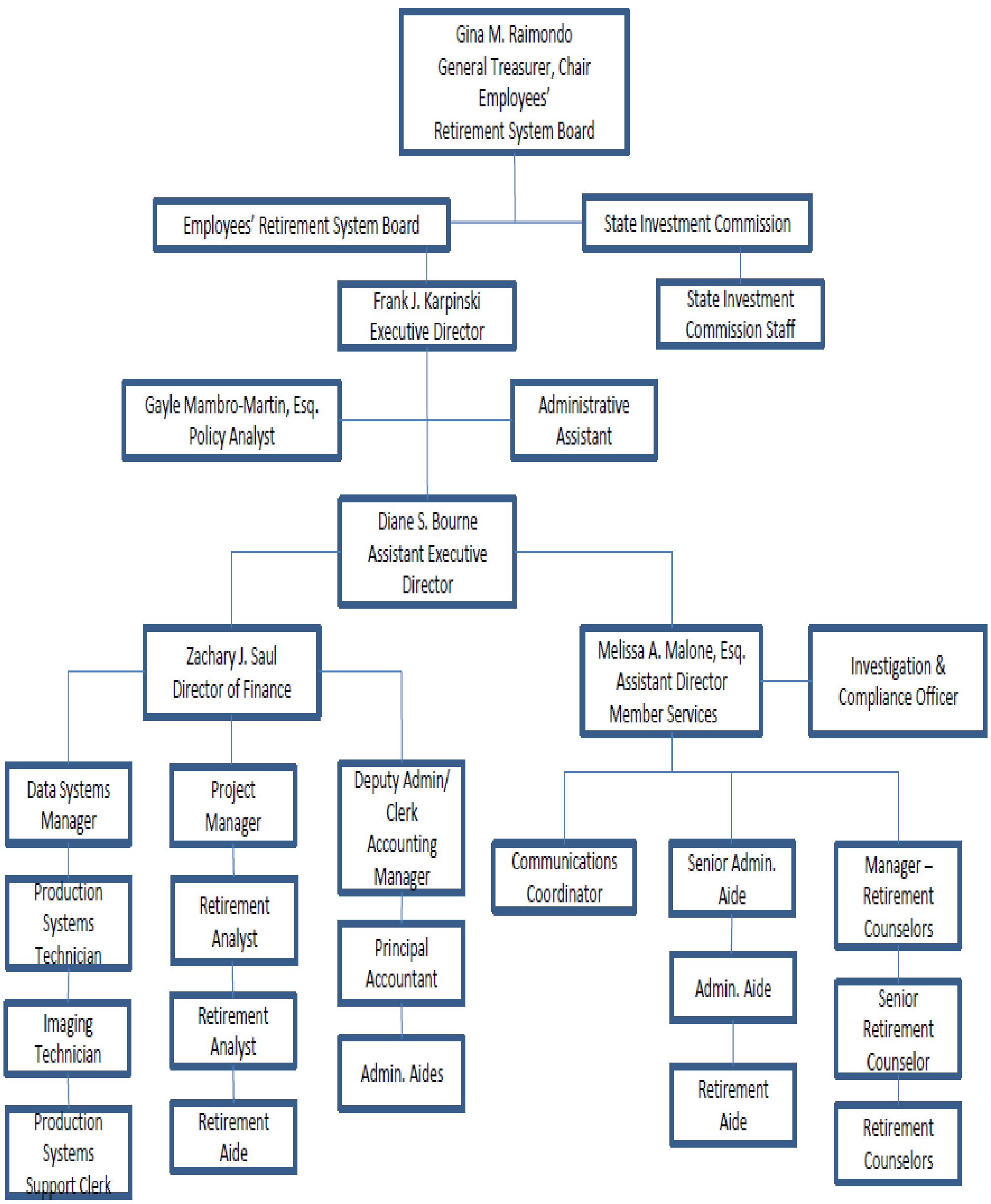
General Treasurer Gina M. Raimondo, *Chair*
Rosemary Booth Gallogly, *Director of Administration's Designee*
J. Michael Costello, *Governor's Appointee*
Robert Giudici, *General Treasurer's Appointee*
Marcia Reback, *General Treasurer's Appointee*
Andrew K. Reilly, *General Treasurer's Appointee*
Thomas Fay, *Governor's Appointee*
Frank J. Karpinski, *Executive Director, Non-voting Member*

Kenneth E. Goudreau, CMT, *Chief Investment Officer*

Pension Consulting Alliance (PCA), *General Policy Consultant to the State Investment Commission*

State Street Bank and Trust, *Custodian Bank*

EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND
ORGANIZATIONAL CHART



Dear Governor Chafee, Speaker Fox, President Paiva Weed and Secretary of State Mollis:

We are pleased to present you with this Annual Financial Report of the Employees' Retirement System of Rhode Island (ERSRI) and the Municipal Employees' Retirement System (MERS) for the fiscal year ending June 30, 2011. As required by R.I.G.L. 36-8-8, this report is intended to provide the Governor, the General Assembly, members and beneficiaries of the system and the public with current financial information and an overall status report on the operation of the system.

This report also contains financial information on the status of the State Police Retirement Plan and the Judicial Retirement Plan that commenced in 1987 and 1989.

The report is divided into three sections. The introductory section presents the system's organization, summarizes plan benefits, and provides a review of 2011 retirement legislation.

The second section contains the audited financial statements of the following retirement plans:

(1) The Employees' Retirement System of Rhode Island, which includes the retirement assets of all state employees and public school teachers;
(2) The Municipal Employees' Retirement System, which is the municipal retirement plan covering participating municipal units (each unit is valued independently);
(3) The Judicial Retirement Plan;
(4) The State Police Retirement Plan.

The June 30, 2011 financial statements are prepared prior to the completion of the June 30, 2011 Actuarial Valuation, the notes to the financial statements reflect the most current actuarial valuation available at the time, which is as of June 30, 2010. To review the most recent actuarial valuations please visit www.ersri.org.

Gabriel Roeder Smith & Company (GRS) serves as the System's actuary. To review the complete actuarial valuation for the ERS, MERS, SPRBT, and JRBT please visit www.ersri.org.

Membership

As of June 30, 2011, active membership in the Employees' and Municipal Employees' Retirement System totaled 32,190. There are currently 54 judges contributing to the Judicial Retirement Plan and 206 state police contributing to the State Police Retirement Plan. A total of 26,366 retirees and beneficiaries were receiving benefits from the system.

Accounting Basis

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Dividend income is recorded on the ex-dividend date. Interest income is accrued daily. Finally, investments are recorded at fair market value.

Financial Highlights

The major additions for all ERSRI plans are employee and employer contributions, and investment earnings. Total additions for fiscal year 2011 included $520,562,050 in contributions from employers and employees and a net investment income of $1,256,818,983.

The deductions from the funds consist primarily of payments made to members and beneficiaries for retirement, disability, death, or survivor benefits. In total, benefit payments for fiscal year 2011 were $845,963,527.

Administrative expenses of the retirement system are paid from a restricted receipt account that is used solely to pay such expenses. This account is financed through investment earnings up to a maximum of 0.175% of the average total investments before lending activities as reported in the annual report of the Auditor General for the next preceding five (5) fiscal years. Any non-encumbered funds at June 30th are transferred back to the retirement fund. Administrative expenses incurred by the system for the year ended June 30, 2011 amounted to $8,408,166.

Funding

The actuary determines the actuarial accrued liability of the Plans, which is a measure of the present value of accrued liabilities estimated to be payable in the future to current retirees, beneficiaries, and employees for service earned to date. The percentage computed by dividing the actuarial value of net assets for benefits by the actuarial accrued liability is referred to as the funded ratio. The higher the funded ratio, the greater the degree of overall financial health and stability for the pension fund.

For the State employees, the funded ratio decreased from 59.8% to 57.4% during the period July 1, 2010 to June 30, 2011, while for teachers, the ratio decreased from 61.8% to 59.7% over the same period. During the same period, the funded ratio increased from 81.6% to 86.1% for the judges. For the state police, the ratio increased from 90.0% to 98.6%. The ratios are based on the Entry Age Normal funding method effective June 30, 1999.

The Municipal Employees' Retirement System (MERS) prepares separate valuations for each participating unit. Consequently, each unit has its own funding ratio that can be found in the Municipal Employees' Retirement System Actuarial Valuation Report at www.ersri.org.

Investment Services

Assets are invested under the direction and authority of the State Investment Commission (SIC), which meets on a monthly basis. It is authorized, created and established in the office of the General Treasurer. The membership consists of the general treasurer, ex officio, or a deputy general treasurer as his or her designee, who acts as chairperson, the director of administration, ex officio, or any assistant director of administration as his or her designee, who acts as secretary, a director of the higher education assistance authority, or his or her designee to be appointed by the general treasurer, an active or retired teacher, state, or municipal employee member of the retirement system or official from the teacher, state, or municipal employee unions to be appointed by the general treasurer, the executive director of the state retirement board, who shall be a nonvoting member, two (2) members of the general public to be appointed by the general treasurer, and three (3) members of the general public to be appointed by the governor. The members of the general public appointed by the governor and the general treasurer must be qualified by training or experience in the field of investment or finance.

Pension Consulting Alliance (PCA) serves as the General Policy Consultant to the State Investment Commission. State Street Bank and Trust of Boston, Massachusetts, serve as the pension fund custodian.

Professional Services

Mark R. Randall, J. Christian Conradi and Joseph P. Newton of Gabriel, Roeder, Smith & Company provide actuarial services to the retirement system while Michael P. Robinson, Esquire, of the law firm Shechtman, Halperin, Savage, LLP of Pawtucket, Rhode Island serves as retirement board general counsel. Private attorneys are hired on a per diem basis to serve as hearing officers for the system on disputed retirement issues.

In addition to Dr. Christopher Ley, who serves as the Medical Advisor to the Board's Disability Subcommittee, the system hires independent physicians who conduct medical exams of the system's disability applicants.

Finally, the Office of the Auditor General conducts an annual financial audit of the entire retirement system.

Reports to Members

Real-time active member information regarding contributions and creditable service, as well as retiree member information, is found on the system's website at www.ersri.org.

Active and retired members also receive newsletters and other notices on an ad hoc basis.

Acknowledgments

The preparation of this report is possible only through the combined efforts of many individuals. We would like to thank Mark Randall and his actuarial team at Gabriel, Roeder, Smith & Company, the Office of the Auditor General, and the Office of the State Controller.

We welcome your comments on the issuance of this report.

Frank J. Karpinski	Zachary J. Saul
Executive Director	Director of Finance

No major benefit legislation was enacted by the General Assembly during the 2011 session. Some significant pieces of legislation were enacted. Listed below is a summary of the relevant legislation.

However, the General Assembly convened a special legislative session to solely address pension reform measures which were enacted on November 18, 2011. The objectives of the legislation included enhancing retirement security for plan members, improving the funded status of the plans within the System and stabilizing the projected increase in the required employer contributions.

H5416

During the 2011 legislative session Rhode Island General Law 45-21-14.1 was repealed. The law provided benefits to members for City or Town Council service. The law now provides that no City or Town Council members elected for the first time after Nov. 6, 2012 shall be allowed membership into the Municipal Employees' Retirement System as a result of that elective service.

H5448 Substitute A

The new legislation provided for technical changes and revisions to various retirement laws under title 36.

