



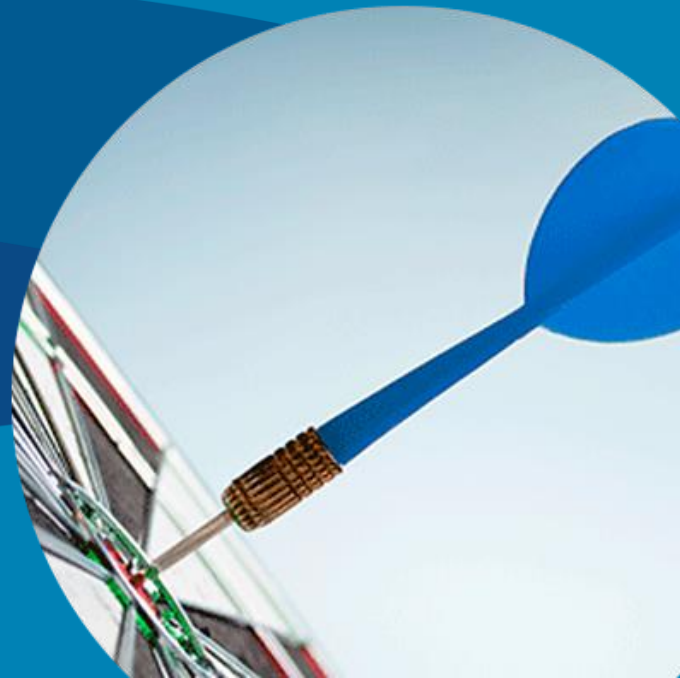
EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND

Actuarial Valuations as of June 30, 2024

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December 18, 2024



Actuarial Valuations as of June 30, 2024

- Purposes:
 - Measure the System’s liabilities
 - Determine employer contribution rates for FY 2027
 - FY 2025 set by June 30, 2022 valuation*
 - FY 2026 set by June 30, 2023 valuation*
 - Both adjusted by HB No. 7225 SUB A As Amended
 - Provide other information for reporting
 - GASB #67/68 & ACFR
 - Explain changes in actuarial condition of ERSRI
 - Track changes over time

Actuarial Valuations as of June 30, 2024

- Prepared as of June 30, 2024, using
 - Member data provided by ERSRI Staff
 - Audited financial data
 - Current benefit and contribution provisions
 - Actuarial assumptions and methods approved by the Retirement Board in May 2023
- Plans covered today:
 - ERSRI (State Employees and Teachers)
 - MERS (General Employees and Police/Fire, Legacy Units)
 - JRBT (Judges)
 - SPRBT (State Police)
 - Teacher Survivor Benefits Plan (TSBP)
 - SPRFT (Formerly Paygo State Police)
 - RIJRFT (Contributing, Paygo Judges)

STATE AND TEACHERS PLAN



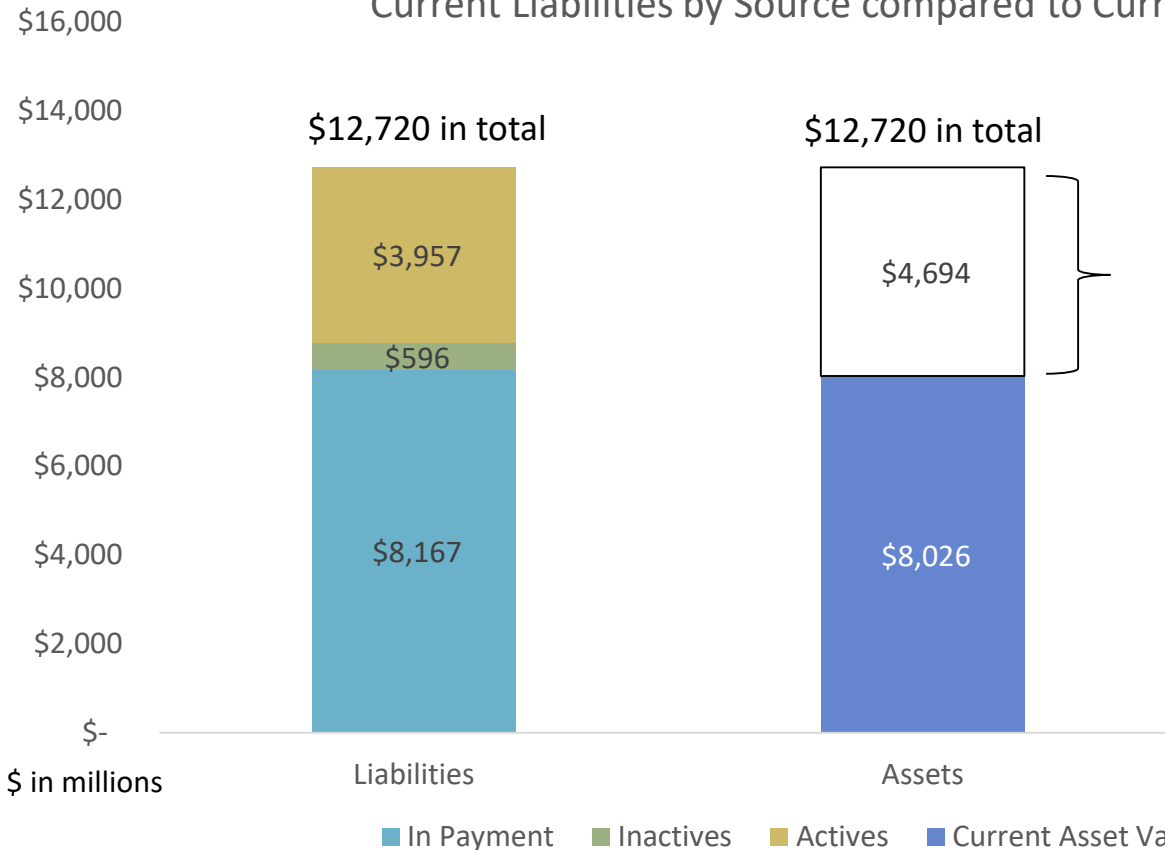
Actuarial Valuations as of June 30, 2024

Key Changes and Issues

- 10.1% market investment returns exceed the assumed 7%
 - Smoothing mechanism was still deferring some of the positive 2023 performance as well
 - Total impact was a net decrease of \$100 million in the UAAL from investment performance
 - 7.0% actual compound return over last 20 years
- Aggregate UAAL increased after decreasing for five years in a row
 - Increase was due to benefit enhancements granted by legislature
 - Would have decreased from \$4.50b to \$4.27b without enhancements
- Aggregate funded ratio increased from 62.8% to 63.1%
- FY2027 projected employer contribution amounts are \$7m lower than previous projections
 - Now projected at \$593m vs previously projected \$600m

