



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

Annual Financial Report

for the fiscal year ending June 30, 1996

Honorable Nancy J. Mayer, General Treasurer

Joann E. Flaminio, Executive Director

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INTRODUCTORY SECTION





The Honorable Lincoln C. Almond
Governor, State of Rhode Island and Providence Plantations
State House
Providence, Rhode Island 02903

Dear Governor Almond:

In accordance with Rhode Island General Laws, 36-8-8 and 45-21-34, I hereby submit the Sixtieth Annual Financial Report of the *Employees' Retirement System* and the Thirty-Ninth Annual Financial Report of the *Municipal Employees Retirement System* of the State of Rhode Island for transmittal to the General Assembly.

The report covers the fiscal year ending June 30, 1996.

Respectfully submitted,

Nancy J. Mayer
General Treasurer
Chairperson, Employees Retirement Board
and State Investment Commission

EMPLOYEES RETIREMENT BOARD

Nancy J. Mayer, *Chairperson*

William B. Finelli, *Vice-Chairperson, Teacher Member*

Ponzi A. Angelone, *C.L.U., Public Representative*

Daniel L. Beardsley, *Rhode Island League of Cities and Towns*

Michael R. Boyce, *Retired Member Representative*

Leonard Clingham, *Director of Administration, designee*

Leslie E. Clark, *Municipal Representative*

Lu Cribari, *Public Representative*

John P. Maguire, *Teacher Representative*

Linda M. Masse, *State Employee Representative*

Stephen P. McAllister, *State Budget Director*

Michael F. O'Keefe, *House Fiscal Advisor*

Representative Antonio J. Pires, *House Finance Committee Chair*

Linda C. Riendeau, *State Employee Representative*

Senator Eleanor C. Sasso, *Senate Finance Committee Chair, Designee*



*Back Row (left to right): Dan P. Beardsley, Stephen P. McAllister, Leonard Clingham, Ponzi A. Angelone, Michael R. Boyce and John P. Maguire.
Front Row (left to right): Lu Cribari, Leslie E. Clark, Linda C. Riendeau, Linda M. Masse.
Board Members Antonio J. Pires, Eleanor C. Sasso, William B. Finelli, Michael F. O'Keefe and Treasurer Nancy J. Mayer were absent when this photo was taken.*



SYSTEM ADMINISTRATION

EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND ADMINISTRATION

Joann E. Flaminio, *Executive Director*
James M. Reilly, *Assistant Executive Director*
Diane S. Bourne, *Assistant Director-Member Services*
Frank J. Karpinski, *Assistant Director-Finance*
Hinckley Allen & Snyder, *Board Counsel*

STATE INVESTMENT COMMISSION

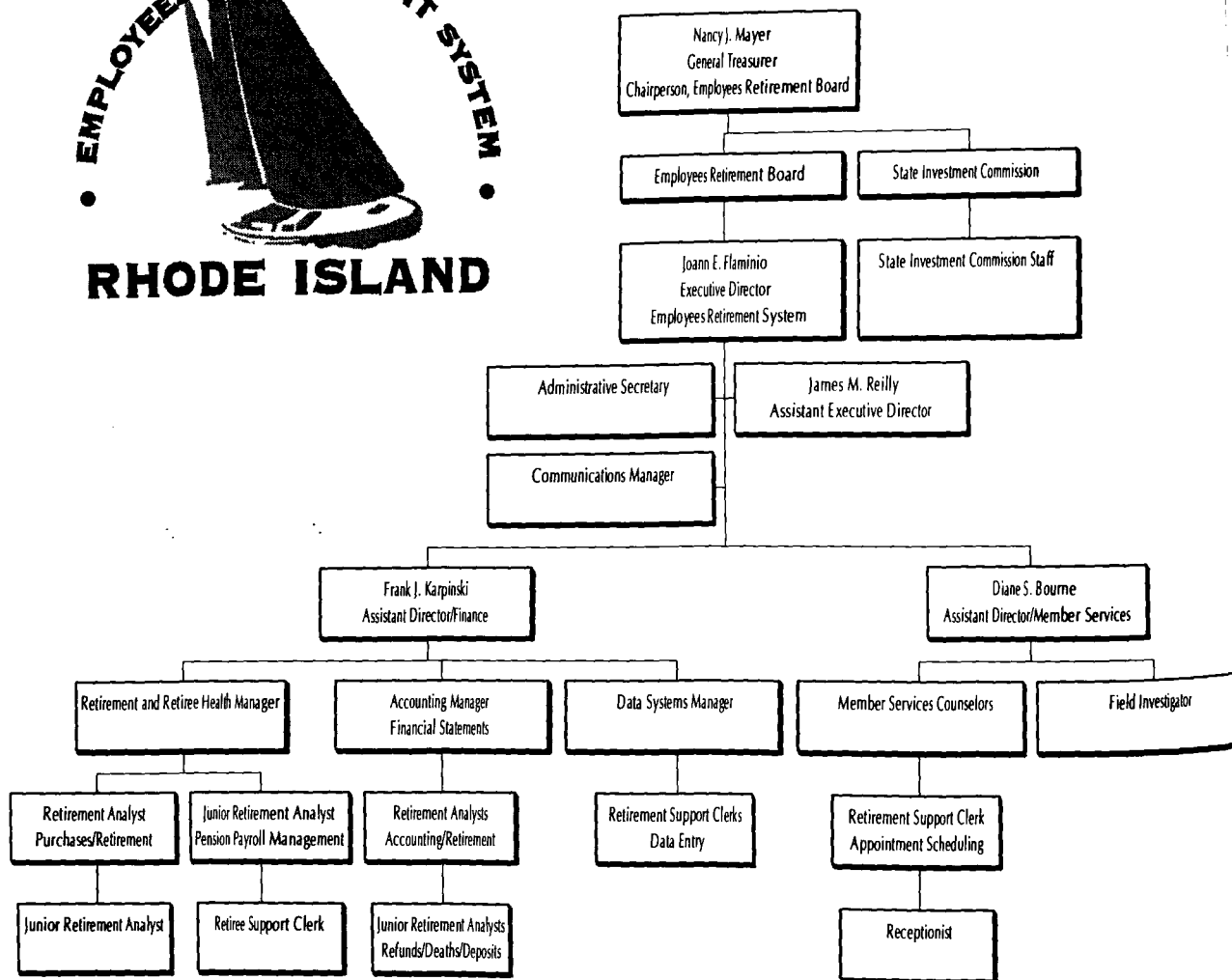
Honorable Nancy J. Mayer, *Chairperson, General Treasurer*
Robert L. Carl, Jr., PhD, *Director, Department of Administration*
Kenneth R. Dulgarian, *Governor's Appointee*
Karl F. Ericson, *Governor's Appointee*
Representative Mark B. Heffner, *House Finance Committee Designee*
Senator M. Theresa Paiva Weed, *Senate Finance Committee Designee*
James M. Seed, *Governor's Appointee*
Joann E. Flaminio, *Executive Director, Non-voting member*

By statute, the State Investment Commission is responsible for the investment of the assets of the Employees Retirement System and the Municipal Employees Retirement System.

STATE INVESTMENT COMMISSION ADMINISTRATION

Barbara Braun Schoenfeld, *Deputy Treasurer and General Counsel*
James E. Thorsen, *Deputy Treasurer for Finance*
Barbara R. Binder, *Treasury Chief of Staff*
Wilshire Associates, Inc., *Consultant to State Investment Commission*
State Street Bank and Trust, *ERSRI and MERS Custodian Bank*

Employees Retirement System of Rhode Island Organizational Chart





LETTER FROM THE EXECUTIVE DIRECTOR

Dear Governor Almond, Rhode Island General Assembly, Members and Trustees:

I am pleased to present to you this Annual Financial Report of the Employees' Retirement System (ERSRI) of Rhode Island and the Municipal Employees' Retirement System (MERS) for the fiscal year ended June 30, 1996. This report is intended to provide the Governor, the General Assembly, members and beneficiaries, and the public with financial information and an overall status report on the operation of the system. This report also marks the 60th anniversary of the establishment of the Employees Retirement System of Rhode Island created by the Rhode Island General Assembly in 1936. A retirement system for public school teachers was added in 1949. The Municipal Employees Retirement System was established in 1951. Currently, the system provides almost 17,000 retirees and beneficiaries with monthly benefit payments.

The report is divided into three sections:

1. The introductory section presents the system's organization, describes plan benefits, and provides a summary of 1996 retirement legislation;
2. The second section contains the audited financial statements of both the Employees' Retirement System and the Municipal Employees' Retirement System of the State of Rhode Island. *(As a note, at the time of preparation of the financial statements, the 1996 actuarial valuation had not yet been completed. Consequently, the notes reflect the 1995 actuarial valuation.)*
3. The third section contains the results of the 1996 actuarial valuation by William M. Mercer, Inc.
4. The fourth section contains statistical information.

Membership

As of June 30, 1996, active membership in the Employees' and Municipal Employees' Retirement System totaled 31,910. A total of 16,859 retirees and beneficiaries were receiving benefits from the system.

Accounting Basis

The financial statements have been prepared in accordance with generally accepted accounting principles using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Dividend income is recorded on the ex-dividend date. Interest income is accrued daily. Finally, investments are recorded at cost.

Financial Highlights

The major sources of revenue for ERSRI and MERS are employee contributions, employer contributions, and investment earnings. Total revenues for fiscal year 1996 were \$ 662,804,090. The expenditures of the fund consist primarily of payments made to members and beneficiaries for retirement, disability, death or survivor benefits. In total, benefits payments for fiscal year 1996 were \$ 258,382,877.

LETTER FROM THE EXECUTIVE DIRECTOR

Administrative expenses of the retirement system and the cost of maintaining the retirement system are paid from a restricted receipt account which is used solely to pay such expenses. This account is reimbursed through the transfer of 1.5 % of the investment income from the retirement fund. Any non-encumbered funds at June 30th are transferred back to the retirement fund. Administrative expenses incurred by the system for the year ended June 30, 1996 amounted to \$ 2,646,472.

Funding

The actuary for the retirement system determines the actuarial liabilities utilizing the entry age normal cost method with an initial frozen liability. The actuarial value of assets was reset to equal the market value of assets as of June 30, 1996. This resulted in a value of \$3,828,915,979 for the Employees' Retirement System and \$564,388,313 for the Municipal Employees' Retirement System. The ratio of assets to vested liabilities for state employees as of June 30, 1996 was 85.35%, compared to 82.51% as of June 30, 1995. The ratio of assets to vested liabilities for teachers as of June 30, 1996 was 85.02%, compared to 82.06% as of June 30, 1995.

The unfunded liability for Rhode Island state employees as of June 30, 1996 amounted to \$444,814,700 while the unfunded liability for Rhode Island public school teachers amounted to \$767,893,900. Thirty-three (33) of the ninety-five (95) units in the Municipal Employees' Retirement System had unfunded liabilities totaling \$10,410,587.

Investments

ERSRI and MERS assets are invested under the direction and authority of the State Investment Commission which meets on a monthly basis (SIC). In addition to the General Treasurer who serves as Chairperson, members of the SIC include the Director of the Department of Administration, the Chairpersons of the House and Senate Finance Committees and three members appointed by the Governor. The Executive Director of the retirement system is a non-voting member of the State Investment Commission.

Professional Services

Actuarial Services are provided to the retirement system by William M. Mercer Inc. of Boston. Legal Services to the retirement board are provided by the law firm of Hinckley Allen & Snyder, Providence, Rhode Island, the Office of the Attorney General and other private attorneys who represent the system on individual matters. Private attorneys are hired on a per diem basis to serve as hearing officers for the system on disputed retirement issues.

Barbara Braun Schoenfeld of the General Treasurer's staff serves as counsel to the State Investment Commission (SIC) while Wilshire Associates serves as SIC pension consultant. Pacific Corporate Group advises the Commission on alternative and venture related items. State Street Bank and Trust serves as the pension fund custodian.



LETTER FROM THE EXECUTIVE DIRECTOR

In addition to Dr. Christopher Ley who serves as the Medical Advisor to the Board's Disability Sub-Committee, the system hires independent physicians who conduct medical exams of the system's disability applicants. Finally, the Auditor General conducts an annual financial audit of the entire retirement system.

Disbursements from the fund, are processed through the centralized controls of the State Controller, under the supervision of the Department of Administration.

Reports to Members

An annual statement of account for the period ending December 31, 1995 was mailed to each active member in April 1996. The statement provides to each member an accounting of the amount of his/her contributions credited to his/her account along with a summary of this financial report. Members also receive newsletters and other notices on an ad hoc basis.


Acknowledgments

The preparation of this report is possible only through the combined efforts of many individuals. I would like to thank General Treasurer Nancy J. Mayer and her staff, William M. Mercer Inc., the Office of the Auditor General, and the Office of the Controller for their assistance. I would especially like to thank Frank J. Karpinski of my staff who prepared the financial statements and who helped with the production of the final report.