H5894 Aaa (As Amended), Article 12

The new legislation allows police officers and fire fighters who have been denied an accidental disability retirement by the Retirement Board shall be able to submit an appeal to the Rhode Island Workers' Compensation Court.

H6046

This legislation revised Rhode Island General Laws 8-3-7.2 and 8-8.2-10. The legislation provided that there would be no incremental retirement benefit for temporary service as a judge.

H6309

This legislation allows the chair of the Senate Finance and the House Finance Committees, with written permission of the Senate President or the Speaker of the House of Representatives, respectively, to request pension impact notes. The cost of pension impact notes which are not related for existing legislation would be paid through the Joint Committee on Legislative Services.

Financial Section

Office of the Auditor General
State of Rhode Island and Providence Plantations - General Assembly
Dennis E. Hoyle, CPA - Auditor General
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86 Weybosset Street • Providence, RI • 02903-2800
tel: 401.222.2435 • fax: 401.222.2111

INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying basic financial statements of the plans which comprise the Employees' Retirement System of the State of Rhode Island (the System) as of June 30, 2011 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1(a), the financial statements present only the Pension Trust Funds of the State of Rhode Island and Providence Plantations (the State) and do not purport to, and do not, present fairly the financial position of the State, as of June 30, 2011, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the plans within the System as of June 30, 2011, and the changes in fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 5(c) to the financial statements, the Retirement Board of the Employees' Retirement System of the State of Rhode Island adopted significant changes to the assumptions used in the actuarial valuations performed of the plans as of June 30, 2010.

As more fully described in Note 10 to the financial statements, the Rhode Island General Assembly enacted comprehensive pension reform legislation that significantly modifies existing benefit provisions, implements a defined contribution plan to supplement the modified defined benefit plans, and reamortizes the unfunded actuarial accrued liability. The objectives of the proposed legislation included reducing the unfunded liability thereby improving the funded status of the plans within the System and stabilizing projected increases in required employer contributions.

In accordance with *Government Auditing Standards*, we have issued our report dated December 12, 2011 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis beginning on page 13, the Schedules of Funding Progress and the Schedules of Contributions from the Employers and Other Contributing Entity on pages 50 and 51, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory section of this report has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Dennis E. Hoyle, CPA
Auditor General

December 12, 2011

Management's Discussion and Analysis

Management of the Employees' Retirement System of the State of Rhode Island (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, 2011. 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.

Understanding the Employees' Retirement System Financial Statements

The System administers defined benefit pension plans for state employees, teachers, state police, judges and participating municipal employees. State employees and teachers are combined in one plan while state police, judges and municipal employees each have separate plans. The *Statements of Fiduciary Net Assets* provide a snapshot of the financial position of the System at June 30, 2011. The *Statements of Changes in Fiduciary Net Assets* 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 pension benefits for members of the System.

Financial Highlights for the Fiscal Year Ended June 30, 2011

- The System's fiduciary net assets increased by $912 million from $6.6 billion at June 30, 2010 to $7.5 billion at June 30, 2011.
- Total pension benefits paid to members were $846 million, an increase of $29 million or 3.5% compared to the fiscal year ended June 30, 2010.
- Total employee and employer contributions into the System's plans increased $8.7 million compared to the prior year. Contributions to all plans from both employers and employees at June 30, 2011 were $520.6 million.
- The System's net gain from investing activities was $1.3 billion for the fiscal year ended June 30, 2011.
- During fiscal 2011, the Retirement Board of the System approved significant changes in the actuarial assumptions used in the June 30, 2010 actuarial valuations, primarily impacting the assumed rate of return on investments and member mortality.

Assets, Liabilities and Fiduciary Net Assets – All Plans
(in millions)

	June 30, 2011	June 30, 2010
Assets:		
Cash and cash equivalents	$ 3.5	$ 7.0
Investments	7,440.1	6,512.5
Contributions and other receivables	46.6	57.0
Property and equipment	2.3	4.1
Total assets	7,492.5	6,580.6
Liabilities:		
Accounts payable and other liabilities	3.6	3.5
Total liabilities	3.6	3.5
Net assets:	$ 7,488.9	$ 6,577.1

Summary of Changes in Fiduciary Net Assets – All Plans
(in millions)

	Year Ended June 30, 2011	Year Ended June 30, 2010
Additions:		
Contributions	$ 520.6	$ 511.9
Net investment gain (loss)	1,256.8	830.6
Miscellaneous revenue		.3
Total Additions	1,777.4	1,342.8
Deductions:		
Benefits	846.0	817.0
Refunds of contributions	11.2	9.8
Administrative expenses	8.4	7.9
Total Deductions	865.6	834.7
Increase (Decrease) in Net Assets:	911.8	508.1
Net Assets:		
Beginning of year	6,577.1	6.069.0
End of year	$ 7,488.9	$ 6,577.1

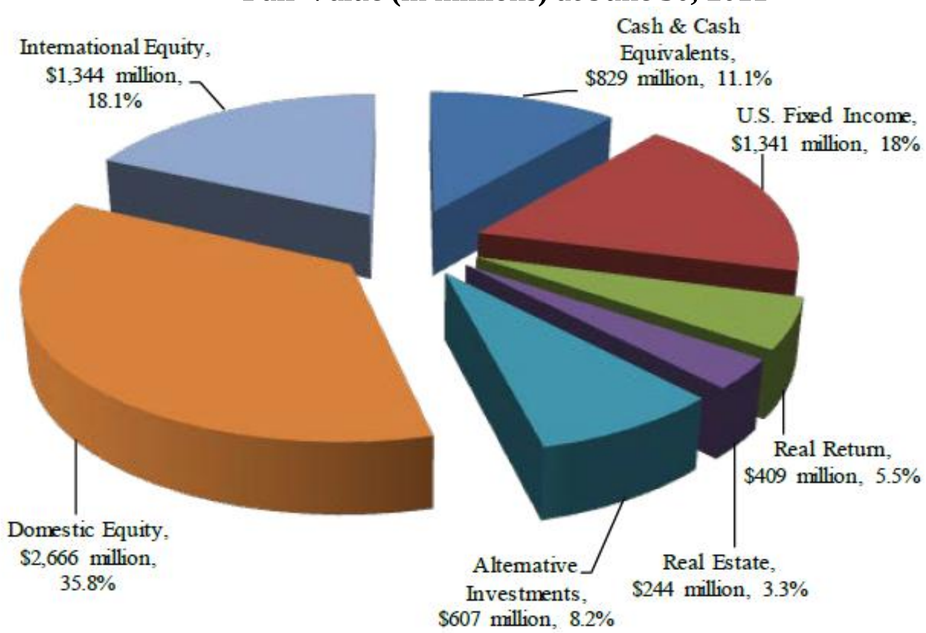
Investments

The State Investment Commission (SIC) establishes long-term asset allocation policy and monitors investment performance of the plan. An asset/liability (A/L) study is conducted every two to three years 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. As a defined benefit plan, the System generally has a much longer time horizon than individual investors and is better positioned to withstand short-term volatility of the capital markets.

The following asset allocation targets were in place at June 30, 2011:

Fiscal 2011 – Asset Allocation Targets	
Domestic Equity	36.0%
International Equity	17.5%
US Fixed Income	22.0%
Real Return	10.0%
Alternative Investments	7.5%
Real Estate	5.0%
Cash	2.0%

Asset Allocation – Actual
Fair Value (in millions) at June 30, 2011



The actual asset allocations shown in the preceding pie-chart do not reflect effective asset allocations achieved through investment implementation strategies designed to gain equivalent exposure to various asset classes.

The allocation of assets among stocks, bonds and alternative investments can have a significant impact on investment performance. In light of its long time horizon, the SIC is able to take advantage of historical long-term return opportunities offered by equity investments.

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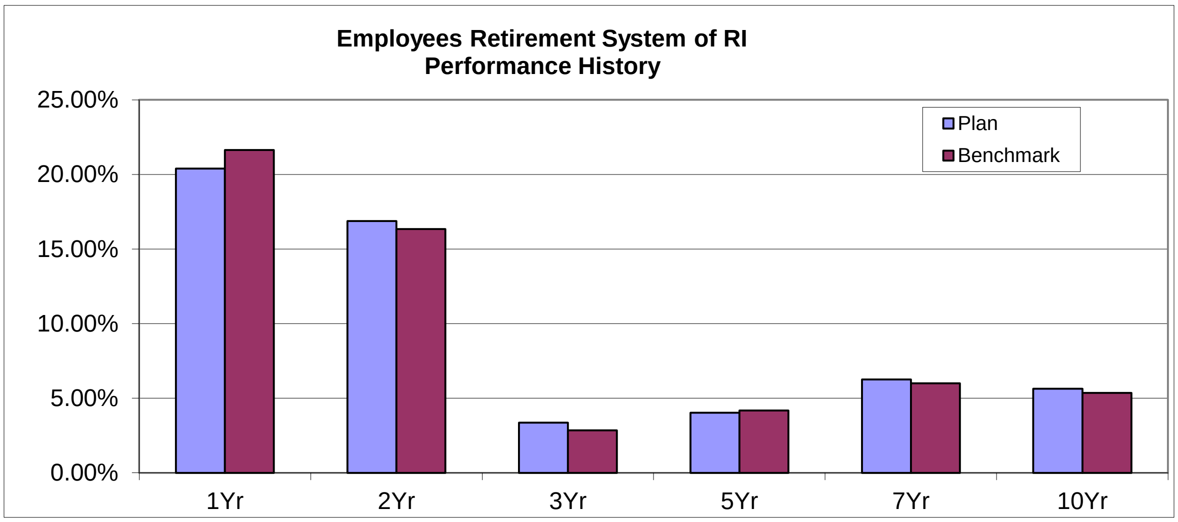
Investment Performance

The System's one-year, time weighted rate of return was 20.40% which was 124 basis points below the 21.64% return for the benchmark. The three-year average was 3.35% which was 52 bps better than the 2.83% benchmark return, and the five-year average was 4.02% which was 15bps lower than the 4.17% benchmark return.



The composite benchmark is weighted based on asset allocation targets. It is currently comprised: 36.0% Russell 3000; 22% Barclay's Aggregate; 17.5% MSCI ACWI EX US; 10% CPI + 4%; 7.5% S&P 500 + 3%; 5% NCREIF Property Index Lagged; and 2% 91 day Treasury Bill. The composite benchmark for each of the years shown in the chart reflects the asset allocation targets in place for that fiscal year and the related indices used to measure performance.

For the fiscal year ended June 30, 2011 the fund's domestic equity portfolio was up 32.02% (vs. 32.37% for the Russell 3000), the international portfolio increased 29.93% (vs. 30.27% for the MSCI ACWI ex US) and the fixed income composite returned 4.64% (vs. 3.90% for the Barclay's Aggregate).

The System's actuarial investment return assumption is 7.50%. Actuarial value of assets is determined based on a five-year smoothing methodology.

Funded Status

Independent actuarial valuations are conducted of the System each year. As part of this valuation, the progress toward funding pension obligations of the System is 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.

The most recent actuarial valuations of the plans within the System were performed as of June 30, 2010. Those actuarial valuations reflect both significant changes in actuarial assumptions as adopted by the Retirement Board and comprehensive pension reform legislation enacted on November 18, 2011. The changes in actuarial assumptions are more fully described in note 5 to the financial statements and note 2 to the required supplementary information schedules. The enacted comprehensive pension reform legislation is more fully described in Note 10 - *Subsequent Events*.

