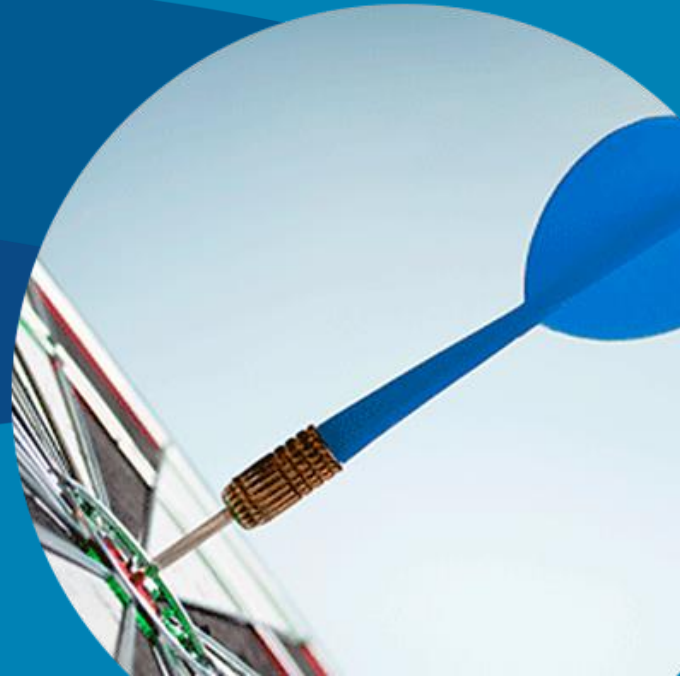




Employee's Retirement System of Rhode Island State Investment Commission

Joe Newton

March 22, 2023

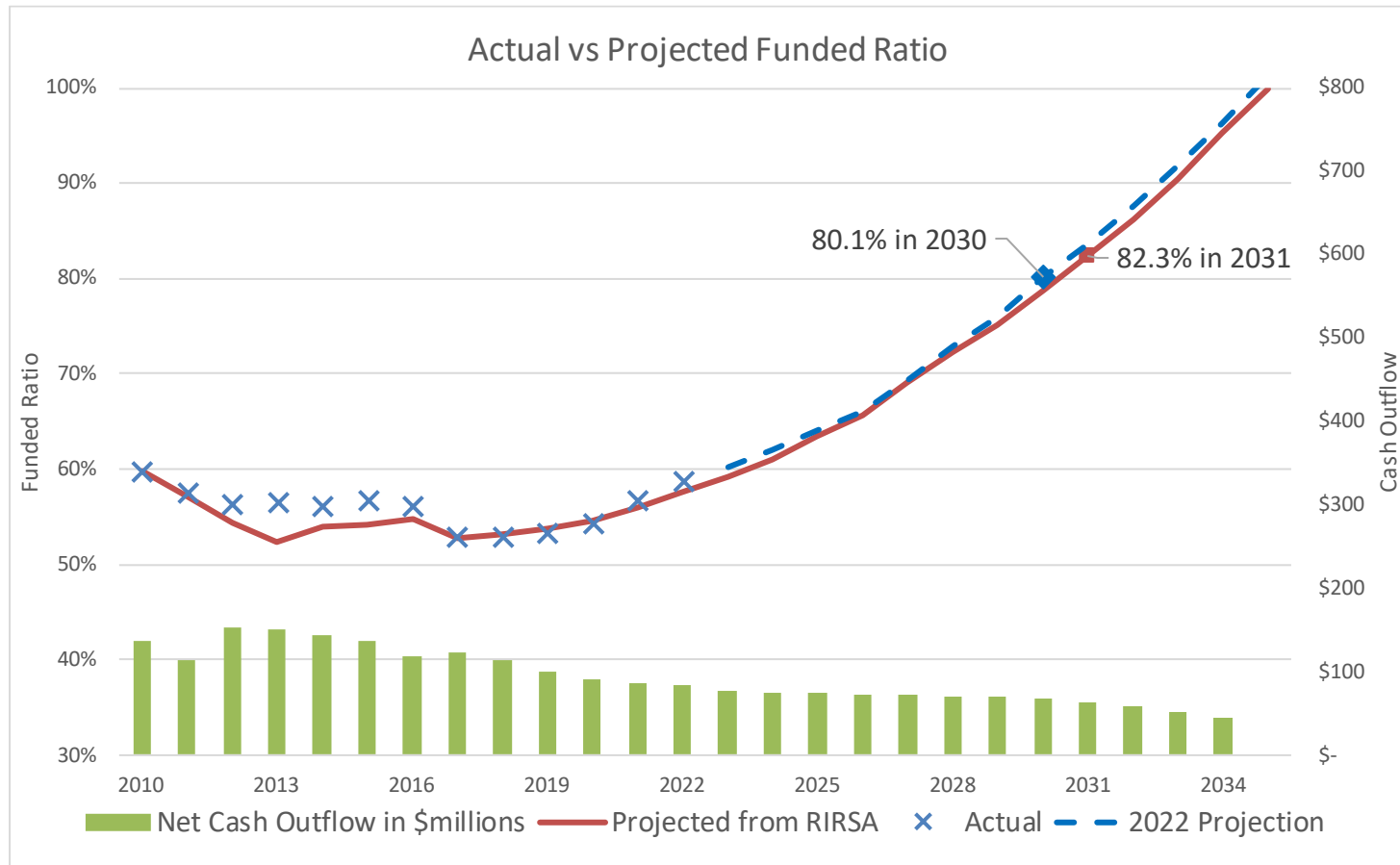


2022 Actuarial Valuation Results: State Employees

	June 30, 2021 (1)	June 30, 2022 (2)	% Increase
1. Actuarial accrued liability			
a. Actives & Inactives	\$ 1,551	\$ 1,606	3.5%
b. Annuitants	3,297	3,323	0.8%
2. Total actuarial accrued liability (1a +1b)	\$ 4,848	\$ 4,929	1.7%
3. Actuarial value of assets	2,748	2,897	5.4%
4. UAAL (2 - 3)	\$ 2,100	\$ 2,032	-3.3%
5. Funded ratio (3 / 2)	56.7%	58.8%	
6. UAAL/Payroll	276%	258%	-6.2%
Weighted Average Contribution Rate for Applicable Fiscal Year			
7. Full retirement rate			
a. Normal cost	3.76%	3.66%	
b. Prior service*	25.21%	24.95%	
c. Full retirement rate	28.97%	28.61%	
8. Projected FY Payroll	\$ 809	\$ 834	3.1%
9. Estimated Contributions \$ in millions	\$ 234	\$ 239	1.9%

