

## Pensions and Retiree Healthcare

The State retirement system administers 6 defined benefit pension plans, four of which provide benefits to state employees. The funded status of the plans as of the June 30, 2014 actuarial valuation (except for the RIJRFT which is as of June 30, 2013) is as follows:

Defined Benefit Pension Plans	Funded Status
ERS - State employees and teachers	58.7%
State Police	95.6%
JRBT - Judges	94.0%
RIJRFT - Judges	0.9%

Fiscal 2014 State employer contributions to the defined benefit pension plans totaled \$233.7 million including \$76.7 million as the State's share for teachers.

Assets of the defined contribution plan, which is part of the hybrid benefit structure implemented through comprehensive pension reform enacted in 2011, totaled \$277.4 million at June 30, 2014.

Six defined benefit OPEB plans provide retiree healthcare benefits to retired state employees including certain electing teachers and Board of Education employees. The funded status of the OPEB plans as of the June 30, 2013 actuarial valuation follows:

Defined Benefit OPEB Plans	Funded Status
State employees	6.2%
Teachers	25.7%
State Police	13.6%
Judges	204.1%
Legislators	142.2%
Board of Education	13.4%

Total State employer contributions to the OPEB plans totaled \$59.8 million including contributions of the University and colleges to the Board of Education plan.

The State's **Fiscal 2014 Comprehensive Annual Financial Report (CAFR)** prepared by the Office of Accounts and Control—Department of Administration includes government-wide financial statements that encompass all the State's financial activity for the year, as well as individual fund level financial statements and notes thereto.

The CAFR includes our *Independent Auditor's Report* resulting from our annual audit of the State's financial statements as required by G.L. section 35-7-10.

Management's Discussion and Analysis explains key highlights and changes between fiscal years 2014 and 2013. Required Supplementary Information details progress made in funding the retirement and OPEB systems as well as budget to actual comparison schedules. Ten-year trend information is included in the Statistical Section of the report.

The full CAFR is available on the Office of Accounts and Control and Auditor General websites:

[http://controller.admin.ri.gov/documents/Financial%20Reports/116\\_Comprehensive%20Annual%20Financial%20Report\\_06-30-2014.pdf](http://controller.admin.ri.gov/documents/Financial%20Reports/116_Comprehensive%20Annual%20Financial%20Report_06-30-2014.pdf)

[www.oag.ri.gov](http://www.oag.ri.gov)



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**State of**  
**Rhode Island**

**Comprehensive Annual**  
**Financial Report**  
**Highlights**

*Fiscal year ended June 30, 2014*

*State of Rhode Island*  
**Comprehensive Annual Financial Report**  
*fiscal year ended June 30, 2014*



Lincoln D. Chafee, Governor  
Department of Administration – Steven T. Hartford, Director of Administration  
Office of Accounts and Control – Marc A. Leonetti, CPA, State Controller

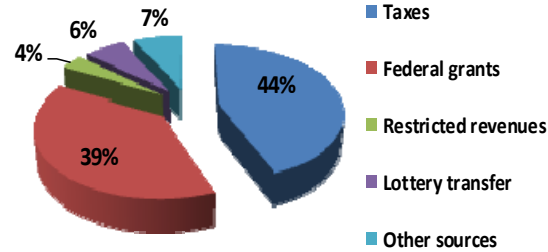
*Highlights prepared by the*  
**Office of the Auditor General**

## Rhode Island Fiscal 2014 CAFR Highlights

- ◆ The State's financial statements are fairly presented in accordance with generally accepted accounting principles—the Auditor General issued an unmodified opinion on the State's fiscal 2014 financial statements.
- ◆ The budget reserve or “rainy day” fund is fully funded at \$176.7 million as required by constitution and statute.
- ◆ \$8.5 billion and \$109.7 million, respectively, were available at June 30, 2014 for future pension and OPEB benefits.
- ◆ \$124.5 million is available in the RI Capital Plan Fund (RICAP) for future capital projects.
- ◆ Subsequent to June 30, 2014, the State repaid amounts borrowed in prior years from the federal government to pay unemployment compensation benefits.
- ◆ Government-wide net position increased by \$291.3 million to \$2.0 billion at June 30, 2014. \$2.6 billion represents the State's net investment in capital assets (net of related debt). \$833 million is restricted for specific purposes leaving an unrestricted net deficit of \$1.5 billion.
- ◆ Capital assets of the primary government net of accumulated depreciation totaled \$3.8 billion at June 30, 2014, of which \$2.1 billion were infrastructure assets.
- ◆ Contingencies discussed in the notes to the financial statements include:
  - litigation challenging the legislatively enacted pension reforms;
  - the impact on Lottery revenue and transfers to the General Fund from increased gaming competition in Massachusetts; and
  - the State's moral obligation under the Job Creation Guaranty Program - an estimated liability was recorded for financial reporting purposes—amounts paid are subject to annual appropriation.
- ◆ New pension accounting standards will be implemented in fiscal 2015 which will require restatement of the beginning net position to record the State's net pension liability.