As reflected in the most recent actuarial valuation (June 30, 2010), the funded ratio increased to 59.8% for State Employees and 61.8% for Teachers within the Employees' Retirement System plan. The funded ratio for the Judicial plan increased to 81.6%. The State Police plan's funded ratio increased to 90.0%. The Municipal Employees' Retirement System plans' funded ratio (composite for all units) increased to 87.2%. The increases in funded status of the plans based on the June 30, 2010 valuations compared to those performed as of June 30, 2009 are due to the effects of the legislatively enacted pension reform measures. The changes in actuarial assumptions adopted and used within the June 30, 2010 actuarial valuations, independent of the enacted pension reform measures, decreased the funded status of the plans.

Details of the funded status of each plan within the System are included in the Schedules of Funding Progress.

All employers participating in the System's plans contributed 100% of their annual required contribution during fiscal 2011.

Next Year's Contribution Rates and Economic Outlook

The fiscal 2012 employer contribution rates (state employees, teachers, and judges) are all based upon the actuarial valuation performed at June 30, 2009. The employer contribution rates for fiscal 2012 are 22.98% for State employees, 22.32% for Teachers, 18.69% for Judges and 25.39% for State Police.

Subsequent to June 30, 2011, the System's investments were positioned as defensively as overall investment policy would allow. This posture proved to be beneficial as global financial turbulence unfolded in the 1st quarter of fiscal 2012. As of September 30, 2011, the System's investments outperformed the composite policy benchmark by 105 basis points.

During Fiscal 2012, the General Treasurer and Governor undertook a comprehensive pension reform initiative with the goal of improving the funded status of the plans within the System, reducing required employer contributions, and ensuring the long-term viability of the Employees' Retirement System. The General Assembly convened a special legislative session to solely address pension reform measures which were enacted on November 18, 2011.

The pension reform measures make significant changes to member benefit provisions including retirement eligibility age and service credit accrual factors. Additionally, cost of living allowances are generally suspended until the funded status of the plans improves and is now linked to performance of the System's investments. A defined contribution plan will be implemented for most active employees to supplement the reduced benefits provided through the defined benefit plans. The restated unfunded liability of the plans is reamortized over a 25 year period.

The enactment of the pension reform legislation resulted in restated actuarial valuations for the plans as of June 30, 2010. Disclosures within these financial statements reflect the June 30, 2010 restated actuarial valuations consistent with the enacted pension reform legislation. Employer contribution rates effective for fiscal year 2013 and thereafter will reflect the results of the pension reform measures.

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 the Employees' Retirement System, 50 Service Avenue, Warwick, RI, 02886.

EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND
Statements of Fiduciary Net Assets
June 30, 2011

	ERS	MERS	SPRBT	JRBT	Memorandum Total
Assets					
Cash and cash equivalents (Note 3)	$ 2,885,947	$ 289,166	$ 296,773	$ 57,107	$ 3,528,993
Receivables					
Contributions	26,307,835	3,688,657	-	-	29,996,492
Due from State for teachers	13,958,837	-	-	-	13,958,837
Other	2,538,456	85,574	-	-	2,624,030
Total receivables	42,805,128	3,774,231	-	-	46,579,359
Investments at fair value - equity in pooled trust (Note 3)	6,162,264,581	1,166,285,779	72,206,827	39,359,727	7,440,116,914
Property and equipment at cost, net of accumulated depreciation (Note 4)	1,962,141	290,286	5,537	3,561	2,261,525
Total Assets	6,209,917,797	1,170,639,462	72,509,137	39,420,395	7,492,486,791
Liabilities					
Accounts Payable	2,852,982	685,104	30,106	15,451	3,583,643
Total Liablilities	2,852,982	685,104	30,106	15,451	3,583,643
Net assets held in trust for pension benefits (Schedules of funding progress for each plan as presented on page 37)	$ 6,207,064,815	$ 1,169,954,358	$ 72,479,031	$ 39,404,944	$ 7,488,903,148

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

EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND
Statements of Changes in Fiduciary Net Assets - Fiscal Year Ended June 30, 2011

	ERS	MERS	SPRBT	JRBT	Memorandum Total
Additions					
Contributions (Note 5)					
Member contributions	$ 147,554,941	$ 23,169,991	$ 1,361,092	$ 711,151	$ 172,797,175
Employer contributions	241,761,186	29,469,064	3,786,553	1,298,278	276,315,081
State contribution for teachers	70,286,262	-	-	-	70,286,262
Interest on service credits purchased	911,405	238,743	13,384	-	1,163,532
Total contributions	460,513,794	52,877,798	5,161,029	2,009,429	520,562,050
Investment Income					
Net appreciation in fair value of investments	972,478,287	180,371,339	10,435,440	5,917,843	1,169,202,909
Interest	70,156,337	13,088,575	773,165	432,648	84,450,725
Dividends	2,334,315	434,068	25,367	14,285	2,808,035
Other investment income	12,827,589	2,397,473	142,456	79,471	15,446,989
	1,057,796,528	196,291,455	11,376,428	6,444,247	1,271,908,658
Less investment expense	(12,529,964)	(2,342,660)	(139,378)	(77,673)	(15,089,675)
Net investment income	1,045,266,564	193,948,795	11,237,050	6,366,574	1,256,818,983
Total Additions	1,505,780,358	246,826,593	16,398,079	8,376,003	1,777,381,033
Deductions					
Benefits					
Retirement benefits	573,242,770	59,950,952	299,750	1,143,705	634,637,177
Cost of living adjustments	169,351,004	10,776,705	22,500	62,060	180,212,269
SRA Plus option	24,103,601	2,585,012	-	-	26,688,613
Supplemental benefits	1,089,321	-	-	-	1,089,321
Death benefits	2,606,747	729,400	-	-	3,336,147
Total benefits	770,393,443	74,042,069	322,250	1,205,765	845,963,527
Refund of contributions	9,126,146	2,109,439	7,726	-	11,243,311
Administrative expense (Note 6)	7,119,742	1,201,862	53,799	32,763	8,408,166
Total Deductions	786,639,331	77,353,370	383,775	1,238,528	865,615,004
Net Increase	719,141,027	169,473,223	16,014,304	7,137,475	911,766,029
Net assets held in trust for pension benefits					
Beginning of year	5,487,923,788	1,000,481,135	56,464,727	32,267,469	6,577,137,119
End of year	$ 6,207,064,815	$ 1,169,954,358	$ 72,479,031	$ 39,404,944	$ 7,488,903,148

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

1. Plan Descriptions

(a). General

The Employees' Retirement System of the State of Rhode Island (the System) acts as a common investment and administrative agent for pension benefits to be provided for four defined benefit retirement plans as listed below:

Plan Name	***Type of Plan***
Employees' Retirement System (*ERS*)	Cost-sharing multiple-employer defined benefit plan
Municipal Employees' Retirement System (*MERS*)	Agent multiple-employer defined benefit plan
State Police Retirement Benefits Trust (*SPRBT*)	Single-employer defined benefit plan
Judicial Retirement Benefits Trust (*JRBT*)	Single-employer defined benefit plan

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.

The System's financial statements are included as Pension Trust Funds within the Fiduciary Funds in the Comprehensive Annual Financial Report of the State of Rhode Island and Providence Plantations.

The System is administered by the State of Rhode Island Retirement Board which was authorized, created and established in the Office of the General Treasurer as an independent retirement board to hold and administer, in trust, the funds of the retirement system. The fifteen members of the retirement board are: the general treasurer or his or her designee who shall be a subordinate within the general treasurer's office; the director of administration or his or her designee who shall be a subordinate within the department of administration; a representative of the budget office or his or her designee from within the budget office, who shall be appointed by the director of administration; the president of the league of cities and towns or his or her designee; two (2) active state employee members of the retirement system or officials from state employee unions to be elected by active state employees; two (2) active teacher members of the retirement system or officials from a teachers union to be elected by active teachers; one active municipal employee member of the retirement system or an official from a municipal employees union to be elected by active municipal employees; two (2) retired members of the retirement system to be elected by retired members of the system; and four (4) public members, all of whom shall be competent by training or experience in the field of finance, accounting or pensions; two (2) of the public members shall be appointed by the governor, one of whom shall serve an initial term of three (3) years and one of whom shall serve an initial term of four (4) years and until his or her successor is appointed and qualified; and two (2) of the public members shall be appointed by the general treasurer, one of whom shall serve an initial term of three (3) years and one of whom shall serve an initial term of four (4) years and until his or her successor is appointed and qualified. Thereafter, the term of these four (4) public members shall be for four (4) years or until their successors are appointed and qualified by the Senate.

The System's purpose is to provide retirement benefits to state employees, public school teachers, certain general and public safety municipal employees, state police officers, and judges.

A summary of membership by plan as of the June 30, 2010 actuarial valuation follows:

	Retirees and beneficiaries	*Terminated plan members entitled to but not yet receiving benefits*	*Active Vested*	*Active Non-vested*	*Total by Plan*
ERS					
State Employees	11,421	2,518	6,471	4,651	25,061
Teachers	10,213	2,521	8,260	5,270	26,264
MERS					
General Employees	3,977	2,375	3,165	3,218	12,735
Public Safety	547	122	697	679	2,045
SPRBT	4	3	5	206	218
JRBT	10	-	10	39	59
Total by type	26,172	7,539	18,608	14,063	66,382

(b). Membership and Benefit Provisions

(1) Employees' Retirement System (ERS)

The ERS was established under section two of chapter 2334 of the Rhode Island Public Laws of 1936 and placed under the management of the Retirement Board for the purpose of providing retirement allowances for employees of the State of Rhode Island under the provisions of chapters 8 to 10, inclusive, of title 36, and public school teachers under the provisions of chapters 15 to 17, inclusive, of title 16 of the Rhode Island General Laws.

The plan covers most State employees other than certain personnel at the State colleges and university (principally faculty and administrative personnel). Elected officials may become members on an optional basis. Membership in the plan is compulsory for teachers, including superintendents, principals, school nurses, and certain other school officials in the public schools in the cities and towns. Rhode Island Airport Corporation (RIAC) employees hired before July 1, 1993 are also covered and have the same benefits as State employees. Rhode Island Economic Development Corporation (RIEDC) employees who were (1) active contributing members and employees of the Department of Economic Development of the State of Rhode Island before October 31, 1995, and (2) elected to continue membership in the plan are also covered and have the same benefits as State employees. Narragansett Bay Water Quality District Commission employees who are members of a collective bargaining unit are also covered and have the same benefits as State employees.

The plan provides a two-tier benefit structure referred to as Schedules A and B.

Schedule A Benefits

Schedule A benefits are available to members who possessed 10 years or more of contributory service on or before July 1, 2005. Schedule A provides unreduced benefits of 1.7% of earnings for each of the first ten years of service; 1.9% for each of the next ten years; 3.0% per year for each of the next fourteen years; and 2% for the 35th year. Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62). The maximum benefit is 80% of final average earnings after 35 years of service. Such benefits are available to members at least age 60 with 10 years of service, or after 28 years at any age. A different benefit formula applies to State correctional officers who may retire at age 50 if they have 20 years of service. Benefits for all employees are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

On the third January after retirement, a cost-of-living increase of 3% (compounded annually) is provided independent of actual changes in the consumer price index. The plan also provides nonservice-connected disability benefits after five years of service; service-connected disability pensions with no minimum service requirement; vested benefits after ten years of service; survivor's benefits for service-connected death; and certain lump sum death benefits.