Terminology

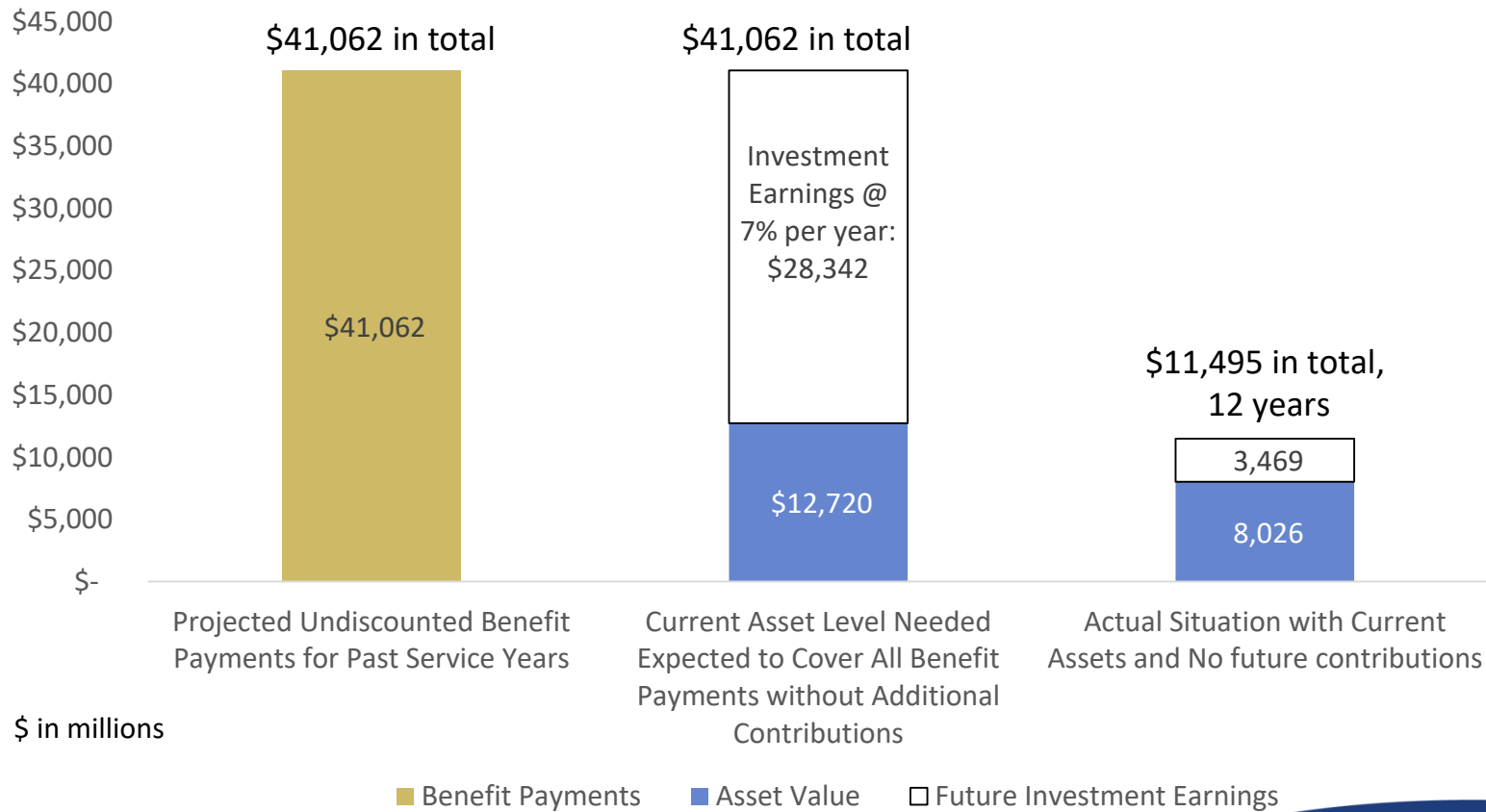
State and Teachers Combined
Current Liabilities by Source compared to Current Assets



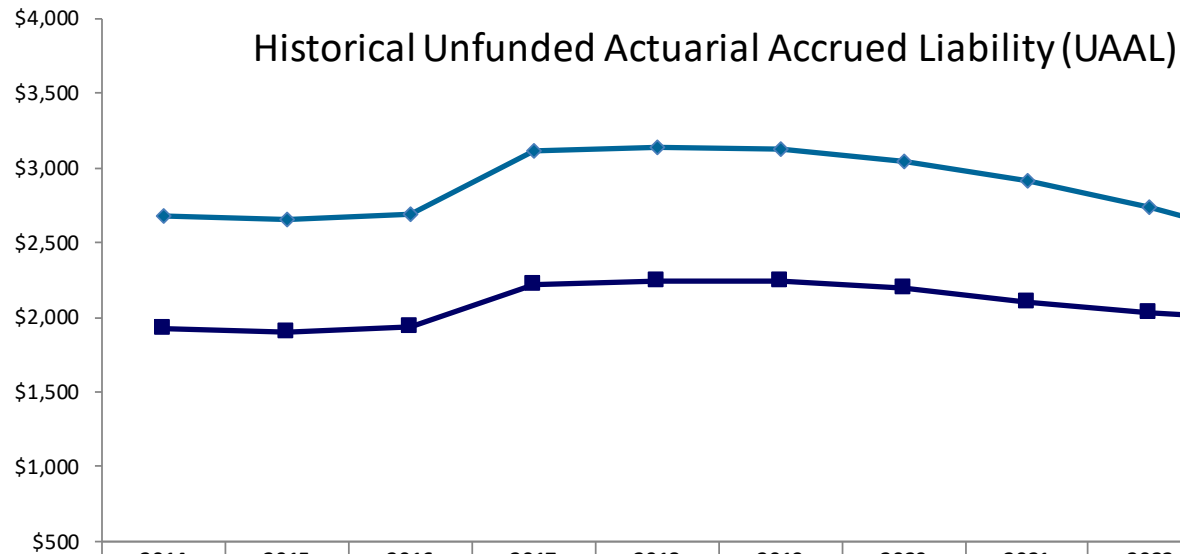
The UAAL is the difference between the two. These benefits are dependent on future contributions.

The funded ratio is the Assets as a % of the Liabilities

The Liabilities represent a discounted total of all future benefit payments out of the Trust for amounts already owed (years of service in the past). It is the amount of money that if invested today and earns 7% per year would be expected to pay the benefits (from the past) without needing additional contributions.