Funded Ratio History

Compared to Original RIRSA Projections – State Employees



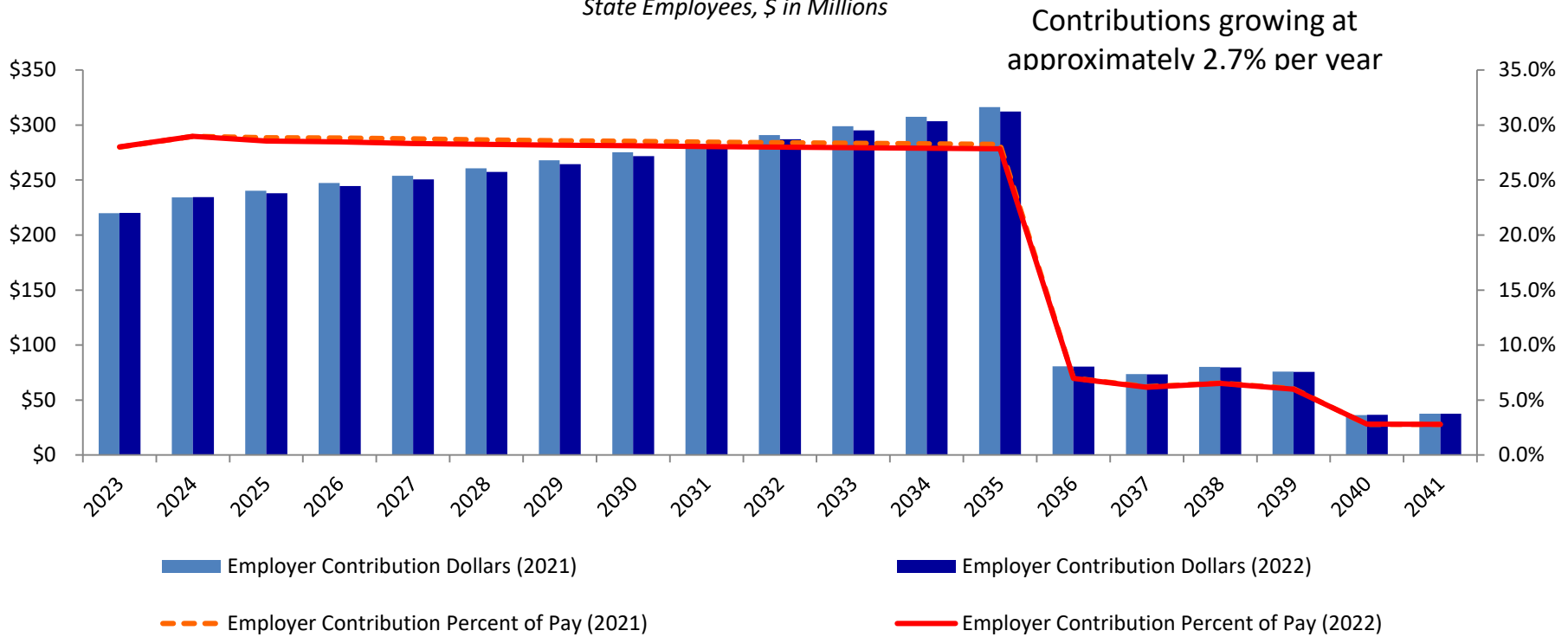
Original Projections from the RIRSA Impact Statement, adjusted for Mediation changes in 2016 (-1.4%) and change to investment return assumption in 2017 (-2.7%)



The System uses industry best practices for determining contribution requirements. Any new UAAL is amortized over a fixed period of time. The large amortization base from RIRSA is the driving force and will continue to be through 2035

