



**EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT OF
THE COMMONWEALTH OF PUERTO RICO**

Schedules of Employer Allocations and Schedules of
Pension Amounts by Employer

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

**EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT OF
THE COMMONWEALTH OF PUERTO RICO**

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Independent Auditors' Report

Retirement Board of the Government of Puerto Rico
Employees' Retirement System of the Government of the
Commonwealth of Puerto Rico:

We have audited the accompanying schedules of employer allocations of the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the System) as of and for the years ended June 30, 2015 and 2014, and the related notes. We have also audited the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of the System as of and for the year ended June 30, 2015, and the column titled net pension liability (specified column total) included in the accompanying schedule of pension amounts by employer of the System as of June 30, 2014 and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express opinions on the schedules of employer allocations and the specified column totals included in the schedules of pension amounts by employer based on our audits. We conducted our audits 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 schedules of employer allocations and specified column totals included in the schedules of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer, 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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer 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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.

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



Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico as of and for the year ended June 30, 2015, and the employer allocations and net pension liability for the total of all participating entities for the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico as of and for the year ended June 30, 2014 in accordance with U. S. generally accepted accounting principles.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2015, and our report thereon, dated February 19, 2018, 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 Government of the Commonwealth of Puerto Rico, the Retirement Board of the Government of Puerto Rico, the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico employers, and their auditors, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