The UAAL for both groups increased due to the benefit changes. The pattern of a declining UAAL should continue with the 2025 valuation and should begin to accelerate



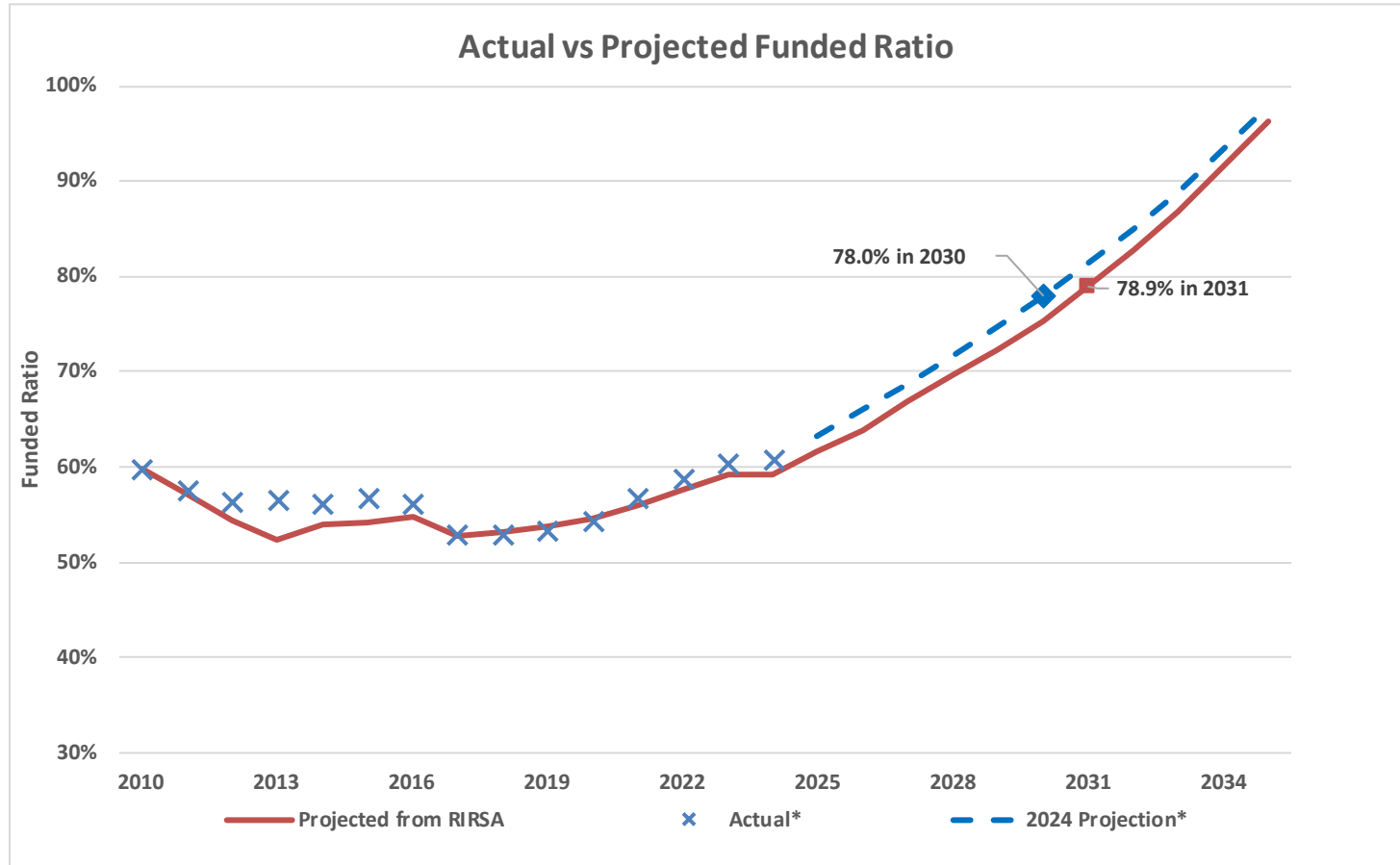
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
State Employees	\$1,920	\$1,895	\$1,936	\$2,213	\$2,239	\$2,244	\$2,196	\$2,100	\$2,032	\$1,984	\$2,082
Teachers	\$2,682	\$2,655	\$2,694	\$3,116	\$3,136	\$3,128	\$3,046	\$2,909	\$2,735	\$2,511	\$2,611
State without 2024 Legislation										\$1,984	\$1,902
Teachers without 2024 Legislation										\$2,511	\$2,371