Schedule B Benefits

Schedule B benefits are provided to members who had less than 10 years of contributory service on or before July 1, 2005. For Schedule B members, the plan provides unreduced benefits of 1.6% of earnings for each of the first ten years of service; 1.8% for each of the next ten years; 2.0% per year for years 21 through 25 inclusive; 2.25% per year for years 26 through 30 inclusive; 2.50% per year for years 31 through 37 inclusive and 2.25% for the 38th year. Only single life, and joint and survivor options are available. The maximum benefit is 75% of his or her average highest three (3) years of compensation after 38 years of service. Such benefits are available to members at least age 65 with 10 years of service, or after 29 years of service and age 59. Actuarially reduced retirement is available at age 55 and 20 years of service, the benefit is reduced actuarially for each month that the age of the member is less than sixty-five (65) years.

On the month following the third anniversary date of the retirement, and on the month following the anniversary date of each succeeding year, a cost-of-living increase of 3% (compounded annually) or the percentage of increase in the Consumer Price Index for all Urban Consumers (CPI-U) as published by the United States Department of Labor Statistics, determined as of September 30 of the prior calendar year, whichever is less is provided for Schedule B members.

Rhode Island General Laws relating to state employees and teachers benefits were amended during the fiscal year ended June 30, 2009. Members eligible to retire as of September 30, 2009 are not affected by the changes. The legislation established a minimum retirement age of 62 for all members, except those Schedule B members who retire with less than 29 years of service, their retirement eligibility remains 65 years old with a minimum of 10 years of service credit. In addition, the changes established a minimum retirement age of 55 with 25 years of service credit for correctional officers and registered nurses at the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals. For affected state employees and teachers the law provides a proportional downward adjustment of the minimum retirement age based on the years of service credit of a member at September 30, 2009, a final average salary based on the 5 consecutive highest years of salary and a cost of living adjustment (COLA) from 3% compounded annually to the COLA provided under Schedule B which is the lower of the Consumer Price Index (CPI) or 3%, compounded annually, and requires a full three year anniversary for receipt.

This legislation also amended the disability retirement provision for state employees and teachers. Effective for applications filed after September 30, 2009, accidental disability will be available at 66 2/3% for members who are permanently and totally disabled as determined by the Retirement Board. If the disability is determined to be partial and the member is able to work in other jobs, the benefit will be limited to 50%. Both benefits will be subject to an annual review by ERSRI.

The law also required service credit purchases, excluding contribution refund paybacks and military service, requested after June 16, 2009 to be calculated at full actuarial cost.

Rhode Island General Laws relating to state employees and teachers benefits were amended during the fiscal year ended June 30, 2010. Members eligible to retire as of June 12, 2010 are not affected by the legislation. The legislation modifies the Cost of Living Adjustment (COLA). The COLA now applies to the first thirty-five thousand dollars ($35,000) of retirement allowance, indexed annually, and shall commence upon the retiree's third (3^{rd}) anniversary of the date of retirement or when the retiree reaches age sixty-five (65), whichever is later. The thirty-five thousand dollar ($35,000) limit will increase annually by the percentage increase in the Consumer Price Index for all Urban Consumers (CPI-U) as published by the United States Department of Labor Statistics, determined as of September 30 of the prior calendar year or three percent (3%), whichever is less.

The plan also provides benefits to legislators elected to office prior to January 1, 1995, of $600 for every year served up to a maximum of $12,000, annually. Such benefits are available to legislators 55 and over with at least 8 years of service or, at any age with 20 or more years of service.

The plan provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. Not all school districts participate in the plan. The cost of the benefits provided by the plan are two percent (2%) of the member's annual salary up to but not exceeding an annual salary of $9,600; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the respective city, town, or school district by which the member is employed. These contributions are in addition to the contributions required for regular pension benefits.

Spouse, parents, family and children's benefits are payable following the death of a member. A spouse shall be entitled to benefits upon attaining the age of sixty (60) years. Children's benefits are payable to the child, including a stepchild or adopted child of a deceased member if the child is unmarried and under the age of eighteen (18) years or twenty-three (23) years and a full time student, and was dependent upon the member at the time of the member's death. Family benefits are provided if at the time of the member's death the surviving spouse has in his or her care a child of the deceased member entitled to child benefits. Parents benefits are payable to the parent or parents of a deceased member if the member did not leave a widow, widower, or child who could ever qualify for monthly benefits on the member's wages and the parent has reached the age of 60 years, has not remarried, and received support from the member. In January, a yearly cost-of-living adjustment for spouse's benefits is paid and based on the annual social security adjustment.

The Teachers Survivor Benefits Fund provides benefits based on the highest salary at the time of retirement of the teacher. Benefits are payable in accordance with the following table:

Highest Annual Salary	Spousal Monthly Minimum Benefit
$17,000 or less	$ 750
$17,001 to $25,000	$ 875
$25,001 to $33,000	$ 1,000
$33,001 to $40,000	$ 1,125
$40,001 and over	$ 1,250

Benefits payable to children and families are equal to the spousal benefit multiplied by the percentage below:

Parent and 1 Child	Parent and 2 Children	Parent and more than 2 Children	One Child Alone	Two Children Alone	Three or more Children Alone
150%	175%	175%	75%	150%	175%

Comprehensive pension reform legislation, which made significant modifications to plan member benefit provisions, was enacted subsequent to June 30, 2011 (see Note 10 - *Subsequent Events).* These changes in benefit provisions are effective beginning July 1, 2012.

(2) Municipal Employees' Retirement System (MERS)

The MERS was established under section one of chapter 2784 of the Rhode Island Public Laws of 1951 and placed under the management of the Retirement Board for the purpose of providing retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. The plan generally provides retirement benefits equal to 2% of a member's final average salary multiplied by the number of years of total service up to a maximum of 75%. Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62). Such benefits are available to members at least age 58 with 10 years of service or after 30 years of service at any age.

Police and fire personnel may retire at age 55 if they have 10 years of service or after 25 years of service at any age. An optional cost-of-living provision may be elected for police and fire personnel and general employees. An option may be elected to provide a 20 year service pension with a benefit equal to 2.5% for each year of service up to a maximum of 75% for police and fire personnel. Benefits are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

The plan also provides nonservice-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement; vested benefits after 10 years of service; survivor's benefits; and certain lump sum death benefits. A summary of participating employers is listed below:

Municipalities, housing authorities, water and sewer districts	66
Municipal police and fire departments	43
Total participating units as of the actuarial valuation at June 30, 2010	109

Comprehensive pension reform legislation, which made significant modifications to plan member benefit provisions, was enacted subsequent to June 30, 2011 (see Note 10 - *Subsequent Events).* These changes in benefit provisions are effective beginning July 1, 2012.

(3) State Police Retirement Benefits Trust (SPRBT)

The State Police Retirement Benefits Trust was established under Rhode Island General Law Section 42-28-22.1 and was placed under the management of the Retirement Board for the purpose of providing retirement allowances to State Police.

The plan covers all State Police and Superintendents hired after July 1, 1987.

The plan generally provides retirement benefits equal to 50% of final salary after 20 years of service, plus 3.0% of final salary times service in excess of 20 years through 25 years to a maximum of 65% of final salary. Such benefits are available to members after 20 years of service regardless of age. The Superintendent of the State Police will receive 50% of his/her final salary and may retire after attainment of age 60 and 10 years of service. A cost-of-living adjustment of $1,500 per annum beginning on January 1st of the year in which a member attains his/her third anniversary of retirement is provided to all members.

Benefits are based on the final base salary earned at retirement including longevity increment, holiday pay, clothing allowance and up to 400 overtime hours.

The plan also provides nonservice-connected disability benefits after 10 years of service and service-connected disability pensions with no minimum service requirement.

During the fiscal year ended June 30, 2008 the General laws were amended such that any member of the state police, other than the superintendent, who is hired on or after July 1, 2007 and who has served for twenty-five (25) years shall be entitled to a retirement allowance of 50% of the final salary. In addition, any member may serve up to a maximum of 30 years, and shall be allowed an additional amount equal to 3.0% for each completed year served after 25 years to a maximum retirement allowance not to exceed 65% of the final salary.

Comprehensive pension reform legislation, which made significant modifications to plan member benefit provisions, was enacted subsequent to June 30, 2011 (see Note 10 - *Subsequent Events)*. These changes in benefit provisions are effective beginning July 1, 2012.

(4) Judicial Retirement Benefits Trust (JRBT)

The Judicial Retirement Benefits Trust was established under Rhode Island General Laws 8-8.2-7; 8-3-16; 8-8-10.1; 28-30-18.1; and was placed under the management of the Retirement Board for the purpose of providing retirement allowances to Justices of the Traffic Tribunal, Supreme, Superior, Family, District and Workers Compensation courts. The plan covers all Judges appointed after December 31, 1989. Certain survivor benefits are also provided to judges who are plan members which is 50% of the benefit amount payable to the judicial member.

Judges appointed after December 31, 1989 but before July 2, 1997 are generally provided retirement benefits equal to 75% of the final salary at the time of retirement after 20 years of service, or 10 years of service and attainment of age 65. Judges retiring after 20 years of service after age 65 or 15 years of service after age 70 will receive full retirement benefits, which is the final salary at time of retirement.

For judges appointed subsequent to July 2, 1997, salary is the average highest three (3) consecutive years of compensation rather than final salary.

During the fiscal year ended June 30, 2008 the General Laws were amended for judges appointed on or after January 1, 2009. Judges with 20 years of service after age 65 or judges with 15 years of service after age 70 will receive 90% of the average of the highest three consecutive years of compensation. Judges appointed on or after January 1, 2009 with 10 years of service and age 65 or 20 years of service at any age are entitled to a reduced benefit of 70% of the average highest three consecutive years of compensation. Judges designating a survivor benefit with 20 years of service and age 65 or 15 years of service and age 70 would receive a reduced benefit equal to 80% of the average highest three consecutive years of compensation. Judges designating a survivor benefit with 10 years of service after age 65 or 20 years of service at any age would receive a reduced benefit equal to 60% of the average highest three consecutive years of compensation.

Rhode Island General Laws relating to judges benefits was amended during the fiscal year ended June 30, 2009 for judges appointed on or after July 1, 2009. Judges with 20 years of service after age 65 or with 15 years of service after age 70 will receive 80% of the average of the highest five consecutive years of compensation. Judges with 10 years of service and age 65 or 20 years of service at any age are entitled to a reduced benefit of 65% of the average highest five consecutive years of compensation.

All judicial plan members eligible to retire on or before June 12, 2010 receive, beginning on the third January after the date of retirement, a cost-of-living increase amounting to 3% not compounded. This benefit is provided to Supreme, Superior, Family and District Court Judges, independent of actual changes in the consumer price index. Traffic Tribunal and Workers' Compensation Court Judges, on the third January after the date of retirement, receive a cost-of-living increase amounting to 3% compounded annually.

Rhode Island General Laws relating to judicial benefits were amended during the fiscal year ended June 30, 2010. The legislation modifies the Cost of Living Adjustment (COLA). The new provisions are as follows:

Members whom are justices of supreme, superior, family, and district courts and were not retired or eligible to retire as of June 12, 2010 will receive the first COLA upon the later of their third anniversary of retirement or when the member reaches age 65.

