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**EMPLOYEES' RETIREMENT SYSTEM OF THE  
STATE OF RHODE ISLAND**

**Municipal Employees' Retirement System  
Multiple-Employer  
Defined Benefit Agent Plan**

**GASB STATEMENT No. 68 REPORTS**

**FISCAL YEAR ENDED JUNE 30, 2016**

Dennis E. Hoyle, CPA  
Auditor General

State of Rhode Island and Providence Plantations  
General Assembly  
Office of the Auditor General

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## Office of the Auditor General

State of Rhode Island and Providence Plantations - General Assembly  
Dennis E. Hoyle, CPA - Auditor General

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September 21, 2017

JOINT COMMITTEE ON LEGISLATIVE SERVICES:

SPEAKER Nicholas A. Mattiello, Chairman

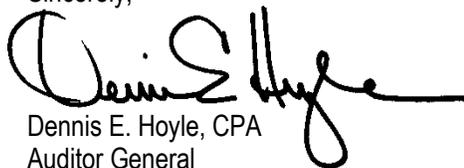
Senator Dominick J. Ruggerio  
Senator Dennis L. Algieri  
Representative K. Joseph Shekarchi  
Representative Patricia L. Morgan

We have completed our audit of the Schedules of Changes in Fiduciary Net Position by Employer - Municipal Employees' Retirement System (MERS) plan for the fiscal year ended June 30, 2016. The Schedules are required for employers participating in the MERS multiple-employer defined benefit agent plan to meet their financial reporting responsibilities under generally accepted accounting principles – specifically the requirements of Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions*.

We have also included our report on the MERS plan census data as of June 30, 2015, which was used as the basis for the actuarial valuation of the plan at that date rolled forward to June 30, 2016 – the plan measurement date for fiscal 2017 financial reporting by participating employers in the MERS plan.

Our report is contained herein as outlined in the Table of Contents.

Sincerely,



Dennis E. Hoyle, CPA  
Auditor General

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## ***Municipal Employees' Retirement System***

### **Multiple-Employer Defined Benefit Agent Plan**

### **GASB STATEMENT No. 68 REPORTS**

#### **INTRODUCTION**

The Municipal Employees' Retirement System (MERS) Plan covers certain employees of municipalities, fire districts, housing authorities, water and sewer districts, and municipal police and fire units that have elected to participate. MERS is an agent plan and accordingly separate actuarial valuations are performed for each employer unit.

We have previously audited the financial statements of the Employees' Retirement System of the State of Rhode Island for the year ended June 30, 2016 which includes the MERS plan financial statements. ERSRI has prepared and we have audited the Schedules of Changes in Fiduciary Net Position by Employer (the Schedules) for the fiscal year ended June 30, 2016. The amounts included in the Schedules are used by the actuary to determine the net pension liability or asset for each MERS participating employer at the June 30, 2016 measurement date.

The net pension liability and other measures for each MERS employer unit have been developed consistent with the requirements of GASB 68 – *Accounting and Financial Reporting for Pensions*. Such amounts are intended for accounting and financial reporting by governments which prepare their financial statements in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board. These amounts may and will likely differ from amounts reported in actuarial valuations used to measure actuarially determined contribution amounts consistent with the plan's adopted funding policies.

We have also issued our report on the reliability of the MERS census data at June 30, 2015 used by the actuary to measure the total pension liability for each MERS participating employer. The June 30, 2015 actuarial data, rolled forward to June 30, 2016, was used as the basis for determining the total pension liability at the measurement date (June 30, 2016). **Our report on the census data is intended to be used by each participating employer and their auditors in meeting the employer's fiscal 2017 financial reporting requirements.**

The System's actuary has provided separately issued actuarial valuation reports to each MERS participating employer which contains the beginning net pension liability (asset), ending net pension liability (asset), pension expense and related deferred inflows and outflows. The employer specific actuarial reports also detail actuarial methods and assumptions used by the actuary in measuring the net pension liability (asset) in accordance with the requirements of GASB Statement No. 68.

This audit report and the actuarial valuation reports provided by the actuary will allow employers participating in the MERS agent plan to meet their financial reporting responsibilities pursuant to GASB Statement No. 68.



# Office of the Auditor General

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## INDEPENDENT ACCOUNTANT'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 examined the Employees' Retirement System of Rhode Island (the System) management assertions related to the census data it maintained for the Municipal Employees' Retirement System (MERS) which was used by the System's actuary to prepare the actuarial valuations as of June 30, 2015 for the employers participating in MERS. The data in the 2015 valuations were rolled-forward to June 30, 2016 and used to prepare the GASB Statement No. 68 Accounting Valuation Reports as of June 30, 2016 for the employers participating in MERS. Management's assertions are:

1. The key census data elements as of June 30, 2015 provided by the System to its actuary are complete and accurate based on the accumulation of census data reported by the participating employers for the period July 1, 2014 through June 30, 2015. Key census data elements include: employer code, member name, gender, date of birth, date of hire, years of service, eligible compensation, date of termination, employment status (active, inactive or retired) and employee class (such as general employee, police, fire) and annual benefit payments for retirees as outlined in Title 45 of the General Laws of the State of Rhode Island.
2. The census data provided to the actuary as of June 30, 2015 properly reflects benefit provisions in effect through the measurement date of June 30, 2016 as outlined in Rhode Island General Law Title 45, inclusive of benefit changes resulting from the settlement of the pension litigation (and the subsequent enactment of those settlement provisions by the General Assembly) as approved by the Court on July 8, 2015.
3. The census data provided to the actuary as of June 30, 2015 properly excludes deceased members based on the System's validation of the existence of plan members by cross matching social security numbers of plan members with the Social Security death file maintained by a private vendor (Pension Benefit Information) on a monthly basis for the period July 1, 2014 through June 30, 2015.

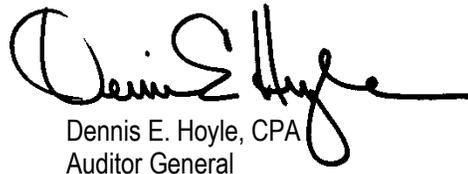
The System's management is responsible for the aforementioned census data assertions. Our responsibility is to express an opinion on these assertions based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertions and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Joint Committee on Legislative Services, General Assembly  
Retirement Board of the Employees' Retirement System of the State of Rhode Island

In our opinion, management's assertions referred to above are fairly stated, in all material respects, based on the law governing MERS (RIGL Title 45).

Our report is intended solely for the information and use of the Employees' Retirement System of the State of Rhode Island's management, the Retirement Board of the Employees' Retirement System of the State of Rhode Island, the Municipal Employees' Retirement System participating employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.



Dennis E. Hoyle, CPA  
Auditor General

September 15, 2017



# Office of the Auditor General

State of Rhode Island and Providence Plantations - General Assembly  
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## 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 fiduciary net position as of June 30, 2016, and the changes in fiduciary net position for the year then ended, included in the accompanying Schedules of Changes in Fiduciary Net Position by Employer ("Schedule") of the Municipal Employees' Retirement System (MERS), and the related notes. We have also audited the fiduciary net position of each individual employer as of June 30, 2016, and the changes in fiduciary net position of each individual employer for the year then ended, included in the accompanying Schedule and the related notes.

### ***Management's Responsibility for the Schedule***

Management is responsible for the preparation and fair presentation of the Schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules, that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the fiduciary net position and the changes in fiduciary net position included in the Schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fiduciary net position and the changes in fiduciary net position included in the Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the fiduciary net position and the changes in fiduciary net position included in the Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the fiduciary net position and the changes in fiduciary net position included in the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the fiduciary net position and the changes in fiduciary net position included in the Schedules.