For some sixty years, the Employees Retirement System of Rhode Island has provided its members with retirement income. With effective stewardship, it is my hope that it will continue to carry out its responsibility to the next generation of retired public employees.

I welcome your comments on the issuance of this report.

Sincerely,


Joann E. Flaminio
Executive Director



1996 RETIREMENT LEGISLATION

Legislation affecting the Employees Retirement System of Rhode Island and the Municipal Employees Retirement System was passed by both the United States Congress and the Rhode Island General Assembly during 1996.

FEDERAL LEGISLATION

President Clinton's signing of the Small Business Job Protection Act (minimum wage increase) had significant implications for the ERSRI membership. As a result of the closing agreement signed in 1994 between the retirement system, the Internal Revenue Service, and the State of Rhode Island, our retirement system agreed to adhere to the benefit limitations outlined in Section 415 of the Internal Revenue Code. The Small Business Job Protection Act, however, contained a Pension Simplification Package long advocated for by public employee groups and associations nationally. One of the provisions within the package eliminated the Section 415 limits for governmental plans.

For a retiring ERSRI or MERS member, this means that the system will no longer have to test a retiring member's retirement allowance against his/her final average salary, minus tax-deferred contributions to our plan as well as any 403(b) or 457 plans that a member may have contributed to while earning her system benefit. Large pre-tax contributions to tax deferred plans may have resulted in a cut-back of a member's annual pension benefit under Section 415. This does not, however, exempt members from the Maximum Benefit Limitations based on age.

GENERAL ASSEMBLY LEGISLATION

Public Law 96-233 An Act Relating to State and Municipal Retirement Systems —for Optional Benefits

The new law, effective August 6, 1996, applies to all members. The passage of this bill allows all new applicants for Ordinary Disability retirement after August 6, 1996 to select either Option One or Option Two. Previously, ordinary disability recipients could not choose a retirement option upon receipt of an ordinary disability.

Public Law 96-384 Relating to Teacher Retirement

This new law applies to teacher members and went into effect on August 9, 1996. This act clears up a confusing amendment passed by the Legislature in 1995 which allowed physical therapists and occupational therapists licensed by the Department of Health and employed by a school committee (or commissioner) prior to July 1, 1995 to be members of the Employees Retirement System as a teacher member. This bill eliminates the "prior to July 1, 1995" and thus allows all physical therapists and occupational therapists regardless of hiring date to be ERSRI teacher members.





Public Law 96-374 An Act Relating to Towns and Cities —Optional Retirement for Members of Police Force and Firefighters

The new law applies to a new municipal MERS unit for City of Cranston police officers and firefighters hired after July 1, 1995 or with five or less years of service with the City of Cranston as of July 1, 1995. No action was taken on this bill by the Governor. The bill becomes effective August 9, 1996. This legislation creates a new unit for police and fire members of the City of Cranston force(s) hired after July 1, 1995 or with five or less years of service as of July 1, 1995. The plan design for this new group will include a compounded COLA, and a 20 year pension benefit (2.5% multiplier) based on a final highest salary rather than three-year average salary. Employee members will contribute a pre-tax 10% contribution.

Public Law 96-295 An Act Relating to the Teachers Survivor Benefit Fund

The new law applies to all teacher members who do not contribute to Social Security and thus are contributors to the Teachers Survivor Benefit Fund. The law, which was signed by Governor Almond on August 6, 1996, goes into effect upon passage. This new law creates a monthly minimum of \$600 dollars and caps spousal benefits at \$1,000 for survivors of teacher members with annual salaries in excess of \$40,000. The bill also increases benefits for Teacher Survivor Benefit family members. The November 1994 valuation of this account found a \$48 million dollar fund surplus.

Public Law 96-297 An Act Relating to State Retirement System —Multiple Beneficiaries

The new law applies to all members and goes into effect upon passage. The bill was signed into law by Governor Almond on August 6, 1996. This legislation restricts the option to name multiple beneficiaries to the member's spouse, children (including step and adopted children).

Public Law 96-292 An Act Relating to Retirement System —Pensions

The new law applies to all members and goes into effect upon passage. The bill was signed into law by Governor Almond on August 6, 1996. This allows a Rhode Island judge to make pension reduction or pension revocation part of the criminal sentence after conviction.

Public Law 96-384 Relating to Partial Transfer of Credit

The new law applies to all members and is effective upon passage. The bill was signed into law by Governor Almond on August 24, 1996. This legislation clarifies previous statutes which allow a member of two different systems to transfer credit from one system to another. This makes it clear that should a member desire to transfer credit, all contributions of one system must be transferred.

SUMMARY OF PLAN PROVISIONS

Administration

The Employees' Retirement System and the Municipal Employees' Retirement System are governed by a retirement board. The Board is composed of fifteen members in accordance with Title 36 of the Rhode Island General Laws and is chaired by the General Treasurer. The system is managed by an executive director and assistant executive director who are chosen by the retirement board. The system has twenty-four full-time employees.

Membership

All persons employed by the State of Rhode Island on at least a 20 hour basis are eligible for membership in the Employees' Retirement System of Rhode Island. All persons employed by a participating municipality on at least a 20 hour basis are eligible for membership in the Municipal Employees' Retirement System of Rhode Island. Public school teachers are eligible for membership in the Employees' Retirement System provided they are certified by the Board of Regents, engaged in teaching as a principal occupation, and regularly employed on at least a half time basis.

Membership in the Employees' Retirement System is a condition of employment and is required of all employees who meet the Board's eligibility requirements. Judges who were employed after December 31, 1989 participate in the Judicial Retirement Plan while state police who were employed after July 1, 1987 participate in the State Police Retirement Plan. New members of the General Assembly are not eligible for participation in the retirement system as a result of a constitutional amendment to the Rhode Island constitution approved by the voters.

Employee and Employer Contributions

Benefits are financed by employee contributions, employer contributions, and investment earnings. ERSRI members pay a percentage of their salaries to the retirement system. Currently, teacher members contribute 9.50% of their annual salaries while state employees contribute 8.75% of their annual salaries. Municipal employees contribute 6.0% of their salaries and an additional one percent if their community has adopted a cost-of-living provision. Each year, the retirement system's actuary determines the amount of additional monies necessary to fund the benefits of retirees and future retirees of the system. Based on the liability of the system, the actuary determines a percentage of payroll or "employer contribution" that is necessary to fund the established level of benefits. The actuary determines a different employer rate for state employees, public school teachers, and each participating municipality.

Retirement Benefit

The ERSRI retirement benefit is determined by two factors: years of creditable service and final average salary. Public school teachers and state employees receive 1.7% of final average salary for the first ten years of creditable service and 1.9% for the next ten years of creditable service. For years twenty-one through thirty-four, members receive 3% of final average salary and 2% for year thirty-five.



Municipal employees receive a flat 2.0% for each year of service. Benefits for members of the General Assembly, state correctional officers, judges, and state police vary according to their plan membership. Members of the General Assembly are not eligible for any credit for service in the General Assembly after 1994. However, those members who were elected to the General Assembly prior to 1994 may elect to continue his/her membership in the plan and receive credit.

Retirement Options

The statutes governing the Employees' Retirement System allow the selection of four different retirement options:

Service Retirement Allowance/Maximum Plan

The Service Retirement Allowance (SRA) is based on creditable service and salary as a public employee. SRA provides the highest monthly benefit, but upon the death of the annuitant, all pension benefits stop.

Option #1/Joint and Survivor Full

Option #1 provides that upon the retiree's death, the retiree's beneficiary will receive the same lifetime retirement allowance that was received by the member.

Option #2 / Joint and Survivor Half

Option #2 provides that upon the retiree's death, the retiree's beneficiary will receive half of the retirement allowance that was received by the member.

SRA Plus/Social Security Option

SRA Plus uses an estimate of the amount of Social Security a member is expected to receive to increase the amount of retirement allowance prior to age 62. Upon attaining age 62, the amount of the allowance received from ERSRI reverts to a Service Retirement Allowance minus an actuarial adjustment based on the previous increase. Like the SRA, all pension payments cease upon the death of the annuitant.

Cost of Living Increases

All state employee and teacher retirees receive a 3% cost-of-living adjustment added to their monthly benefit check on the third January of their retirement. Each succeeding year, retirees receive an additional 3% compounded COLA. Municipal retirees receive a simple 3% cost-of-living adjustment that begins on the first January of their retirement, but only if such provision has been approved by the participating municipality.

Refunds

Upon termination of active service and after filing a refund application, ERSRI will issue a refund of a member's contributions. A refund will be issued only if the member has officially resigned from employment. Members who return to service after previously withdrawing their contributions may buy back such service time after they have completed a year of membership. Members are not required to purchase previous service.

Disability

Accidental Disability

Any active member who becomes disabled as the result of a work-related injury or hazard is eligible to apply for an accidental disability retirement. The statute governing accidental disability retirement requires that "the member is physically or mentally incapacitated for further services as the result of an injury sustained while in the performance of duty." The disability cannot be the result of "willful negligence or misconduct on the part of the member" and cannot be the result of age or length or service. The disability benefit equals $66 \frac{2}{3}$ rds of the member's salary at the time of the accident or injury.

Ordinary Disability

Any active member who has at least five years of contributing service and who becomes disabled as the result of a non work-related injury or hazard is eligible to apply for an ordinary disability retirement. The statute governing ordinary disability retirement requires that the member be "physically or mentally incapacitated for the performance of duty." The disability equals what the member would have received had she/he been retired normally. In cases where the member has less than ten years of service, the member receives a benefit equal to that of a member with ten years of service.

Optional Annuity Protection

Those members with at least 10 years of service may provide their beneficiary with additional protection by completing an Optional Annuity Protection form. Should the member die while still in active service, the OAP beneficiary will have the option of receiving either a return of contributions or a monthly annuity. Spouses automatically receive this option of a monthly annuity provided the member had over ten years of service at the time of his/her death and the spouse is the sole beneficiary on file.



Teacher Survivor Benefit Plan

Teachers who do not contribute to Social Security participate in the Teacher Survivor Benefit Plan. Members of the program are required to make contributions of 1% of salary up to a salary of \$9,600 per year. After the death of the member, spousal benefits of up to \$1,000 per month are available at age 60. Additional family and children's benefits are also provided under this plan.

Death Benefits

All members are entitled to receive a death benefit. For each year of service that has been rendered by the member, the member's beneficiary will receive a death benefit of \$800 up to a maximum of \$16,000. This amount is reduced 25% every year after retirement, but all beneficiaries will receive a minimum benefit of \$4,000.

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FINANCIAL SECTION





EMPLOYEES' RETIREMENT SYSTEM

Financial Information



ERNEST A. ALMONTE, CPA, CFE
Auditor General

State of Rhode Island and Providence Plantations

GENERAL ASSEMBLY

Office of the Auditor General

1145 Main Street
Pawtucket, Rhode Island 02860-4807

INDEPENDENT AUDITOR'S REPORT

OFFICE
(401) 277-
FAX
(401) 277-

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

We have audited the accompanying financial statements of the State of Rhode Island and Providence Plantations Employees' Retirement System (the System) as of and for the year ended June 30, 1996. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 1997 on our consideration of the System's internal control structure and a report dated January 31, 1997 on its compliance with laws, regulations, and contracts.