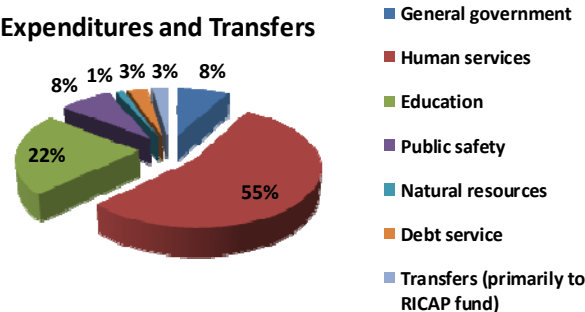
## General Fund Operations

### General Fund Revenues and Other Sources



- ◆ Tax revenues totaled \$2.67 billion in fiscal 2014, a 3.8% increase over fiscal 2013.
- ◆ Lottery transfers totaled \$376.3 million, a decrease of \$2.9 million compared to fiscal 2013.
- ◆ Federal revenues totaled \$2.35 billion, an increase of \$216 million or 10% over fiscal 2013 largely due to Medicaid expansion under the Affordable Care Act and reimbursement of HealthSource RI expenditures.

### Expenditures and Transfers



- ◆ Expenditures totaled \$5.9 billion, an increase of \$340.7 million or 6.1% over fiscal 2013. The largest increase, \$282.8 million, or 9.3%, was in human services.
- ◆ General Fund expenditures and transfers exceeded revenues and other sources by \$5.8 million.
- ◆ Actual general revenues exceeded estimates by \$14.2 million, requiring a transfer of such amounts to the retirement system in fiscal 2015.

## Transportation Operations

The Intermodal Surface Transportation (IST) Fund reported fund balance of \$118.4 million; a decrease of \$23.3 million from the prior year due to spending of prior year resources for highway construction projects.

		(in millions)
<b>Inflows:</b>		
Taxes - Gas	\$	137.5
Federal grants		284.7
Transfers from Bond Capital and RICAP funds		25.5
Motor Vehicle fees		6.5
Other		4.3
<b>Total</b>	<b>\$</b>	<b>458.5</b>
<b>Outflows:</b>		
Maintenance and Infrastructure capital outlay	\$	350.8
Debt service		55.5
Transfers to RIPTA - Gas Tax		40.8
Transfers to General Fund - Gas Tax		4.2
Transfers to General Fund - Debt Service		30.5
<b>Total</b>		<b>481.8</b>
<b>Decrease in fund balance</b>	<b>\$</b>	<b>(23.3)</b>

## Long-Term Debt

Long-term liabilities of the primary government totaled \$3.1 billion, consisting primarily of bonds payable of \$2.6 billion.

	Changes in Long-Term Liabilities (in millions)			
	Beginning	Additions	Decreases	Ending
<b>Governmental</b>				
Bonds payable	\$ 2,479.5	\$ 165.2	\$ (244.8)	\$ 2,399.9
Other	390.0	156.2	(118.9)	427.3
<b>Total</b>	<b>\$ 2,869.5</b>	<b>\$ 321.4</b>	<b>\$ (363.7)</b>	<b>\$ 2,827.2</b>
<b>Business-Type</b>				
Bonds payable	\$ 242.0	\$ -	\$ (11.2)	\$ 230.8
Other	165.3	1.1	(104.3)	62.1
<b>Total</b>	<b>\$ 407.3</b>	<b>\$ 1.1</b>	<b>\$ (115.5)</b>	<b>\$ 292.9</b>
<b>Total</b>	<b>\$ 3,276.8</b>	<b>\$ 322.5</b>	<b>\$ (479.2)</b>	<b>\$ 3,120.1</b>