\$ in millions

Investment Return Assumption lowered from 7.5% to 7.0% in 2017

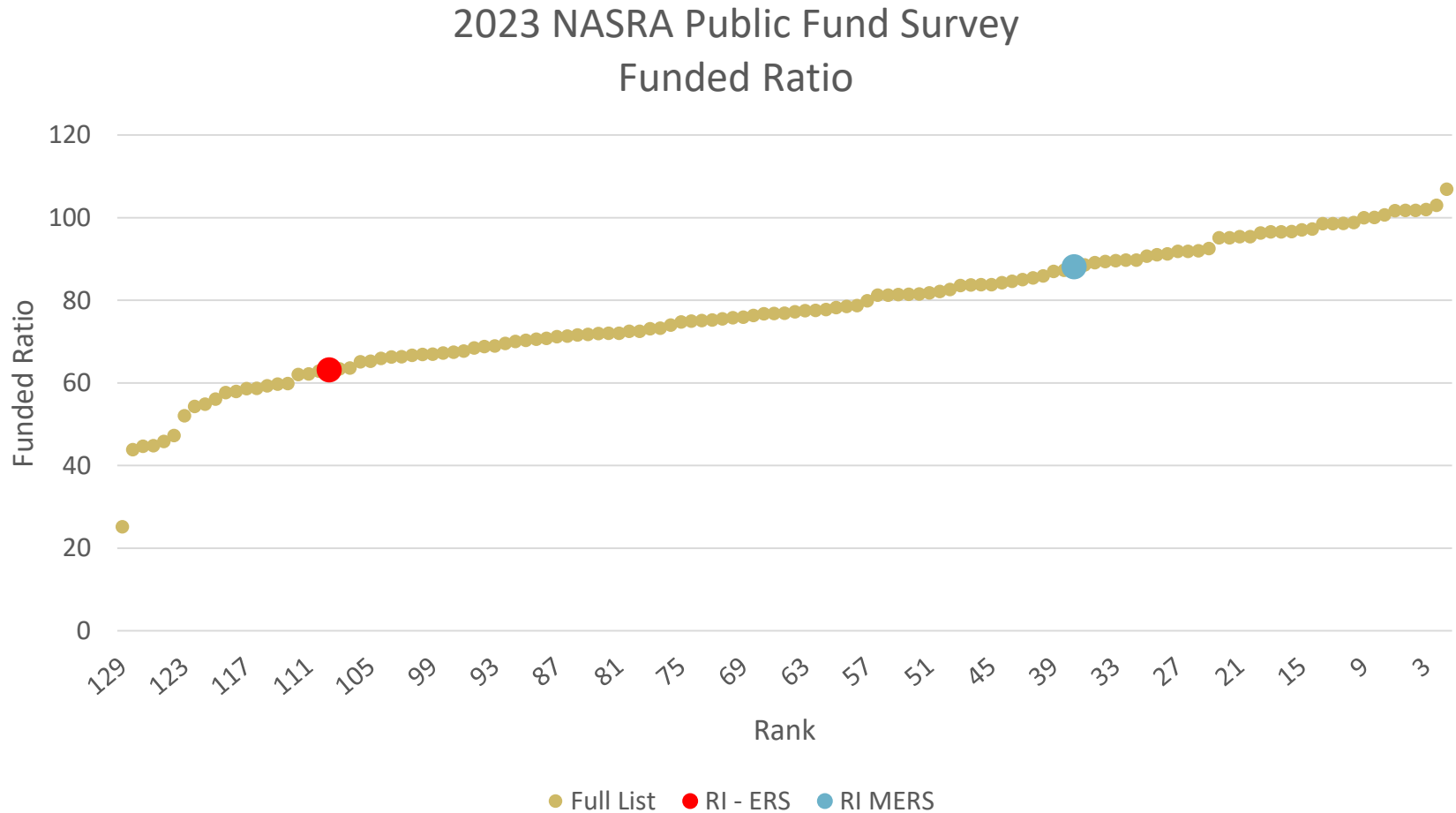


The funded ratio continues to track well with the Original RIRSA Projections when adjusted for the 2024 legislation. As shown, the legislation delays the entire structure about a year, but continues to improve quite rapidly over the next decade. (State Employees shown below)



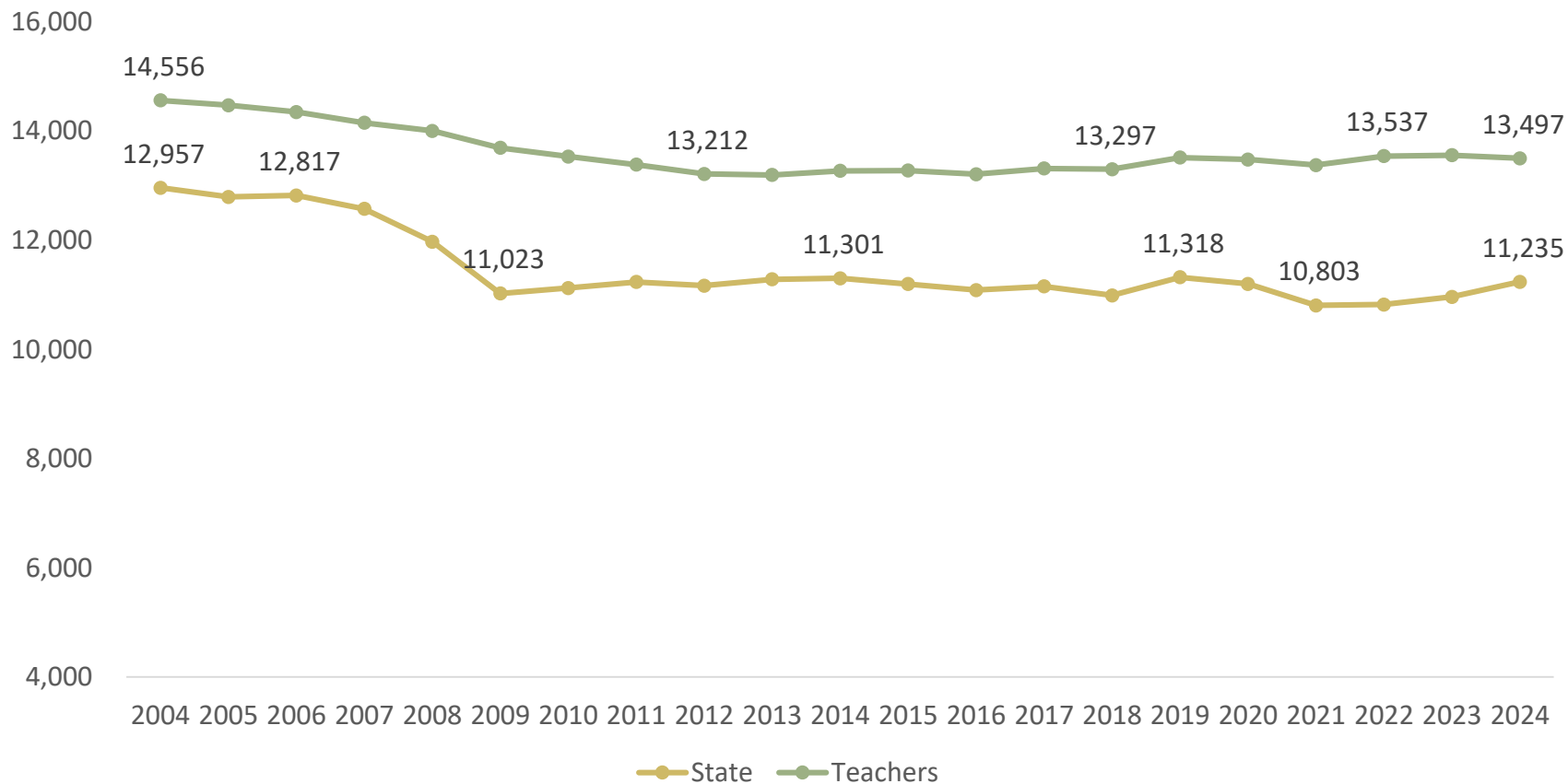
Original Projections from the RIRSA Impact Statement, adjusted for Mediation changes in 2016 (-1.4%), change to investment return assumption in 2017 (-2.7%), and 2024 legislation (-2.1%)

For funded status, RI ERS ranks 109th out of 129th in the 2023 NASRA survey of large public sector retirement systems. MERS ranks 37th. The median System has a funded ratio of 77%.