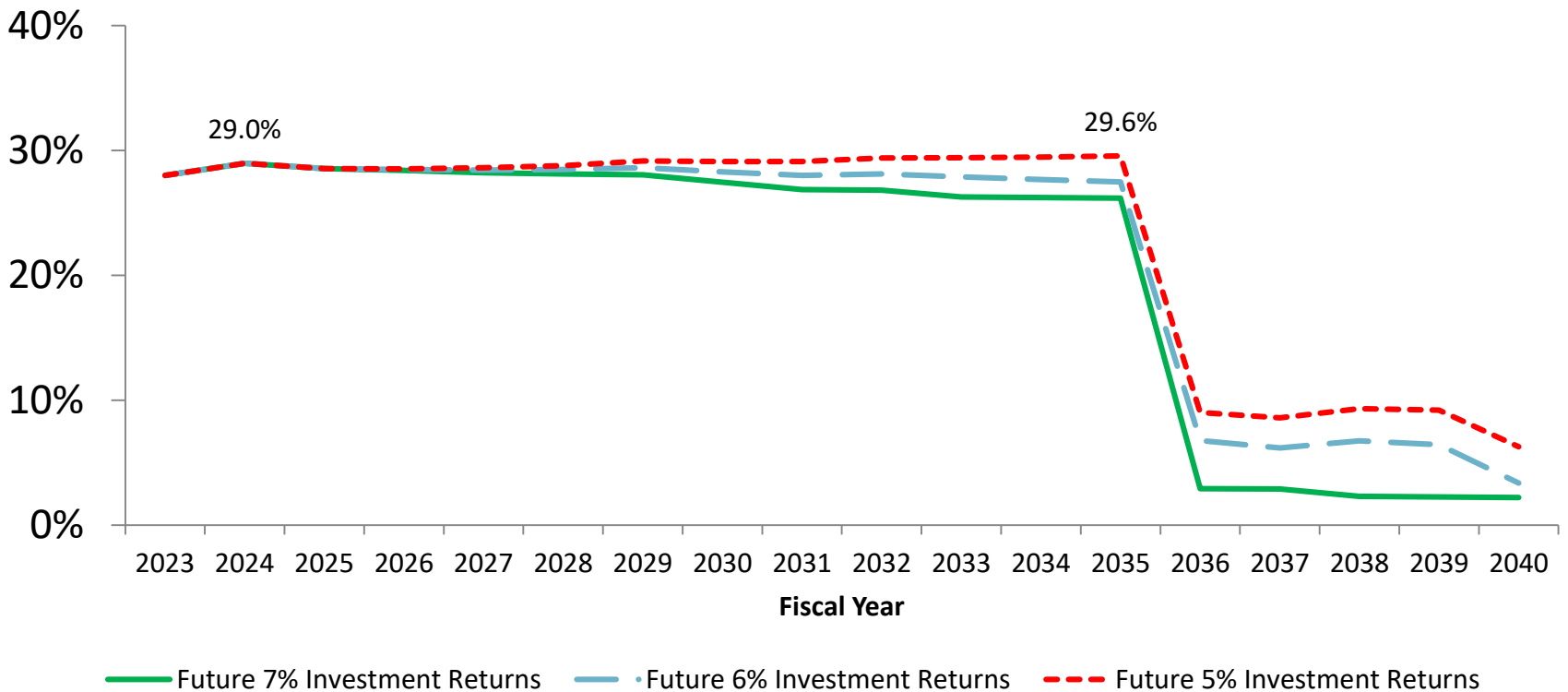
Projected Contribution Requirements

State Employees, \$ in Millions



Considering the current balance of contributions to funded ratio and the modifications to future benefit accruals, the Plan has quite moderate sensitivity to investment risk