San Juan, Puerto Rico
October 18, 2018

Stamp No. E348542 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

**EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT
OF THE COMMONWEALTH OF PUERTO RICO**

Schedules of Employer Allocations
Years ended June 30, 2015 and 2014

Agency Code	Agency Name	Fiscal year ending June 30, 2015						Fiscal year ending June 30, 2014				
		Actual Employer Contributions	Employer Contributions for Allocation	Contribution Allocation Percentage	NPL subject to allocation June 30, 2015	Contractual Payables as of June 30, 2015	Net Pension Liability (NPL) June 30, 2015	Proportionate Share	Actual Employer Contributions	Employer Contributions for Allocation	Proportionate Share	Net Pension Liability (NPL) June 30, 2014
295	Corporación Conservatorio de Música	\$ 494,764	390,795	0.06182%	\$ 20,464,202	80,549	20,544,751	0.06163%	\$ 392,497	361,311	0.05959%	\$ 17,959,946
296	Junta de Gobierno Servicio 911	1,024,843	773,937	0.12242	40,527,709	—	40,527,709	0.12157	845,122	658,115	0.10806	32,566,727
299	Corporación Proyecto Caño Martín Peña	137,818	109,850	0.01738	5,752,351	16,810	5,769,161	0.01731	99,865	99,865	0.01645	4,958,621
301	Adjuntas	356,412	310,425	0.04910	16,255,599	—	16,255,599	0.04876	338,967	290,914	0.04777	14,395,849
302	Aguada	1,028,491	852,988	0.13493	44,667,259	—	44,667,259	0.13399	948,114	787,507	0.12930	38,969,665
303	Aguadilla	2,227,476	1,849,675	0.29259	96,859,369	—	96,859,369	0.29054	1,759,739	1,468,300	0.24108	72,658,607
304	Aguas Buenas	372,377	312,765	0.04947	16,378,158	—	16,378,158	0.04913	376,447	315,975	0.05188	15,635,991
305	Aibonito	607,688	503,640	0.07967	26,373,440	—	26,373,440	0.07911	587,065	491,596	0.08071	24,326,548
306	Añasco	431,196	360,542	0.05703	18,879,982	—	18,879,982	0.05663	417,936	349,750	0.05743	17,307,309
307	Arecibo	2,549,870	2,151,085	0.34026	112,642,904	—	112,642,904	0.33789	2,387,044	1,971,840	0.32376	97,576,167
308	Arroyo	599,618	484,378	0.07662	25,364,735	—	25,364,735	0.07608	512,915	420,867	0.06910	20,826,530
309	Barceloneta	1,602,622	1,282,350	0.20284	67,151,046	—	67,151,046	0.20143	1,509,332	1,208,767	0.19847	59,815,663
310	Barranquitas	637,862	545,898	0.08635	28,586,268	—	28,586,268	0.08575	625,088	526,086	0.08638	26,033,285
311	Bayamón	2,982,061	2,623,927	0.41506	137,403,607	—	137,403,607	0.41216	2,851,273	2,464,180	0.40459	121,939,547
312	Cabo Rojo	1,473,255	1,216,356	0.19241	63,695,263	—	63,695,263	0.19106	1,377,404	1,145,407	0.18806	56,680,285
313	Caguas	4,719,716	3,918,288	0.61980	205,183,593	—	205,183,593	0.61548	4,520,621	3,666,835	0.60206	181,452,720
314	Camuy	641,997	542,664	0.08584	28,416,928	—	28,416,928	0.08524	592,295	493,767	0.08107	24,433,979
315	Carolina	6,030,526	5,069,363	0.80188	265,460,364	—	265,460,364	0.79628	5,838,637	4,865,508	0.79887	240,768,891
316	Cataño	2,035,604	1,644,084	0.26006	86,093,484	—	86,093,484	0.25825	1,903,945	1,524,825	0.25036	75,455,737
317	Cayey	860,543	736,839	0.11655	38,585,048	—	38,585,048	0.11574	810,729	692,992	0.11378	34,292,579
318	Ceiba	627,133	518,352	0.08199	27,143,824	—	27,143,824	0.08142	596,997	493,232	0.08098	24,407,514
319	Ciales	575,661	475,077	0.07515	24,877,682	—	24,877,682	0.07462	586,205	470,534	0.07726	23,284,277
320	Cidra	1,394,396	1,134,360	0.17944	59,401,486	—	59,401,486	0.17818	1,336,856	1,092,651	0.17940	54,069,672
321	Coamo	660,269	559,057	0.08843	29,275,389	—	29,275,389	0.08782	585,547	493,767	0.08107	24,433,969
322	Comerio	528,737	445,012	0.07039	23,303,331	—	23,303,331	0.06990	509,501	426,182	0.06997	21,089,529
323	Corozal	582,417	482,460	0.07632	25,264,311	—	25,264,311	0.07578	468,816	389,398	0.06394	19,269,309
324	Culebra	267,123	220,738	0.03492	11,559,105	—	11,559,105	0.03467	259,606	218,421	0.03586	10,808,543
325	Dorado	1,194,460	974,664	0.15417	51,038,894	—	51,038,894	0.15310	1,085,764	889,372	0.14603	44,010,433
326	Fajardo	764,886	647,351	0.10240	33,898,933	—	33,898,933	0.10168	739,724	625,118	0.10264	30,933,851
327	Guánica	478,286	387,427	0.06128	20,287,875	—	20,287,875	0.06086	494,630	402,502	0.06609	19,917,750
328	Guayama	1,208,541	968,535	0.15320	50,717,915	—	50,717,915	0.15214	1,156,140	925,677	0.15199	45,806,995
329	Guayanilla	531,617	449,429	0.07109	23,534,636	—	23,534,636	0.07060	481,843	388,240	0.06374	19,211,999
330	Guaynabo	6,942,128	5,729,091	0.90624	300,007,458	—	300,007,458	0.89991	6,585,307	5,459,336	0.89637	270,154,377
331	Gurabo	684,990	561,669	0.08885	29,412,164	—	29,412,164	0.08823	662,036	538,866	0.08848	26,665,684
332	Hatillo	1,259,828	1,020,947	0.16150	53,462,508	—	53,462,508	0.16037	1,137,715	921,893	0.15137	45,619,747
333	Hormigueros	703,549	584,556	0.09247	30,610,634	—	30,610,634	0.09182	673,594	560,258	0.09199	27,724,269
334	Humacao	2,136,439	1,764,917	0.27918	92,420,987	—	92,420,987	0.27723	2,013,005	1,659,595	0.27249	82,124,794
335	Isabela	843,020	715,335	0.11315	37,458,969	—	37,458,969	0.11236	795,217	672,012	0.11034	33,254,427
336	Jayuya	332,487	282,311	0.04466	14,783,413	—	14,783,413	0.04434	319,021	267,572	0.04393	13,240,761
337	Juana Díaz	810,520	660,833	0.10453	34,604,942	—	34,604,942	0.10380	717,497	593,801	0.09750	29,384,152
338	Juncos	685,015	578,449	0.09150	30,290,823	—	30,290,823	0.09086	633,233	523,428	0.08594	25,901,740
339	Lajas	740,365	615,368	0.09734	32,224,132	—	32,224,132	0.09666	673,335	551,628	0.09057	27,297,245
340	Lares	750,136	629,285	0.09854	32,952,894	—	32,952,894	0.09885	711,573	601,785	0.09881	29,779,257
341	Las Marías	487,525	406,771	0.06434	21,300,810	—	21,300,810	0.06389	468,474	391,299	0.06425	19,363,347
342	Las Piedras	779,710	639,091	0.10109	33,466,396	—	33,466,396	0.10039	786,720	641,037	0.10525	31,721,625
343	Loíza	604,527	490,461	0.07758	25,683,309	—	25,683,309	0.07704	567,481	458,258	0.07524	22,676,818
344	Luquillo	480,544	401,919	0.06358	21,046,764	—	21,046,764	0.06313	480,933	408,576	0.06708	20,218,337
345	Manatí	1,420,305	1,144,219	0.18100	59,917,761	—	59,917,761	0.17973	1,342,686	1,085,841	0.17828	53,732,648
346	Maricao	343,866	293,292	0.04639	15,358,423	—	15,358,423	0.04607	344,782	292,976	0.04810	14,497,859
347	Maunabo	563,909	474,849	0.07511	24,865,766	—	24,865,766	0.07459	549,365	464,969	0.07634	23,008,925
348	Mayagüez	2,021,411	1,762,514	0.27880	92,295,144	—	92,295,144	0.27685	1,984,008	1,700,961	0.27928	84,171,785
349	Moca	865,354	697,194	0.11028	36,509,013	—	36,509,013	0.10951	778,630	621,592	0.10206	30,759,378
350	Morovis	800,938	660,804	0.10453	34,603,398	—	34,603,398	0.10380	733,855	627,860	0.10309	31,069,528
351	Naguabo	573,856	459,450	0.07268	24,059,371	—	24,059,371	0.07217	547,877	440,850	0.07238	21,815,400
352	Naranjito	746,595	616,992	0.09760	32,309,146	—	32,309,146	0.09692	708,089	583,637	0.09583	28,881,185
353	Orocovis	352,369	292,305	0.04624	15,306,715	—	15,306,715	0.04591	328,469	271,015	0.04450	13,411,126
354	Patillas	869,929	712,479	0.11270	37,309,427	—	37,309,427	0.11191	777,703	628,588	0.10321	31,105,559

**EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT
OF THE COMMONWEALTH OF PUERTO RICO**

Schedules of Employer Allocations
Years ended June 30, 2015 and 2014

Agency Code	Agency Name	Fiscal year ending June 30, 2015							Fiscal year ending June 30, 2014			
		Actual Employer Contributions	Employer Contributions for Allocation	Contribution Allocation Percentage	NPL subject to allocation June 30, 2015	Contractual Payables as of June 30, 2015	Net Pension Liability (NPL) June 30, 2015	Proportionate Share	Actual Employer Contributions	Employer Contributions for Allocation	Proportionate Share	Net Pension Liability (NPL) June 30, 2014
355	Peñuelas	\$ 813,589	684,433	0.10827%	\$ 35,840,748	—	35,840,748	0.10751%	782,743	660,898	0.10851%	32,704,437
356	Ponce	6,511,319	5,240,108	0.82889	274,401,552	—	274,401,552	0.82310	7,350,795	5,961,307	0.97878	294,994,338
357	Quebradillas	582,139	488,222	0.07723	25,566,054	—	25,566,054	0.07669	546,171	465,254	0.07639	23,023,040
358	Rincón	557,572	461,133	0.07294	24,147,527	—	24,147,527	0.07243	528,005	438,642	0.07202	21,706,115
359	Río Grande	1,116,723	932,886	0.14757	48,851,149	—	48,851,149	0.14654	1,069,194	882,489	0.14490	43,669,826
360	Sabana Grande	610,250	502,241	0.07945	26,300,166	—	26,300,166	0.07889	602,800	498,192	0.08180	24,652,937
361	Salinas	727,243	609,243	0.09637	31,903,402	—	31,903,402	0.09570	711,903	597,116	0.09804	29,548,198
362	San Germán	1,047,034	878,967	0.13904	46,027,667	—	46,027,667	0.13807	1,011,962	846,842	0.13904	41,905,819
363	San Juan	27,523,912	23,194,663	0.03669	1,214,603,089	—	1,214,603,089	0.03636	26,866,696	22,531,857	0.03695	1,114,985,347
364	San Lorenzo	431,254	349,796	0.05533	18,317,263	—	18,317,263	0.05495	457,103	367,088	0.06027	18,165,314
365	San Sebastián	817,525	715,681	0.11321	37,477,101	—	37,477,101	0.11242	811,658	701,007	0.11510	34,689,199
366	Santa Isabel	452,121	391,131	0.06187	20,481,800	—	20,481,800	0.06144	477,659	405,228	0.06653	20,052,622
367	Toa Alta	935,768	768,995	0.12164	40,268,891	—	40,268,891	0.12079	879,986	741,619	0.12177	36,698,917
368	Toa Baja	2,102,286	1,769,003	0.27982	92,634,934	—	92,634,934	0.27787	2,061,658	1,668,641	0.27397	82,572,427
369	Trujillo Alto	1,428,501	1,181,144	0.18684	61,851,362	—	61,851,362	0.18553	1,342,526	1,101,191	0.18080	54,492,247
370	Utuado	836,230	709,958	0.11230	37,177,372	—	37,177,372	0.11152	813,033	681,314	0.11186	33,714,714
371	Vega Alta	817,980	680,213	0.10760	35,619,755	—	35,619,755	0.10685	793,178	659,355	0.10826	32,628,084
372	Vega Baja	1,222,534	1,024,513	0.16206	53,649,286	—	53,649,286	0.16093	1,149,986	952,747	0.15643	47,146,514
373	Vieques	813,907	650,221	0.10285	34,049,251	—	34,049,251	0.10214	721,997	602,488	0.09892	29,814,032
374	Villalba	552,828	433,502	0.06857	22,700,589	—	22,700,589	0.06809	541,730	433,077	0.07111	21,430,726
375	Yabucoa	673,523	554,496	0.08771	29,036,509	—	29,036,509	0.08710	643,033	541,098	0.08884	26,776,159
376	Yauco	1,017,626	857,111	0.13558	44,883,163	—	44,883,163	0.13463	932,002	758,283	0.12450	37,523,513
377	Florida	520,802	416,212	0.06584	21,795,189	—	21,795,189	0.06538	483,660	373,407	0.06131	18,477,964
378	Canóvanas	1,228,963	1,017,927	0.16102	53,304,366	—	53,304,366	0.15989	1,227,651	1,009,302	0.16572	49,945,144
379	Ponce Muelle	117,447	99,629	0.01576	5,217,125	—	5,217,125	0.01565	108,792	89,659	0.01472	4,436,774
413	Corporación para el Desarrollo del Cine de P.R.	14,275	14,275	0.00226	747,515	—	747,515	0.00224	14,373	14,373	0.00236	711,231
502	Aut de Transporte Marítimo	1,175,880	1,032,083	0.16326	54,045,688	425,726	54,471,414	0.16339	957,581	892,353	0.14728	44,387,382
506	Metropistas	8,028	6,433	0.00102	336,887	—	336,887	0.00101	7,318	5,888	0.00097	291,385
		\$ 666,047,339	632,182,508	96.36769%	33,104,632,759	232,801,241	33,337,434,000	100.00002%	\$ 713,813,113	607,378,004	100.00004%	\$ 30,138,851,000

See accompanying independent auditors' report.

**EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT
OF THE COMMONWEALTH OF PUERTO RICO**

Schedules of Pension Amounts by Employer

Years ended June 30, 2015 and 2014

Agency Code	Agency Name	Deferred outflows of resources – June 30, 2015						Deferred inflows of resources – June 30, 2015					Pension expense excluding that attributable to employer-paid member contributions – Year ended June 30, 2015			
		Net Pension Liability		Differences between expected and actual experience	Changes of assumptions	Changes in proportion	Total deferred outflows of resources	Differences between expected and actual experience	Changes of assumptions	Net difference between projected and actual investments earnings on pension plan investments	Changes in proportion	Total deferred inflows of resources	Proportionate share of allocable plan pension expense	Pension expense related to specific liabilities of individual employers	Net amortization of deferred amounts from changes in proportion	Total employer pension expense excluding that attributable to employer-paid member contributions
		Total NPL June 30, 2014	Total NPL June 30, 2015													
357	Quebradillas	\$ 23,023,040	25,566,054	29,546	2,433,729	2,460,990	4,924,265	296,465	—	147,011	—	443,476	1,621,043	—	460,808	2,081,851
358	Rincón	21,706,115	24,147,527	27,907	2,296,694	1,211,316	3,537,919	280,015	—	138,854	—	418,869	1,531,100	—	212,615	1,743,715
359	Río Grande	43,669,826	48,851,149	56,456	4,650,325	2,334,750	7,041,531	566,479	—	280,906	—	847,385	3,097,460	—	406,972	3,504,432
360	Sabana Grande	24,652,937	26,300,166	30,394	2,503,612	1,253,417	3,787,423	304,977	—	151,232	—	456,209	1,667,590	—	218,392	1,885,982
361	Salinas	29,548,198	31,903,402	36,870	3,037,005	1,656,310	4,730,185	369,953	—	183,452	—	553,405	2,022,870	—	292,091	2,314,961
362	San Germán	41,905,819	46,027,667	53,193	4,381,547	2,164,657	6,599,397	533,738	—	264,671	—	798,409	2,918,434	—	376,420	3,294,854
363	San Juan	1,114,985,347	1,214,603,089	1,403,683	115,622,641	48,962,743	165,989,067	14,084,566	—	6,984,270	—	21,068,836	77,013,220	—	8,301,295	85,314,515
364	San Lorenzo	18,165,314	18,317,263	21,169	1,743,689	—	1,764,858	212,407	—	105,329	616,682	934,418	1,161,426	—	(145,826)	1,015,600
365	San Sebastián	34,689,199	37,477,101	43,311	3,567,586	1,749,542	5,360,439	434,585	—	215,503	—	650,088	2,376,276	—	303,895	2,680,171
366	Santa Isabel	20,052,622	20,481,800	23,670	1,949,740	—	1,973,410	237,507	—	117,775	70,075	425,357	1,298,671	—	(39,162)	1,259,509
367	Toa Alta	36,698,917	40,268,891	46,538	3,833,347	3,437,300	7,317,185	466,959	—	231,556	—	698,515	2,553,292	—	638,019	3,191,311
368	Toa Baja	82,572,427	92,634,934	107,056	8,818,268	—	8,925,324	1,074,197	—	532,674	2,860,719	4,467,590	5,873,618	—	(685,877)	5,187,741
369	Trujillo Alto	54,492,247	61,851,362	71,480	5,887,864	3,785,173	9,744,517	717,230	—	355,661	—	1,072,891	3,921,752	—	681,097	4,602,849
370	Utuado	33,714,714	37,177,372	42,965	3,539,054	1,524,434	5,106,453	431,110	—	213,779	—	644,889	2,357,271	—	259,241	2,616,512
371	Vega Alta	32,628,084	35,619,755	41,165	3,390,779	1,769,845	5,201,789	413,048	—	204,822	—	617,870	2,258,509	—	310,236	2,568,745
372	Vega Baja	47,146,514	53,649,286	62,001	5,107,078	3,228,780	8,397,859	622,118	—	308,497	—	930,615	3,401,691	—	579,888	3,981,579
373	Vieques	29,814,032	34,048,251	39,350	3,241,276	4,704,348	7,984,974	394,836	—	195,792	—	590,628	2,158,930	—	899,065	3,057,995
374	Villalba	21,430,726	22,700,589	26,234	2,160,955	747,965	2,935,154	263,237	—	130,534	—	393,771	1,439,355	—	121,722	1,561,077
375	Yabucoa	26,776,052	29,036,509	33,557	2,764,095	2,950,132	5,747,784	336,708	—	166,967	—	503,675	1,841,091	—	554,376	2,395,467
376	Yauco	37,523,513	44,883,163	51,870	4,272,597	1,646,601	5,971,068	520,466	—	258,089	—	778,555	2,845,865	—	274,213	3,120,078
377	Florida	18,477,964	21,795,189	25,188	2,074,766	409,483	2,509,437	252,738	—	125,328	—	378,066	1,381,947	—	55,138	1,437,085
378	Canóvanas	49,945,144	53,304,366	61,602	5,074,243	832,218	5,968,063	618,119	—	306,513	—	924,632	3,379,821	—	100,997	3,480,818
379	Ponce Muelle	4,436,774	5,217,125	6,029	496,638	474,013	976,680	60,498	—	30,000	—	90,498	330,797	—	88,397	419,194
413	Corporación para el Desarrollo del Cine de P.R.	711,231	747,515	864	71,159	—	72,023	8,668	—	4,298	108,115	121,081	47,397	—	(22,541)	24,856
502	Aut. de Transporte Marítimo	44,387,382	54,471,414	62,951	5,185,339	—	5,248,290	631,652	—	313,224	810,253	1,765,129	3,453,819	—	(150,567)	3,303,252
506	Metropistas	291,385	336,887	389	32,070	39,186	71,645	3,907	—	1,937	—	5,844	21,361	—	7,422	28,783
		<u>\$ 30,138,851,000</u>	<u>33,337,434,000</u>	<u>38,527,142</u>	<u>3,173,515,953</u>	<u>746,628,872</u>	<u>3,958,671,967</u>	<u>386,581,667</u>	<u>—</u>	<u>191,698,540</u>	<u>746,628,872</u>	<u>1,324,909,079</u>	<u>2,113,796,040</u>	<u>—</u>	<u>—</u>	<u>2,113,796,040</u>

See accompanying independent auditors' report.