The annual increase in the member's benefit will be equal to the lesser of their original benefit and the COLA limit in effect in the year the member retires, multiplied by the percentage increase in CPI up to a maximum of 3.0% per year. The COLA will be provided on a simple basis. The applicable annual COLA limit will initially be $35,000, and increase annually by the percentage increase in the Consumer Price Index (CPI) up to a maximum of 3.0% per year. No COLA would be paid on any part of the annual benefit in excess of this limit. The annual increase in the COLA limit will be determined on a compound basis.

Members whom are judges of the administrative adjudication court, traffic tribunal, and workers' compensation court and were not retired or were not eligible to retire as of June 12, 2010 will receive the first COLA upon the later of their third anniversary of retirement or when the member reaches age 65. The annual increase in the member's benefit will be equal to the lesser of the current benefit and the current COLA limit, multiplied by the percentage increase in CPI up to a maximum of 3.0% per year. The COLA will be provided on a compound basis. The applicable annual COLA limit will initially be $35,000, and increase annually by the percentage increase in the Consumer Price Index (CPI) up to a maximum of 3.0% per year. No COLA would be paid on any part of the annual benefit in excess of this limit. The annual increase in the COLA limit will be determined on a compound basis.

Comprehensive pension reform legislation, which made significant modifications to plan member benefit provisions, was enacted subsequent to June 30, 2011 (see Note 10 - *Subsequent Events)*. These changes in benefit provisions are effective beginning July 1, 2012.

2. Summary of Significant Accounting Policies

These financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for defined benefit pension plans established by governmental entities. In accordance with GASB Statement No. 20, in the absence of specific guidance from a GASB pronouncement, pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 have been followed.

Basis of Accounting - The financial statements of the System are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Plan member contributions are recognized in the period in which the wages, subject to required contributions, are earned for the performance of duties for covered employment. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Dividend income is recorded on the ex-dividend date.

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.

Method Used to Value Investments - Investments are recorded in the financial statements at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller - that is, other than a forced liquidation sale.

Short-term investments are generally carried at cost which approximates fair value.

The fair value of fixed income securities and domestic and international equity securities is generally based on published market prices and quotations from national security exchanges and securities pricing services.

Commingled funds consist of institutional domestic equity index, international equity index, and real estate funds. The fair value of the commingled funds is based on the reported net asset value (NAV) of the respective fund based upon the fair value of the underlying securities or assets held in the commingled fund.

Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they are traded.

The System also trades in foreign exchange contracts to manage exposure to foreign currency risks. Such contracts are used to purchase and sell foreign currency at a guaranteed future price. The change in the estimated fair value of these contracts, which reflects current foreign exchange rates, is included in the determination of the fair value of the System's investments.

Other investments that are not traded on a national security exchange (primarily private equity and real estate investments) are generally valued based on audited December 31 net asset values adjusted for (1) cash flows for the period January 1 to June 30 (which principally include additional investments and partnership distributions), and (2) significant changes in fair value as determined or estimated by the general partners as of June 30. The general partners estimate the fair value of the underlying investments held by the partnership periodically. 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. Financial Accounting Standards Board ASC Topic 820, *Fair Value Measurements and Disclosures*, requires private equity and real estate limited partnership general partners 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. ERSRI management considers the fair values reported by the general partners at June 30 in addition to the audited net asset values at December 31 adjusted for cash flows for the period January 1 to June 30 in determining the fair value of private equity and real estate investments on the financial statements of ERSRI.

Private equity and real estate investments represented 8.2% and 3.3%, respectively of the total reported fair value of all ERSRI investments at June 30, 2011. Of the underlying holdings within private equity investments, approximately 11% were valued based on quoted market prices. The remaining underlying assets were valued generally following the objectives outlined above. Because these fair values were not determined based on quoted market prices, the fair values may differ from the values that would have been determined had a ready market for these investments existed.

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

Property and Equipment – These assets represent the Line of Business System and computer equipment recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives, ten and five years respectively. Depreciation of the Line of Business System commences as each stage is implemented. Property and equipment is allocated to each plan based on its proportionate share of net assets.

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.

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 in the statements of fiduciary net assets. 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.

New Accounting Pronouncements – the System adopted the provisions of Governmental Accounting Standards Board Statement No. 59 – *Financial Instruments Omnibus* during fiscal 2011.

3. Cash Deposits and Investments

(a). Cash Deposits and Cash Equivalents

At June 30, 2011, the carrying amounts of the plans' cash deposits are listed below:

	ERS	MERS	SPRBT	JRBT	Total
Cash Deposits:					
Book balance	$ 2,885,947	$ 289,166	$ 296,773	$ 57,107	$ 3,528,993
Bank balance	$ 3,221,473	$ 718,012	$ 288,627	$ 57,107	$ 4,285,219

The bank and book balances represent the plans' deposits in short-term trust accounts which include demand deposit accounts and interest-bearing, collateralized bank deposit accounts. Of the bank balance, $3,031,821 is covered by federal depository insurance and the remainder representing interest-bearing collateralized bank deposits totaling $1,253,398 is collateralized (102%) with U.S. Treasury and agencies held by a third party custodian.

In accordance with Rhode Island General Law Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent 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 one hundred percent of deposits, regardless of maturity. None of the System's deposits were required to be collateralized at June 30, 2011 (excluding the collateralized interest-bearing deposits). However, the State Investment Commission 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.

(b). Investments

The State Investment Commission oversees all investments made by the State of Rhode Island, including those made for the System. Investment managers engaged by the Commission, at their discretion and in accordance with the investment objectives and guidelines for the System, make certain investments. The General Treasurer makes certain short-term investments on a daily basis. Rhode Island General Law Section 35-10-11 (b) (3) requires that all investments shall be made in securities as would be acquired by prudent persons of discretion and intelligence who are seeking a reasonable income and the preservation of capital.

On July 1, 1992, the State Investment Commission pooled the assets of the ERS with the assets of the MERS for investment purposes only, and assigned units to the plans based on their respective share of market value. On September 29, 1994 and November 1, 1995, the assets of the SPRBT and the JRBT, respectively, were added to the pool for investment purposes only. The custodian bank holds assets of the System in a Pooled Trust and each plan holds units in the trust. The number of units held by each plan is a function of each plans' respective contributions to, or withdrawals from, the trust.

Investment expense is allocated to each plan based on the plan's units in the Pooled Trust at the end of each month.

The following table presents the fair value of investments by type that are held within the Pooled Trust at June 30, 2011:

Investment Type		Fair Value
Cash Deposits	$	15,000,423
Money Market Mutual Fund		819,601,759
US Government Securities		508,162,557
US Government Agency Securities		487,503,319
Collateralized Mortgage Obligations		23,388,565
Corporate Bonds		730,594,872
Domestic Equity Securities		101,112,050
International Equity Securities		15,893,234
Foreign Currencies		3,698,000
Commingled Funds - Domestic Equity		2,565,167,420
Commingled Funds - International Equity		1,328,370,642
Private Equity		606,555,253
Real Estate		
Limited Partnerships		108,821,902
Commingled Funds		90,168,989
Real Estate Investment Trusts		45,156,556
	$	**7,449,195,541**
Net investment receivable (payable)		**(9,078,627)**
Total Investments at Fair Value	**$**	**7,440,116,914**

Consistent with a target asset allocation model adopted by the State Investment Commission, the System directs its investment managers to maintain well diversified portfolios 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, 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.

(c). Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Duration is a measure of a debt security's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The System manages its exposure to interest rate risk by comparing each fixed income manager portfolio's effective duration against a predetermined benchmark index based on that manager's mandate. The fixed income indices currently used by the System are:

- Citigroup Broad Investment Grade Bond Index
- Barclays MBS Index
- Barclays Credit Index
- Credit Suisse First Boston Global High Yield Index
- Barclays US Tips Index

At June 30, 2011, no fixed income manager was outside of the policy guidelines.

The following table shows the System's fixed income investments by type, fair value and the effective duration at June 30, 2011:

Investment Type:	Fair Value (in thousands)	Effective Duration
US Government Securities	$ 508,162,557	4.70
US Government Agency Securities	487,503,319	4.57
Collateralized Mortgage Obligations	23,388,565	7.67
Corporate Bonds	730,594,872	5.77
Total Fixed Income	$ 1,749,649,313	5.15

The System also invested in a short-term money market mutual fund (State Street Bank Institutional Liquid Reserves) that held investments with an average maturity of 33 days.

The System invests in various mortgage-backed securities, such as collateralized mortgage obligations (CMO), interest-only and principal-only (PO) strips. They are reported in U.S. Government Agency Securities and Collateralized Mortgage Obligations in the table above. CMO's are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with the CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly sensitive to interest rate fluctuations.

The System may invest in interest-only (IO) and principal-only strips (PO) in part to hedge against a rise in interest rates. Interest-only strips are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to pre-payments by mortgagees, which may result from a decline in interest rates. Principal-only strips receive principal cash flows from the underlying mortgages. In periods of rising interest rates, homeowners tend to make fewer mortgage prepayments.

(d). Credit Risk

The System manages exposure to credit risk generally by instructing fixed income managers to adhere to an overall target weighted average credit quality for the portfolio and by establishing limits on the percentage of the portfolio that is invested in non-investment grade securities. The System's exposure to credit risk as of June 30, 2011 is as follows:

Rating (1)	Collateralized Mortgage Obligations	US Government Agency Securities	Corporate Bonds
Aaa	$ 15,771,521	$ 487,503,319	$ 73,265,718
Aa	193,813		94,070,203
A	2,411,278		163,539,087
Baa	995,351		196,879,754
Ba	695,004		72,499,429
B	1,776,833		87,919,476
Caa	351,416		17,605,040
Ca			227,800
Not Rated	1,193,349		24,588,365
Fair Value	$ 23,388,565	$ 487,503,319	$ 730,594,872

(1) Moody's Investors Service

The System's investment in a short-term money market mutual fund (State Street Bank Institutional Liquid Reserves) was rated AAAm by Standard & Poor's Investors Service.

(e). 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 5% of the overall portfolio.

(f). Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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, 2011 all securities were registered in the name of the System (or in the nominee name of its custodial agent) and were held in the possession of the System's custodial bank, State Street Bank and Trust.