Ernest A. Almonte, CPA, CFE
Auditor General

January 31, 1997 except for Note 12 as to
which the date is March 12, 1997



EMPLOYEES RETIREMENT SYSTEM

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM
BALANCE SHEET
June 30, 1996

	<u>Employees'</u> <u>Retirement Fund</u>	<u>Postretirement</u> <u>Healthcare Fund</u>	<u>Total</u> <u>(Memorandum Only)</u>
ASSETS			
Cash and cash equivalents (Note 4)	\$ 213,758,640	\$ -	\$ 213,758,640
Investments (Note 4)	2,895,149,619		2,895,149,619
Accrued interest and dividends receivable	24,533,228		24,533,228
Open trades receivable	52,559,401		52,559,401
Contributions receivable	21,510,966		21,510,966
Due from State of Rhode Island (Note 5)	<u>6,587,567</u>	<u>323,756</u>	<u>6,911,323</u>
Total assets	<u>\$ 3,214,099,421</u>	<u>\$ 323,756</u>	<u>\$ 3,214,423,177</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Cash overdraft	\$ -	\$ 6,714	\$ 6,714
Accounts and vouchers payable	2,834,601		2,834,601
Open trades payable	47,929,169		47,929,169
Payable to certain individuals (Note 6)	<u>1,005,488</u>	<u>-</u>	<u>1,005,488</u>
Total liabilities	51,769,258	6,714	51,775,972
 Fund balance available for benefits	 <u>3,162,330,163</u>	 <u>317,042</u>	 <u>3,162,647,205</u>
 Total liabilities and fund balance	 <u>\$ 3,214,099,421</u>	 <u>\$ 323,756</u>	 <u>\$ 3,214,423,177</u>

See notes to financial statements.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 1996

	<i>Employees' Retirement Fund</i>	<i>Postretirement Healthcare Fund</i>	<i>Total (Memorandum Only)</i>
Operating revenues:			
Employer contributions	\$ 124,834,685	\$ 3,097,321	\$ 127,932,006
Employee/Pensioner contributions	92,824,518	1,922,063	94,746,581
Income from investments	373,303,307	21,146	373,324,453
Interest on contributions	856,042	-	856,042
Miscellaneous	<u>5,378</u>	<u>1,825</u>	<u>7,203</u>
Total operating revenues	<u>591,823,930</u>	<u>5,042,355</u>	<u>596,866,285</u>
Operating expenses:			
Retirement benefits	236,165,513		236,165,513
Healthcare premiums	-	4,715,458	4,715,458
Refunds of contributions	5,282,043	9,855	5,291,898
Management and professional fees	8,441,027	-	8,441,027
Miscellaneous	<u>830,201</u>	<u>-</u>	<u>830,201</u>
Total operating expenses	<u>250,718,784</u>	<u>4,725,313</u>	<u>255,444,097</u>
Operating income	<u>341,105,146</u>	<u>317,042</u>	<u>341,422,188</u>
Other financing sources (uses):			
Transfers from other funds	40,140	-	40,140
Transfers to other funds (Note 7)	<u>(2,370,361)</u>	<u>-</u>	<u>(2,370,361)</u>
Total other financing uses	<u>(2,330,221)</u>	<u>-</u>	<u>(2,330,221)</u>
Net increase in fund balance	<u>338,774,925</u>	<u>317,042</u>	<u>339,091,967</u>
Fund balance, July 1	<u>2,823,555,238</u>	<u>-</u>	<u>2,823,555,238</u>
Fund balance, June 30	<u>\$ 3,162,330,163</u>	<u>\$ 317,042</u>	<u>\$ 3,162,647,205</u>

See notes to financial statements.



Note 1. Pension Plans

The State of Rhode Island Employees' Retirement System (the System), is a multiple-employer, cost-sharing, public employee retirement system that acts as a common investment and administrative agent for pension benefits to be provided to State employees as well as teachers and certain other employees employed by local school districts in Rhode Island who meet eligibility requirements. The activities of the Employees' Retirement System are accounted for in the Employees' Retirement Fund and the Postretirement Healthcare Fund. The financial statements of the System are included within the Trust and Agency Funds in the State of Rhode Island Comprehensive Annual Financial Report.

A. Pension Plan Description

The plan covers most State employees other than certain personnel at the State colleges and university (principally faculty and administrative personnel). Elected officials may become members on an optional basis. Membership in the plan is compulsory for teachers, including superintendents, principals, school nurses, and certain other school officials in the public schools in the cities and towns. Rhode Island Airport Corporation (RIAC) employees hired before July 1, 1993, are also covered and have the same benefits as State employees. Rhode Island Economic Development Corporation (RIEDC) employees who were (1) active contributing members and employees of the Department of Economic Development of the State of Rhode Island before October 31, 1995, and (2) elected to continue membership in the System are also covered and have the same benefits as State employees. The State Police and Judges have separate plans that are not included in the Employees' Retirement System.

The State's payroll for its employees that were covered by the plan for the year ended June 30, 1996, was approximately \$449 million and the total payroll, including overtime pay not subject to pension contributions, for all State employees was approximately \$662.3 million. The payroll for teachers and other local school employees covered by the plan for the year ended June 30, 1996, was \$551.3 million. RIAC's payroll for employees covered by the plan was \$2.1 million. RIEDC's payroll for transferred employees covered by the plan was \$257,000.

The plan provides unreduced benefits of 1.7% of earnings for each of the first ten years of service; 1.9% for each of the next ten years; 3.0% per year for each of the next fourteen years; and 2% for the 35th year. The maximum benefit is 80% of final average earnings after 35 years of service. Such benefits are available to members at least age 60 with 10 years of service, or after 28 years at any age. A different benefit formula applies to State correctional officers who may retire at age 50 if they have 20 years of service. Benefits for all employees are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

The plan also provides benefits to legislators elected to office prior to January 1, 1995, of \$600 for every year served up to a maximum of \$12,000. If a legislator is entitled under Rhode Island General Laws 36-10-10.1(a) to an annual retirement allowance which is in excess of the amount permitted by Internal Revenue Service code 415(b)(4) of \$10,000, that amount shall be paid out of the General Fund but only to the extent that the amounts have been appropriated. Such benefits are available to legislators 55 and over with at least 8 years of service or, at any age with 20 or more years of service. For the year ending June 30, 1996, legislators received a maximum amount of \$10,000. Subsequently, in August 1996, Federal legislation granted relief of section 415(b)(4) of the code as it related to legislators by eliminating the \$10,000 maximum benefit amount.

On the third January after retirement, a cost-of-living increase of 3% (compounded annually) is provided, independent of actual changes in the consumer price index. The plan also provides non-service-connected disability benefits after five years of service; service-connected disability pensions with no minimum service requirement; vested benefits after ten years of service; survivor's benefits for service-connected death; and certain lump sum death benefits.

Rhode Island General Laws, Sections 16-16-22 and 36-10-1 require that members contribute a fixed percentage of their earnings to the System. For the year ended June 30, 1996, this percentage was 8.75% for State employees, 9.5% for teachers and other covered school employees and 30% for



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

legislators. The contributions required by the State and various local school districts that participate in the plan are set forth in Rhode Island General Laws, Sections 16-16-22 and 36-10-2. Employer contribution rates are determined by the actuary in accordance with policies outlined in the General Laws.

Membership in the plan, as of the most recent actuarial valuation date, June 30, 1995, is as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving the	17,266
Active employees (including 15,130 fully vested and 2,396 eligible to retire)	<u>25,629</u>
Total	<u>42,895</u>

B. Postretirement Healthcare Plan Description

In accordance with the General Laws, postretirement healthcare benefits are also provided to all State employees who retire on or after July 1, 1989. The benefits in general cover medical and hospitalization costs for pre-Medicare-eligible retirees and a Medicare supplement for Medicare-eligible retirees. The State is required to pay a portion of the monthly premium. This payment varies with years of service and ranges from 50% for retirees with 10-15 years of service to 100% for retirees with 35 years of service.

During fiscal year 1996, the State contributed 0.70% of covered payroll (exclusive of overtime) to the Postretirement Healthcare Fund to fund the estimated cost of benefits to retirees be paid during the fiscal year.

In March of 1996, pursuant to Rhode Island General Laws 36-10-2(d), the State transferred \$2,500,000 to the General Fund to repay advances made in prior fiscal years. Subsequently, a legal opinion was rendered on September 5, 1996 that stated only advances made prior to July 1, 1993, could be repaid to the General Fund. Therefore, any advances received after July 1, 1993, are considered employer contributions. Consequently, the State's General Fund repaid \$85,558 (inclusive of interest of \$3,434) to the Postretirement Healthcare Fund on September 20, 1996.

Retirees receiving postretirement healthcare plan benefits, as of June 30, 1996, is as follows:

Pre-age 65	814
Age 65 and older	<u>1,529</u>
	2,343

Note 2. Summary of Significant Accounting Policies

These financial statements were prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

Basis of Accounting - The financial statements of the Employees' Retirement System (the System) are prepared on the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded when incurred. Dividend income is recorded on the ex-dividend date. The Governmental Accounting Standards Board (GASB) has the responsibility for establishing generally accepted accounting principles for fiduciary fund type activities. In accordance with GASB Statement No. 20, in the absence of specific guidance from a GASB pronouncement, pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 have been followed.

Method Used to Value Investments - Investments are recorded in the financial statements at cost. The cost of investments sold is determined using the average cost method. Investment transactions are recorded on the date the investments are traded. Most assets of the Employees'





Retirement System are held by the custodian bank (State Street Bank). On July 1, 1992, the State Investment Commission pooled the assets of the Employees' Retirement System with the assets of the Municipal Employees' Retirement System for investment purposes only, and assigned units to the Systems based on their respective share of market value. On September 29, 1994 and November 1, 1995 the assets of the State Police Retirement Benefits Trust Fund and the Judicial Retirement Benefits Trust Fund, respectively, were added to the pool for investment purposes only. The units are a function of contributions to or withdrawals from components comprising the pool.

Cash and Cash Equivalents - Cash represents cash held in trust in a financial institution and cash allocated to the System's investment managers for investments. Cash equivalents are highly liquid investments with a maturity of three months or less at the time of purchase.

Foreign Currency Exchange Contracts - The System enters into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on the asset and liability positions of foreign investments. The gains or losses on these contracts are included in income in the period in which the exchange rates change. Gains and losses on contracts which hedge specific foreign currency denominated commitments are deferred and recognized in the period in which the transaction is completed.

Mortgage-Backed Securities - The System invests in various mortgage-backed securities, such as collateralized mortgage obligations, interest-only strips, and principal-only strips. These securities are reported at cost in the balance sheet. They are reported in aggregate as U.S. Government and Agency Securities in the disclosure of custodial credit risk (See Note 4 on Investments). The System held no interest-only strips and principal-only strips at June 30, 1996.

Memorandum Only - Total Columns - Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns are not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3. Administration of the System

The System is administered by the State of Rhode Island Retirement Board which consists of 15 members: the general treasurer; the director of administration or his or her designee; the budget officer or his or her designee; the fiscal advisor to the house finance committee or his or her designee; the president of the league of cities and towns or his or her designee; two (2) active State employee members of the retirement system or officials from state employee unions to be elected by active State employees; two (2) active teacher members of the retirement system or officials from a teachers union to be elected by active teachers; one active municipal employee member of the retirement system or an official from a municipal employees union to be elected by active municipal employees; one retired member of the retirement system to be elected by retired members of the System; the chairperson of the house finance committee or his or her designee; the chairperson of the senate finance committee or his or her designee; and two (2) public representatives, one of whom shall be a C.L.U. competent in the area of pension benefits, shall be appointed by the governor and whose term shall be for four (4) years, or until their successors are appointed.

The State Investment Commission oversees all investments made by the State of Rhode Island, including those made for the System. Certain investments are made by investment managers, engaged by the Commission, at their discretion in accordance with the investment objectives and guidelines for the System. Short-term investments are made on a daily basis by the General Treasurer. Rhode Island General Laws, Section 35-10-11 (b)(3) requires that all investments shall be made in securities as would be acquired by prudent persons of discretion and intelligence who are seeking a reasonable income and the preservation of capital.



Note 4. Cash Deposits and Investments

Cash Deposits

At June 30, 1996, the carrying amount of the Employees' Retirement Fund cash deposits was \$14,942,065 and the bank balance was \$8,035,259. The bank balance represents deposits of \$716,050 in the Fund's short-term trust account which are covered by federal depository insurance and \$7,319,209 at the Fund's custodian bank which consists of uncollateralized deposits in foreign banks which are not covered by United States federal depository insurance. The carrying amount of the Postretirement Healthcare Fund cash deposits was an overdraft of \$6,714 and the bank balance was an overdraft of \$18,059.

In accordance with Rhode Island General Laws, Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. None of the System's deposits was required to be collateralized at June 30, 1996.

Investments

The Employees' Retirement Fund's (the Fund) investments are pooled with other funds (see Note 2). The Fund's share of pooled investments are categorized in the following table to give an indication of the level of risk assumed by the entity at June 30, 1996:

Category 1 includes insured or registered, or securities held by the Fund or its agent in the Fund's name.

Category 2 includes uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Fund's name.

Category 3 includes uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Fund's name.

The estimated market values of real estate and venture capital investments at June 30, 1996, involve subjective judgment. The actual market value of real estate can be determined only by negotiation between the parties in a sales transaction and venture capital market value can only be determined when there is an arms-length event such as when an entity goes public or when there is a negotiation between the parties in a sales transaction.

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND



	Category			Carrying Amount	Market Value at June 30, 1996
	1	2	3		
U.S. Government and					
Agency Securities	\$1,199,958,846			1,199,958,846	\$1,242,095,950
Repurchase Agreements	1,000,000			1,000,000	1,000,000
Commercial Paper	869,810			869,810	869,810
Corporate Bonds and Notes	84,492,962			84,492,962	83,159,836
Foreign Bonds	8,466,814			8,466,814	9,027,578
Equity Securities	1,141,019,117			1,141,019,117	1,802,126,217
Foreign Equity Securities	<u>314,198,617</u>			<u>314,198,617</u>	<u>351,776,268</u>
	<u>\$2,750,006,166</u>			<u>2,750,006,166</u>	<u>3,490,055,659</u>
Real Estate and Venture Capital Limited Partnerships				151,016,785	145,917,077
Money Market Mutual Funds				<u>192,943,243</u>	<u>192,943,243</u>
Total				3,093,966,194	3,828,915,979
Less amount classified as cash equivalents				<u>198,816,575</u>	<u>198,816,575</u>
Total Investments				<u>\$2,895,149,619</u>	<u>\$3,630,099,404</u>

Forward Foreign Currency Contracts

The Fund may enter into forward foreign currency contracts. These contracts involve risk in excess of the amount reflected in the Fund's Balance Sheet. The face or contract amount in U.S. dollars reflects the total exposure the Fund has in that particular currency contract. The U.S. dollar value of forward foreign currency contracts is determined using forward currency exchange rates supplied by a quotation service. Losses may arise due to changes in the value of the foreign currency or if the counterparty does not perform under the contract.