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(1) Plan Description

The Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the System) is a trust created by the Legislature of the Commonwealth of Puerto Rico (the Commonwealth) pursuant to Act No. 447 on May 15, 1951 (Act No. 447), as amended, to provide pension and other benefits to retired employees of the Commonwealth, its public corporations and municipalities of Puerto Rico. The System's governance is vested in an eleven-member Board of Trustees (the Board), which sets policy and oversees the operations consistent with applicable laws. Pursuant to Act No. 106 of August 23, 2017, the Board was substituted by the Retirement Board of the Government of Puerto Rico. The System is a cost-sharing, multiple-employer pension plan administered by the Puerto Rico Government and Judiciary Retirement System Administration (the Administration).

The System administers different benefit structures pursuant to Act No. 447, as amended, including a cost-sharing, multi-employer, defined benefit program, a defined contribution program (System 2000 program) and a contributory hybrid program. Benefit provisions vary depending on a member's date of hire. Substantially all full-time employees of the Commonwealth and its instrumentalities (73 Commonwealth agencies, 78 municipalities, and 55 public corporations, including the System) are covered by the System. Membership is mandatory for all regular, appointed, and temporary employees of the Commonwealth and the Commonwealth's public corporation at the date of employment. Membership is optional for the Governor of the Commonwealth, Commonwealth secretaries, head of public agencies and instrumentalities, among others.

The benefits provided to members of the System are established by Commonwealth law and may be amended only by the Legislature with the Governor's approval. Act No. 3 of April 4, 2013 (Act No. 3), in conjunction with other recent funding and design changes, provided for a comprehensive reform of the System.

Certain provisions are different for the three groups of members who entered the System prior to July 1, 2013 as described below:

- Members of Act No. 447 are generally those members hired before April 1, 1990.
- Members of Act No. 1 of February 16, 1990 (Act No. 1) are generally those members hired on or after April 1, 1990 and on or before December 31, 1999.
- Members of Act No. 305 of September 24, 1999 (Act No. 305 or System 2000) are generally those members hired on or after January 1, 2000 and on or before June 30, 2013.

All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the defined benefit program and the System 2000 program, and were rehired on or after July 1, 2013, become members of the Contributory Hybrid Program as a condition to their employment. In addition, employees who at June 30, 2013, were participants of previous programs became part of the Contributory Hybrid Program on July 1, 2013.

The assets of the defined benefit program, the defined contribution program and the Contributory Hybrid Program are pooled and invested by the System. Future benefit payments will be paid from the same pool of assets.

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The following summary of service retirement benefits is intended to describe the essential features of the plan. All eligibility requirements and benefit amounts shall be determined in strict accordance with the plan document itself.

(a) Service Retirement Eligibility Requirements

- (1) *Eligibility for Act No. 447 Members* – Act No. 447 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 447 members could retire upon (1) attainment of age 55 with 25 years of credited service, (2) attainment of age 58 with 10 years of credited service, (3) any age with 30 years of credited service, (4) for Public Officers in High Risk Positions (the Commonwealth Police and Firefighter Corps, the Municipal Police and Firefighter Corps and the Custody Office Corps), attainment of age 50 with 25 years of credited service, and (5), for Mayors of municipalities, attainment of age 50 with 8 years of credited service as a Mayor. In addition, Act No. 447 members who attained 30 years of credited service by December 31, 2013 are eligible to retire at any time.

Act No. 447 members who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire upon attainment of the retirement eligibility age shown in the table below with 10 years of credited service.

<u>Date of birth</u>	<u>Attained age as of June 30, 2013</u>	<u>Retirement eligibility age</u>
July 1, 1957 or later	55 or less	61
July 1, 1956 to June 30, 1957	56	60
Before July 1, 1956	57 and up	59

In addition to the requirements in the table above, Act No. 447 Public Officers in High Risk Positions who were not eligible to retire as of June 30, 2013 and did not attain 30 years of credited service by December 31, 2013 are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

- (2) *Eligibility for Act No. 1 Members* – Act No. 1 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, Act No. 1 members could retire upon (1) attainment of age 55 with 25 years of credited service, (2) attainment of age 65 with 10 years of credited service, (3) for Public Officers in High Risk Positions, any age with 30 years of credited service, and (4) for Mayors, attainment of age 50 with 8 years of credited service as a Mayor.

Act No. 1 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of age 65 with 10 years of credited service. In addition, Act No. 1 Public Officers in High Risk Positions who were not eligible to retire as of June 30, 2013 are eligible to retire directly from active service upon the attainment of age 55 with 30 years of credited service.