(g). 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 and the System's investment asset allocation policy targets non-US equity investments at 17.50%. The System may enter into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on foreign investments. The System's exposure to foreign currency risk at June 30, 2011, was as follows:

	Commingled Fund	Foreign Cash	Equities	Private Equity	Total
Australian Dollar	$ 76,408,189	245,077	-	-	$ 76,653,266
Brazilian Real	47,835,079		-	-	47,835,079
Canadian Dollar	103,998,566	120,391	363,133	13,254,093	117,736,183
Chilean Peso	5,460,831		-	-	5,460,831
Colombian Peso	2,604,531		-	-	2,604,531
Czech Koruna	1,241,528		-	-	1,241,528
Danish Krone	9,862,994		-	-	9,862,994
Egyptian Pound	1,037,761		-	-	1,037,761
Euro Currency	279,774,708	2,040,267	3,147,666	97,859,975	382,822,616
Hong Kong Dollar	77,682,494	73,235	5,883,113	-	83,638,842
Hungarian Forint	1,363,665		-	-	1,363,665
Indian Rupee	27,324,207		-	-	27,324,207
Indonesian Rupiah	8,235,650		-	-	8,235,650
Israel Shekel	6,494,796		-	-	6,494,796
Japanese Yen	179,010,850	818,671	4,487,271	-	184,316,792
Malaysian Ringgit	11,810,597		-	-	11,810,597
Mexican Peso	15,309,663		-	-	15,309,663
Moroccan Dirham	439,093		-	-	439,093
New Russian Ruble	59,206		-	-	59,206
New Taiwan Dollar	32,922,225		-	-	32,922,225
New Zealand Dollar	936,176		-	-	936,176
Norwegian Krone	8,097,475		-	-	8,097,475
Philippine Peso	3,492,914		-	-	3,492,914
Polish Zloty	5,753,878		-	-	5,753,878
Pound Sterling	188,250,909	359,336	-	-	188,610,245
Singapore Dollar	14,977,053		-	-	14,977,053
South African Rand	21,071,170		-	-	21,071,170
South Korean Won	39,338,442	7	-	-	39,338,449
Sri Lanka Rupee	524,636		-	-	524,636
Swedish Krona	28,162,354	41,016	2,012,051	113,930	30,329,351
Swiss Franc	74,136,107		-	-	74,136,107
Thailand Baht	5,467,750		-	-	5,467,750
Turkish Lira	4,951,909		-	-	4,951,909
Total	$ 1,284,037,406	$ 3,698,000	$ 15,893,234	$ 111,227,998	$ 1,414,856,638
US Dollar	44,333,236				
Commingled Fund	$ 1,328,370,642				

(h). Derivatives and Other Similar Investments

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

The System's derivative investments include forward foreign currency transactions, futures contracts, options, rights and warrants. The System enters into these transactions to enhance performance, rebalance the portfolio consistent with overall asset allocation targets, gain exposure to a specific market, or mitigate specific risks. According to investment policy guidelines, derivative type instruments may be used for hedging purposes and not for leveraging plan assets.

Forward foreign currency contracts – The System enters into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on foreign investments. A currency forward is a contractual agreement to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. These contracts involve risk in excess of the amount reflected in the System's Statements of Fiduciary Net Assets. The face or contract amount in U.S. dollars reflects the total exposure the System has in currency contracts. The U.S. dollar value of forward foreign currency contracts is determined using forward currency exchange rates supplied by a quotation service. Losses may arise due to changes in the value of the foreign currency or if the counterparty does not perform under the contract.

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 physical 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 physical 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 from changes in the value of the underlying instruments and if there is an illiquid secondary market for the contracts.

Through commingled funds, the System also indirectly holds derivative type instruments, primarily equity index futures.

The System invests in mortgage-backed securities, which are included in the categories described as collateralized mortgage obligations and U.S. Government Agency Securities in Note 3(b). These securities are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which are likely in declining interest rate environments, thereby reducing the value of these securities.

Additional information regarding interest rate risks for these investments is included in Note 3(c) *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, 2011:

Investment Derivative Instruments	Change in fair value included in investment income	Fair Value at June 30, 2011		Notional Amount
Equity options written	$ 139,405	$ -		$ -
Fixed income futures - long	8,916,113			260,533,321
Foreign currency forward contracts	(1,089,630)	259,086	(a)	(1,908,225)
Index futures - long	1,973,483			2,302,125
Index futures - short	(18,622,573)			(9,739,720)
Rights	7			
Warrants	8,125	32,500		32,500
Total	$ (8,675,070)	$ 291,586		

(a) - Foreign Currency Forward Contracts:

Pending receivable	$ 394,663
Pending payable	(135,577)
Foreign currency forward contract asset (liability)	$ 259,086

The System is exposed to credit risk on derivative instruments that are in asset positions. The aggregate fair value of derivative instruments in asset positions at June 30, 2011 was $394,663. This represents the maximum loss that would be recognized if all counterparties failed to perform as contracted. Risk is mitigated by using a continuous linked settlement process.

The System executes (through its investment managers) derivative instruments with various counterparties. The credit ratings of these counterparties were Aa3 (Moody's) or better.

4. Property and Equipment

Property and equipment consist of the line of business system and computer equipment at historical cost. Balances at June 30, 2011 were:

	ERS	MERS	SPRBT	JRBT	Total
Line of Business System	$ 15,544,862	$ 2,287,990	$ 38,780	$ 24,973	$ 17,896,605
Equipment	160,074	25,213	842	550	186,679
Property and Equipment	15,704,936	2,313,203	39,622	25,523	18,083,284
Accumulated Depreciation	(13,742,795)	(2,022,917)	(34,085)	(21,962)	(15,821,760)
Net Property and Equipment	$ 1,962,141	$ 290,286	$ 5,537	$ 3,561	$ 2,261,524

5. Contributions

Contribution requirements for plan members and employers are established pursuant to Rhode Island General Laws. Employers are required to contribute at an actuarially determined rate. Plan member contributions are fixed by statute.

(a). Funding Policy

The funding policies, as set forth in Rhode Island General Law, Section 36-10-2 and 45-21-42 provide for actuarially determined periodic contributions to the plans. The actuarial valuation uses the Entry Age Normal actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial liability. The valuation is prepared on the projected benefit basis, under which the present value, at the assumed rate of return (currently 7.5 percent as of the valuation performed at June 30, 2010), of each participant's expected benefit payable at retirement or death is determined, based on age, service, gender and compensation.

The employer contributions required to support the benefits of the Plan are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution. The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the average uniform and constant percentage rate of employer contribution which, if applied to the compensation of each new participant during the entire period of his anticipated covered service, would be required in addition to the contributions of the participant to meet the cost of all benefits payable on his behalf.

The unfunded accrued liability contributions are determined by subtracting the actuarial value of assets from the actuarial accrued liability and amortizing the result over a period not to exceed 30 years from June 30, 1999 for actuarial valuations as of June 30, 2009 and prior. Beginning with the valuations performed as of June 30, 2010, the unfunded accrued liability is amortized over a twenty-five year period from June 30, 2010.

Effective July 1, 2005, the law as amended requires, in addition to the contributions provided for by the funding policy, commencing in fiscal year 2006, and each year thereafter, for each fiscal year in which the actuarially determined state contribution rate for state employees and teachers is lower than that for the prior fiscal year, the governor shall include an appropriation to that system equivalent to twenty percent (20%) of the rate reduction to be applied to the actuarial accrued liability. The amounts to be appropriated shall be included in the annual appropriation bill and shall be paid by the general treasurer into the retirement system. The retirement system's actuary shall not adjust the computation of the annual required contribution for the year in which supplemental contributions are received; such contributions once made may be treated as reducing the actuarial liability remaining for amortization in the next following actuarial valuation to be performed.

(b). Contribution rates

Employer contribution rates for fiscal 2011 (for state employees, teachers, and judges) were developed based on an actuarial valuation performed as of June 30, 2008 (restated). Employer contribution rates for MERS were developed based on an actuarial valuation performed as of June 30, 2008 and for SPRBT based on a valuation as of June 30, 2008 (restated). Employee contribution rates are statutorily determined.

The table below displays the contribution rates for the year ended June 30, 2011:

Plan	Employee	Employer
ERS		
State Employees	8.75%	20.78*
Teachers	9.50%	
Municipal funded		11.25% (*10.60% for towns not participating in the 1990 early retirement incentive*)*
State funded		7.76% (*7.32% for towns not participating in the 1990 early retirement incentive*)*
MERS		
General Employees	6.00% (additional 1% with a cost-of-living adjustment)	66 Municipalities, housing authorities, water and sewer districts contributed various actuarially determined rates.
Public Safety	7.00% (additional 1% with a cost-of-living adjustment and /or 1% with a 20 year service plan), Cranston Police and Cranston Fire are contributing 10% due to special plan provisions	43 Municipal police and fire departments contributed various actuarially determined rates.
SPRBT	8.75%	24.58%
JRBT	8.75%	16.19%*

* Based on the June 30, 2008 (restated) actuarial valuation reflecting Article 16 of Chapter 23 of the Public Laws of 2010 as enacted on June 12, 2010.

(c). Funded Status and Funding Progress

The table below displays the funded status of each plan at June 30, 2010 (as restated to reflect the provisions of pension reform legislation enacted on November 18, 2011), the most recent actuarial valuation date:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
ERS						
State Employees	$ 2,532,090,798	$ 4,234,045,007	$ 1,701,954,209	59.8%	$ 630,246,973	270.0%
Teachers	3,873,118,262	6,265,273,231	2,392,154,969	61.8%	989,236,951	241.8%
MERS	1,196,385,142	1,372,495,862	176,110,720	87.2%	305,813,678	57.6%
SPRBT	65,760,284	73,048,680	7,288,396	90.0%	19,715,070	37.0%
JRBT	38,074,287	46,641,701	8,567,414	81.6%	7,461,120	114.8%

The schedules of funding progress, presented as required supplementary information (RSI), present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liabilities (AAL) for benefits.

The June 30, 2010 valuations (as restated to reflect the provisions of pension reform legislation enacted on November 18, 2011) reflect comprehensive changes to plan member benefit provisions which are effective beginning July 1, 2012. The June 30, 2010 valuations also reflect material changes to certain actuarial assumptions.

The revised member benefit provisions become effective on July 1, 2012. These include changes in service period accrual rates, retirement eligibility age, and future cost of living adjustments. Additionally, the unfunded accrued liability is now amortized over a twenty-five year period from June 30, 2010 compared to the 30 year period from June 30, 1999 employed in prior actuarial valuations.

The Individual Entry Age Cost Method is used in the June 30, 2010 actuarial valuations. Prior valuations utilized the Ultimate Normal Cost methodology where normal cost was determined based on the benefits applicable to new hires under the replacement benefit structure resulting from prior pension reform measures.

The annual investment rate of return was lowered from 8.25% to 7.5%.

The post-termination mortality rates for non-disabled state employees and members of the MERS, State Police and Judicial plans were previously based on the 1994 Group Annuity Mortality Tables. New mortality tables have been constructed and adopted with adjustments for these employees using the RP-2000 Combined Healthy for Males and Females with White Collar adjustments, projected with Scale AA from 2000 for non-disabled individuals.

The post-termination mortality rates used for non-disabled teachers in the June 30, 2009 and June 30, 2010 valuations were both based on tables developed by ERSRI’s actuary based on teacher experience. The rates used in the June 30, 2010 valuation for male teachers were lowered to 97% of the rates in these tables based on male teacher experience, projected with Scale AA from 2000 from 100% of the actuary’s table based on male teacher experience used in the June 30, 2009 valuation. The rates used in the June 30, 2010 valuation for female teachers were lowered to 92% of the rates used in the actuary’s tables based on female teacher experience, projected with Scale AA from 2000 from 95% of the actuary’s table based on female teacher experience used in the June 30, 2009 valuation.

The post-termination mortality rates for disabled members of all ERSRI plans are based on the PBGC table Va for males and table VIa for females. The rates used in the June 30, 2010 valuation for disabled males eligible for social security disability benefits were lowered to 60% of PBGC table Va from 65% of this table in the June 30, 2009 valuation. The rates used in the June 30, 2010 valuation for disabled females eligible for social security disability benefits were lowered to 60% of PBGC table VIa from 100% of this table in the June 30, 2009 valuation.

The pre-retirement mortality rates for all members of the ERSRI plans were previously based on the 1994 Group Annuity Mortality Tables. The rates used in the June 30, 2010 valuation for these employees were based on the RP-2000 Combined Tables with white collar adjustment for males and females. The tables were adjusted for each individual plan.

The inflation assumption rate was decreased from 3% to 2.75% and the projected salary increase assumptions were also decreased compared to the prior valuation. The assumption for cost of living adjustments subject to the Consumer Price Index (for those not eligible to retire on September 30, 2009) was decreased from 2.5% to 2.35%.