Joint Committee on Legislative Services, General Assembly  
Retirement Board of the Employees' Retirement System of the State of Rhode Island

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinions**

In our opinion, the Schedules referred to above presents fairly, in all material respects, the fiduciary net position of the Municipal Employees' Retirement System as of June 30, 2016, and the changes in fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the Schedules referred to above presents fairly, in all material respects, the fiduciary net position of each individual employer as of June 30, 2016 and the changes in fiduciary net position of each individual employer for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

The fair values of certain investments (hedge funds, private equity, real estate, and certain infrastructure investments) representing 29% of assets within the pooled investment trust, have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or general partners.

As described in Note 4, certain investment expenses are customarily reported on a net of fees basis and consequently such amounts are not included with other investment expenses as they are not readily separable.

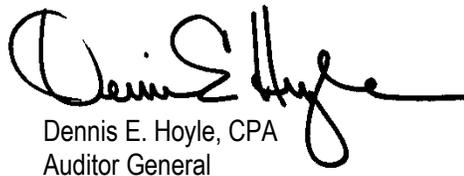
Our opinions are not modified with respect to these matters.

**Other Matter**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Municipal Employees' Retirement System Plan within the Employees' Retirement System of Rhode Island as of and for the year ended June 30, 2016, and our report thereon, dated January 20, 2017, expressed an unmodified opinion on those financial statements.

**Restriction on Use**

Our report is intended solely for the information and use of the Employees' Retirement System of the State of Rhode Island's management, the Retirement Board of the Employees' Retirement System of the State of Rhode Island, the Municipal Employees' Retirement System participating employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.



Dennis E. Hoyle, CPA  
Auditor General

September 15, 2017

**Municipal Employees' Retirement System**  
**Schedules of Changes in Fiduciary Net Position by Employer**  
**Year Ended June 30, 2016**

<i>Employer Unit Type</i>								
	Barrington (COLA)	Barrington	Barrington	Barrington	Bristol	Bristol	Bristol	Bristol Housing
<i>General Employees</i>	•				•			•
<i>Police</i>		•				•		
<i>Fire</i>			•	•			•	
<i>Police and Fire</i>								
<i>Current Employer Unit Number(s)</i>	1002 1003 1007 1009	1004	1005	1008	1012 1019	1014	1015	1016
<i>Legacy Employer Unit Number</i>	3078	4060	4061	4059	3002	4096	4094	3059

**Additions**

Contributions

Member contributions	\$ 238,810	\$ 152,386	\$ 11,203	\$ 133,919	\$ 177,074	\$ 231,079	\$ 5,768	\$ 16,294
Employer contributions	633,228	450,631	101,191	121,615	718,526	135,894	15,820	-
Other (net)	(12,386)	(1)	-	-	7,753	-	117	-
Net investment income	(10,984)	(2,807)	(2,066)	(854)	(5,566)	(2,184)	(102)	(684)
<b>Total Additions</b>	<b>848,668</b>	<b>600,209</b>	<b>110,328</b>	<b>254,680</b>	<b>897,787</b>	<b>364,789</b>	<b>21,603</b>	<b>15,610</b>

**Deductions**

Retirement benefits and refunds	2,028,477	771,715	806,783	54,967	1,483,703	95,737	32,510	95,306
Administrative expense	29,549	7,550	5,557	2,305	14,973	5,876	273	1,841
<b>Total Deductions</b>	<b>2,058,026</b>	<b>779,265</b>	<b>812,340</b>	<b>57,272</b>	<b>1,498,676</b>	<b>101,613</b>	<b>32,783</b>	<b>97,147</b>

<b>Net Increase</b>	<b>(1,209,358)</b>	<b>(179,056)</b>	<b>(702,012)</b>	<b>197,408</b>	<b>(600,889)</b>	<b>263,176</b>	<b>(11,180)</b>	<b>(81,537)</b>
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**Net position held in trust  
for pension benefits**

Beginning of year	32,855,092	8,265,040	6,653,169	2,262,804	16,636,510	6,029,705	303,902	2,052,906
End of year	\$ 31,645,734	\$ 8,085,984	\$ 5,951,157	\$ 2,460,212	\$ 16,035,621	\$ 6,292,881	\$ 292,722	\$ 1,971,369

**Municipal Employees' Retirement System**  
**Schedules of Changes in Fiduciary Net Position by Employer**  
**Year Ended June 30, 2016**

<i>Employer Unit Type</i>	Bristol/Warren Regional School	Burrillville	Burrillville	Burrillville Housing	Central Coventry Fire District	Central Falls	Central Falls School District	Central Falls Housing
<i>General Employees</i>	•	•		•		•	•	•
<i>Police</i>			•					
<i>Fire</i>					•			
<i>Police and Fire</i>								
<i>Current Employer Unit Number(s)</i>	1023	1032 1033	1034	1036	1045 1235 1525 1585	1052	1063	1056
<i>Legacy Employer Unit Number</i>	3100	3003	4090	3065	4102	3004	3099	3096

**Additions**

Contributions

Member contributions	\$ 120,608	\$ 201,073	\$ 138,824	\$ 4,096	\$ 180,090	\$ 35,604	\$ 105,621	\$ 22,546
Employer contributions	760,738	505,089	358,658	15,526	299,951	269,399	310,871	94,009
Other (net)	21,984	4,996	(1)	-	54,221	4,597	(1)	466
Net investment income	(5,390)	(9,043)	(3,159)	(309)	(3,157)	(1,594)	(4,895)	(692)
<b>Total Additions</b>	<b>897,940</b>	<b>702,115</b>	<b>494,322</b>	<b>19,313</b>	<b>531,105</b>	<b>308,006</b>	<b>411,596</b>	<b>116,329</b>

**Deductions**

Retirement benefits and refunds	1,426,262	1,580,673	588,358	60,052	785,391	598,500	812,696	190,188
Administrative expense	14,501	24,325	8,500	832	8,492	4,288	13,168	1,861
<b>Total Deductions</b>	<b>1,440,763</b>	<b>1,604,998</b>	<b>596,858</b>	<b>60,884</b>	<b>793,883</b>	<b>602,788</b>	<b>825,864</b>	<b>192,049</b>

**Net Increase**

	(542,823)	(902,883)	(102,536)	(41,571)	(262,778)	(294,782)	(414,268)	(75,720)
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**Net position held in trust  
for pension benefits**

Beginning of year	16,072,484	26,956,311	9,205,418	932,190	9,357,514	4,887,211	14,516,769	2,068,773
End of year	<b>\$ 15,529,661</b>	<b>\$ 26,053,428</b>	<b>\$ 9,102,882</b>	<b>\$ 890,619</b>	<b>\$ 9,094,736</b>	<b>\$ 4,592,429</b>	<b>\$ 14,102,501</b>	<b>\$ 1,993,053</b>

**Municipal Employees' Retirement System**  
**Schedules of Changes in Fiduciary Net Position by Employer**  
**Year Ended June 30, 2016**

<i>Employer Unit Type</i>	Chariho School District	Charlestown	Charlestown	Coventry Fire District	Coventry Housing	Coventry Lighting District	Cranston	Cranston	Cranston
<i>General Employees</i>	•	•			•	•	•		
<i>Police</i>			•					•	
<i>Fire</i>				•					•
<i>Police and Fire</i>									
<i>Current Employer Unit Number(s)</i>	1073	1082	1084	1095	1096	1098	1112 1113	1114	1115
<i>Legacy Employer Unit Number</i>	3040	3005	4086	4098	3079	3045	3007	4104	4105

**Additions**

Contributions

Member contributions	\$ 179,233	\$ 80,033	\$ 140,033	\$ 68,631	\$ 6,494	\$ 720	\$ 847,508	\$ 1,087,172	\$ 1,189,766
Employer contributions	578,340	222,768	330,618	150,048	70,065	-	2,403,173	1,109,071	991,610
Other (net)	89,697	-	5,600	(203,668)	-	-	28,587	(2)	787
Net investment income	(5,884)	(2,314)	(2,899)	(1,150)	(387)	(391)	(44,150)	(11,700)	(19,290)
<b>Total Additions</b>	<b>841,386</b>	<b>300,487</b>	<b>473,352</b>	<b>13,861</b>	<b>76,172</b>	<b>329</b>	<b>3,235,118</b>	<b>2,184,541</b>	<b>2,162,873</b>