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- (3) *Eligibility for System 2000 Members* – System 2000 members who were eligible to retire as of June 30, 2013 continue to be eligible to retire at any time. Prior to July 1, 2013, System 2000 members could retire upon attainment of age 55 for Public Officers in High Risk Positions and attainment of age 60 otherwise.

System 2000 members who were not eligible to retire as of June 30, 2013 are eligible to retire upon attainment of age 55 for Public Officers in High Risk Positions and upon attainment of the retirement eligibility age shown in the table below otherwise.

<u>Date of birth</u>	<u>Attained age as of June 30, 2013</u>	<u>Retirement eligibility age</u>
July 1, 1957 or later	55 or less	65
July 1, 1956 to June 30, 1957	56	64
July 1, 1955 to June 30, 1956	57	63
July 1, 1954 to June 30, 1955	58	62
Before July 1, 1954	59 and up	61

- (4) *Eligibility for Members Hired after June 30, 2013* – Attainment of age 58 if a Public Officer in a High Risk Position and attainment of age 67 otherwise.

(b) Service Retirement Annuity Benefits:

An annuity payable for the lifetime of the member equal to the annuitized value of the balance in the hybrid contribution account at the time of retirement, plus, for Act No. 447 and Act No. 1 members, the accrued benefit determined as of June 30, 2013. If the balance in the hybrid contribution account is \$10,000 or less, it shall be paid as a lump sum instead of as an annuity.

- (1) *Accrued Benefit as of June 30, 2013 for Act No. 447 Members* – The accrued benefit as of June 30, 2013 shall be determined based on the average compensation, as defined, for Act No. 447 members, the years of credited service, and the attained age of the member all as of June 30, 2013. For Act No. 447 Mayors, the highest compensation, as defined, as a Mayor is determined as of June 30, 2013.

If the Act No. 447 member had at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013 or 75% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting to coordinate with social security (the Coordination Plan), the benefit is re-calculated at the Social Security Retirement Age (SSRA), as defined, as 1.5% of average compensation up to \$6,600 multiplied by years of credited service, up to 30 years, plus 65% (75% if member was at least age 55 as of June 30, 2013) of average compensation in excess of \$6,600.

If the Act No. 447 member had less than 30 years of credited service as of June 30, 2013, and attains 30 years of credited service by December 31, 2013, the accrued benefit equals 55% of

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average compensation if the member was under age 55 as of June 30, 2013 or 60% of average compensation if the member was at least age 55 as of June 30, 2013. For participants selecting the Coordination Plan, the benefit is re-calculated at SSRA as 1.5% of average compensation up to \$6,600 multiplied by years of credited service, up to 30 years, plus 55% (60% if member was at least age 55 as of June 30, 2013) of average compensation in excess of \$6,600. Member contributions received from Act No. 447 members eligible for this transitory benefit during the period beginning July 1, 2013 and ending upon the attainment of 30 years of credited service are considered pre-July 1, 2013 contributions; the contributions to the hybrid contribution account begin after the member attains 30 years of credited service.

If the Act No. 447 member had less than 30 years of credited service as of December 31, 2013, the accrued benefit equals 1.5% of average compensation multiplied by years of credited service up to 20 years, plus 2% of average compensation multiplied by years of credited service in excess of 20 years. Maximum benefit is 75% of average compensation. Except for Commonwealth Police and Commonwealth Firefighters, the benefit is actuarially reduced for each year payment commences prior to age 58. For participants selecting the Coordination Plan, the basic benefit is re-calculated at SSRA as 1% of average compensation up to \$6,600 multiplied by years of credited service up to 20 years, plus 1.5% of average compensation up to \$6,600 multiplied by years of credited service in excess of 20 years, plus 1.5% of average compensation in excess of \$6,600 multiplied by years of credited service up to 20 years, plus 2.0% of average compensation in excess of \$6,600 multiplied by years of credited service in excess of 20 years. Except for Police and Firefighters, the benefit is actuarially reduced for each year payment commences prior to age 58.

For Act No. 447 Mayors with at least 8 years of credited service as a mayor, the accrued benefit will not be less than 5% of highest compensation, as defined, as a Mayor for each year of credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for each year of non-Mayoral credited service up to 20 years, plus 2.0% of highest compensation as Mayor for each year of non-Mayoral credited service in excess of 20 years. Non-Mayoral credited service includes service earned as a Mayor in excess of 10 years. Maximum benefit is 90% of highest compensation as a Mayor.

- (2) *Accrued Benefit as of June 30, 2013 for Act No. 1 Members* – The accrued benefit as of June 30, 2013 shall be determined based on the average compensation for Act No. 1 members, the years of credited service, and the attained age of the member all as of June 30, 2013. For Act No. 1 Mayors, the highest compensation as a Mayor is determined as of June 30, 2013.

If the Act No. 1 member is a police officer or firefighter with at least 30 years of credited service as of June 30, 2013, the accrued benefit equals 65% of average compensation if the member was under age 55 as of June 30, 2013 or 75% of average compensation if the member was at least age 55 as of June 30, 2013.

For all other Act No. 1 members, the accrued benefit equals 1.5% of average compensation multiplied by years of credited service. The benefit is actuarially reduced for each year payment commences prior to age 65.

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For Act No. 1 Mayors with at least 8 years of credited service as a Mayor, the accrued benefit will not be less than 5% of highest compensation as a Mayor for each year of credited service as a Mayor up to 10 years, plus 1.5% of highest compensation as Mayor for each year of non-Mayoral credited service up to 20 years, plus 2.0% of highest compensation as Mayor for each year of non-Mayoral credited service in excess of 20 years. Non-Mayoral credited service includes service earned as a Mayor in excess of 10 years. Maximum benefit is 90% of highest compensation as a Mayor.