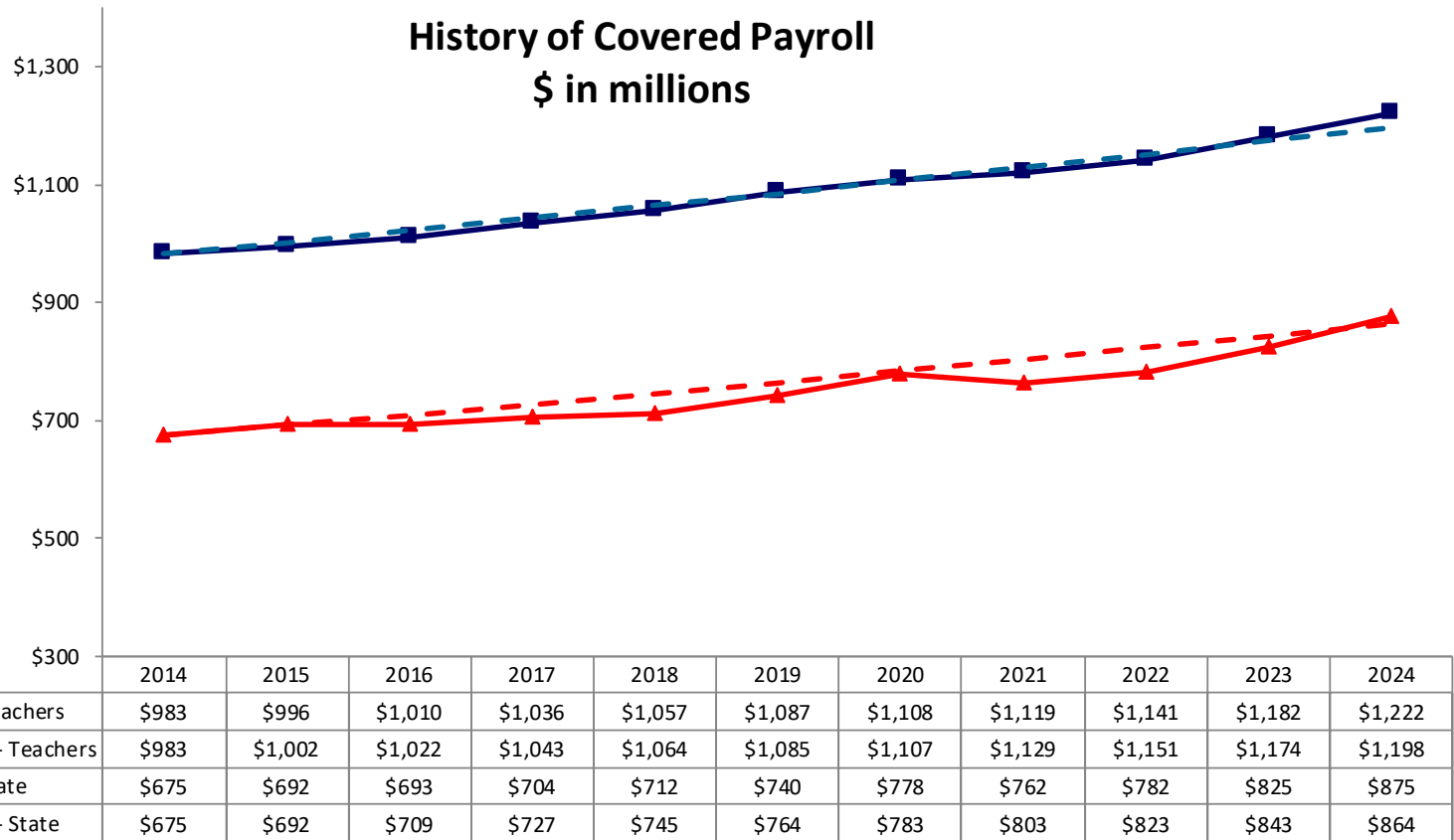


State active membership increased 2.5% from 2023, almost back to 2019 levels. Teacher active population has remained very steady over last decade.

History of Active Membership



Over the past decade, actual payroll growth has been very close to the currently assumed growth assumptions of 2.5% for State and 2.0% for Teachers



Employer Contribution Rates – State Employees

Item	2023 Actual Results	2023 Post Legislation	2024 Projected Results	2024 Actual Results
Total Normal Cost %	7.63%	8.11%	7.93%	7.92%
Member Contribution	<u>-4.24%</u>	<u>-4.36%</u>	<u>-4.36%</u>	<u>-4.36%</u>
Employer Normal Cost%	3.39%	3.75%	3.57%	3.56%
Amortization rate	<u>25.31%</u>	<u>27.16%</u>	<u>27.16%</u>	<u>25.89%</u>
Total Employer Contribution	28.70%	30.91%	30.73%	29.45%
FY ending June 30,	2026	2026	2027	2027
Payroll Projected 2 Years	\$867.0	\$867.0	\$888.7	\$919.3
Projected Contribution	\$248.8	\$268.0	\$273.1	\$270.7