**Projected Contribution Rates: State Employees
Sensitivity to Investment Returns**

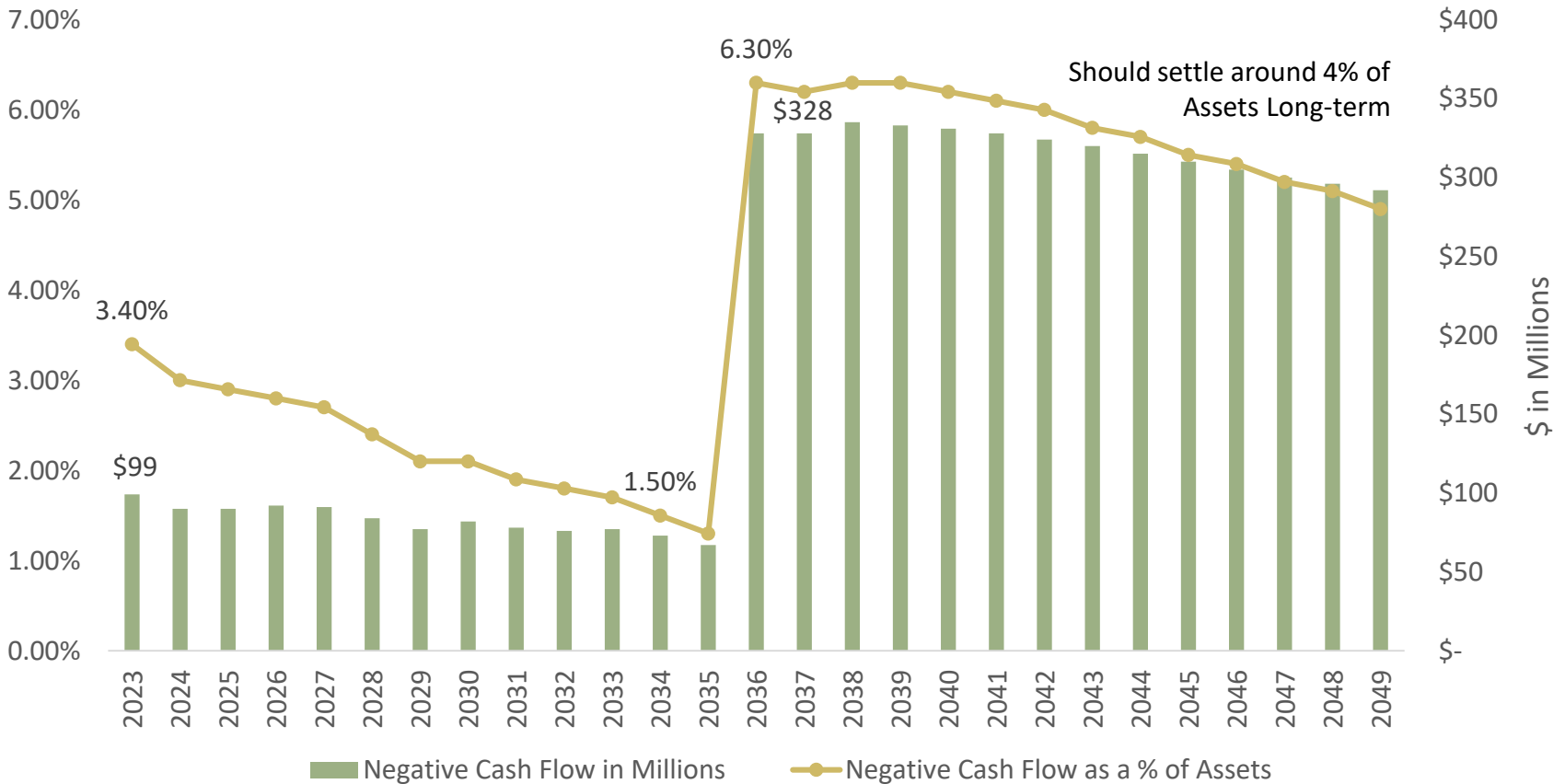


Assumes all other assumptions exactly met



The Negative Cash Flow Position is favorable for the next 10-12 years, then could potentially be an issue that needs to be managed

Negative Cash Flow, State Employees

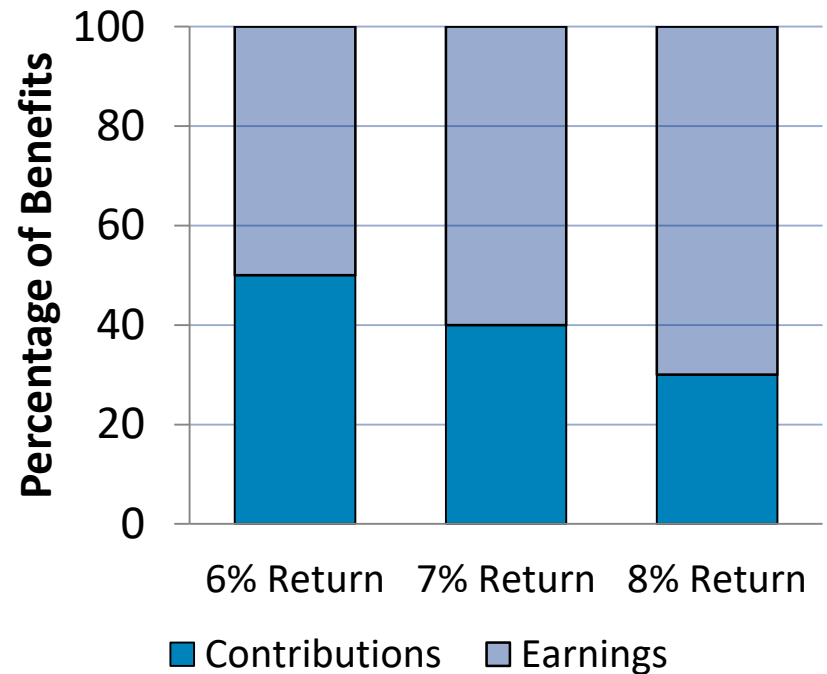


Upcoming Experience Study

- The actuarial assumptions are examined every three years in an Experience Study
- One of the most important decisions is setting the Assumed Investment Return
- We will gather CMA data from SIC staff and consultants, as well as compare to other sources
- We will also consider the funding context and risk/reward balance of possible changes