(c) Compulsory Retirement

All Act No. 447 and Act No. 1 Public Officers in High Risk Positions must retire upon attainment of age 58 and 30 years of credited service. A two-year extension may be requested by the member from the Superintendent of the Puerto Rico Police, the Chief of the Firefighter Corps, or supervising authority as applicable.

(d) Contributions

(1) Member Contributions

Effective July 1, 2013, contributions by members are 10% of compensation. However, for Act No. 447 members who selected the Coordination Plan, the member contributions are 8.5% of compensation up to \$6,600 plus 10% of compensation in excess of \$6,600 during the 2013-2014 fiscal year and 8.5% of compensation up to \$6,600 plus 10% of compensation in excess of \$6,600 during the 2013-2014 fiscal year. Members may voluntarily make additional contributions to their hybrid contribution account.

(2) Employer Contributions (Article 2-116, as Amended by Law No. 116 of 2010 and Act No. 3)

Effective July 1, 2011, employer contributions are 9.275% of compensation. For the next four fiscal years effective July 1, employer contributions will increase annually by 1% of compensation. For the five fiscal years thereafter, employer contributions will increase annually by 1.25% of compensation, reaching an employer contribution rate of 20.525% of compensation effective July 1, 2020.

(3) Supplemental Contributions from the Commonwealth's General Fund, Certain Public Corporations, and Municipalities (Act No. 3)

Effective July 1, 2013, the System will receive a supplemental contribution of \$2,000 (of which \$800 corresponds to the pension plan and \$1,200 corresponds to the post employment healthcare benefits plan) each fiscal year for each pensioner (including beneficiaries receiving survivor benefits) who was previously benefitting as an Act No. 447 or Act No. 1 member while an active employee. This supplemental contribution will be paid by the Commonwealth's General Fund for former government and certain public corporations without own treasuries employees or by certain public corporations with own treasuries or municipalities for their former employees.

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(4) Additional Uniform Contribution (Act No. 32, as Amended)

The additional uniform contribution will be certified by the external actuary of the System each fiscal year from 2014–2015 through 2032–2033 as necessary to avoid having the projected gross assets of the System, during any subsequent fiscal year, to fall below \$1 billion. The additional uniform contribution is to be paid by the Commonwealth's General Fund, public corporations with own treasuries, and municipalities. The additional uniform contribution determined for fiscal years 2014, 2015 and 2016 was \$120 million, payable at end of each fiscal year. The additional uniform contribution determined for fiscal year 2016-2017 is \$596 million, payable at the end of the year.

(2) Basis of Presentation

The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of the System or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the System or the participating employers. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the System to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

(3) Allocation Methodology and Reconciliation to Financial Statements

Effective July 1, 2014, the System employers were required to adopt Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB Statement No. 68).

GASB Statement No. 68 requires participating employers in the System to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ratio of the contributions of an individual employer to total contributions to the System, as defined, during the years ended June 30, 2015 and 2014.

The current year employer contributions for the System employers used in the schedule of employer allocations is a component of the System pension trust fund financial statements contained in the System's Basic Financial Statements. A reconciliation of total contributions presented in the schedule of employer allocations and additions from the employer contributions for the System pursuant to its statements of changes in fiduciary net position for the years ended June 30, 2015 and 2014 is as follows:

	2015	2014
Contributions per schedule of employer allocations	\$ 632,182,508	607,378,006
Reconciling items:		
Early retirement incentives	11,158,831	69,283,111
Collected additional uniform contribution (Act 32 of 2013)	22,706,000	37,152,000
Total contributions per audited financial statements	\$ 666,047,339	713,813,117

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The employer's proportion of the System's net pension liability was based on the actual required contributions of each of the participating employers that reflect each employer's projected long-term contribution effort. The contributions that reflect each employer's projected long-term contribution effort included in the proportionate share calculation are: 1) Act No. 116 of 2010 statutory payroll-based contribution, 2) Act No. 3 of 2013 supplemental contribution, and 3) other special law contributions. Other contributions to the System that do not reflect an employer's projected long-term contribution effort, such as contributions that separately finance specific liabilities of an individual employer to the System (i.e., local employer early retirement incentives), are excluded from the proportionate share calculation.

In addition, the collected additional uniform contribution required by Act No. 32 of 2013 (AUC), which is a contribution that reflects each employer's projected long-term contribution effort, was excluded from the proportionate share calculation because its collectability from various employers, including the Commonwealth, is uncertain. Exclusion of such amounts prevents an overallocation of GASB Statement No. 68 amounts to the employers who have paid their AUC (or are expected to do so) and an underallocation of GASB Statement No. 68 amounts to the employers who have not paid their AUC (or are not expected to do so).