Above dollar amounts in millions



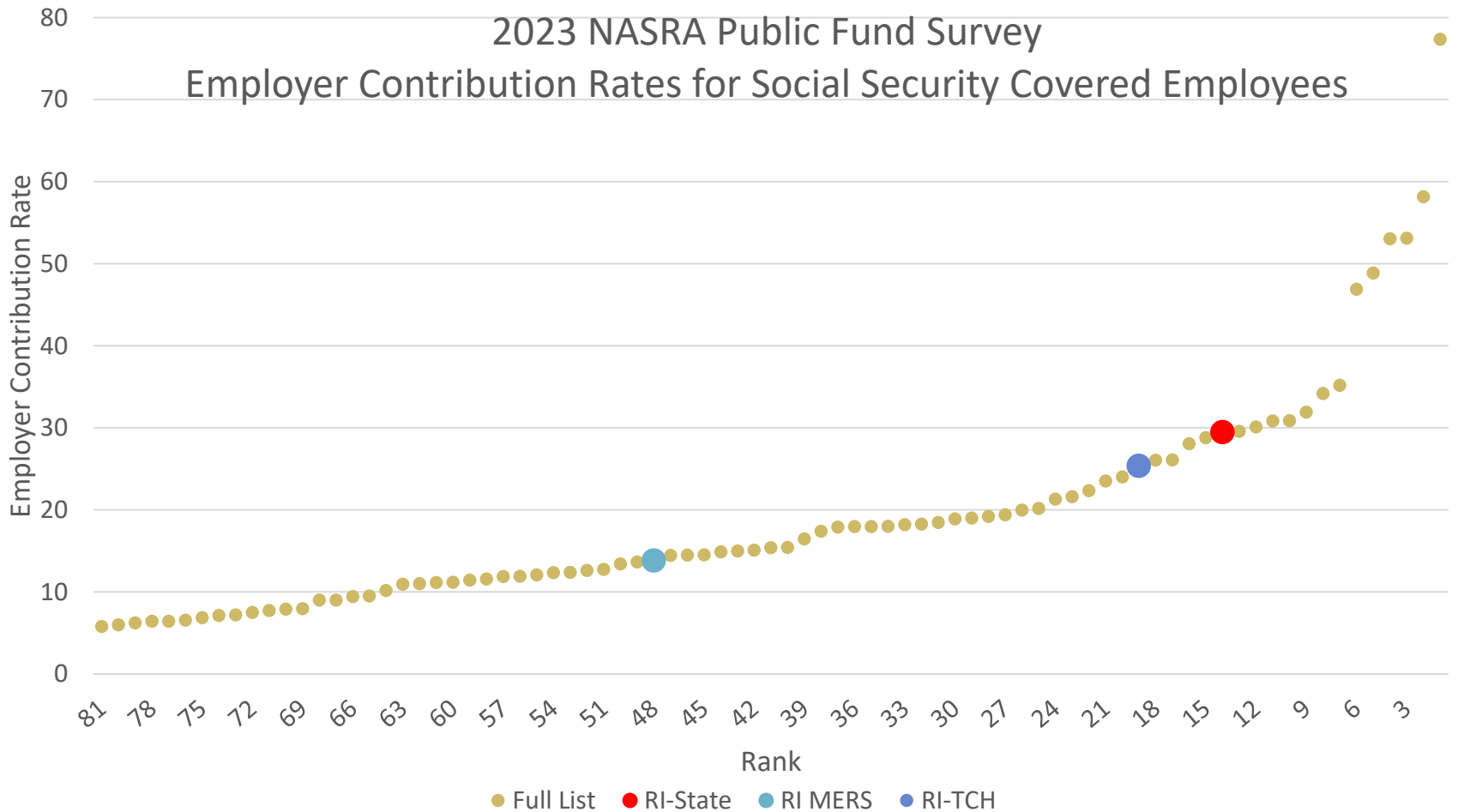
Employer Contribution Rates – Teachers

Item	2023 Actual Results	2023 Post Legislation	2024 Projected Results	2024 Actual Results
Total Normal Cost %	7.01%	7.18%	7.07%	7.06%
Member Contribution	<u>-3.75%</u>	<u>-3.75%</u>	<u>-3.75%</u>	<u>-3.75%</u>
Employer Normal Cost%	3.26%	3.43%	3.32%	3.31%
Amortization rate	<u>21.09%</u>	<u>22.76%</u>	<u>22.76%</u>	<u>22.02%</u>
Total Employer Contribution	24.35%	26.19%	26.08%	25.33%
FY ending June 30,	2026	2026	2027	2027
Payroll Projected 2 Years	\$1,229.8	\$1,229.8	\$1,254.4	\$1,271.0
Projected Contribution	\$299.5	\$322.1	\$327.1	\$321.9

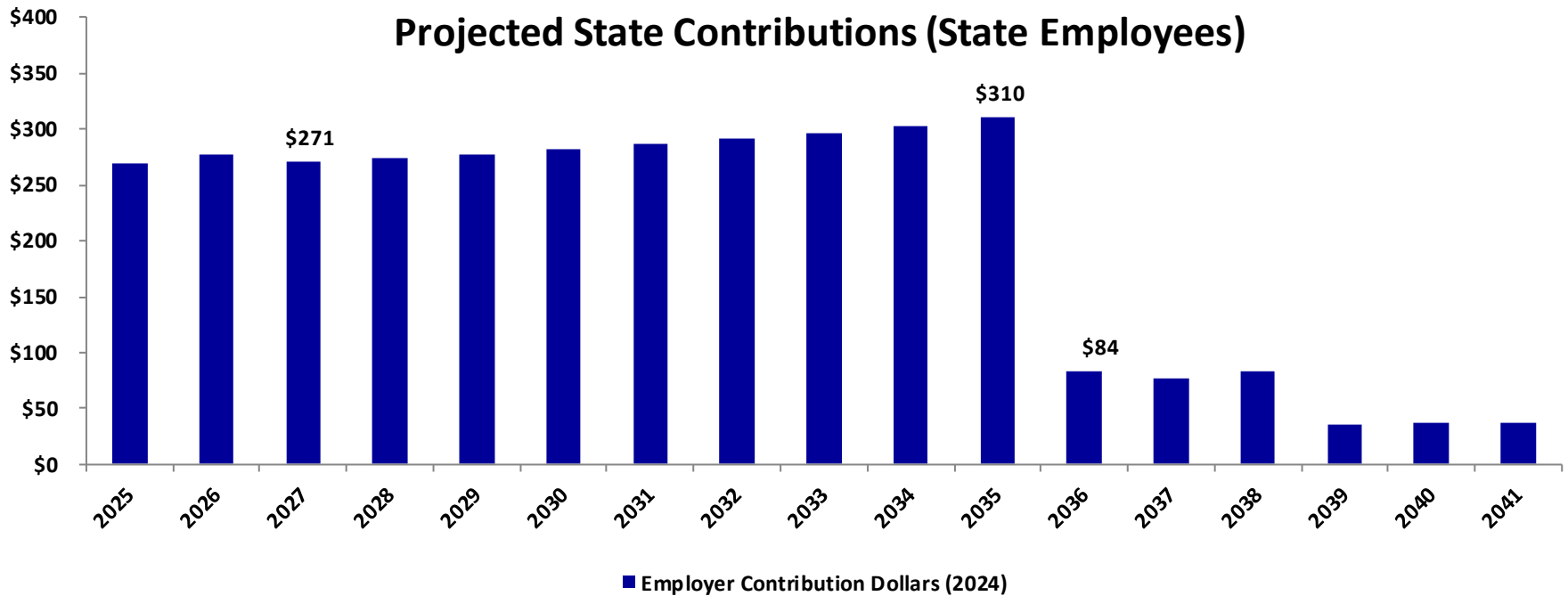
Above dollar amounts in millions



The State's contribution rate is the 14th highest out of 81 social security participating systems in the 2023 NASRA survey. RI Teachers is 19th and MERS is 48th. The median contribution rate is 15.4%.



