

December 22, 2017

Retirement Board
50 Service Avenue, 2nd Floor
Warwick, RI 02886-1021

Re: Actuarial Valuation for State Police Hired Before July 1, 1987 as of June 30, 2017

Dear Members of the Board:

This is the June 30, 2017 actuarial valuation of the State police hired before July 1, 1987 and who have all retired from employment by the State of Rhode Island. This report provides the calculation of the Actuarial Determined Contribution for fiscal year beginning July 1, 2019 according to 42-28-22.2 of the Rhode Island General Laws. This valuation is based on a roll forward of the June 30, 2016 valuation using standard actuarial techniques.

Financing Objectives

Currently, State police who do not participate in the State Police Retirement Benefits Trust (SPRBT) whose benefits were previously financed by annual contributions equal to the annual benefit payment of current retirees are included in this valuation. Recent legislation stipulated an actuarially appropriate contribution amount of \$16,387,092 based on an eighteen (18) year funding period beginning July 1, 2015, plus an initial supplemental contribution from the State to start the Trust. The initial supplemental contribution was \$15 million.

Progress Towards Realization of Financing Objectives

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. There has been one year of advanced funding for this closed group of retirees, so the funded ratio as of June 30, 2017 is 9.1% and the unfunded actuarial accrued liability for this group as of June 30, 2017, is \$159,944,004.

Given the plan's contribution allocation procedure, if all actuarial assumptions are met (including the assumption of the plan earning 7.00% on the actuarial valuation of assets), it is expected that:

1. The employer contribution for fiscal years 2019 and beyond will remain level as a dollar amount at \$16,387,092,
2. The unfunded actuarial accrued liability will be fully amortized by 2033, and
3. In the absence of benefit improvements, the funded ratio should increase over time, until it reaches 100%.

The Actuarial Determined Contribution for fiscal year beginning July 1, 2019 is \$16,387,092.

Benefit provisions

The benefit provisions reflected in this valuation are those which were in effect on June 30, 2017. The benefit provisions are summarized in Appendix B in the June 30, 2017 actuarial valuation of the SPRBT dated December 18, 2017.

Assumptions and methods

The assumptions used in this valuation, including the 7.00% discount rate, are the same as those summarized in Appendix A in the June 30, 2017 actuarial valuation of the SPRBT dated December 18, 2017. We believe the assumptions are internally consistent and are reasonable.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities and the calculated contribution rates.

Data

Data for the 269 retirees as of June 30, 2016 for this valuation was provided by the Staff at the Employees Retirement System of Rhode Island. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the data from the SPRBT valuation.

Certification

All of our work conforms with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of Rhode Island state law and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

Members of the Board

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The undersigned are independent actuaries. All are Members of the American Academy of Actuaries. They all meet the Qualification Standards of the American Academy of Actuaries, and they are experienced in performing valuations for large public retirement systems.

Respectfully submitted,



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Pension Market Leader and Actuary



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