**Deductions**

Retirement benefits and refunds	1,017,261	272,370	535,251	365,038	51,969	61,383	9,048,633	1,021,160	583,801
Administrative expense	15,830	6,225	7,798	3,094	1,040	1,054	118,762	31,475	51,895
<b>Total Deductions</b>	<b>1,033,091</b>	<b>278,595</b>	<b>543,049</b>	<b>368,132</b>	<b>53,009</b>	<b>62,437</b>	<b>9,167,395</b>	<b>1,052,635</b>	<b>635,696</b>

**Net Increase**

	(191,705)	21,892	(69,697)	(354,271)	23,163	(62,108)	(5,932,277)	1,131,906	1,527,177
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**Net position held in trust**

**for pension benefits**

Beginning of year	17,144,907	6,644,429	8,421,452	3,667,806	1,090,938	1,190,631	133,128,907	32,577,392	54,049,733
End of year	\$ 16,953,202	\$ 6,666,321	\$ 8,351,755	\$ 3,313,535	\$ 1,114,101	\$ 1,128,523	\$ 127,196,630	\$ 33,709,298	\$ 55,576,910

**Municipal Employees' Retirement System**  
**Schedules of Changes in Fiduciary Net Position by Employer**  
**Year Ended June 30, 2016**

<i>Employer Unit Type</i>	Cranston Housing	Cumberland	Cumberland Fire District	Cumberland Housing	Cumberland Hill Fire District	Cumberland Rescue	East Greenwich	East Greenwich	East Greenwich
<i>General Employees</i>	•	•		•			•		
<i>Police</i>								•	
<i>Fire</i>			•		•	•			•
<i>Police and Fire</i>									
<i>Current Employer Unit Number(s)</i>	1116	1122 1123	1125	1126	1135	1148	1152 1153	1154	1155
<i>Legacy Employer Unit Number</i>	3051	3008	4106	3056	4095	4091	3009	4054	4050

**Additions**

Contributions

Member contributions	\$ 56,234	\$ 183,696	\$ 93,553	\$ 10,626	\$ 76,723	\$ 109,053	\$ 39,342	\$ 228,603	\$ 255,969
Employer contributions	85,200	1,194,969	198,556	39,108	219,999	121,820	59,728	641,008	666,079
Other (net)	68,663	15,026	-	(68,649)	-	308	-	(1)	1,110
Net investment income	(1,782)	(8,016)	(1,312)	(426)	(1,349)	(2,004)	(2,386)	(4,665)	(3,814)
<b>Total Additions</b>	<b>208,315</b>	<b>1,385,675</b>	<b>290,797</b>	<b>(19,341)</b>	<b>295,373</b>	<b>229,177</b>	<b>96,684</b>	<b>864,945</b>	<b>919,344</b>

**Deductions**

Retirement benefits and refunds	142,201	1,778,432	266,901	78,734	372,214	118,791	519,351	1,152,174	1,048,145
Administrative expense	4,795	21,563	3,530	1,145	3,631	5,392	6,419	12,549	10,275
<b>Total Deductions</b>	<b>146,996</b>	<b>1,799,995</b>	<b>270,431</b>	<b>79,879</b>	<b>375,845</b>	<b>124,183</b>	<b>525,770</b>	<b>1,164,723</b>	<b>1,058,420</b>

<b>Net Increase</b>	<b>61,319</b>	<b>(414,320)</b>	<b>20,366</b>	<b>(99,220)</b>	<b>(80,472)</b>	<b>104,994</b>	<b>(429,086)</b>	<b>(299,778)</b>	<b>(139,076)</b>
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**Net position held in trust  
for pension benefits**

Beginning of year	5,073,881	23,507,405	3,760,141	1,325,827	3,968,824	5,669,244	7,303,640	13,739,335	11,127,797
End of year	<b>\$ 5,135,200</b>	<b>\$ 23,093,085</b>	<b>\$ 3,780,507</b>	<b>\$ 1,226,607</b>	<b>\$ 3,888,352</b>	<b>\$ 5,774,238</b>	<b>\$ 6,874,554</b>	<b>\$ 13,439,557</b>	<b>\$ 10,988,721</b>

**Municipal Employees' Retirement System**  
**Schedules of Changes in Fiduciary Net Position by Employer**  
**Year Ended June 30, 2016**

<i>Employer Unit Type</i>	East Greenwich Housing	East Greenwich (COLA)	East Greenwich (Fire)	East Providence	East Providence Housing	East Smithfield Water	Exeter/West Greenwich School District	Foster
<i>General Employees</i>	•	•	•	•	•	•	•	•
<i>Police</i>								
<i>Fire</i>								
<i>Police and Fire</i>								
<i>Current Employer Unit Number(s)</i>	1156	1157 1158	1159	1162 1163	1166	1177	1183	1192 1193
<i>Legacy Employer Unit Number</i>	3050	3101	3150	3010	3052	3067	3011	3012

**Additions**

Contributions

Member contributions	\$ 10,869	\$ 188,573	\$ 207	\$ 545,479	\$ 24,621	\$ 6,728	\$ 78,330	\$ 32,892
Employer contributions	55,537	312,577	929	4,382,613	89,268	3,430	345,419	149,626
Other (net)	-	1,050	-	7,412	-	-	41	34,404
Net investment income	(446)	(7,231)	(105)	(20,357)	(945)	(322)	(3,104)	(1,149)
<b>Total Additions</b>	<b>65,960</b>	<b>494,969</b>	<b>1,031</b>	<b>4,915,147</b>	<b>112,944</b>	<b>9,836</b>	<b>420,686</b>	<b>215,773</b>

**Deductions**

Retirement benefits and refunds	72,211	842,771	21,752	7,346,876	222,521	38,728	483,713	224,619
Administrative expense	1,201	19,453	281	54,763	2,541	864	8,351	3,092
<b>Total Deductions</b>	<b>73,412</b>	<b>862,224</b>	<b>22,033</b>	<b>7,401,639</b>	<b>225,062</b>	<b>39,592</b>	<b>492,064</b>	<b>227,711</b>

<b>Net Increase</b>	<b>(7,452)</b>	<b>(367,255)</b>	<b>(21,002)</b>	<b>(2,486,492)</b>	<b>(112,118)</b>	<b>(29,756)</b>	<b>(71,378)</b>	<b>(11,938)</b>
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**Net position held in trust  
for pension benefits**

Beginning of year	1,293,363	21,200,218	322,386	61,135,483	2,833,941	955,502	9,014,637	3,322,086
End of year	\$ 1,285,911	\$ 20,832,963	\$ 301,384	\$ 58,648,991	\$ 2,721,823	\$ 925,746	\$ 8,943,259	\$ 3,310,148

**Municipal Employees' Retirement System**  
**Schedules of Changes in Fiduciary Net Position by Employer**  
**Year Ended June 30, 2016**

<i>Employer Unit Type</i>	Foster	Foster/Glocester Regional School District	Glocester	Glocester	Greenville Water	Hope Valley - Wyoming Fire District	Hopkins Hill Fire District	Hopkinton
<i>General Employees</i>		•	•		•	•		•
<i>Police</i>	•			•				
<i>Fire</i>							•	
<i>Police and Fire</i>								
<i>Current Employer Unit Number(s)</i>	1194	1203	1212 1213	1214	1227	1242	1255	1262
<i>Legacy Employer Unit Number</i>	4082	3041	3013	4088	3068	3046	4103	3014

**Additions**

Contributions

Member contributions	\$ 45,689	\$ 51,445	\$ 74,933	\$ 104,610	\$ 5,735	\$ 2,769	\$ 70,789	\$ 41,743
Employer contributions	149,967	223,341	245,813	188,452	5,620	3,919	99,324	82,243
Other (net)	-	-	(1)	-	-	-	89,930	-
Net investment income	(863)	(2,209)	(2,796)	(2,002)	(405)	(199)	(863)	(1,761)
<b>Total Additions</b>	<b>194,793</b>	<b>272,577</b>	<b>317,949</b>	<b>291,060</b>	<b>10,950</b>	<b>6,489</b>	<b>259,180</b>	<b>122,225</b>