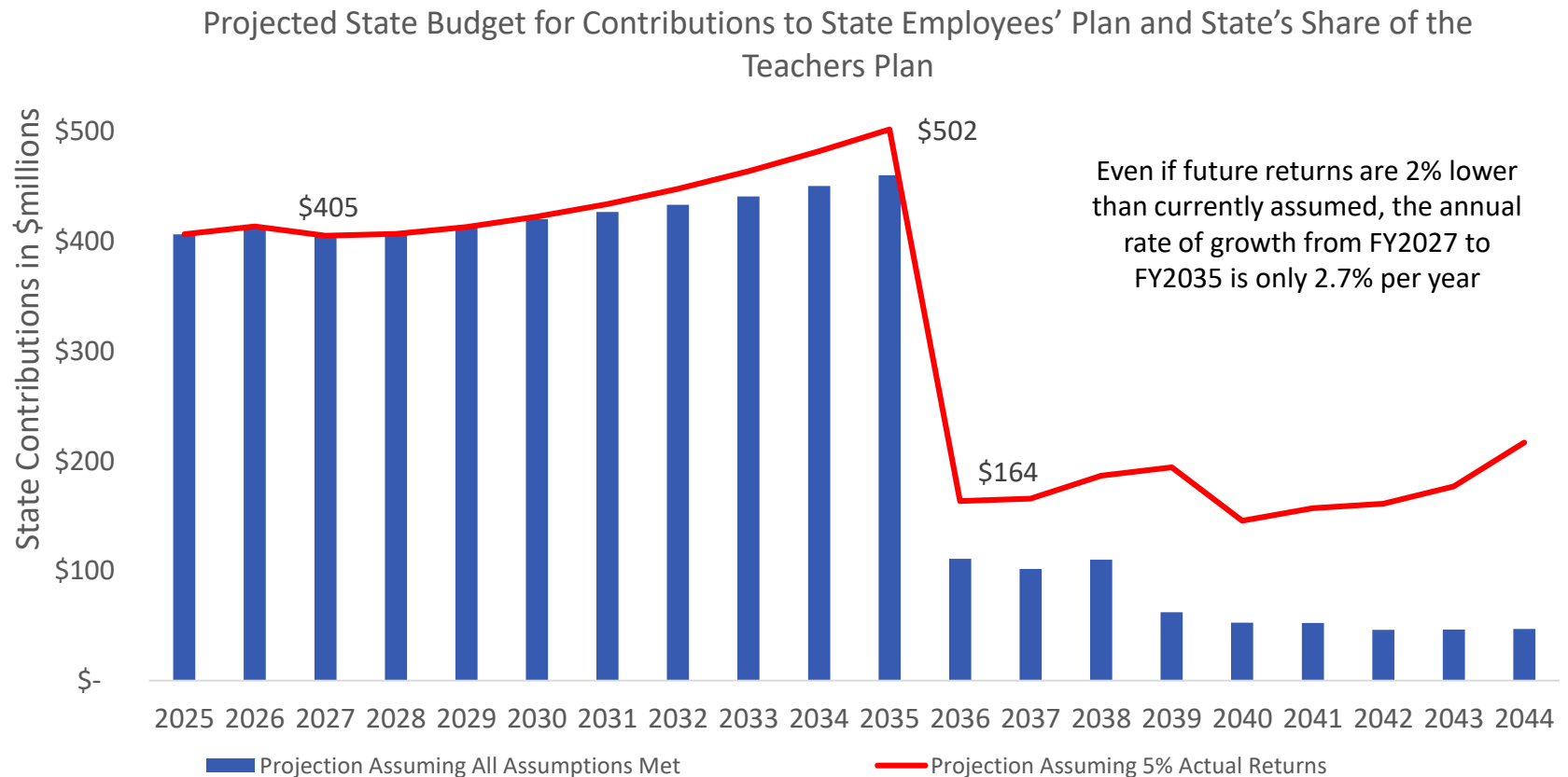
For employer contributions, the projected annual rate of growth over the remaining amortization period is 1.7% per year



\$ in Millions



The funding plan continues to be expected to perform well under stressed scenarios. The scenario below assumes 5% actual annual market returns. As shown, the total budget outlay for the State to State Employees and Teachers only grows at 2.7% per year in this scenario, and the contributions still drop significantly in FY2036.



Summary – ERSRI

- 2027 employer contribution dollars are projected slightly lower than previously expected between the 2 plans
- The UAAL should continue to decline year over year going forward
- The contribution rates should slowly decline year over year, but will be based on how active headcount and payroll grows

COLA INFORMATION



COLA History and Calculations

- 2025 COLA is 2.89%
 - 50% from change in CPI and 50% from investment performance
 - 2024 COLA was 2.84%, 2023 was 3.11%
 - \$30,622 limit will also grow by 2.89% (\$31,507 in 2026)
- Retirees who retired prior to July 1, 2012 are no longer subject to the funded ratio requirements and thus will receive the full COLA
- For retirees who retired after June 30, 2012 the benefit adjustments are reduced to twenty-five percent (25%) of the benefit adjustment payable each year while the plans remain less than 75% funded
 - Members in units less than 75% funded will received 25% of the COLA, or 0.72% in 2025 (on the first \$36,746 of annual benefit if retired before 6/30/2015)
- The probabilities now expect that COLAs are fully restored with the June 30, 2029 valuation
 - Calendar Year 2030 COLA
 - 50% estimated probability 75% funded as of June 30, 2029
 - 64% estimated probability 75% funded as of June 30, 2030

Retiree Demographics

Group	Number	Average Age	Average Benefit
Retired State Employees			
Retired Pre 7/1/12, will receive full 2025 COLA	6,832	78.4	\$31,740
Retired After 7/1/12 and past delay period, will receive 25% 2025 COLA	2,716	72.7	30,841
Retired After 7/1/12 but during delay period, will receive no 2025 COLA	1,788	64.0	33,862
Retired Teachers			
Retired Pre 7/1/12, will receive full 2025 COLA	7,936	78.2	\$45,398
Retired After 7/1/12 and past delay period, will receive 25% 2025 COLA	2,380	72.1	35,692
Retired After 7/1/12 but during delay period, will receive no 2025 COLA	1,411	64.9	37,954

Aggregate Valuation Results to Determine COLA Threshold

	State	Teachers	State Police	Judges	Total
Accrued Liability	\$5,294	\$7,426	\$246	\$107	\$13,073
Assets	<u>3,212</u>	<u>4,814</u>	<u>219</u>	<u>111</u>	<u>8,356</u>
UAAL	2,082	2,612	27	(4)	4,717
Funded Ratio	60.7%	64.8%	89.0%	103.7%	63.9%

State and Teachers represent 97% of the total liability.
 The funded ratio for State and Teachers combined is 63.1%.

Projection of State and Teachers Combined

	From 2023 Valuation	From 2024 Valuation	Difference
June 30, 2024	64.6%	63.1%	-1.5%
June 30, 2028	74.2%	72.6%	-1.6%
June 30, 2029	77.1%	75.3%	-1.8%
June 30, 2030	80.6%	78.1%	-2.5%
June 30, 2031	83.6%	81.0%	-2.6%
June 30, 2035	97.9%	94.9%	-3.0%

MERS PLAN



Actuarial Valuations as of June 30, 2024

Benefit Changes – MERS

- No new Legacy Units
- One closed Unit
 - North Rhode Island Collaborative
- No merged Units
- No new COLA elections
- Full results can be found in the report

Actuarial Results – MERS (Excluding Legacy Units)

- For MERS, the unfunded actuarial accrued liability (UAAL) excluding the Legacy Units is \$295 million, compared to \$286 million last year
 - \$28 million increase from legislative changes
- The aggregate funded ratio (actuarial assets divided by actuarial accrued liability) for all units combined improved to 88.1%
- Results for individual units are shown in Table 7 of the actuarial valuation report
 - 36 units have funded ratios over 100%, 39 last year
 - 100 units have funded ratios over 80%, 99 last year
 - 103 units have funded ratios over 75%
- COLA Changes
 - 10 Units now over 75% and are now eligible for COLA