Interest and Principal-Only Strips

The Fund invests in interest-only (IO) and principal-only strips (PO) (forms of mortgage-backed securities) in part to hedge against a rise in interest rates. Interest-only strips are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to pre-payments by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flows from interest payments are reduced and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated.

Principal-only strips receive principal cash flows from the underlying mortgages. In periods of rising interest rates, homeowners tend to make fewer mortgage prepayments. If actual prepayment rates are lower than anticipated, the time remaining until the return of principal is increased. The later principal is paid, the lower the present value of the security. Conversely, higher prepayment rates return principal faster causing the PO to appreciate in market value.

Note 5. Due From State of Rhode Island

The balance of \$6,587,567 in the Employees' Retirement Fund relates to the State's share of retirement contributions for teachers due at June 30, 1996.

The balance of \$323,756 in the Postretirement Healthcare Fund consists of \$83,949 as of June 30, 1996 pursuant to a legal opinion (see note 1B) and \$239,807 relates to the State's contributions due at June 30, 1996.

Note 6. Payable To Certain Individuals

The System is involved in litigation by certain individuals who are contesting the constitutionality of Section 36-9.1-2 which repealed Section 36-9-33 of the General Laws thereby depriving those individuals of the right to participate in the System. Pursuant to the statute, the System was required by January 1, 1995, to return to the employees their contribution with interest at the rate of 8% for the applicable time periods during which the contributions were held by the System. By agreement between the parties, the System will continue to hold the employee contributions in the amount of \$1,005,488, pending outcome of the litigation or further agreement between the parties.

Note 7. Administrative Expenses

Expenses of the Retirement Board and the cost of maintaining the Retirement System are paid from a restricted receipt account within the State's general fund that is used solely to pay such expenses. This account is reimbursed through the transfer of 1.5% of the investment income received by the System up to a maximum of 1.5% of the income as reported in the audited financial statements for the next preceding fiscal year. Any funds remaining at June 30 are transferred back to the System. Administrative expenses incurred by the System for the year ended June 30, 1996, amounted to \$2,289,992 and are included in transfers to other funds of \$2,370,361.

Note 8. Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Employees' Retirement Fund on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contributions to the System.

The pension benefit obligation was computed as part of the actuarial valuation performed as of June 30, 1995. Significant actuarial assumptions used in that valuation included (a) an annual rate of return on Fund investments of 8% compounded annually; (b) projected annual salary increases of 4.5%, compounded annually; (c) mortality rates based on the 1971 group annuity mortality table; (d) cost-of-living increases in pension benefits of 3% compounded annually beginning on the January 1st following the third anniversary of retirement; and (e) a retirement age of 62½ for State employees and 61 for teachers or completion of service requirement, if later.

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND



The total unfunded pension benefit obligation, expressed in thousands, at June 30, 1995, is summarized below:

<u>Pension benefit obligation:</u>	<u>State Employees</u>	<u>Teachers</u>	<u>Total</u>
Retirees and beneficiaries receiving benefits and terminated employees not yet receiving benefits	\$ 999,593	\$ 1,193,036	\$ 2,192,629
Current employees			
Accumulated employee contributions	262,697	394,708	657,405
Employer-financed vested	404,843	740,356	1,145,199
Employer-financed nonvested	<u>64,863</u>	<u>116,400</u>	<u>181,263</u>
Total pension benefit obligation	1,731,996	2,444,500	4,176,496
Net assets at June 30, 1995 available for benefits at carrying value (market value is \$3,386,045)	<u>1,170,928</u>	<u>1,652,627</u>	<u>2,823,555</u>
Unfunded pension benefit obligation	<u>\$ 561,068</u>	<u>\$ 791,873</u>	<u>\$ 1,352,941</u>

Note 9. Actuarially Determined Contribution Requirements and Contributions Made

The funding policy, as set forth in Rhode Island General Laws, Section 36-10-2 provides for actuarially determined periodic contributions to the System. Employer contributions to the System include: (1) normal cost; (2) a payment required to amortize the unfunded frozen actuarial liability over twenty-seven years, beginning as of July 1, 1989, calculated such that each year's total unfunded liability payment increases at the assumed rate of inflation over the prior year's total payment; provided any subsequent changes to the unfunded liability due to changes to benefits or actuarial assumptions are amortized over a new 30-year period or over the remaining initial amortization period depending on how large the total change to the unfunded liability for each fiscal year is relative to the existing unfunded liability; and (3) interest on the unfunded frozen actuarial liability. The normal cost is determined using the entry age normal cost method with frozen initial liability. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation.

In fiscal 1996, the actuarially determined employer contribution rate effective August 11, 1995 for State employees was 10.45% of current-year covered payroll. However, the statutorily determined employee contribution rate was increased 1% for both state employees' and teachers consequently reducing the employer rate by 1%. As a result, the employer contribution rate for state employees was 9.45%. These rates yielded a total contribution of \$42,956,379 by the State for its employees. This amount consisted of \$16,055,941 for normal cost and \$26,900,438 for amortization of the unfunded actuarial accrued liability

The State also contributed \$2,888,605 or 0.70% of the current-year covered payroll to the Postretirement Healthcare Fund.

The state employees contribution rate was increased 1%, effective August 11, 1995, to 8.75% of current-year covered payroll. These rates yielded a total contribution of \$38,804,197.

The State's required contribution for teachers was \$33,348,193. In communities which had previously adopted early retirement incentives, the State contributed 6.22% of covered payroll. For communities that did not adopt early retirement incentives, the State contributed 5.54% of covered payroll. Municipalities were required to contribute \$49,392,816. In communities which had previously adopted early retirement incentives this amounted to 8.49% of covered payroll and 7.47% for communities that did not.

Note 10. Historical Trend Information

Historical trend information, designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits when due, is presented in the Required Supplementary Information section of this report.

Note 11. Related Party Transactions

As of June 30, 1996, the Employees' Retirement Fund held investments in bonds issued by the R.I. Housing and Mortgage Finance Corporation totaling \$4,205,000 and the R.I. Industrial Facilities Corporation totaling \$23,000,000. These entities are included as discretely presented proprietary component units in the State of Rhode Island Comprehensive Annual Financial Report.

Note 12. Contingencies

A claim has been made by a former member of the System that he is entitled to interest on the refund of his contribution. The System contests the claim for interest. At issue is not only the right to receive interest but also the rate of interest and the manner of calculation. The matter was heard before a hearing officer and on March 12, 1997, the hearing officer sustained the former member's claim. The rate at which interest should be calculated or the manner of calculation has not been determined. Accordingly, there is no reliable basis upon which to estimate the System's liability, if any.



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ERNEST A. ALMONTE, CPA, CFE
Auditor General

January 31, 1997

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

The Analysis of Funding Progress and the Schedule of Revenues by Source and Expenses by Type appearing on the following pages are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Ernest A. Almonte, CPA, CFE
Auditor General



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS
 (Expressed in Thousands)

Fiscal Year	(1) Net Assets Available for Benefits*	(2) Pension Benefit Obligation	(3) Percentage Funded (1)/(2)	(4) Unfunded Pension Benefit Obligation (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4)/(5)
1987	\$1,196,304	\$2,327,225	51.4%	\$1,130,921	\$624,927	181.0%
1988	1,392,277	2,569,166	54.2%	1,176,889	738,696	159.3%
1989	1,710,607	2,728,467	62.7%	1,017,860	729,859	139.5%
1990	1,896,653	3,022,835	62.7%	1,126,182	819,329	137.5%
1991	1,975,462	3,311,190	59.7%	1,335,728	824,000	162.1%
1992	2,185,752	3,576,893	61.1%	1,391,141	816,000	170.5%
1993	2,366,475	3,801,359	62.3%	1,434,884	884,000	162.3%
1994	2,562,730 (1)	4,031,993	63.6%	1,469,263	942,000	156.0%
1995	2,823,555 (1)	4,176,496	67.6%	1,352,941	988,000	136.9%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Retirement Fund's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Fund is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Fund. Trends in the unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Fund's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Fund. Historical trend information has been presented for all years for which it is available. The pension benefit obligation was not computed for years prior to 1987. Data for subsequent years will be added to the schedule.

* At cost

(1) Adjusted for prior period adjustments posted in fiscal 1994 and 1995

(Unaudited)

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND



**EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
REVENUES BY SOURCE AND EXPENSES BY TYPE**

(Expressed in Thousands)

Revenues by Source

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>	<u>Other Income</u>	<u>Total</u>
1987	\$ 52,133	\$ 98,940	\$ 105,976	\$ 563	\$ 257,612
1988	62,058	101,038	141,769	1,474	306,339
1989	69,381	135,140	223,375	893	428,789
1990	64,964	115,011	151,328	767	332,070
1991	69,796	61,701	140,758	751	273,006
1992	70,711	70,637	271,201	1,089	413,638
1993	74,441	133,140	192,902	2,563	403,046
1994	78,464	127,100	201,399	2,875	409,838
1995	82,622	117,399	294,258	1,889	496,168
1996	92,825	124,835	373,303	861	591,824

Expenses by Type

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Operating Expenses</u>	<u>Refunds</u>	<u>Other Expenses</u>	<u>Total</u>
1987	\$ 93,565	\$ -	\$ 4,183	\$ 2	\$ 97,750
1988	104,848	560	3,981		109,389
1989	113,840	1,318	4,377	2	119,537
1990	136,495	4,148	3,844		144,487
1991	185,637	3,249	4,377		193,263
1992	191,806	5,674	4,874		202,354
1993	199,962	4,765	3,904		208,631
1994	206,824	7,584	4,226	417	219,051
1995	218,511	5,988	6,142	2,632	233,273
1996	236,166	8,441	5,282	830	250,719

Data for 1987 through 1988 is reported on the cash basis; data for 1989 through 1996 is reported on the accrual basis.

(Unaudited)



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January 31, 1997

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INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

We have audited the financial statements of the State of Rhode Island and Providence Plantations Employees' Retirement System (the System) as of and for the year ended June 30, 1996, and have issued our report thereon dated January 31, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the System is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the System for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we

Joint Committee on Legislative Services

Page 2

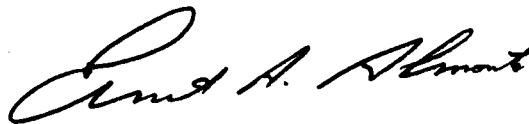
January 31, 1997

assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

However, we noted other matters involving the internal control structure and its operation that we will report to the management of the System, in a separate letter dated January 31, 1997.

This report is intended for the information of the Joint Committee on Legislative Services, members of the Retirement Board, and management of the System. However, this report is a matter of public record and its distribution is not limited.



Ernest A. Almonte, CPA, CFE
Auditor General



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January 31, 1997

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS AND CONTRACTS

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

We have audited the financial statements of the State of Rhode Island and Providence Plantations Employees' Retirement System (the System) as of and for the year ended June 30, 1996, and have issued our report thereon dated January 31, 1997.

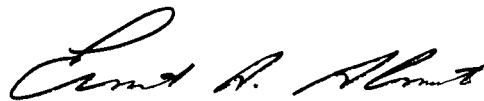
We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, and contracts applicable to the System is the responsibility of the System's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the System's compliance with certain provisions of laws, regulations, and contracts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*. We noted certain immaterial instances of noncompliance that we will report to the management of the System in a separate letter dated January 31, 1997.

Joint Committee on Legislative Services
Page 2
January 31, 1997

This report is intended for the information of the Joint Committee on Legislative Services, members of the Retirement Board, and management of the System. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, appearing to read "Ernest A. Almonte".

Ernest A. Almonte, CPA, CFE
Auditor General

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MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Financial Information



ERNEST A. ALMONTE, CPA, CFE
Auditor General

State of Rhode Island and Providence Plantations

GENERAL ASSEMBLY

Office of the Auditor General

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January 31, 1997

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INDEPENDENT AUDITOR'S REPORT

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

We have audited the accompanying financial statements of the State of Rhode Island and Providence Plantations Municipal Employees' Retirement System (the System) as of and for the year ended June 30, 1996. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 1997 on our consideration of the System's internal control structure and a report dated January 31, 1997 on its compliance with laws, regulations, and contracts.