(4) Collective Net Pension Liability and Actuarial Information

(a) Components of Net Pension Liability

The components of the net pension liability of the participating employers for the System as of June 30, 2015 and July 1, 2014 are as follows:

	2015	2014
Total pension liability	\$ 32,669,162,000	30,219,517,000
Plan fiduciary net position (deficit)	(668,272,000)	80,666,000
Net pension liability	\$ 33,337,434,000	30,138,851,000
Plan fiduciary net position (deficit) as a percentage of the total pension liability	(2.05)%	0.27 %

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(b) Actuarial Assumptions

The total pension liability as of June 30, 2015 (the measurement date) was determined by an actuarial valuation as of July 1, 2014 that was rolled forward to June 30, 2015 and assuming no gains or losses. This actuarial valuation used the following actuarial methods and assumptions, applied to all periods in the measurement:

Actuarial cost method	Entry age normal
Asset-valuation method	Market value of assets
Actuarial assumptions:	
Inflation rate	2.50%
Salary increases:	3.00% per year. No compensation increases are assumed until July 1, 2017 as a result of Act No. 66 and the current general economy.

The mortality tables used in the June 30, 2015 actuarial valuation were as follows:

- Pre-retirement Mortality – For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2015 from the 2006 base year, and projected forward using MP-2015 on generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and females adjusted to reflect Mortality Improvement Scale MP-2015 from the 2006 base year, and projected forward using MP-2015 on generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

100% of deaths while in active service are assumed to be occupational only for members covered under Act No. 127.
- Post-retirement Healthy Mortality – Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale MP-2015 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.
- Post-retirement Disabled Mortality – Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using Mortality Improvement Scale MP-2015 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

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Most other demographic assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study using data as of June 30, 2003, June 30, 2005 and June 30, 2007.

The long-term expected rate of return on pension benefits investments was determined in accordance with the asset allocation of the portfolio that was adopted by the System's Board during December 2013 and the actuary's capital market assumptions as of June 30, 2015. In addition, the assumption reflects that loans to members comprise approximately 20% of the portfolio and, have an approximate return of 9.1% with no volatility. The long-term expected rate of return on pension benefits investments of 6.55% as of June 30, 2015 is equal to the highest debt service of the senior pension funding bonds payable which range from 5.85% per annum to 6.55% per annum.

The pension plan's policy in regards to allocation of invested assets is established and may be amended by the System's Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a positive impact on the System's financial condition for the benefits provided through the pension programs. The following was the Board's adopted asset allocation policy as of June 30, 2015:

	Target allocation	Long-term expected rate of return
Asset class:		
Domestic equity	25 %	6.4 %
International equity	10	6.7
Fixed income	64	6.3
Cash	1	3.0
Total	100 %	

The long-term expected rate of return on pension benefits investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The asset basis for the date of depletion projection is the System's fiduciary net position (the gross assets plus deferred outflows of resources less the gross liabilities, including the senior pension funding bonds payable, less deferred inflows of resources). On this basis, the System's fiduciary net position was projected to be exhausted in the fiscal year 2015.

The System's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the tax free municipal bond index (Bond Buyer General Obligation 20-Bond Municipal Bond Index) was applied to all periods of projected benefits payments to determine the total pension liability. The discount rate was 3.80% and 4.29% as of June 30, 2015 and July 1, 2014, respectively.

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The date of depletion projection of the actuarial report does not include any amounts from the additional uniform contribution required by Act No. 32 because of actual fiscal and budgetary financial difficulties, continued budget deficits and liquidity risks of the Commonwealth and the municipalities, and in the event that their financial condition does not improve in the near term.

(c) Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2015, calculated using the discount rate of 3.80%, as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower (2.80%) or 1-percentage-point higher (4.80%) than the current rate:

	2015		
	At 1% decrease (2.80%)	At current discount rate (3.80%)	At 1% increase (4.80%)
Net pension liability	\$ 38,004,512,000	33,337,434,000	29,513,508,000

(5) Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2015:

	Year of deferral	Amortization period	Beginning of year balance	Additions	Deductions	End of year balance
Deferred outflows of resources:						
Changes of assumptions	2015	5 years	\$ 1,027,121,143	2,781,098,000	634,703,190	3,173,515,953
Difference between expected and actual experience	2015	5 years	<u>46,232,571</u>	—	<u>7,705,429</u>	<u>38,527,142</u>
Total			<u>\$ 1,073,353,714</u>	<u>2,781,098,000</u>	<u>642,408,619</u>	<u>3,212,043,095</u>
Deferred inflows of resources:						
Difference between projected and actual earnings on pension plan investments	2015	5 years	<u>\$ 190,425,786</u>	<u>61,099,000</u>	<u>59,826,246</u>	<u>191,698,540</u>
Difference between expected and actual experience	2015	6 years	<u>\$ —</u>	<u>463,898,000</u>	<u>77,316,333</u>	<u>386,581,667</u>

**EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT OF
THE COMMONWEALTH OF PUERTO RICO**

Notes to Schedules of Employer Allocations and Schedules of Pension Amounts by Employer

June 30, 2015 and 2014

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions at June 30, 2015 will be recognized in pension expense as follows:

	Amount
Year ending June 30:	
2016	\$ 505,266,040
2017	505,266,040
2018	505,266,038
2019	552,872,486
2020	565,092,284
Total	\$ 2,633,762,888

(6) Pension Expense

The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the System employers for the year ending June 30, 2015 are as follows:

	Amount
Service cost	\$ 425,564,000
Interest on total pension liability	1,279,556,000
Member contributions	(339,650,000)
Administrative expense	25,744,000
Other expenses	16,585,000
Law 70	6,331,000
Interest on bonds payable	194,400,000
Recognition of deferred inflows/outflows of resources:	
Amortization of assumption changes or inputs	634,703,190
Amortization of differences between expected and actual experience	(69,610,904)
Amortization of projected versus actual investment earnings on pension plan investments	(59,826,246)
Pension expense	\$ 2,113,796,040