**Deductions**

Retirement benefits and refunds	230,282	403,637	521,212	300,537	37,557	42,731	32,343	215,502
Administrative expense	2,317	5,943	7,521	5,386	1,088	535	2,324	4,735
<b>Total Deductions</b>	<b>232,599</b>	<b>409,580</b>	<b>528,733</b>	<b>305,923</b>	<b>38,645</b>	<b>43,266</b>	<b>34,667</b>	<b>220,237</b>

<b>Net Increase</b>	<b>(37,806)</b>	<b>(137,003)</b>	<b>(210,784)</b>	<b>(14,863)</b>	<b>(27,695)</b>	<b>(36,777)</b>	<b>224,513</b>	<b>(98,012)</b>
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**Net position held in trust  
for pension benefits**

<b>Beginning of year</b>	2,524,176	6,501,295	8,265,379	5,783,144	1,193,344	610,876	2,263,920	5,171,412
<b>End of year</b>	<b>\$ 2,486,370</b>	<b>\$ 6,364,292</b>	<b>\$ 8,054,595</b>	<b>\$ 5,768,281</b>	<b>\$ 1,165,649</b>	<b>\$ 574,099</b>	<b>\$ 2,488,433</b>	<b>\$ 5,073,400</b>

**Municipal Employees' Retirement System  
Schedules of Changes in Fiduciary Net Position by Employer  
Year Ended June 30, 2016**

<i>Employer Unit Type</i>	Hopkinton	Jamestown	Johnston	Johnston	Johnston	Johnston Housing	Lime Rock Fire District (Administrative)	Lincoln	Lincoln Rescue
<i>General Employees</i>		•	•			•	•	•	
<i>Police</i>	•			•					
<i>Fire</i>					•				•
<i>Police and Fire</i>									
<i>Current Employer Unit Number(s)</i>	1264	1272 1273	1282 1283	1284	1285	1286	1293	1302 1303	1305
<i>Legacy Employer Unit Number</i>	4087	3015	3016	1284	4016	3072	3098	3017	4107

**Additions**

Contributions

Member contributions	\$ 95,159	\$ 127,652	\$ 220,343	\$ 61,429	\$ 341,251	\$ 7,757	\$ 4,008	\$ 10,092	\$ 94,536
Employer contributions	282,019	413,347	1,241,203	61,293	352,791	48,949	11,643	128,161	172,028
Other (net)	-	126,711	(2)	-	136,054	26,771	-	(46,510)	-
Net investment income	(1,811)	(4,282)	(10,179)	(158)	(2,251)	(409)	(98)	(666)	(1,181)
<b>Total Additions</b>	<b>375,367</b>	<b>663,428</b>	<b>1,451,365</b>	<b>122,564</b>	<b>827,845</b>	<b>83,068</b>	<b>15,553</b>	<b>91,077</b>	<b>265,383</b>

**Deductions**

Retirement benefits and refunds	486,520	709,631	2,899,591	-	84,257	82,208	15,041	105,764	164,793
Administrative expense	4,870	11,516	27,381	425	6,055	1,099	263	1,790	3,177
<b>Total Deductions</b>	<b>491,390</b>	<b>721,147</b>	<b>2,926,972</b>	<b>425</b>	<b>90,312</b>	<b>83,307</b>	<b>15,304</b>	<b>107,554</b>	<b>167,970</b>

**Net Increase**

	(116,023)	(57,719)	(1,475,607)	122,139	737,533	(239)	249	(16,477)	97,413
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**Net position held in trust**

for pension benefits

Beginning of year	5,334,773	12,395,818	30,799,652	333,341	5,746,959	1,177,286	281,533	1,933,815	3,304,919
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End of year	\$ 5,218,750	\$ 12,338,099	\$ 29,324,045	\$ 455,480	\$ 6,484,492	\$ 1,177,047	\$ 281,782	\$ 1,917,338	\$ 3,402,332
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**Municipal Employees' Retirement System  
Schedules of Changes in Fiduciary Net Position by Employer  
Year Ended June 30, 2016**

<i>Employer Unit Type</i>	Lincoln Housing	Middletown	Middletown	Narragansett Housing	New Shoreham	New Shoreham	Newport	Newport Housing
<i>General Employees</i>	•	•		•	•		•	•
<i>Police</i>						•		
<i>Fire</i>								
<i>Police and Fire</i>			•					
<i>Current Employer Unit Number(s)</i>	1306	1322 1323	1324	1336	1342 1343	1344	1352 1353 1354	1356
<i>Legacy Employer Unit Number</i>	3057	3019	4109	3043	3022	4108	3021	3069

**Additions**

Contributions

Member contributions	\$ 10,119	\$ 174,919	\$ 371,200	\$ 3,570	\$ 59,083	\$ 29,982	\$ 456,552	\$ 50,256
Employer contributions	80,450	572,585	238,230	10,192	177,648	70,840	2,661,652	302,751
Other (net)	-	(84,056)	9,139	-	-	-	(43,448)	-
Net investment income	(551)	(5,826)	(2,004)	(186)	(2,267)	(405)	(15,211)	(2,183)
<b>Total Additions</b>	<b>90,018</b>	<b>657,622</b>	<b>616,565</b>	<b>13,576</b>	<b>234,464</b>	<b>100,417</b>	<b>3,059,545</b>	<b>350,824</b>

**Deductions**

Retirement benefits and refunds	151,011	1,002,493	68,966	5,739	308,932	79,345	5,001,120	624,860
Administrative expense	1,483	15,673	5,390	501	6,096	1,091	40,919	5,872
<b>Total Deductions</b>	<b>152,494</b>	<b>1,018,166</b>	<b>74,356</b>	<b>6,240</b>	<b>315,028</b>	<b>80,436</b>	<b>5,042,039</b>	<b>630,732</b>

**Net Increase**

	(62,476)	(360,544)	542,209	7,336	(80,564)	19,981	(1,982,494)	(279,908)
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**Net position held in trust  
for pension benefits**

Beginning of year	1,650,832	17,146,280	5,230,305	528,843	6,609,500	1,148,355	45,806,767	6,569,017
End of year	<b>\$ 1,588,356</b>	<b>\$ 16,785,736</b>	<b>\$ 5,772,514</b>	<b>\$ 536,179</b>	<b>\$ 6,528,936</b>	<b>\$ 1,168,336</b>	<b>\$ 43,824,273</b>	<b>\$ 6,289,109</b>

**Municipal Employees' Retirement System**  
**Schedules of Changes in Fiduciary Net Position by Employer**  
**Year Ended June 30, 2016**

<i>Employer Unit Type</i>	Newport Police Department	North Cumberland Fire District	North Kingstown	North Kingstown	North Kingstown	North Providence	North Providence	North Providence Housing	North Smithfield
<i>General Employees</i>			•			•		•	•
<i>Police</i>	•			•					
<i>Fire</i>		•			•		•		
<i>Police and Fire</i>									
<i>Current Employer Unit Number(s)</i>	1364	1365	1372 1373	1374	1375	1382 1383	1385	1386	1392 1393
<i>Legacy Employer Unit Number</i>	1364	4101	3023	4056	4055	3024	4058	3066	3025

**Additions**

Contributions

Member contributions	\$ 9,191	\$ 68,422	\$ 358,384	\$ 322,075	\$ 462,780	\$ 148,813	\$ 455,921	\$ 11,106	\$ 93,355
Employer contributions	8,507	144,687	1,916,344	825,646	1,395,501	467,972	1,259,357	69,721	228,318
Other (net)	-	-	(4,085)	(1)	57,956	14,859	1,721	-	437,863
Net investment income	(7)	(1,568)	(15,201)	(6,619)	(10,000)	(9,366)	(10,462)	(284)	(4,755)
<b>Total Additions</b>	<b>17,692</b>	<b>211,541</b>	<b>2,255,442</b>	<b>1,141,101</b>	<b>1,906,237</b>	<b>622,278</b>	<b>1,706,537</b>	<b>80,543</b>	<b>754,781</b>