A summary of the assumptions used in the June 30, 2010 actuarial valuations:

	ERS		MERS	SPRBT	JRBT
	State Employees	***Teachers***			
Valuation Date	June 30, 2010	June 30, 2010	June 30, 2010	June 30, 2010	June 30, 2010
Actuarial Cost Method	Entry Age Normal [1]	Entry Age Normal [1]	Entry Age Normal [1]	Entry Age Normal [1]	Entry Age Normal [1]
Amortization Method	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	25 years	25 years	25 years	25 years	25 years
Asset Valuation Method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Actuarial Assumptions					
Investment Rate of Return	7.50%	7.50%	7.50%	7.50%	7.50%
Projected Salary Increases	4.00% to 7.00%	4.00% to 12.75%	*General Employees* 4.00% to 8.00% *Police & Fire Employees* 4.25% to 14.25%	4.00% to 12.00%	4.00%
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Cost of Living Adjustments	COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first $25,000 of benefits, indexed over time (see note 2 below). COLA is delayed until the later of Social Security eligibility age or 3 years after retirement except for State Police and MERS Police and Fire for which the COLA is delayed until the later of age 55 or 3 years after retirement.				

Note 1 – Within the Entry Age Normal Actuarial Cost Method, the Individual Entry Age Cost methodology is used.

Note 2 – Cost of Living Adjustments (COLA) in member benefit provisions prior to the enactment of pension reform legislation on November 18, 2011 will remain in effect through June 30, 2012.

For the MERS plan, a 2% COLA is assumed after July 1, 2012. For all other plans, a COLA of 2% is assumed only every five years until the plans achieve an 80% collective funded status in accordance with the law. It is assumed that the plans will not achieve the targeted 80% funded status for 19 years.

6. Administrative Expenses

Pursuant to General Law section 36-8-10.1, administrative costs of the System are financed through investment earnings up to a maximum of .175% of the average total investments before lending activities as reported in the annual report of the Auditor General for the next preceding five (5) fiscal years. Such amounts are transferred to a restricted receipt account within the State's general fund. Any unencumbered funds on June 30 of any fiscal year are credited to the plans in the same proportion as their contributions to the restricted receipt account.

7. Commitments

The State Investment Commission has committed to fund certain private equity and real estate investment managers at a predetermined subscription amount. Outstanding unfunded investment commitments at June 30, 2011 totaled $175 million. These commitments will be funded through cash available within the pooled investment trust generated through investment income and/or liquidation of other investments.

8. Post-employment Healthcare Plan

Plan Description:

The System contributes to the State Employees' defined benefit post-employment health care plan, a cost sharing multiple employer plan administered though the Rhode Island State Employees' and Electing Teachers OPEB System (OPEB System). The State of Rhode Island OPEB Board (Board) was authorized, created and established under Chapter 36-12.1 of the RI General Laws. The Board was established to independently hold and administer, in trust, the funds of the OPEB system. The plan provides medical benefits to certain retired employees of participating employers including the Lottery.

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.

Beginning with the fiscal year ended June 30, 2011, the OPEB system will issue a stand-alone financial report. A copy will be available at the web site of the Office of Accounts & Control – http://controller.admin.ri.gov/Financial%20Reports/index.php.

Funding Policy:

RIGL Sections 36-12.1, 36-12-2.2, and 36-12-4 govern the provisions of the OPEB system. The contribution requirements of plan members, the State, and other participating employers are established and may be amended by the General Assembly. Active employees make no contribution to the OPEB plan. Employees who retired after October 1, 2008 must contribute 20% of the annual estimated benefit cost (working rate) or annual premium for Medicare supplemental coverage. Employees retiring before October 1, 2008 have varying co-pay percentages ranging from 0% to 50% based on age and years of service at retirement. Further information about the contributions of plan members can be found in the financial report of the OPEB system.

Effective in fiscal year 2011, all participating employers are required by law to fund the actuarially determined annual required contribution (ARC), which for fiscal year 2011 was 6.74% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The System's contribution to the plan for the year ended June 30, 2011 was $193,447. Prior to the creation of the OPEB trust in fiscal year 2011, the contributions to the plan were made on a pay as you go basis.

In prior years, the System contributed to the State Employees' OPEB plan, which consistent with GASB 45 provisions, was administered as an agent multiple employer plan because no separate legal trust had been created. The transition by the State of its OPEB plan in fiscal 2011 to an OPEB Trust resulted in the State Employees' Plan being redefined as a cost sharing multiple employer plan. In accordance with the requirements of GASB 45, the System's net OPEB obligation recorded in previous years has been reduced to zero.

9. Contingencies

On May 12, 2010, unions, which represent state employees and teachers, filed a lawsuit against the State of Rhode Island challenging legislative changes made in 2009 to pension benefit provisions within the ERS plan for state employees and teachers. The lawsuit was later amended to include the 2010 legislative changes. Various parties have been named as defendants in the lawsuit including the System and the Board of Directors. The State is vigorously contesting the lawsuit.

The State filed a Motion for Summary Judgment which was heard on July 18, 2011. Prior to the hearing, the parties stipulated that the only issue that would be presented to the court during the hearing would concern whether the statute created a contract between the State and its participants. The parties agreed that in the event that the Court concluded that the statute did create a contract, the remaining issues of whether the contract had been impaired and whether any such impairment was legally justified would be argued at a later date. On September 13, 2011, the Superior Court issued its decision in which it ruled that pension plan participants have a contractual right based on an implied-in-fact contract theory. Consistent with the parties' stipulation, the Court did not decide whether that contract had been impaired or whether any such impairment was legally justified. The Defendant's believe the Superior Court's ruling was legally wrong. On October 3, 2011, Defendants filed a Petition for Issuance of a Writ of Certiorari and Supporting Memorandum of law with the Rhode Island Supreme Court. Defendants also filed a motion through which they requested that the Supreme Court expedite its review of the Petition for Issuance of a Writ of Certiorari. On November 22, 2011, the Supreme Court denied the defendants petition and the case will proceed in the Superior Court.

Management believes that the comprehensive pension reform legislation enacted on November 18, 2011 will likely prompt similar legal challenges from unions representing state employees and teachers.

Management cannot estimate the likelihood of loss to the State or the System, if any. If challenges to the statutory changes were successful, future contribution rates for the ERS plan and the unfunded actuarial accrued liability could be materially impacted.

10. Subsequent Events

Subsequent to June 30, 2011, Standard & Poors Investors Service downgraded the rating assigned to direct obligations of the United States government from AAA to AA+. Direct United States government obligations held within the System's Pooled Investment Trust, which totaled approximately $508 million at June 30, 2011, were not considered to be exposed to credit risk based on ratings assigned as of that date.

The Rhode Island General Assembly enacted comprehensive pension reform legislation in November 2011. The objectives of the legislation include improving the funded status of the plans within the System and stabilizing the projected increase in required employer contributions.

The pension reform measures include:

- For General State and Municipal Employees and Teachers: changing the structure of the retirement program to a hybrid plan designed with a smaller defined benefit plan and a supplemental defined contribution plan.

- Changing the automatic cost of living adjustments (COLA) from a stated amount or CPI based COLA to a formula contingent on the actual investment performance over time.

- Suspending COLA when the funded ratio is lower than 80%. The ERS, Judicial and State Police Plans will be aggregated to determine if the 80% funded ratio has been met. When the COLA is suspended based on funded status, potential periodic COLA are provided every five years.

- Reamortizing the unfunded actuarial accrued liability to 25 years from the current 19 year schedule.

- Preserving accumulated benefits earned by members (service credit multiplier) as of June 30, 2012.

- Aligning retirement eligibility ages to those for Social Security with a phased approach for those members who are vested (five years) as of June 30, 2012.

Changes in member benefit provision are effective on July 1, 2012.

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Funding Progress

Actuarial Valuation Date		Actuarial Value of Assets (a)		Actuarial Accrued Liability (AAL) - Entry Age - (b)		Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)		Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
ERS (*State Employees*)										
6/30/2010 ***	$	2,532,090,798	$	4,234,045,007	$	1,701,954,209	59.8%	$	630,246,973	270.0%
6/30/2009		2,646,081,020		4,482,244,291		1,836,163,271	59.0%		605,872,460	303.1%
6/30/2008 **		2,700,368,568		4,331,504,516		1,631,135,948	62.3%		587,500,000	277.6%
6/30/2007		2,493,428,522		4,332,888,818		1,839,460,296	57.5%		660,044,273	278.7%
6/30/2006		2,256,979,077		4,131,157,601		1,874,178,524	54.6%		644,980,127	290.6%
6/30/2005		2,163,391,323		3,843,518,875		1,680,127,552	56.3%		606,474,789	277.0%
ERS (*Teachers*)										
6/30/2010 ***	$	3,873,118,262	$	6,265,273,231	$	2,392,154,969	61.8%	$	989,236,951	241.8%
6/30/2009		4,008,931,337		6,900,963,108		2,892,031,771	58.1%		987,463,633	292.9%
6/30/2008 **		4,044,954,378		6,632,016,708		2,587,062,330	61.0%		985,898,174	262.4%
6/30/2007		3,737,981,686		6,750,125,236		3,012,143,550	55.4%		959,372,837	314.0%
6/30/2006		3,394,086,565		6,444,693,666		3,050,607,101	52.7%		914,985,746	333.4%
6/30/2005		3,280,977,321		5,919,156,211		2,638,178,890	55.4%		898,051,154	293.8%
SPRBT										
6/30/2010 ***	$	65,760,284	$	73,048,680	$	7,288,396	90.0%	$	19,715,070	37.0%
6/30/2009		60,232,045		75,480,005		15,247,960	79.8%		17,096,202	89.2%
6/30/2008		54,927,390		69,029,513		14,102,123	79.6%		16,698,764	84.5%
6/30/2007 *		45,996,910		60,427,947		14,431,037	76.1%		15,836,354	91.1%
6/30/2006		36,314,689		42,216,142		5,901,453	86.0%		13,474,588	43.8%
6/30/2005		29,616,896		37,510,992		7,894,096	79.0%		13,225,400	59.7%
JRBT										
6/30/2010 ***	$	38,074,287	$	46,641,701	$	8,567,414	81.6%	$	7,461,120	114.8%
6/30/2009		36,839,221		41,738,040		4,898,819	88.3%		6,843,454	71.6%
6/30/2008 **		34,670,394		38,115,602		3,445,208	91.0%		6,601,889	52.2%
6/30/2007 *		29,630,637		35,355,326		5,724,689	83.8%		6,451,666	88.7%
6/30/2006		23,873,009		27,504,102		3,631,093	86.8%		6,313,069	57.5%
6/30/2005		19,347,372		22,250,728		2,903,356	87.0%		5,684,585	51.1%
MERS										
6/30/2010 ***	$	1,196,385,142	$	1,372,495,862	$	176,110,720	87.2%	$	305,813,678	57.6%
6/30/2009		1,196,366,995		1,355,652,690		159,285,696	88.3%		306,587,441	52.0%
6/30/2008		1,174,567,205		1,266,286,829		91,719,624	92.8%		304,952,020	30.1%
6/30/2007		1,064,615,664		1,179,233,489		114,617,825	90.3%		298,234,571	38.4%
6/30/2006		945,876,282		1,085,648,196		139,771,914	87.1%		281,291,831	49.7%
6/30/2005		886,964,787		1,017,254,365		130,289,578	87.2%		265,123,725	49.1%

*** See note 2 to the *Required Supplementary Information* regarding changes to actuarial assumptions and reflects pension reform legislation enacted on November 18, 2011.