Ernest A. Almonte, CPA, CFE
Auditor General



*STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
BALANCE SHEET
June 30, 1996*

ASSETS

Cash and cash equivalents (Note 4)	\$ 27,845,530
Investments (Note 4)	405,013,238
Accrued interest and dividends receivable	3,426,275
Open trades receivable	7,351,579
Contributions receivable	<u>1,912,023</u>
 Total assets	 <u>\$ 445,548,645</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts and vouchers payable	\$ 420,401
Open trades payable	<u>6,768,326</u>
 Total liabilities	 7,188,727

Fund balance available for benefits	<u>438,359,918</u>
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Total liabilities and fund balance	<u>\$ 445,548,645</u>
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See notes to financial statements.



**STATE OF RHODE ISLAND
AND PROVIDENCE PLANTATIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 1996

Operating revenues:	
Employer contributions	\$ 4,600,276
Employee contributions	11,358,989
Income from investments	54,933,529
Interest on contributions	<u>87,366</u>
Total operating revenues	<u>70,980,160</u>
Operating expenses:	
Retirement benefits	22,217,364
Refunds of contributions	1,004,389
Management and professional fees	1,253,906
Miscellaneous	<u>130,183</u>
Total operating expenses	<u>24,605,842</u>
Operating income	<u>46,374,318</u>
Other financing sources (uses):	
Transfers from other funds	80,369
Transfers to other funds (Note 5)	<u>(396,619)</u>
Total other financing uses	<u>(316,250)</u>
Net increase in fund balance	<u>46,058,068</u>
Fund balance, July 1	<u>392,301,850</u>
Fund balance, June 30	<u><u>\$ 438,359,918</u></u>

See notes to financial statements.



**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

Note 1. Plan Description

The State of Rhode Island (the State), through the Retirement Board, administers the Municipal Employees' Retirement System (the System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for pension benefits to be provided to employees of municipalities, housing authorities, water and sewer districts, and municipal police and firemen that have elected to participate. The activities of the System are accounted for in the Municipal Employees' Retirement Fund (the Fund). The financial statements of the Fund are included within the Trust and Agency Funds in the State of Rhode Island Comprehensive Annual Financial Report.

The plan generally provides 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. 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 optional cost-of-living provision may be elected for police and fire personnel and general employees. 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.

The plan also provides non-service-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement; vested benefits after 10 years of service; survivor's benefits; and certain lump sum death benefits.

Rhode Island General Laws, Section 45-21-41 requires that members contribute a fixed percentage of their earnings to the Fund. For the year ended June 30, 1996 this percentage was 6% for general employees and 7% for police and fire personnel. For groups that elect the optional cost-of-living provision, or for police and fire personnel electing the 20 year service pension, the employee contribution rate is increased by 1% for each option. Rhode Island General Laws, Section 45-21-42 contains the contribution requirements for participating employers. The rates are actuarially determined and vary by participating employer. The State does not make contributions to the System and assumes no liability for funding pension benefits to members.

Ninety-five municipalities and agencies participate in the System. Membership in the System, as of the most recent actuarial valuation date, June 30, 1995, is shown below:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	3,578
Active employees (including 2,849 fully vested and 683 eligible to retire)	<u>6,642</u>
Total	<u><u>10,220</u></u>



Note 2. Summary of Significant Accounting Policies

These financial statements were prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

Basis of Accounting - The financial statements of the Municipal Employees' Retirement System (the System) are prepared on the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded when incurred. Dividend income is recorded on the ex-dividend date. The Governmental Accounting Standards Board (GASB) has the responsibility for establishing generally accepted accounting principles for fiduciary fund type activities. In accordance with GASB Statement No. 20, in the absence of specific guidance from a GASB pronouncement, pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 have been followed.

Method Used to Value Investments - Investments are recorded in the financial statements at cost. The cost of investments sold is determined using the average cost method. Investment transactions are recorded on the date the investments are traded. Most assets of the Municipal Employees' Retirement System are held by the custodian bank (State Street Bank). On July 1, 1992, the State Investment Commission pooled the assets of the Employees' Retirement System with the assets of the Municipal Employees' Retirement System for investment purposes only, and assigned units to the Systems based on their respective share of market value. On September 29, 1994 and November 1, 1995 the assets of the State Police Retirement Benefits Trust Fund and the Judicial Retirement Benefits Trust Fund, respectively, were added to the pool for investment purposes only. The units are a function of contributions to or withdrawals from components comprising the pool.

Cash and Cash Equivalents - Cash represents cash held in trust in a financial institution and cash allocated to the System's investment managers for investments. Cash equivalents are highly liquid investments with a maturity of three months or less at the time of purchase.

Foreign Currency Exchange Contracts - The System enters into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on the asset and liability positions of foreign investments. The gains or losses on these contracts are included in income in the period in which the exchange rates change. Gains and losses on contracts which hedge specific foreign currency denominated commitments are deferred and recognized in the period in which the transaction is completed.

Mortgage-Backed Securities - The System invests in various mortgage-backed securities, such as collateralized mortgage obligations, interest-only strips, and principal-only strips. These securities are reported at cost in the balance sheet. They are reported in aggregate as U.S. Government and Agency Securities in the disclosure of custodial credit risk (See Note 4 on Investments). The System held no interest-only and principal-only strips at June 30, 1996.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.



Note 3. Administration of the System

The System is administered by the State of Rhode Island Retirement Board which consists of 15 members: the general treasurer; the director of administration or his or her designee; the budget officer or his or her designee; the fiscal advisor to the house finance committee or his or her designee; the president of the league of cities and towns or his or her designee; two (2) active State employee members of the retirement system or officials from state employee unions to be elected by active State employees; two (2) active teacher members of the retirement system or officials from a teachers union to be elected by active teachers; one active municipal employee member of the retirement system or an official from a municipal employees union to be elected by active municipal employees; one retired member of the retirement system to be elected by retired members of the System; the chairperson of the house finance committee or his or her designee; the chairperson of the senate finance committee or his or her designee; and two (2) public representatives, one of whom shall be a C.L.U. competent in the area of pension benefits, shall be appointed by the governor and whose term shall be for four (4) years, or until their successors are appointed.

The State Investment Commission oversees all investments made by the State of Rhode Island, including those made for the System. Certain investments are made by investment managers, engaged by the Commission, at their discretion in accordance with the investment objectives and guidelines for the System. Short-term investments are made on a daily basis by the General Treasurer. Rhode Island General Laws, Section 35-10-11 (b)(3) requires that all investments shall be made in securities as would be acquired by prudent persons of discretion and intelligence who are seeking a reasonable income and the preservation of capital.

Note 4. Cash Deposits and Investments

Cash Deposits

At June 30, 1996, the carrying amount of the Municipal Employees' Retirement System's cash deposits was \$1,143,216 and the bank balance was \$1,257,442. The bank balance represents deposits of \$223,859 in the System's short-term trust account which are covered by federal depository insurance and \$1,033,583 at the System's custodian bank which consists of uncollateralized deposits in foreign banks which are not covered by United States federal depository insurance.

In accordance with Rhode Island General Laws, Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. None of the System's deposits was required to be collateralized at June 30, 1996.

Investments

The Municipal Employees' Retirement System's investments are pooled with other funds (see Note 2). The Fund's share of pooled investments are categorized in the following table to give an indication of the level of risk assumed by the entity at June 30, 1996:

Category 1 includes insured or registered, or securities held by the System or its agent in the System's name.

Category 2 includes uninsured and unregistered, with securities held by the counterparty's trust department or agent in the System's name.

Category 3 includes uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the System's name.



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

The estimated market values of real estate and venture capital investments at June 30, 1996, involve subjective judgment. The actual market value of real estate can be determined only by negotiation between the parties in a sales transaction and venture capital market value can only be determined when there is an arms-length event such as when an entity goes public or when there is a negotiation between the parties in a sales transaction.

	Category			Carrying Amount	Market Value at June 30, 1996
	1	2	3		
U.S. Government and Agency Securities	\$168,887,030			\$168,887,030	\$182,608,219
Commercial Paper	122,830			122,830	122,830
Corporate Bonds and Notes	8,089,929			8,089,929	8,245,760
Foreign Bonds	1,195,643			1,195,643	1,331,492
Equity Securities	161,172,073			161,172,073	266,889,947
Foreign Equity Securities	<u>44,369,610</u>			<u>44,369,610</u>	<u>51,884,040</u>
	<u>\$383,837,115</u>			383,837,115	511,082,288
Real Estate and Venture Capital Limited Partnerships				21,298,953	21,521,541
Money Market Mutual Funds				<u>26,579,484</u>	<u>26,579,484</u>
Total				431,715,552	559,183,313
Less amount classified as cash equivalents				<u>26,702,314</u>	<u>26,702,314</u>
Total Investments				<u>\$405,013,238</u>	<u>\$532,480,999</u>

Forward Foreign Currency Contracts

The Fund may enter into forward foreign currency contracts. These contracts involve risk in excess of the amount reflected in the System's Balance Sheet. The face or contract amount in U.S. dollars reflects the total exposure the Fund has in that particular currency contract. The U.S. dollar value of forward foreign currency contracts is determined using forward currency exchange rates supplied by a quotation service. Losses may arise due to changes in the value of the foreign currency or if the counterparty does not perform under the contract.

Interest and Principal-Only Strips

The Fund invests in interest-only (IO) and principal-only strips (PO) (forms of mortgage-backed securities) in part to hedge against a rise in interest rates. Interest-only strips are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to pre-payments by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flows from interest payments are reduced and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated.

Principal-only strips receive principal cash flows from the underlying mortgages. In periods of rising interest rates, homeowners tend to make fewer mortgage prepayments. If actual prepayment rates are lower than anticipated, the time remaining until the return of principal is increased. The later principal is paid, the lower the present value of the security. Conversely, higher prepayment rates return principal faster causing the PO to appreciate in market value.



Note 5. Administrative Expenses

Expenses of the Retirement Board and the cost of maintaining the Retirement System are paid from a restricted receipt account within the State's general fund that is used solely to pay such expenses. This account is reimbursed through the transfer of 1.5% of the investment income received by the System up to a maximum of 1.5% of the income as reported in the audited financial statements for the next preceding fiscal year. Any remaining funds at June 30 are transferred back to the System. Administrative expenses incurred by the System for the year ended June 30, 1996, amounted to \$356,480 and are included in transfers to other funds of \$396,619.

Note 6. Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Fund on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contributions to the System.

The pension benefit obligation was computed as part of the actuarial valuation performed as of June 30, 1995 and was the most recent available at the date of this report. Significant actuarial assumptions used in that valuation included (a) annual rate of return on the investment of assets of 8%, compounded annually; (b) projected annual salary increases of 4.5%, compounded annually; (c) mortality rates based on the 1971 group annuity mortality table; and (d) a retirement age of 65 for general employees and 60 for police and fire personnel, or completion of service requirement, if later. For Police and Fire departments electing the 20 year service plan with unreduced benefits, the retirement age is 57 with 10 years of service.

The total unfunded pension benefit obligation, expressed in thousands, at June 30, 1995, is summarized below:

<u>Pension benefit obligation:</u>	<u>General Employees</u>	<u>Police and Fire</u>	<u>Total</u>
Retirees and beneficiaries receiving benefits and terminated employees not yet receiving benefits	\$140,784	\$23,893	\$164,677
Current employees			
Accumulated employee contributions	54,487	11,351	65,838
Employer-financed vested	43,804	9,111	52,915
Employer-financed nonvested	<u>53,741</u>	<u>12,684</u>	<u>66,425</u>
Total pension benefit obligation	<u>\$292,816</u>	<u>\$57,039</u>	<u>\$349,855</u>

Net assets available for benefits, at carrying value, of the Municipal Employees' Retirement Fund at June 30, 1995 were \$392,301,850 (market value was \$494,610,309). This exceeds the pension benefit obligation by \$42,446,850.

Note 7. Actuarially Determined Contribution Requirement and Contributions Made

The funding policy, as set forth in Rhode Island General Laws, Section 45-21-42 provides for actuarially determined periodic contributions to the System. Each employer's contribution to the System includes normal cost and a payment, where applicable, to amortize the unfunded actuarial liability. The normal cost is determined using the entry age normal cost method. In 1989, the rules regarding the amortizing of the unfunded liability were changed. The new rules provided that the unfunded liability in 1988 will be amortized over the remainder of a 25-year period which commenced on the



date the unit joined the System. Subsequent divergences from the actuarial assumptions are funded over the projected future salaries of active members. Due to large fluctuations in the contribution rates of certain municipalities, the Retirement Board adopted a procedure which allows an employer the option of paying a contribution rate equal to the previous year's rate plus the greater of 2 percent or one eighth of the increase in the contribution rate, plus the cost of any benefit improvements. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation.

Employers' contributions to the Fund for fiscal 1996 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 1993. The portions of employer contributions that represent normal cost and amortization of the unfunded actuarial liability are determined by the actuary and vary for each employer.

Note 8. Historical Trend Information

Historical trend information, designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits when due, has been presented for all years for which it is available. This information can be found in the Required Supplementary Information section of this report.