**Deductions**

Retirement benefits and refunds	-	252,552	3,862,780	1,403,155	2,325,181	1,825,134	2,509,464	103,487	922,792
Administrative expense	17	4,218	40,893	17,805	26,901	25,197	28,142	764	12,792
<b>Total Deductions</b>	<b>17</b>	<b>256,770</b>	<b>3,903,673</b>	<b>1,420,960</b>	<b>2,352,082</b>	<b>1,850,331</b>	<b>2,537,606</b>	<b>104,251</b>	<b>935,584</b>

<b>Net Increase</b>	<b>17,675</b>	<b>(45,229)</b>	<b>(1,648,231)</b>	<b>(279,859)</b>	<b>(445,845)</b>	<b>(1,228,053)</b>	<b>(831,069)</b>	<b>(23,708)</b>	<b>(180,803)</b>
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**Net position held in trust**

for pension benefits

Beginning of year		4,562,167	45,442,642	19,348,482	29,257,238	28,211,847	30,970,330	842,048	13,880,504
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End of year	\$ 17,675	\$ 4,516,938	\$ 43,794,411	\$ 19,068,623	\$ 28,811,393	\$ 26,983,794	\$ 30,139,261	\$ 818,340	\$ 13,699,701
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**Municipal Employees' Retirement System  
Schedules of Changes in Fiduciary Net Position by Employer  
Year Ended June 30, 2016**

<i>Employer Unit Type</i>	North Smithfield	North Smithfield Fire and Rescue	Northern RI Collaborative	Pawtucket	Pawtucket Housing	Richmond	Richmond	Scituate	Scituate
<i>General Employees</i>			•	•	•	•		•	
<i>Police</i>	•						•		•
<i>Fire</i>		•							
<i>Police and Fire</i>									
<i>Current Employer Unit Number(s)</i>	1394	1395 1435	1403	1412 1413	1416	1452	1454	1462 1463	1464
<i>Legacy Employer Unit Number</i>	4076	4047	3081	3026	3053	3029	4029	3030	4073

**Additions**

Contributions

Member contributions	\$ 163,316	\$ 134,495	\$ 26,749	\$ 652,003	\$ 110,389	\$ 21,668	\$ 65,623	\$ 82,476	\$ -
Employer contributions	356,690	230,979	86,314	3,351,131	-	105,589	90,160	406,352	-
Other (net)	(1)	(314,663)	15,146	7,817	(26,772)	-	-	86	-
Net investment income	(3,040)	(2,260)	(946)	(29,526)	(4,660)	(702)	(579)	(3,382)	(69)
<b>Total Additions</b>	<b>516,965</b>	<b>48,551</b>	<b>127,263</b>	<b>3,981,425</b>	<b>78,957</b>	<b>126,555</b>	<b>155,204</b>	<b>485,532</b>	<b>(69)</b>

**Deductions**

Retirement benefits and refunds	630,681	299,771	145,125	8,320,606	459,705	140,013	26,892	915,212	4,109
Administrative expense	8,177	6,080	2,546	79,423	12,536	1,888	1,558	9,097	187
<b>Total Deductions</b>	<b>638,858</b>	<b>305,851</b>	<b>147,671</b>	<b>8,400,029</b>	<b>472,241</b>	<b>141,901</b>	<b>28,450</b>	<b>924,309</b>	<b>4,296</b>

**Net Increase**

	(121,893)	(257,300)	(20,408)	(4,418,604)	(393,284)	(15,346)	126,754	(438,777)	(4,365)
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**Net position held in trust**

for pension benefits

Beginning of year	8,879,524	6,768,957	2,746,714	89,475,505	13,818,947	2,037,804	1,541,749	10,181,256	204,173
End of year	\$ 8,757,631	\$ 6,511,657	\$ 2,726,306	\$ 85,056,901	\$ 13,425,663	\$ 2,022,458	\$ 1,668,503	\$ 9,742,479	\$ 199,808

**Municipal Employees' Retirement System  
Schedules of Changes in Fiduciary Net Position by Employer  
Year Ended June 30, 2016**

<i>Employer Unit Type</i>	Smithfield	Smithfield	Smithfield	Smithfield Housing	Smithfield (COLA)	South Kingstown	South Kingstown	South Kingstown Housing	South Kingstown (EMT)
<i>General Employees</i>		•		•	•	•		•	
<i>Police</i>			•				•		
<i>Fire</i>	•								•
<i>Police and Fire</i>									
<i>Current Employer Unit Number(s)</i>	1465	1472 1473	1474	1476	1478	1492 1493	1494	1496	1505
<i>Legacy Employer Unit Number</i>	1465	3031	4031	3084	3094	3032	4063	3080	4099

**Additions**

Contributions

Member contributions	\$ 66,593	\$ 81,209	\$ 293,689	\$ 5,557	\$ 134,625	\$ 420,375	\$ 319,163	\$ 3,012	\$ 77,657
Employer contributions	68,903	266,690	204,399	2,908	372,459	1,392,328	794,657	3,901	41,920
Other (net)	-	(15,140)	(1)	-	(62,907)	(79,911)	(5,037)	-	-
Net investment income	(344)	(4,063)	(4,632)	(158)	(4,844)	(17,435)	(7,368)	(136)	(1,271)
<b>Total Additions</b>	<b>135,152</b>	<b>328,696</b>	<b>493,455</b>	<b>8,307</b>	<b>439,333</b>	<b>1,715,357</b>	<b>1,101,415</b>	<b>6,777</b>	<b>118,306</b>

**Deductions**

Retirement benefits and refunds	-	883,523	247,765	-	712,041	3,212,066	1,679,490	-	104,062
Administrative expense	923	10,928	12,462	434	13,030	46,904	19,819	365	3,419
<b>Total Deductions</b>	<b>923</b>	<b>894,451</b>	<b>260,227</b>	<b>434</b>	<b>725,071</b>	<b>3,258,970</b>	<b>1,699,309</b>	<b>365</b>	<b>107,481</b>

**Net Increase**

	134,229	(565,755)	233,228	7,873	(285,738)	(1,543,613)	(597,894)	6,412	10,825
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**Net position held in trust**

for pension benefits

Beginning of year	854,579	12,269,517	13,113,021	448,408	14,240,648	51,775,423	21,823,345	384,728	3,650,484
End of year	\$ 988,808	\$ 11,703,762	\$ 13,346,249	\$ 456,281	\$ 13,954,910	\$ 50,231,810	\$ 21,225,451	\$ 391,140	\$ 3,661,309

**Municipal Employees' Retirement System  
Schedules of Changes in Fiduciary Net Position by Employer  
Year Ended June 30, 2016**

<i>Employer Unit Type</i>	Union Fire District	Tiogue Lighting and Fire District	Tiverton	Tiverton	Tiverton (Local 2670A)	Valley Falls Fire District	Warren	Warren	Warren Housing
<i>General Employees</i>	•	•	•		•		•		•
<i>Police</i>									
<i>Fire</i>				•		•			
<i>Police and Fire</i>								•	
<i>Current Employer Unit Number(s)</i>	1515	1528	1532 1533	1534	1538	1555	1562	1564 1565	1566
<i>Legacy Employer Unit Number</i>	3027	3042	3033	4077	3077	4042	3034	4062	3071