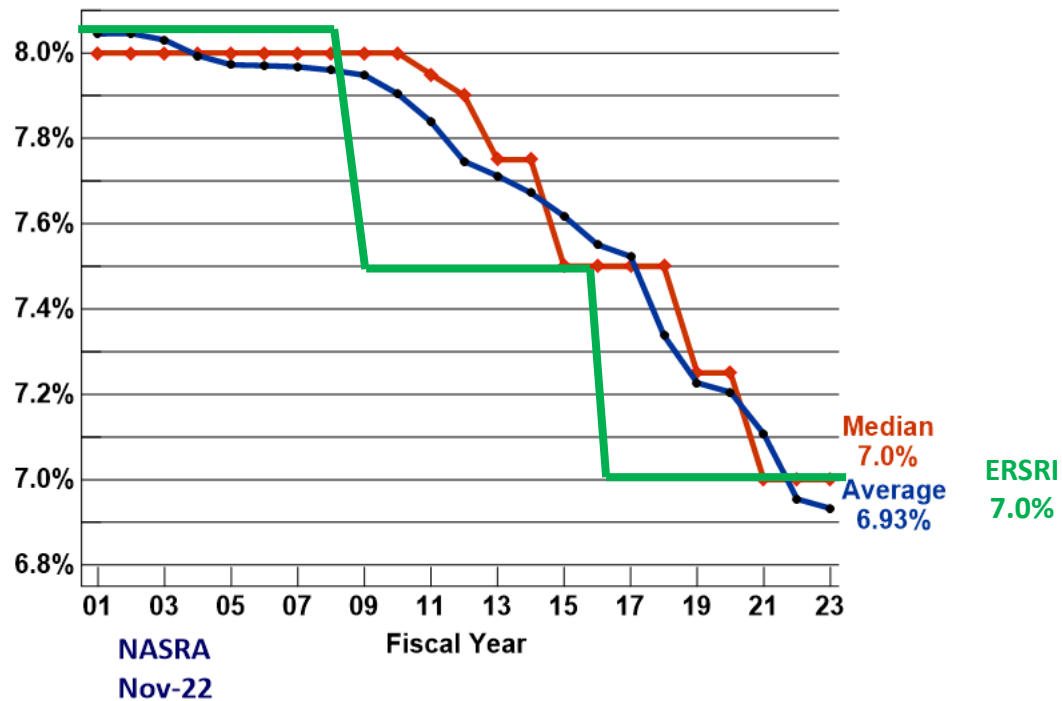
Investment Return Assumption

- This assumption is used to predict what percentage of a future benefit payments will be covered by investment return and what percentage by contributions.
- Lower Returns/Higher Contributions



Investment Return Assumptions have been declining, but with recent changes in interest rates, this could slow down or even stop

Change to Average and Median Investment Return Assumption, FY 01 to present



Data compiled by the National Association of State Retirement Administrators



Time Horizon

- If looking at the duration of the liabilities, the State and Teacher plans are about 11 years, meaning the average discounted benefit payment is expected to be paid out in that time
- However, if considering the funding policy and the current large contributions, the duration of the projected negative cash flow is approximately 24 years, providing a quite long time horizon to invest monies
- One important part of the funding process is to not change the investment return assumption often. It should be a longer term expectation and target. Short term fluctuations in outcomes and expectations will occur, but the longer term expectation should only change if it is very likely that the new assumption will remain in place for many experience study cycles, or continue in the same direction as the change