State of Rhode Island and Providence Plantations

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January 31, 1997

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

The Analysis of Funding Progress and the Schedule of Revenues by Source and Expenses by Type appearing on the following pages are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Ernest A. Almonte, CPA, CFE
Auditor General

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS
(Expressed in Thousands)**

Fiscal Year	(1) Net Assets Available for Benefits*	(2) Pension Benefit Obligation	(3) Percentage Funded (1)/(2)	(4) Unfunded Pension Benefit (Assets in Excess of) Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit (Assets in Excess of) Benefit Obligation as a Percentage of Covered Payroll (4)/(5)
1987	\$ 170,009	\$ 172,672	98.5%	\$ 2,663	\$ 74,615	3.6%
1988	193,697	196,233	98.7%	2,536	87,386	2.9%
1989	232,252	216,436	107.3%	(15,816)	98,184	(16.1)%
1990	254,498	241,767	105.3%	(12,731)	112,542	(11.3)%
1991	275,640	253,387	108.8%	(22,253)	117,732	(18.9)%
1992	307,168	258,807	118.7%	(48,361)	124,021	(38.9)%
1993	340,269 (1)	284,478	119.6%	(55,791)	129,691	(43.0)%
1994	357,784 (1)	312,575	114.5%	(45,208)	133,213	(33.9)%
1995	392,302	349,855	112.1%	(42,447)	151,178	(28.1)%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Retirement Fund's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Fund is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Fund. Trends in the unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Fund's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Fund. Historical trend information has been presented for all years for which it is available. The pension benefit obligation was not computed for years prior to 1987. Data for subsequent years will be added to the schedule.

* At cost

(1) Adjusted for prior period adjustments posted in fiscal 1994 and 1995

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION REVENUES BY SOURCE AND EXPENSES BY TYPE

(Expressed in Thousands)

Revenues by Source

Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Other Income	Total
1987	\$ 4,937	\$ 8,258	\$ 16,947	\$ 105	\$ 30,247
1988	5,328	6,331	22,046	103	33,808
1989	5,925	8,754	32,236	88	47,003
1990	6,986	8,034	22,811	94	37,925
1991	8,157	9,649	19,524	383	37,713
1992	8,636	8,501	32,600	24	49,761
1993	9,070	9,514	28,572	140	47,296
1994	9,676	4,695	31,344	189	45,904
1995	10,537	4,481	42,283	163	57,464
1996	11,359	4,600	54,934	87	70,980

Expenses by Type

Fiscal Year	Benefits	Operating Expenses	Refunds	Other Expenses	Total
1987	\$ 7,765	\$ -	\$ 740	\$ 1	\$ 8,506
1988	9,135	100	669	2	9,906
1989	10,114	240	741		11,095
1990	11,304	678	654		12,636
1991	15,216	536	564		16,316
1992	16,385	749	683		17,817
1993	17,700	628	696		19,024
1994	19,053	1,104	718	59	20,934
1995	20,691	887	716	365	22,659
1996	22,217	1,254	1,004	130	24,605

Data for 1987 through 1988 is reported on the cash basis; data for 1989 through 1996 is reported on the accrual basis.

(Unaudited)



ERNEST A. ALMONTE, CPA, CFE
Auditor General

State of Rhode Island and Providence Plantations

GENERAL ASSEMBLY

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January 31, 1997

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INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

We have audited the financial statements of the State of Rhode Island and Providence Plantations Municipal Employees' Retirement System (the System) as of and for the year ended June 30, 1996, and have issued our report thereon dated January 31, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the System is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the System for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we

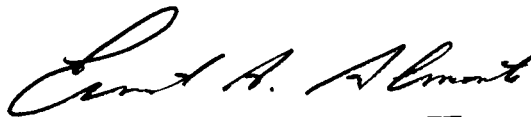
January 31, 1997

assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

However, we noted other matters involving the internal control structure and its operation that we will report to the management of the System, in a separate letter dated January 31, 1997.

This report is intended for the information of the Joint Committee on Legislative Services, members of the Retirement Board, and management of the System. However, this report is a matter of public record and its distribution is not limited.



Ernest A. Almonte, CPA, CFE
Auditor General



ERNEST A. ALMONTE, CPA, CFE
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State of Rhode Island and Providence Plantations

GENERAL ASSEMBLY

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Pawtucket, Rhode Island 02860-4807

January 31, 1997

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, AND CONTRACTS

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

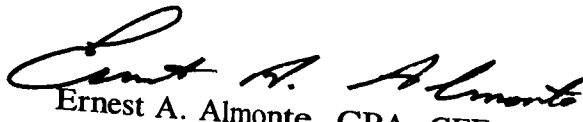
We have audited the financial statements of the State of Rhode Island and Providence Plantations Municipal Employees' Retirement System (the System) as of and for the year ended June 30, 1996, and have issued our report thereon dated January 31, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, and contracts applicable to the System is the responsibility of the System's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the System's compliance with certain provisions of laws, regulations, and contracts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*. We noted certain immaterial instances of noncompliance that we will report to the management of the System in a separate letter dated January 31, 1997.

This report is intended for the information of the Joint Committee on Legislative Services, members of the Retirement Board, and management of the System. However, this report is a matter of public record and its distribution is not limited.


Ernest A. Almonte, CPA, CFE
Auditor General

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ACTUARIAL SECTION

EMPLOYEES' RETIREMENT SYSTEM

Actuarial Information

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

CERTIFICATE OF ACTUARIAL VALUATION

This is to certify that we have prepared an actuarial valuation of the plan as of June 30, 1996.

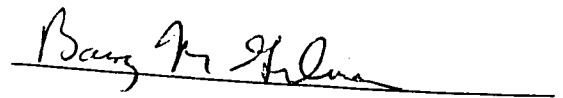
This certificate contains the following attached exhibits:

- EXHIBIT I - Actuarial Cost Development of Fiscal Year 1998-99 Contribution Percentage
- A. State Employees
 - B. Teachers
- EXHIBIT II - Financial Disclosure Under GAS #25
- EXHIBIT III - Actuarial Method and Assumptions
- EXHIBIT IV - Summary of Plan Provisions

To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate and in our opinion each individual assumption used (a) is reasonably related to the experience of the plan and to reasonable expectations and (b) represents our best estimate of anticipated experience under the plan.



Bernard H. Friedman, A.S.A., M.A.A.A.



Barry M. Gilman, F.S.A., M.A.A.A.

William M. Mercer, Incorporated
200 Clarendon Street
Boston, MA 02116

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EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND



**SUMMARY OF ACTUARIAL VALUATION RESULTS FOR THE
EMPLOYEES' RETIREMENT SYSTEM**

	<u>1996</u>	<u>1995</u>	<u>1994</u>
□ Assets (State Employees and Teachers)			
Market Value	\$ 3,828,915,979	\$ 3,388,547,130	\$ 2,916,976,904
Actuarial Value	3,828,915,979	3,266,316,264	2,965,214,165
Contributions	219 million	223 million	203 million
Benefit Payments	242 million	225 million	211 million
□ Time-weighted return on market value of assets¹			
	213.7%	17.0%	1.7%
□ Members			
<i>Active</i>			
State Employees	12,976	13,550	14,211
Teachers	12,391	12,079	11,378
<i>Retirees</i>			
State Employees	7,884	7,967	7,838
Teachers	5,013	4,804	4,701
<i>Beneficiaries</i>			
State Employees	733	682	656
Teachers	216	207	197
<i>Inactive</i>			
State Employees	2,327	2,358	2,389
Teachers	<u>1,173</u>	<u>1,248</u>	<u>1,600</u>
Total	42,713	42,895	42,970
<i>Vested Employees</i>			
State Employees	7,586	7,656	7,628
Teachers	7,251	7,474	7,290

¹ As prepared by Wilshire Associates

² As prepared by William M. Mercer, Inc.

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

Summary of Actuarial Valuation Results (continued)

	<u>1996</u>	<u>1995</u>	<u>1994</u>
<input type="checkbox"/> Covered Payroll			
State Employees	494 million	463 million	431 million
Teachers	607 million	523 million	509 million
<input type="checkbox"/> Ratio of Assets to Liabilities			
State Employees	72.47%	68.52%	64.85%
Teachers	71.24%	65.04%	61.15%
³ Funded Ratio			
State Employees	77.5%	79.4%	72.6%
Teachers	74.0%	78.2%	68.7%

ACTUARIAL METHOD AND ASSUMPTIONS

Actuarial Funding Method

Actuarial Funding Method - Frozen initial liability method. This method is alternatively referred to as the entry age normal cost method with frozen initial liability.

Entry Age - The employee's age at the time he or she would have commenced participation if the plan had always been in existence.

Frozen actuarial liability - At the time this funding method was introduced June 30, 1985 the unfunded liability was calculated and called the Frozen Actuarial Liability. This amount was originally to be funded over a 30 year period by the sum-of-the-digits amortization method. Effective from 1989, however the outstanding balance, referred to as the Unfunded Liability, is to be amortized over the remaining amortization period using a level percent of salary funding. (ref. General Laws section 36-10-2 and 36-10-2.1). Subsequent changes to the Unfunded Liability due to changes to benefits or actuarial assumptions are amortized either over a new 30-year period or over the remaining initial amortization period depending on how large the total change to the unfunded liability for each fiscal year is relative to the existing unfunded liability. The table below illustrates the amortization method:

Change in Unfunded Liability

- Less than 1% of existing Unfunded
- Between 1% and 10% of existing Unfunded
- Over 10% of existing Unfunded

Amortization Period

- No new base set up (existing Unfunded not changed)
- The change to Unfunded is amortized over current remaining period i.e., aggregated with existing Unfunded
- A separate base equal to change in Unfunded is set up and amortized over a new 30 year period

³ Funded ratios for 1995 and 1994 were computed under GASB 5. 1996 is computed under GASB 25

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND



The funding statute calls for the contribution requirement to be calculated as the normal cost of the plan plus the total of the amortization payment for each unfunded cost element. The table below shows the development of the contribution requirement for the State Employees' Plan and the Teachers' Plan.

	<u>State Employees' Plan</u>	<u>Teachers' Plan</u>
Normal Cost	11.89%	11.86%
Less Employee Contributions	<u>8.75</u>	<u>9.50</u>
Employer Normal Cost	3.14	2.36
 Unfunded Cost due to:		
Original Unfunded	7.29	9.23
1989 Assumption Changes	(0.71)	0.00*
1989 Early Retirement Incentive	0.70	none
1990 Early Retirement Incentive	0.67	1.65
1991 Assumption and Method Changes	(1.68)	(2.20)
Fiscal 1990-91 Deferral	0.12	0.21
Fiscal 1991-92 Deferral	<u>0.32</u>	<u>0.27</u>
Total Unfunded	6.71	9.16
 Total Cost as a percentage of payroll	 <u>9.85%</u>	 <u>11.52%</u>

* The effect of the 1989 assumption changes in the Teachers Plan was less than the minimum threshold for setting up a separate base. Thus, the effect was aggregated with the existing unfunded.

Actuarial Assumptions Concerning Future Events

Mortality - 1971 Group Annuity Mortality Table with Mortality for disabled persons set equal to the age 65 mortality under 1971 Group Annuity Mortality Table.

Sample Rates

<u>Mortality</u>	<u>Expected Life</u>			
	<u>Males (%)</u>	<u>Females (%)</u>	<u>Males (yrs.)</u>	<u>Females (yrs.)</u>
<u>Age</u>				
20	.050	.026	55.3	61.6
25	.062	.035	50.4	56.7
30	.080	.047	45.6	51.8
35	.112	.065	40.8	47.0
40	.163	.094	36.1	42.1
45	.292	.140	31.4	37.4
50	.529	.215	26.9	32.6
55	.852	.326	22.8	28.0
60	1.312	.549	18.8	23.5
65	2.126	.956	15.2	19.3
70	3.611	1.648	11.9	15.3

Investment Return - 8.0%, compounded annually.

Salary Increases - Salaried will increase at a rate of 4.5%, compounded annually.

Retirement Age - State employees are assumed to retire at the later of age 62.5 or completion of the service requirements. Teachers are assumed to retire at the later of age 61 or completion of the service requirements.



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

Disability - Disability is assumed to occur in accordance with the following table with 15% of disabilities being occupational.

Disability Sample Rates

<u>Age</u>	<u>Rate of Disability (%)</u>
20	.06
25	.09
30	.11
35	.15
40	.22
45	.36
50	.61
55	1.01
60	1.41

Withdrawal - Termination of service for reasons other than death, retirement, or disability will be in accordance with the tables below.

Sample Withdrawal Rates

<u>Age</u>	<u>State Employees (%)</u>	<u>Teachers (%)</u>
20	21.20	12.39
25	15.80	9.70
30	11.60	7.50
35	8.40	5.66
40	6.20	4.14
45	4.20	2.75
50	2.60	1.35
55	—	—
60	—	—

Cost of Living Adjustments - 3% compound annually beginning on the January 1st following a participant's third anniversary of retirement.