**Additions**

Contributions

Member contributions	\$ 7,296	\$ -	\$ 107,803	\$ 161,761	\$ 29,253	\$ 63,690	\$ 61,437	\$ 157,834	\$ 4,955
Employer contributions	25,392	-	120,565	230,385	87,977	118,425	240,331	443,482	14,938
Other (net)	-	-	3,557	(84,036)	(25,640)	-	25,640	(1)	-
Net investment income	(232)	(16)	(4,386)	(3,232)	(1,306)	(1,130)	(1,719)	(3,271)	(404)
<b>Total Additions</b>	<b>32,456</b>	<b>(16)</b>	<b>227,539</b>	<b>304,878</b>	<b>90,284</b>	<b>180,985</b>	<b>325,689</b>	<b>598,044</b>	<b>19,489</b>

**Deductions**

Retirement benefits and refunds	13,883	2,470	565,572	737,239	251,012	252,687	420,292	671,615	111,041
Administrative expense	624	42	11,791	8,695	3,513	3,041	4,623	8,799	1,085
<b>Total Deductions</b>	<b>14,507</b>	<b>2,512</b>	<b>577,363</b>	<b>745,934</b>	<b>254,525</b>	<b>255,728</b>	<b>424,915</b>	<b>680,414</b>	<b>112,126</b>

<b>Net Increase</b>	<b>17,949</b>	<b>(2,528)</b>	<b>(349,824)</b>	<b>(441,056)</b>	<b>(164,241)</b>	<b>(74,743)</b>	<b>(99,226)</b>	<b>(82,370)</b>	<b>(92,637)</b>
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**Net position held in trust  
for pension benefits**

<b>Beginning of year</b>	650,083	47,834	12,985,306	9,753,123	3,926,366	3,331,270	5,050,569	9,505,608	1,255,106
<b>End of year</b>	<b>\$ 668,032</b>	<b>\$ 45,306</b>	<b>\$ 12,635,482</b>	<b>\$ 9,312,067</b>	<b>\$ 3,762,125</b>	<b>\$ 3,256,527</b>	<b>\$ 4,951,343</b>	<b>\$ 9,423,238</b>	<b>\$ 1,162,469</b>

**Municipal Employees' Retirement System  
Schedules of Changes in Fiduciary Net Position by Employer  
Year Ended June 30, 2016**

<i>Employer Unit Type</i>	West Greenwich	West Greenwich	West Warwick Housing	Westerly	Woonsocket	Woonsocket	Woonsocket	Albion Fire District	Albion Fire District
<i>General Employees</i>	•		•	•	•			•	
<i>Police</i>						•			
<i>Fire</i>							•		•
<i>Police and Fire</i>		•							
<i>Current Employer Unit Number(s)</i>	1602	1604	1616	1622 1623	1632 1633	1634	1635	1702	1705
<i>Legacy Employer Unit Number</i>	3037	4089	3083	3036	3039	4085	4093	3103	4111

**Additions**

Contributions

Member contributions	\$ 26,081	\$ 92,866	\$ 4,813	\$ -	\$ 328,429	\$ 548,404	\$ 694,209	\$ -	\$ 23,529
Employer contributions	171,932	209,237	22,668	181,400	1,225,093	1,436,140	786,233	7,394	41,342
Other (net)	-	-	-	-	(125,808)	1,086	(3)	-	-
Net investment income	(818)	(1,301)	(536)	(106)	(19,818)	(11,800)	(14,667)	(48)	(280)
<b>Total Additions</b>	<b>197,195</b>	<b>300,802</b>	<b>26,945</b>	<b>181,294</b>	<b>1,407,896</b>	<b>1,973,830</b>	<b>1,465,772</b>	<b>7,346</b>	<b>64,591</b>

**Deductions**

Retirement benefits and refunds	264,748	213,043	169,204	145,691	4,784,418	2,648,348	1,172,547	8,277	23,765
Administrative expense	2,195	3,499	1,442	284	53,331	31,746	39,450	129	754
<b>Total Deductions</b>	<b>266,943</b>	<b>216,542</b>	<b>170,646</b>	<b>145,975</b>	<b>4,837,749</b>	<b>2,680,094</b>	<b>1,211,997</b>	<b>8,406</b>	<b>24,519</b>

**Net Increase**

	(69,748)	84,260	(143,701)	35,319	(3,429,853)	(706,264)	253,775	(1,060)	40,072
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**Net position held in trust**

for pension benefits

Beginning of year	2,426,906	3,663,507	1,687,777	268,845	60,526,594	34,704,430	42,002,400	138,916	767,310
End of year	\$ 2,357,158	\$ 3,747,767	\$ 1,544,076	\$ 304,164	\$ 57,096,741	\$ 33,998,166	\$ 42,256,175	\$ 137,856	\$ 807,382

**Municipal Employees' Retirement System**  
**Schedules of Changes in Fiduciary Net Position by Employer**  
**Year Ended June 30, 2016**

<i>Employer Unit Type</i>	Harrisville Fire District	Harrisville Fire District	Pascoag Fire District (Administrative)	Pascoag Fire District	Total
<i>General Employees</i>	•		•		
<i>Police</i>					
<i>Fire</i>		•		•	
<i>Police and Fire</i>					
<i>Current Employer Unit Number(s)</i>	1712	1715	1802	1805	
<i>Legacy Employer Unit Number</i>	3102	4110	1802	1805	

**Additions**

Contributions

Member contributions	\$ 9,604	\$ 34,497	\$ 1,064	\$ 28,398	\$ 16,806,273
Employer contributions	16,128	27,421	7,047	54,895	46,597,024
Other (net)	-	-	-	2,768	101,191
Net investment income	(246)	(467)	(2)	(30)	(471,319)
<b>Total Additions</b>	<u>25,486</u>	<u>61,451</u>	<u>8,109</u>	<u>86,031</u>	<u>63,033,169</u>

**Deductions**

Retirement benefits and refunds	-	-	-	-	96,113,848
Administrative expense	660	1,254	8	80	1,267,911
<b>Total Deductions</b>	<u>660</u>	<u>1,254</u>	<u>8</u>	<u>80</u>	<u>97,381,759</u>

<b>Net Increase</b>	<u>24,826</u>	<u>60,197</u>	<u>8,101</u>	<u>85,951</u>	<u>(34,348,590)</u>
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**Net position held in trust**

for pension benefits

Beginning of year	682,373	1,283,306			1,392,224,913
<b>End of year</b>	<u>\$ 707,199</u>	<u>\$ 1,343,503</u>	<u>\$ 8,101</u>	<u>\$ 85,951</u>	<u>\$ 1,357,876,323</u>

**Municipal Employees' Retirement System  
Multiple-Employer Defined Benefit Agent Plan**

NOTES TO SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

**1. Plan Description and Governance**

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 through various defined benefit and defined contribution retirement plans. The System is administered by the State of Rhode Island Retirement Board which was authorized, created and established as an independent retirement board to hold and administer, in trust, the funds of the retirement system.

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 Municipal Employees' Retirement System (MERS) was established by Rhode Island General Law and placed under the management of the Retirement Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. MERS is a multiple-employer defined benefit agent plan.

**2. Plan Membership and Benefit Provisions**

**Participating employers are summarized below:**

Municipalities, housing authorities, water and sewer districts	68
Municipal police and fire departments	<u>45</u>
Total participating units as of the actuarial valuation at June 30, 2015	<u>113</u>

**Plan members:**

	<i>Retirees and beneficiaries</i>	<i>Terminated plan members entitled to but not yet receiving benefits</i>	<i>Active Vested</i>	<i>Active Non-vested</i>	<i>Total by Plan</i>
MERS					
General Employees	4,440	2,719	4,503	1,366	13,028
Public Safety	728	163	1,132	344	2,367
Total by type	5,168	2,882	5,635	1,710	15,395

**Plan vesting provisions** – after five years of service.

**Summary of Benefit Provisions**

For general employees prior to June 30, 2012 the plan provided 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%. Such benefits are available to members at least age 58 with 10 years of service or after 30 years of service at any age. Benefits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act until it is exceeded by the member's full years of service credit, including service after June 30, 2012, multiplied by the average of five consecutive years of compensation. Effective July 1, 2012, the retirement age mirrors the Social Security Normal Retirement Age not to

**Municipal Employees' Retirement System  
Multiple-Employer Defined Benefit Agent Plan**

NOTES TO SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

**2. Plan Membership and Benefit Provisions (continued)**

exceed age 67. Members will receive a benefit accrual of 1.0% per year based on the five-year average compensation.