Summary of MERS Results in Aggregate

	MERS General	MERS P&F	Total
FY2026 Employer Rate (pre Legislation)	10.99%	18.04%	13.27%
Change due to:			
Suspension of 2024 COLA for those <75%	-0.19%	-0.11%	-0.17%
Asset Performance	-0.42%	-0.64%	-0.49%
Actual 2024 COLA (2.84%)	0.13%	0.19%	0.15%
Individual salary increases	0.28%	0.31%	0.29%
Overall payroll growth	-0.19%	-0.10%	-0.16%
Noneconomic liability growth	0.07%	0.43%	0.20%
Benefit Tier Turnover	-0.12%	-0.05%	-0.10%
Plan Change Due to H7225	<u>0.54%</u>	<u>1.06%</u>	<u>0.71%</u>
Total Change	0.10%	1.09%	0.43%
FY2027 Employer Rate	11.09%	19.13%	13.70%

Actuarial Results – MERS Legacy Units

- There are six Units that entered MERS via the Pathway to MERS Legislation

Old Unit Number	New Unit Number	Unit	Market Value of Assets	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Legacy Units							
1055	1055	Central Falls Police & Fire Legacy	\$ 21,866,890	\$ 21,129,821	\$ 45,467,443	\$ 24,337,622	46.5%
1609	1609	Town of West Warwick (Legacy)	\$ 9,125,053	\$ 8,817,474	\$ 51,989,811	\$ 43,172,337	17.0%
1610	1610	West Warwick School NC (Legacy)	15,490,381	14,968,246	34,378,053	19,409,807	43.5%
1619	1619	Town of West Warwick Library (Legacy)	1,006,244	972,326	3,195,002	2,222,676	30.4%
1617	1617	West Warwick Police Dept (Legacy)	14,822,666	14,323,037	54,770,546	40,447,509	26.2%
1618	1618	West Warwick Fire Dept (Legacy)	19,259,087	18,609,919	61,436,858	42,826,939	30.3%
		West Warwick Legacy Units Subtotal	\$ 59,703,431	\$ 57,691,002	\$ 205,770,269	\$ 148,079,267	28.0%
		Legacy Units Subtotal	\$ 81,570,321	\$ 78,820,823	\$ 251,237,711	\$ 172,416,888	31.4%

- FY2027 Contributions
 - Central Falls Police & Fire Legacy
 - 72.7% of payroll (projected dollar amount: \$2,382,459, increase of \$132,549)
 - Combined West Warwick Legacy Units
 - 84.1% of payroll (projected dollar amount: \$12,146,547, increase of \$406,234)



OTHER PLANS

The Judges plan experienced the same positive experience from investment performance and remains in a surplus position

Actuarial Results – Judges (JRBT)

	<u>June 30, 2023</u>	<u>June 30, 2024</u>
	(1)	(2)
1. Actuarial accrued liability		
a. Actives & Inactives	\$ 48,898,481	\$ 55,962,598
b. Annuitants	52,100,591	51,007,180
2. Total actuarial accrued liability (1a +1b)	\$ 100,999,072	\$ 106,969,778
3. Actuarial value of assets	103,344,499	110,956,196
4. UAAL (2 - 3)	\$ (2,345,427)	\$ (3,986,418)
5. Funded ratio (3 / 2)	102.3%	103.7%
6. UAAL/Payroll	-19.0%	-30.3%

Weighted Average Contribution Rate for Applicable Fiscal Year

7. Full retirement rate		
a. Applicable Fiscal Year	2026	2027
b. Normal cost	18.67%	18.89%
c. Prior service	-0.92%	-1.42%
d. Full retirement rate	<u>17.75%</u>	<u>17.47%</u>

The State Police plan experienced the same positive experience from investment performance and also realized salary increases smaller than assumed

Actuarial Results – State Police (SPRBT)

	June 30, 2023 (1)	June 30, 2024 (2)
1. Actuarial accrued liability		
a. Actives & Inactives	\$ 108,756,600	\$ 118,025,988
b. Annuitants	128,352,052	127,974,051
2. Total actuarial accrued liability (1a +1b)	\$ 237,108,652	\$ 246,000,039
3. Actuarial value of assets	202,820,349	218,947,544
4. UAAL (2 - 3)	\$ 34,288,303	\$ 27,052,495
5. Funded ratio (3 / 2)	85.5%	89.0%
6. UAAL/Payroll	115.5%	90.2%

Weighted Average Contribution Rate for Applicable Fiscal Year

7. Full retirement rate		
a. Applicable Fiscal Year	2026	2027
b. Normal cost	12.59%	12.03%
c. Prior service	10.39%	8.56%
d. Full retirement rate	22.98%	20.59%

The TSBP plan remains in a surplus position, with the surplus generating significant investment earnings that offset the contribution requirement.

Actuarial Results – Teachers’ Survivors Benefit Plan (TSBP)

	June 30, 2023	June 30, 2024
	(1)	(2)
1. Actuarial accrued liability		
a. Actives & Inactives	\$ 48,898,087	\$ 51,145,128
b. Annuitants	183,559,544	187,285,574
2. Total actuarial accrued liability (1a +1b)	\$ 232,457,631	\$ 238,430,702
3. Market value of assets	423,914,539	456,634,317
4. UAAL (2 - 3)	\$ (191,456,908)	\$ (218,203,615)
5. Funded ratio (3 / 2)	182.4%	191.5%
6. UAAL/Payroll	-30.3%	-34.5%
Weighted Average Contribution Rate for Applicable Fiscal Year		
7. Full retirement rate		
a. Applicable Fiscal Year	2026	2027
b. Normal cost	\$ 1,267,332	\$ 1,166,461
c. Amortization of UAAL	(14,954,882)	(17,044,093)
d. Total (7a plus 7b, not less than zero)	\$ -	\$ -



Actuarial Results – SPRFT (Formerly Paygo State Police)

- Article 12
 - Trust was established with ERSRI
 - Used to advance fund the benefits
 - Initial deposit of \$15 million
- Annual contributions of \$16,387,092 until UAL is fully funded
- Expected to be fully funded by 2034

	<u>June 30, 2023</u>	<u>June 30, 2024</u>
1. Accrued Liability	\$ 153,657,806	\$ 147,499,004
2. Market Value of Assets	<u>27,140,186</u>	<u>32,269,912</u>
3. Unfunded Accrued Liability	\$ 126,517,620	\$ 115,229,092
4. Funded Ratio (2 / 1)	17.7%	21.9%

Actuarial Results - RIJRFT (Contributing, Paygo Judges)

- Pay-as-you-go plan
 - No advanced funding
- Uses a discount rate of 3.97% (3.86% last year)
 - Municipal Bond Rate used because there is no advanced funding

	<u>June 30, 2023</u>	<u>June 30, 2024</u>
1. Accrued Liability	\$ 18,196,432	\$ 17,675,493
2. Market Value of Assets	<u>1,493,278</u>	<u>1,696,409</u>
3. Unfunded Accrued Liability	\$ 16,703,154	\$ 15,979,084
4. Funded Ratio (2 / 1)	8.2%	9.6%

Wrap up and Next Year?

- The current ERSRI funding and benefit policies are proving themselves in real time
- Our strongest recommendation would be to stay the course and let the process continue to work