Actuarial Value of Assets - The actuarial value of assets spreads investment gains and losses over a 3-year period. The actuarial value of assets was reset to equal the market value of assets as of June 30, 1996.

Estimation of Unknown Employee Characteristics - Missing dates for participants are estimated using a band-type averaging method assigning band grouped average dates to those individuals with missing dates of birth or hire. For example, an employee missing a date of hire is given an estimated date of hire based on the average of known dates of hire for persons in his age band. For Employees who are missing salaries, salaries are estimated based on employee contributions for the year ending June 30, 1996 and with regard to employee salary history, where this information was insufficient, average salaries were used. For State Employees this is \$34,900, and for Teachers it is \$43,900 for the salary year July 1, 1995 to June 30, 1996.

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND



Allocation of book value assets by plan- Reserve values

	<u>1996</u>	<u>1995</u>	<u>1994</u>
<u>State Employees:</u>			
Employer reserves	\$ 952,689,672	\$ 862,550,308	\$ 788,590,130
Member reserves	<u>310,455,806</u>	<u>283,595,004</u>	<u>256,820,694</u>
Total State Employees reserves	\$ 1,263,145,478	\$ 1,146,145,312	\$ 1,045,410,824
<u>Teachers:</u>			
Employer reserves	\$ 1,368,835,499	\$ 1,191,249,294	\$ 1,024,922,092
Member reserves	<u>432,911,186</u>	<u>400,588,864</u>	<u>365,961,557</u>
Total Teacher reserves	\$ 1,801,746,685	\$ 1,591,838,158	\$ 1,390,883,649
<u>Teachers Survivors:</u>			
Employer reserves	\$ 85,447,605	\$ 73,954,259	\$ 63,819,760
Member reserves	<u>11,990,395</u>	<u>11,617,508</u>	<u>11,172,813</u>
Total Teachers Survivors reserves	\$ 97,438,000	\$ 85,571,767	\$ 74,992,573
<u>Unallocated:</u>			
Unreserved Balance	\$	\$	\$ <u>49,571,572</u>
Total Book Value of Assets	<u>\$ 3,162,330,163</u>	<u>\$ 2,823,555,238</u>	<u>\$ 2,560,858,618</u>

Note: Detail figures may not add to totals shown because of rounding.

Actuarial Value of Assets

As of the June 30, 1991 valuation, a new method to calculate the actuarial value of assets was employed. The new method allows for a three year spread of gains and losses in the Market Value.

Prior to being re-established, the actuarial value of assets returned approximately 11.4% compared with an 8% assumed return. The total Actuarial Value of Assets at June 30, 1996 was \$3,828,915,979 and is divided among the plans based on a pro rata share of the book value of assets as follows:

State Employees	\$ 1,529,403,211	39.9%
Teachers	2,181,535,867	57.0%
Teachers' Survivors	<u>117,976,901</u>	<u>3.1%</u>
Total	\$ 3,828,915,979	100.0%

The actuarial value of assets was reset to equal the market value of assets as of June 30, 1996. A reconciliation of the market value of assets is shown on the next page.



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

Calculation of Actuarial Asset Value at June 30, 1996

1. Market Asset Value at June 30, 1995	\$ 3,388,547,130
2. Contributions	
(a) Employees	92,864,658
(b) State	74,740,651
(c) Municipal	49,392,816
(d) Miscellaneous	<u>1,557,260</u>
(e) Total	\$ 218,555,385
3. Benefit Payments and Other Disbursements	
(a) Pension Benefit	\$ 182,942,823
(b) Cost of Living Adjustments	39,574,797
(c) Death Benefits	2,692,219
(d) Refund of Contributions, Social Security Supplements and other Miscellaneous expenses	<u>16,318,086</u>
(e) Total	\$ 241,527,925
4. Investment Income*	\$ 373,303,307
5. Unrealized Gains/(Losses)	\$ 90,038,082
6. Market Value on June 30, 1996	\$ 3,828,915,979
7. Actuarial Asset Value on June 30, 1996	\$ 3,828,915,979

* Excludes unrealized gains/(losses)

CONTRIBUTION REQUIREMENTS

The contribution requirements for fiscal 1999 for the State Employees' Retirement Plan and the Teachers' Retirement Plan are set out below. Effective with this June 30, 1996 valuation, the actuarial value of assets was re-established at market value. For comparison the contribution requirements for the previous three fiscal years are also shown.

	<u>Fiscal 1999</u>	<u>Fiscal 1998</u>	<u>Fiscal 1997</u>	<u>Fiscal 1996</u>
<u>State Employees Plan:</u>				
Normal Cost	11.89%	12.98%		
Unfunded Liability Cost	<u>6.71%</u>	<u>6.60%</u>	12.69%	12.21%
Total Cost	18.60%	19.58%	<u>6.11%</u>	<u>5.99%</u>
Less Employee Contribution	<u>8.75%</u>	<u>8.75%</u>	18.80%	18.20%
Employer Cost	9.85%	10.83%	<u>8.75%</u>	<u>8.75%</u>
			10.05%	9.45%
<u>Teachers Plan:</u>				
Normal Cost	11.86%	14.14%		
Unfunded Liability Cost	<u>9.16%</u>	<u>9.61%</u>	14.46%	14.78%
Total Cost	21.02%	23.75%	<u>9.61%</u>	<u>9.43%</u>
Less Employee Contribution	<u>9.50%</u>	<u>9.50%</u>	24.07%	24.21%
Employer Cost	11.52%	14.25%	<u>9.50%</u>	<u>9.50%</u>
			14.57%	14.71%



In 1993 the Retirement Board elected to compute future fiscal year costs one extra year in advance to assist the fiscal budget process. Therefore employer costs for fiscal years ending in 1996, 1997, 1998 and 1999 are based on the valuation results and data as of June 30, 1993, 1994, 1995 and 1996 respectively.

For fiscal 1999, the Teachers' Plan rate is to be paid 40% by the State and 60% by the cities and towns. The overall rate of 11.52% includes the cost of State contribution deferrals in prior fiscal years. The deferral represents 0.48% of the rate and is payable by the State. The cities' and towns' share is therefore 60% of 11.04%, or 6.62%, and the State will contribute the balance of the 11.52%, or 4.90%.

Towns which did not Participate in the 1990 Early Retirement Incentive Program

There were a number of towns which did not participate in the 1990 early retirement incentive program. These were:

2003 - Burrillville

2009 - East Greenwich

2018 - Little Compton

2025 - North Smithfield

2022 - New Shoreham

As a result the contribution requirement for these towns is reduced by the cost of the early retirement incentive program. The overall contribution requirement for fiscal 1999 of the group is 9.87% (i.e., 11.52% minus the cost of the 1990 early retirement incentive program of 1.65%) and, as above, the State will meet the full cost of prior fiscal year deferrals of 0.48%. The contribution for these towns is therefore 5.63% and the State contributes the balance of 4.24%.

SUMMARY OF PLAN EXPERIENCE

The employer costs for fiscal 1998 have changed from the costs for fiscal 1997 due to a number of factors:

State Employees

- Average pay increased by 7.17% for State Employees employed continuously throughout the entire year versus the assumed rate of 4.5%. This caused costs to increase by approximately 1.0% of payroll. It should be noted that much of this pay increase can be attributed to the fact that pay was reported in a different manner this year than last. The pay reported this year includes anticipated increases for the fiscal year beginning on the valuation date, whereas the pay reported for the prior year did not.
- The actuarial value of assets prior to being re-established (utilized to calculate the employer contribution) returned 11.4% for the year compared with an expected return of 8% - this leads to a reduction in the employer cost for State Employees of approximately 1.1% of payroll. Re-establishment of the actuarial value of assets at market value reduced the employer cost by 1.48% of payroll.
- Demographic experience caused the employer cost to increase by approximately 0.5% of payroll. This experience included fewer retirements than expected and more staff turnover than expected, and increases in average age and service.
- Total payroll increased less than expected. Since the unfunded liability cost increases each year by the expected rate of increase in payroll, the smaller than expected payroll caused an increase of approximately 0.1% in the unfunded liability cost as a percentage of actual payroll.



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

- In conclusion, the net effect of the plan experience caused the employer cost to decrease by 0.98% from 10.83% to 9.85% of payroll.

Teachers

- Average pay increased by 5.6% for Teachers employed continuously throughout the entire year, versus the assumed rate of 4.5%. This factor leads to an increase in cost of approximately 1.0% of payroll.
- The actuarial value of assets prior to being re-established returned 11.4% for the year compared with an expected return of 8% - this leads to a reduction in the employer cost for Teachers of approximately 1.3% of payroll. Re-establishment of the actuarial value of assets at market value reduced the employer cost by 2.85% of payroll.

Demographic experience caused the employer cost to increase by approximately 0.9% of payroll. These changes included slightly more retirements and pensioner deaths than expected, but significantly fewer termination's than expected.

Total payroll increased more than expected. Since the unfunded liability cost increases each year by the expected rate of increases in payroll, the greater than expected payroll caused a decrease of approximately 0.5% in the unfunded cost as a percentage of actual payroll.

In conclusion, the net effect of the plan experience for Teachers caused the employer cost to decrease by 2.73% from 14.25% to 11.52% of payroll.

When assessing the relative impact of the above factors, it is appropriate to compare year to year changes in the total cost of benefits including employee contributions. When looked at in this manner, the change from year to year is a smaller proportion of the total cost than the change in the employer cost net of employee contributions. Due to the fact that employee contributions are a constant percentage of payroll, any gains or losses are passed on to the employer's share of the cost.

SUMMARY OF PLAN PROVISIONS

FINAL AVERAGE SALARY

Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay.

NORMAL RETIREMENT

Age and Service Requirements

General Employees and Teachers may retire with full accrued benefits at age 60 with 10 years of service or after 28 years of service regardless of age.

Correctional Officers may retire with unreduced accrued benefits at age 50 with 20 years of service.

Legislators may retire with unreduced accrued benefits at age 55 with 8 years of service or after 20 years of service with no restriction on age.



Amount of Retirement Benefits

State Employees and Teachers:

- 7% of final average salary times service up to 10 years, plus
- 1.9% of final average salary times service in excess of ten years through 20 years, plus
- 1.0% of final average salary times service in excess of 20 years up to the 34th year of service, plus
- 2.0% of final average salary for the 35th year. Maximum benefit is 80% of final average salary.

Correctional Officers:

- 2.0% of final average salary for the first 30 years of service, plus
 - 6.0% of final average salary for the 31st year, plus
 - 5.0% of final average salary for the 32nd year, plus
 - 4.0% of final average salary for the 33rd year, plus
 - 3.0% of final average salary for the 34th year, plus
 - 2.0% of final average salary for the 35th year.
- Maximum benefit is 80% of final average salary.

Legislators:

- \$600 per year of service.
- Maximum benefit is \$10,000.

DISABILITY BENEFIT

Non-occupational

Service Requirement - 5 years

Amount of Benefit - Regular pension benefit based on service to disability and final average salary at time of disability. The minimum benefit is 17% of final average salary.

Occupational

There is no age or service requirements for the occupational disability benefit.

Amount of Benefit: Two-thirds of final salary at time of disability, payable immediately.

VESTING

Employees are vested in their retirement benefits on completion of 10 years of service.

PRE-RETIREMENT DEATH BENEFITS

Lump Sum Benefit

There are no age or service requirements for this benefit.

Amount of Benefit

\$800 per year of service with a minimum of \$4,000 and a maximum of \$16,000, plus a refund of employee contributions.

Joint and Survivor Benefit (optional)

Service Requirement - 10 years for general employees and correctional officers, 8 years for legislators.

Amount of Benefit - Benefit employee would have received had he/she retired the day before he/she died and chosen the joint and survivor option.

Occupational Death Benefit

This benefit has no age or service requirement.

Amount of benefit - 50% of salary to spouse or children of employees under age 18, less workmen's compensation, plus a refund of employee contributions.

POST-RETIREMENT DEATH BENEFITS

Lump sum in the amount of:

- (a) 100% of employee contributions less benefits paid, plus
- (b) Pre-retirement death benefit, reduced 25% per year of retirement, with a minimum of \$4,000.

EMPLOYEE CONTRIBUTIONS

State Employees: 8.75%

Teachers: 9.50%

Legislators: 30.00%

AVAILABLE BENEFIT OPTIONS

Joint and Survivor - Actuarially Equivalent Benefit paying either 100% or 50%, depending on option selected, of retirement benefit to surviving beneficiary.

Social Security - Pays an increased benefit until age 62 and a reduced benefit thereafter to provide a level benefit when Social Security payments are accounted for.

POST-RETIREMENT COST OF LIVING ADJUSTMENT

Retirees' benefits are adjusted annually by 3%, compounded, to allow for increases in cost of living. Cost of living adjustments begin on the January 1st following the third anniversary of an employee's retirement.



MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Actuarial Information

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

CERTIFICATE OF ACTUARIAL VALUATION

This is to certify that we have prepared an actuarial valuation of the plan as of June 30, 1996.