Effective July 1, 2015, general employees with more than 20 years of service at July 1, 2012 increased their employee contribution rates to 8.25% (9.25% for units with a cost of living adjustment provision) and participate solely in the defined benefit plan. These members receive a benefit accrual of 2% per year based on the three or five-year average compensation.

Effective July 1, 2015 general employees are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service.

Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.

Joint and survivor options are available. For members with 10 years of service as of July 1, 2005, 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).

Prior to June 30, 2012, 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 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.

From June 30, 2012 to June 30, 2015, retirement age for police and fire personnel is 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers or firefighters, that are at least 45 years old, have 10 or more years of contributing service and are eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52. Effective July 1, 2015, police and fire personnel may retire at age 50 with 25 years of service, or any age with 27 years of service. MERS police and fire personnel will contribute 9.00% (10.00% for units with a cost of living adjustment).

As of June 30, 2012, members will continue to have a frozen benefit accrual of 2.0% per year for a standard 25 year with any age and out plan; 2.5% for a standard 20 year with any age and out plan. Effective July 1, 2012 the optional 20 and 25 year with retirement at any age plans have been eliminated. The benefit accrual for all plans will be 2.0% per year based on the five-year average compensation, exclusive of overtime. Police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit will be calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act.

***Other benefit provisions***

The plan also provides survivor's benefits; and certain lump sum death benefits. A member is eligible for a nonservice-connected disability retirement provided he/she has credit for at least five years of service. Members are not eligible for an ordinary disability benefit if they are eligible for unreduced retirement. Members are also eligible for service-connected disability retirement with no minimum service requirement.

**Municipal Employees' Retirement System  
Multiple-Employer Defined Benefit Agent Plan**

NOTES TO SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

**2. Plan Membership and Benefit Provisions (continued)**

Joint and survivor benefit options are available to retirees. For some employees, a Social Security Option is also available where an annuity is paid at one amount prior to age 62, and at a reduced amount after age 62, designed to provide a level total income when combined with the member's age 62 Social Security benefit. Benefits cease upon the member's death.

An optional cost-of-living provision may be elected for police and fire personnel and general employees. The Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision will be reviewed in a four-year interval while the plans are less than 80% funded. When the funding level of a plan exceeds 80% funded eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA calculation is represented by the following formula: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5.5% (5 yr return – 5.5%, with a max of 4%) and 50% calculated using the percentage increase in the CPI-U from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%. This COLA is calculated on the first \$31,026 for all members and/or beneficiaries of members who retired on or before June 30, 2015.

This COLA is calculated on the first \$25,855, effective January 1, 2016, for all other members/beneficiaries and indexed as of that date as well. The indexing formula is run annually regardless of funding level each year. The COLA will be delayed until the later of the Social Security Retirement Age or three years after retirement for general employees and until the later of age 50 and three years after retirement for police and fire personnel, other than those entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect. Once the plan achieves 80% funding, the COLA limitation will be returned to the \$25,855, which will continue to be indexed annually.

**3. Relationship to the Plan Financial Statements**

Contributions, benefits and net position are maintained for each MERS employer unit. Certain costs which are common to the administration of the overall pension system are allocated first to each plan and then to each MERS employer unit.

This report was prepared to provide participating employers with additional information needed to comply with the financial reporting requirements of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. Additional financial information for the Employees' Retirement System of Rhode Island (including the MERS plan) is available in the System's audited financial statements for the fiscal year ended June 30, 2016 at [www.ersri.org](http://www.ersri.org).

Certain additions and deductions are presented differently on the Schedules of Changes in Fiduciary Net Position by Employer from the presentation in the System's audited financial statements for the fiscal year ended June 30, 2016 as summarized below.

As presented in the on System's audited financial statements for the fiscal year ended June 30, 2016:	
Interest on service credits purchased	\$ 36,443
Miscellaneous revenue	64,748
Service credit transfers (net)	-
As presented in the Schedule of Changes in Fiduciary Net Position by Employer:	
<b>Additions – Other (net)</b>	<b>\$101,191</b>

Rounding results in minor differences between the Schedules of Changes in Fiduciary Net Position by Employer and the System's audited financial statements for the fiscal year ended June 30, 2016.

**Municipal Employees' Retirement System  
Multiple-Employer Defined Benefit Agent Plan**

NOTES TO SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

**4. Summary of Significant Accounting Policies**

**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.

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 and defined contribution plans established and administered by governmental entities.

**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.

**Investments** - Investment transactions are recorded on a trade date basis. Gains or losses on foreign currency exchange contracts are included in income consistent with changes in the underlying exchange rates. Dividend income is recorded on the ex-dividend date. MERS holds units in the System's Pooled Investment Trust. The number of units held by each plan within the System is a function of each plans' respective contribution to, or withdrawals from, the trust.

**Method Used to Value Investments** - Investments are recorded in the financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The fair value of fixed income securities and domestic and international equity securities is generally based on published market prices and quotations from national security exchanges and securities pricing services. The fair value of mutual fund investments reflects the published closing net asset value as reported by the fund manager.

Commingled funds include institutional domestic equity index and international equity index funds. The fair value of these commingled funds is based on the reported net asset value (NAV) based upon the fair value of the underlying securities or assets held in the fund. The determination of fair value for other commingled funds, which include hedge, private equity, and real estate funds is described in the succeeding paragraphs.

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, real estate, hedge funds, and infrastructure investments) are valued based on the reported Net Asset Value (NAV) by the fund manager or general partner. Publicly traded investments held by the partnerships are valued based on quoted market prices. If not publicly traded, the fair value is determined by the general partner following U.S. generally accepted accounting

**Municipal Employees' Retirement System**  
**Multiple-Employer Defined Benefit Agent Plan**

NOTES TO SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

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

principles. 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.

Private equity represented 7.1% of the total reported fair value of all ERSRI investments at June 30, 2016. Private equity is comprised of 80 limited partnership funds that provide the portfolio exposure to private companies through equity and/or debt investments. Private equity fund managers invest in private companies with the goal of enhancing their value over the long-term. The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2016.

Real estate represented 6.8% of the total reported fair value of all ERSRI investments at June 30, 2016. Real estate is comprised of 14 limited partnerships investments. These investments are comprised of two different private real estate equity components, Core and Non-Core, which generally refer to the relative levels of risk in the underlying assets. Core investments include existing, substantially leased, income-producing properties located principally in economically diversified metropolitan areas. Non-Core investments represent those properties and/or investment strategies that require specialized acquisition and management expertise and skill to mitigate the business and leasing risks that may be associated with individual investments. Non-Core investments, which may be referred to as Value Added and Opportunistic investments, are expected to be held for shorter periods, have greater volatility compared to Core investments, and as such, are expected to provide yields higher than those associated with Core investments. These funds acquire, manage and sell physical properties, including office, retail, apartment, and industrial buildings as well as more niche property types, such as student housing, self-storage and hotels. The primary goals of this asset class are to provide current income, risk-adjusted total returns, and diversification. The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2016.

With the exception of five core open-end funds which allow for quarterly redemptions, the investments cannot be redeemed. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

Hedge funds represented 14.4% of the total reported fair value of all ERSRI investments at June 30, 2016. The ERSRI portfolio is comprised of 17 limited partnerships divided into two sub-categories: hedged equity and absolute return. Hedged equity funds are designed to benefit from the stock market with considerably less risk. They own stakes in companies they expect to outperform and also sell short stocks that they expect to underperform. Absolute return hedge funds employ strategies that seek to generate long-term returns and mitigate risk, regardless of broader market moves. The funds invest across asset classes, including government bonds, other fixed income securities, equity indexes, commodities, and currencies.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2016. Of the underlying holdings within the hedge funds approximately 74% were valued based on Tier 1 inputs (unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted investments).