** Reflects adoption of Article 16 of Chapter 23 of the 2010 Public Laws enacted on June 12, 2010

* Restated June 30, 2007 actuarial valuation after 2008 amendment to General Laws

See notes to required supplementary information.

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Contributions From the Employers And Other Contributing Entity

ERS Fiscal Year Ended June 30		State Employees Annual Required Contribution	State Employees Percentage Contributed	Teachers (State) Annual Required Contribution	Teachers (State) Percentage Contributed	Teachers (Employers) Annual Required Contribution	Teachers (Employers) Percentage Contributed
2011		$ 126,560,644	100%	$ 70,286,262	100%	$ 113,422,000	100%
2010	**	123,547,738	100%	68,542,956	100%	109,566,352	100%
2009	*	126,297,706	100%	73,600,069	100%	115,234,100	100%
2008		131,560,248	100%	82,455,777	100%	122,906,860	100%
2007		118,300,522	100%	70,531,472	100%	109,415,227	100%
2006		91,254,063	100%	54,537,733	100%	83,794,372	100%

MERS Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2011	$ 29,469,064	100%
2010	31,269,020	100%
2009	33,514,681	100%
2008	33,415,530	100%
2007	26,697,326	100%
2006	20,127,099	100%

SPRBT Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2011	$ 3,786,553	100%
2010	3,590,615	100%
2009	3,340,746	100%
2008	3,720,281	100%
2007	4,038,828	100%
2006	3,174,903	100%

JRBT Fiscal Year Ended June 30		Annual Required Contribution	Percentage Contributed
2011		$ 1,298,278	100%
2010	**	1,180,817	100%
2009	*	1,700,174	100%
2008		2,127,643	100%
2007		2,362,671	100%
2006		2,291,665	100%

* Reflects adoption of H5983Aaa, Article 7, Substitute A as amended, enacted on June 30, 2009

** Reflects adoption of Article 16 of Chapter 23 of the 2010 Public Laws enacted on June 12, 2010

See notes to required supplementary information.

Notes to Required Supplementary Schedules

1. Actuarial Assumptions and Methods

The information presented in the required supplementary information schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation, June 30, 2010 (as restated to reflect the provisions of pension reform legislation enacted on November 18, 2011), follows.

	ERS		MERS	SPRBT	JRBT
	State Employees	*Teachers*			
Valuation Date	June 30, 2010	June 30, 2010	June 30, 2010	June 30, 2010	June 30, 2010
Actuarial Cost Method	Entry Age Normal [1]	Entry Age Normal [1]	Entry Age Normal [1]	Entry Age Normal [1]	Entry Age Normal [1]
Amortization Method	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	25 years	25 years	25 years	25 years	25 years
Asset Valuation Method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Actuarial Assumptions					
Investment Rate of Return	7.50%	7.50%	7.50%	7.50%	7.50%
Projected Salary Increases	4.00% to 7.00%	4.00% to 12.75%	*General Employees* 4.00% to 8.00% *Police & Fire Employees* 4.25% to 14.25%	4.00% to 12.00%	4.00%
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Cost of Living Adjustments	COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first $25,000 of benefits, indexed over time (see note 2 below). COLA is delayed until the later of Social Security eligibility age or 3 years after retirement except for State Police and MERS Police and Fire for which the COLA is delayed until the later of age 55 or 3 years after retirement.				

Note 1 – Within the Entry Age Normal Actuarial Cost Method, the Individual Entry Age Cost methodology is used.

Note 2 – Cost of Living Adjustments (COLA) in member benefit provisions prior to the enactment of pension reform legislation on November 18, 2011will remain in effect through June 30, 2012.

For the MERS plan, a 2% COLA is assumed after July 1, 2012. For all other plans, a COLA of 2% is assumed only every five years until the plans achieve a 80% collective funded status in accordance with the law. It is assumed that the plans will not achieve the targeted 80% funded status for 19 years.

2. Schedules of Funding Progress

The MERS funded ratio is a composite of all units in the plan. The System performs a separate valuation for each unit.

Changes affecting the June 30, 2010 actuarial valuation *(as restated to reflect the provisions of pension reform legislation enacted on November 18, 2011)**:***

The June 30, 2010 valuations (as restated to reflect the provisions of pension reform legislation enacted on November 18, 2011) reflect comprehensive changes to plan member benefit provisions which are effective beginning July 1, 2012. The June 30, 2010 valuations also reflect material changes to certain actuarial assumptions.

The revised member benefit provisions become effective on July 1, 2012. These include changes in service period accrual rates, retirement eligibility age, and future cost of living adjustments. Additionally, the unfunded accrued liability is now amortized over a twenty-five year period from June 30, 2010 compared to the 30 year period from June 30, 1999 employed in prior actuarial valuations.

The Individual Entry Age Cost Method is used in the June 30, 2010 actuarial valuations. Prior valuations utilized the Ultimate Normal Cost methodology where normal cost was determined based on the benefits applicable to new hires under the replacement benefit structure resulting from prior pension reform measures.

The annual investment rate of return was lowered from 8.25% to 7.5%.

The post-termination mortality rates for non-disabled state employees and members of the MERS, State Police and Judicial plans were previously based on the 1994 Group Annuity Mortality Tables. New mortality tables have been constructed and adopted with adjustments for these employees using the RP-2000 Combined Healthy for Males and Females with White Collar adjustments, projected with Scale AA from 2000 for non-disabled individuals.

The post-termination mortality rates used for non-disabled teachers in the June 30, 2009 and June 30, 2010 valuations were both based on tables developed by ERSRI's actuary based on teacher experience. The rates used in the June 30, 2010 valuation for male teachers were lowered to 97% of the rates in these tables based on male teacher experience, projected with Scale AA from 2000 from 100% of the actuary's table based on male teacher experience used in the June 30, 2009 valuation. The rates used in the June 30, 2010 valuation for female teachers were lowered to 92% of the rates used in the actuary's tables based on female teacher experience, projected with Scale AA from 2000 from 95% of the actuary's table based on female teacher experience used in the June 30, 2009 valuation.

The post-termination mortality rates for disabled members of all ERSRI plans are based on the PBGC table Va for males and table VIa for females. The rates used in the June 30, 2010 valuation for disabled males eligible for social security disability benefits were lowered to 60% of PBGC table Va from 65% of this table in the June 30, 2009 valuation. The rates used in the June 30, 2010 valuation for disabled females eligible for social security disability benefits were lowered to 60% of PBGC table VIa from 100% of this table in the June 30, 2009 valuation.

The pre-retirement mortality rates for all members of the ERSRI plans were previously based on the 1994 Group Annuity Mortality Tables. The rates used in the June 30, 2010 valuation for these employees were based on the RP-2000 Combined Tables with white collar adjustment for males and females. The tables were adjusted for each individual plan.

The inflation assumption rate was decreased from 3% to 2.75% and the projected salary increase assumptions were also decreased compared to the prior valuation. The assumption for cost of living adjustments subject to the Consumer Price Index (for those not eligible to retire on September 30, 2009) was decreased from 2.5% to 2.35%.

Changes affecting the June 30, 2009 actuarial valuation:

The June 30, 2009 valuation for the Employees' Retirement System and the Judicial Retirement Benefit Trust reflects the enactment of Article 16 of Chapter 23 of the 2010 Public Laws which amended the laws governing benefits for state employees, teachers and judges not eligible to retire by June 12, 2010 – see note 1(b) to the financial statements entitled *Plan Descriptions – Membership and Benefit Provisions*.

The changes enacted as a result of Article 16 of Chapter 23 of the 2010 Public Laws governing benefit provisions for the Employees' Retirement System and the Judicial Retirement Benefit Trust are reflected and were applied in determining the contributions rates for the fiscal years ended June 30, 2010 and June 30, 2011 - see note 1(b) to the financial statements entitled Plan Descriptions – Membership and Benefit Provisions.

Changes affecting the June 30, 2008 actuarial valuation:

The June 30, 2008 valuation for the Employees' Retirement System and the Judicial Retirement Benefit Trust reflects the enactment of H5983Aaa, Article 7, Substitute A to the laws governing benefits for state employees and teachers not eligible to retire by September 30, 2009 and judges appointed after July 1, 2009 – see note 1(b) to the financial statements entitled *Plan Descriptions – Membership and Benefit Provisions*.

The changes enacted as a result of Article 7 Substitute A to the laws governing benefits provisions for the Employees' Retirement System and the Judicial Retirement Benefit Trust are reflected and were applied in determining the contributions rates for the fiscal years ended June 30, 2009, June 30, 2010 and June 30, 2011 - see note 1(b) to the financial statements entitled *Plan Descriptions – Membership and Benefit Provisions*.

Changes affecting the June 30, 2007 actuarial valuation:

The June 30, 2007 actuarial accrued liability was restated for the Judicial Retirement Benefit Trust to reflect the amendment to the law governing benefits for judges appointed after January 1, 2009 – see note 1(b) to the financial statements entitled *Plan Descriptions – Membership and Benefit Provisions*.

Changes affecting the June 30, 2006 actuarial valuation:

Material changes were made to increase the salary, payroll growth and termination assumptions. In addition, there were changes in the Post-retirement mortality rates for non-disabled retirees. Currently rates are based on the 1994 Group Annuity Mortality Tables for males and females, with adjustments to the tables for male teachers and male state employees. The tables are then compared to the A/E ratio (actual deaths to expected deaths). It was determined the tables for state employees required no changes. However, the A/E ratios for teachers were lower than the acceptable actuarial ranges. Therefore, new mortality tables have been constructed and adopted for teachers based on teacher mortality rates in another state with similar life expectancies. The pre-termination mortality currently uses the post-retirement mortality assumption. The rates for pre-termination mortality are computed at a rate equal to 65% of the post-retirement rates.

The base salary rate for ERS and MERS General Employees remained unchanged. Judges base salary rates decreased from 5.25% to 4.50% and State Police decreased from 5.00% to 4.50%. The salary rate increase for state employees changed from 4.50% - 8.25% to 4.50% - 9.00%. Teachers changed from a range of 4.50% - 17.00% to 4.50% - 13.25%. MERS General Employees changed from a range of 4.50% - 9.00% to 4.50% - 8.50%. MERS Police & Fire Employees changed from a range of 5.00% - 15.50% to 4.75% - 14.75%.

The payroll growth rate was increased from 3.75% to 4.25% for ERS and MERS; it also increased from 3.75% to 4.5% for State Police and decreased from 5.25% to 4.5% for Judges. The marriage assumption for members being married was changed from 100% to 85%.

3. Schedules of Employer Contributions

Employer contributions for the ERS plan included in the Schedules of Contributions from the Employers and Other Contributing Entity do not include Teacher Survivor Benefits as described in Note 1(b) and any employer contributions related to supplemental pension benefits that are attributable and paid by a specific employer. These amounts are not included in the annual required contribution.

The unfunded liabilities of the plans are amortized over a 30 year period from June 30, 1999. The closed period ends 30 years from June 30, 1999 for actuarial valuations as of June 30, 2009 and prior. Beginning with the valuations performed as of June 30, 2010, the unfunded accrued liability is amortized over a twenty-five year period from June 30, 2010.