The system's investments in hedge funds are generally subject to "lock-up" provisions that limit (subject to certain exceptions) the ability to withdraw amounts previously invested for a period of one to three years after the initial investment. At June 30, 2016, investments totaling \$102,040,478 are subject to these withdrawal limitation provisions. In addition, assets totaling \$300,157 are held in Indus Asia Pacific Distribution Holding Company II, Ltd., a vehicle

**Municipal Employees' Retirement System  
Multiple-Employer Defined Benefit Agent Plan**

NOTES TO SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

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

managing the liquidation of investments held in private securities. Cash will be distributed as investments are sold. The remainder of hedge fund assets is available for redemption on a month-end, quarter-end, semi-annual or annual basis, and is subject to notice periods which vary by fund and range from 2 days to 150 days.

Infrastructure investments represented 3.4% of the total reported fair value of all ERSRI investments at June 30, 2016. Infrastructure investments are comprised of three funds that provide inflation-protection and current income to the portfolio through investments in facilities and services required for an economy to function including electricity production and distribution, pipelines, sewers and waste management, airports, roads, bridges, ports, railroads, telephone and cable networks, and hospitals.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2016.

With the exception of one open-end core fund which allows for quarterly liquidity, the investments cannot be redeemed. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

**Investment expenses** - Certain investment management expenses are presented separately as a component of net investment income and include investment consultants, custodial fees, direct investment expenses allocated by managers, and allocated Office of the General Treasurer expenses associated with oversight of the portfolio. In some instances, (hedge funds, private equity, real estate, infrastructure investments, and cash investments), investment related costs are not readily separable from investment income and consequently investment income is recorded net of related expenses.

**Contributions** - Plan member contributions for the defined benefit plans 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 defined benefit plan are recognized when due and the employer has made a formal commitment to provide the contributions.

**Benefits** - Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

**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 position. Because of the inherent uncertainty in the valuation of privately held securities, the fair value may differ from the values that would have been used if a ready market for such securities existed, and the difference can be material. Estimates also affect the reported amounts of income/additions and expenses/deductions during the reporting period. Actual results could differ from these estimates.

**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 for the defined benefit plans. Plan member contributions for the defined benefit and defined contribution plans are fixed by statute. Member and employer contribution rates are subject to amendment by the General Assembly.

**Municipal Employees' Retirement System  
Multiple-Employer Defined Benefit Agent Plan**

NOTES TO SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

**5. Contributions (continued)**

**(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), 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 rate of contribution which, if applied to the compensation of each individual member during the entire period of anticipated covered service, would be required to meet the cost of all benefits payable on his behalf. This method is commonly referred to as the Individual Entry Age Actuarial Cost Method.

The unfunded actuarial accrued liability (UAAL) is amortized as a level percent of payroll over a closed period. For underfunded plans, the period is 25 years as measured from June 30, 2010, or 21 years as of the current valuation date for any existing UAAL. Beginning with the June 30, 2014 actuarial valuation, new experience gains and losses for underfunded plans are amortized over individual closed periods of 20 years using the process of "laddering". Overfunded plans will have an amortization rate calculated using a single base amortized over an open period of 20 years.

**(b). Contribution rates**

Employer contribution rates for fiscal 2016 for MERS employers were developed based on actuarial valuations performed as of June 30, 2013. Employee contribution rates are statutorily determined. The table below displays the contribution rates for the year ended June 30, 2016:

<b>Plan</b>	<b>Employee</b>	<b>Employer</b>
General Employees	1.00% (additional 1% with a cost-of-living adjustment) Effective July 1, 2015, members with 20 or more years of service at June 30, 2012 contribute an additional 7.25%	68 Municipalities, housing authorities, water and sewer districts contributed various actuarially determined rates.
Public Safety	9.00% (additional 1% with a cost-of-living adjustment)*	45 Municipal police and fire departments contributed various actuarially determined rates.

**Municipal Employees' Retirement System  
Multiple-Employer Defined Benefit Agent Plan**

NOTES TO SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

**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 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. 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.

Administrative expenses of the System, financed as described in the preceding paragraph, include expenses within the Office of General Treasurer related to oversight of the System's investment portfolio. Consistent with generally accepted accounting principles, these expenses have been included with net investment income (loss) on the Schedule of Changes in Fiduciary Net Position by Employer.

**7. Commitments**

The State Investment Commission has committed to fund certain private equity, real estate, and infrastructure investment managers at a predetermined subscription amount. Outstanding unfunded investment commitments at June 30, 2016 totaled \$538 million. These commitments will be funded through cash available within the pooled investment trust generated through investment income and/or liquidation of other investments.

The system's investments in hedge funds are generally subject to "lock-up" provisions that limit (subject to certain exceptions) the ability to withdraw amounts previously invested for a period of one to three years after the initial investment. At June 30, 2016, investments totaling approximately \$102 million are subject to these withdrawal limitation provisions. The remainder of hedge fund assets are available for redemption either on a month end or quarter end basis, and are subject to notice periods which vary by fund and range from 2 days to 90 days.

The System is committed under a ten-year development and operating agreement to design, transition, and implement new line-of-business, general ledger accounting system, and payroll administration systems. The contract requires monthly payments through fiscal 2022. Total payments over the contract period are estimated at \$22 million.

**8. Contingencies**

**Challenges to Pension Reforms**

Various legal challenges to enacted pension reforms initiated in recent years were settled in 2015. To carry out the settlement, the Rhode Island General Assembly passed legislation amending the Rhode Island Retirement Security Act (RIRSA), which had been enacted into law in 2011. This legislation was enacted into law on June 30, 2015 and became generally effective July 1, 2015 (New RIRSA). On July 8, 2015, the Court entered final judgment.

Eight appeals were filed with respect to the final judgement entered in Rhode Island Public Employees' Retiree Coalition v. Raimondo, and one appeal was filed with respect to the judgement in Clifford v. Chafee. Three of the nine appeals were dismissed by the Supreme Court. The State intends to vigorously defend the remaining six appeals. The appeals in the case do not affect the implementation of New RIRSA.

**Municipal Employees' Retirement System  
Multiple-Employer Defined Benefit Agent Plan**

NOTES TO SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER

**8. Contingencies (continued)**

On March 16, 2016, the plaintiffs in Cranston Firefighters, IAFF Local 1363, AFL-CIO v. Chafee and International Brotherhood of Police Officers, Local 301, AFL-CIO v. Chafee filed a new suit in the United States District Court for the District of Rhode Island captioned Cranston Firefighters, IAFF Local 1363 AFL-CIO v. Raimondo. Through that action, the plaintiffs challenge the constitutionality of RIRSA and New RIRSA, not under the Rhode Island Constitution, as they had alleged in the Superior Court, but under the United States Constitution. Plaintiffs additionally seek a declaration concerning the effect of the class action on retirees. The State moved to dismiss all counts in the Plaintiffs complaint. In March 2017, the United States District ruled in favor of the State with respect to counts related to retirees and deferred a decision with respect to active employees covered by the suit. The plaintiffs have appealed the decision to the U.S District Court of Appeals.

The State intends to vigorously defend these matters and cannot presently estimate the potential loss, if any.

**9. Subsequent events**

At its October 2016 meeting, the State Investment Commission voted to redeem the investment in seven hedge funds totaling approximately \$586 million held within the Pooled Investment Trust. The action was taken as part of an overall asset allocation review. Approximately \$508 million has been redeemed through August 31, 2017. Remaining redemptions are estimated to continue through March 2018.

In May 2017, the Employees' Retirement System of Rhode Island Board voted to lower the investment rate of return assumption from 7.5% to 7.0 % which will be reflected in the determination of the net pension liability (asset) for the various plans administered by the System beginning with the June 30, 2017 measurement date valuations.