This certificate contains the following attached exhibits:

EXHIBIT I - Actuarial Cost Factors as of June 30, 1996

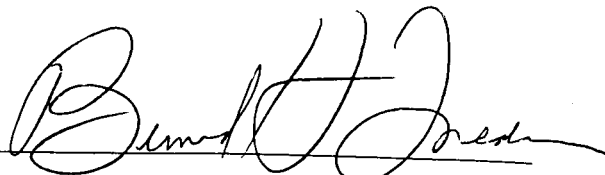
- A. General employees
- B. Police and firemen

EXHIBIT II - Participant Information

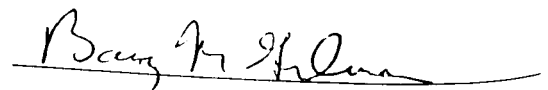
EXHIBIT III - Actuarial Method and Assumptions

EXHIBIT IV - Summary of Plan Provisions

To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate (except as noted in Exhibit I) and in our opinion the assumptions used in the aggregate (a) are reasonably related to the experience of the plan and to reasonable expectations and (b) represent our best estimate of anticipated experience under the plan.



Bernard H. Friedman, A.S.A., M.A.A.A.



Barry M. Gilman, F.S.A., M.A.A.A.

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Boston, MA 02116

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**SUMMARY OF ACTUARIAL VALUATION RESULTS
FOR THE MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

	<u>1996</u>	<u>1995</u>	<u>1994</u>
<input type="checkbox"/> Assets (General Employees and Police & Fire)			
Market Value	\$ 564,388,313	\$ 498,657,766	\$ 431,990,100
Actuarial Value	564,388,313	485,074,226	445,432,702
Contributions	22,087,896	15,819,985	14,723,256
Benefit Payments	24,082,368	21,791,067	19,836,255
<input type="checkbox"/> Time-weighted return on market value of assets⁴	⁵ 13.49%	17.05%	2.20%
<input type="checkbox"/> Members			
<i>Active</i>			
General Employees	5,745	5,919	5,387
Police and Fire	798	723	656
<i>Retirees</i>			
General Employees	2,649	2,586	2,513
Police and Fire	168	160	148
<i>Beneficiaries</i>			
General Employees	170	149	136
Police and Fire	26	27	26
<i>Inactive</i>			
General Employees	948	655	914
Police and Fire	<u>28</u>	<u>22</u>	<u>80</u>
Total	10,532	10,220	9,840
<i>Vested Employees</i>			
General Employees	2,206	2,586	1,992
Police and Fire	354	263	213

⁴ As prepared by Wilshire Associates
⁵ As prepared by William M. Mercer, Inc.



Summary of Actuarial Valuation Results (continued)

	<u>1996</u>	<u>1995</u>	<u>1994</u>
□ Covered Payroll			
General Employees	\$ 126,937,100	\$ 127,108,700	\$ 112,745,900
Police and Fire	26,732,300	24,068,800	20,467,500
⁶Funded Ratio			
Total Underfunded Units	81.3%	90.3%	90.4%
Total Overfunded Units	126.8%	125.8%	129.8%
Grand Total	121.4%	116.4%	120.4%

ACTUARIAL METHOD AND ASSUMPTIONS

Actuarial Funding Method

Actuarial Funding Method - Entry age normal cost method has been utilized. This method spreads the cost of benefits to be provided to an individual participant as a level percentage of pay from his or her date of employment to the assumed date of retirement.

Due to experience gains and losses or amendments to the benefits, accrued liabilities will not exactly equal the value of assets. The difference between the accrued liabilities and assets is called the unfunded liability. In 1988, the rules regarding amortizing the unfunded liability were changed. Under the new rules, the existing unfunded liability in 1988 was amortized over the remainder of a 25 year period which commenced on the date the unit joined the System. Subsequent divergences from the actuarial assumptions are to be funded over the projected future salaries of active members.

Smoothed Contribution Rate - Due to large fluctuations in the contribution rates of certain municipalities, the Retirement Board elected to adopt a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2% or one eighth of the increase in contribution rate (plus the cost of any benefit improvements).

⁶ The funding ratios presented are shown under the method prescribed under GASB 25.



Actuarial Assumptions Concerning Future Events

Mortality - 1971 Group Annuity Mortality Table with Mortality for disabled persons set equal to the age 65 mortality under 1971 Group Annuity Mortality Table.

<u>Mortality</u>	<u>Sample Rates</u>		<u>Expected Life</u>	
	<u>Age</u>	<u>Males (%)</u>	<u>Females (%)</u>	<u>Males (yrs.)</u>
20	.050	.026	55.3	61.6
25	.062	.035	50.4	56.7
30	.080	.047	45.6	51.8
35	.112	.065	40.8	47.0
40	.163	.094	36.1	42.1
45	.292	.140	31.4	37.4
50	.529	.215	26.9	32.6
55	.852	.326	22.8	28.0
60	1.312	.549	18.8	23.5
65	2.126	.956	15.2	19.3
70	3.611	1.648	11.9	15.3

Investment Return - 8.0%, compounded annually.

Salary Increases - Salaries will increase at a rate of 4.5%, compounded annually.

Retirement Age - Municipal employees are assumed to retire at the later of age 65 or completion of the service requirements. Police and Firemen are assumed to retire at the later of age 60 and completion of 10 years of service, or at the later of the age 55 and completion of 25 years of service, if earlier. For police and fire departments electing the optional plan paying unreduced benefits after 20 years of service, employees are assumed to retire at the later of age 55 and completion of 10 years of service, or at the later of age 50 and completion of 20 years of service, if earlier. For all Police and Firemen, this represents a change from what was assumed in the prior valuation.

Disability - Disability is assumed to occur in accordance with the table below with 15% of disabilities being occupational for municipal employees and 50% of disabilities being occupational for police and fire.

Disability - Sample Rates

<u>Municipal Employees</u>		<u>Police and Fire</u>	
<u>Age</u>	<u>Rate (%)</u>	<u>Age</u>	<u>Rate (%)</u>
20	.06	20	.12
25	.09	25	.17
30	.11	30	.22
35	.15	35	.29
40	.22	40	.44
45	.36	45	.72
50	.61	50	1.21
55	1.01	55	—
60	1.41	60	—



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

Withdrawal - Termination of service for reasons other than death, retirement, or disability will be in accordance with the following tables. For police and firemen, no withdrawal for reasons other than death, disability, or retirement is assumed.

Sample Withdrawal Rates

<u>Age</u>	<u>Municipal Employees (%)</u>
20	21.20
25	15.80
30	11.60
35	8.40
40	6.20
45	4.20
50	2.60
55	---
60	---

Cost of Living Adjustments - 3%, not compound, beginning on the January 1st following a participant's retirement if the municipal group elects this optional benefit provision.

Actuarial Value of Assets - The actuarial value of assets spreads investment gains and losses relative to the assumed return of 8%, over a three year period. The actuarial value of assets was reset to equal the market value of assets as of June 30, 1996.

Estimation of Unknown Employee Characteristics - Missing dates for participants are estimated using a band-type averaging method assigning band grouped average dates to those individuals with missing dates of birth or hire. For example, an employee missing a date of hire is given an estimated date of hire based on the average of known dates of hire for persons in his age band. For Employees who are missing salaries, their salaries are estimated by the average salaries for those employees in the same municipal group whose data is complete.

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND



Reserve Balances by Participating Unit

<i>Participating Unit Name</i>	<i>Unit Code</i>	<i>Members Contribution Reserve</i>	<i>Employers Accumulation Reserve</i>	<i>Retirement Reserve</i>	<i>Total Reserve</i>
Town Of Barrington	3001	1,688,336.86	(2,811,696.33)	12,918,400.77	11,795,041.30
Town Of Bristol	3002	1,139,073.52	(1,704,955.34)	8,380,676.33	7,814,794.51
Town Of Burrillville	3003	1,492,130.72	(503,869.32)	7,655,083.31	8,643,344.71
Town Of Central Falls	3004	356,481.61	(1,108,759.99)	1,693,633.17	941,354.79
Town Of Charlestown	3005	229,048.80	(35,925.97)	423,829.75	616,952.58
City Of Cranston	3007	9,781,956.81	(7,494,903.20)	58,903,312.45	61,190,366.06
Town Of Cumberland	3008	1,640,274.69	(1,334,480.74)	7,934,763.61	8,240,557.56
Town Of East Greenwich	3009	1,374,947.42	(1,501,636.42)	9,082,835.09	8,956,146.09
City Of East Providence	3010	5,114,259.05	(12,870,797.24)	42,780,336.12	35,023,797.93
Town Of Exeter/West Greenwich	3011	342,459.73	121,644.76	1,319,032.74	1,783,137.23
Town Of Foster	3012	263,634.01	(327,393.79)	1,078,822.21	1,015,062.43
Town Of Glocester	3013	371,829.22	(252,546.27)	1,242,717.16	1,362,000.11
Town Of Hopkinton	3014	145,117.69	(200,016.73)	1,250,075.53	1,195,176.49
Town Of Jamestown	3015	550,858.61	(630,404.57)	2,922,138.30	2,842,592.34
Town Of Johnston	3016	1,851,471.58	(4,882,787.50)	17,928,275.37	14,896,959.45
Town Of Lincoln	3017	25,481.91	35,041.38	11,708.50	72,231.79
City Of Newport	3021	4,299,535.68	(6,061,845.31)	25,082,356.75	23,320,047.12
Town Of New Shoreham	3022	245,509.36	(68,762.72)	887,398.86	1,064,145.50
Town Of North Kingstown	3023	2,664,753.11	(3,945,223.79)	15,019,428.51	13,738,957.83
City Of North Providence	3024	2,188,331.55	(2,917,610.48)	13,286,848.28	12,557,569.35
Town Of North Smithfield	3025	779,159.97	(858,044.85)	6,019,814.84	5,940,929.96
City Of Pawtucket	3026	8,148,315.35	(12,104,995.53)	49,359,019.35	45,402,339.17
Town Of Richmond	3029	121,200.69	77,724.91	232,284.46	431,210.06
Town Of Scituate	3030	718,892.31	(208,351.22)	3,778,770.57	4,289,311.66
Town Of Smithfield	3031	1,385,952.29	(1,602,649.52)	9,779,793.11	9,563,095.88
Town Of South Kingstown	3032	2,721,612.12	(1,428,078.19)	12,520,656.81	13,814,190.74
Town Of Tiverton	3033	613,650.65	(1,436,837.88)	5,983,638.44	5,160,451.21
Town Of Warren	3034	316,445.30	(2,235,480.39)	5,121,133.60	3,202,098.51
Town Of Westerly	3036	94,607.72	(108,026.13)	647,977.84	634,559.43
Town Of West Greenwich	3037	145,557.75	14,754.42	370,679.69	530,991.86
Town Of Woonsocket	3039	3,694,027.29	(6,737,034.31)	32,860,581.75	29,817,574.73
Chariho Regional School District	3040	818,083.07	160,361.88	2,068,698.63	3,047,143.58
Foster-Glocester School District	3041	300,590.73	(143,274.11)	1,214,637.74	1,371,954.36
Tiogue Fire/ Lighting	3042	2,638.46	10,738.08	3,356.95	16,733.49
Narragansett Housing Authority	3043	10,231.02	7,640.50	4,402.42	22,273.94
Coventry Fire/Lighting District	3045	35,318.82	177,821.49	80,958.54	294,098.85
Hope Valley/Wyoming Fire Dist.	3046	8,925.39	29,188.62	11,255.99	49,370.00
Cranston Housing Authority	3051	198,539.48	(143,674.59)	1,126,375.98	1,181,240.87
East Providence Hsg. Authority	3052	142,613.69	(179,915.62)	1,035,036.16	997,734.23
Pawtucket Housing Authority	3053	609,557.69	(695,323.63)	4,330,463.83	4,244,697.89
Cumberland Housing Authority	3056	72,476.60	(259,953.34)	672,055.58	484,578.84
Lincoln Housing Authority	3057	101,491.34	(81,995.68)	648,622.26	668,117.92
Bristol Housing Authority	3059	104,407.59	9,726.53	555,955.39	670,089.51
Burrillville Housing Authority	3065	44,552.12	18,988.50	206,807.96	270,348.58
N. Providence Hsg. Authority	3066	82,062.51	20,050.07	322,743.32	424,855.90
East Smithfield Water District	3067	43,402.19	58,143.85	104,087.09	205,633.13
Greenville Water District	3068	58,137.36	(63,079.68)	394,253.27	389,310.95
Newport Housing Authority	3069	507,157.91	142,791.21	91,133.70	741,082.82
Warren Housing Authority	3071	79,482.70	51,539.56	314,979.12	446,001.38
Johnston Housing Authority	3072	55,412.06	(49,749.55)	395,605.35	401,267.86
Tiverton Local 2670A	3077	236,115.54	608,249.62	118,394.07	962,759.23
Coventry Housing Authority	3079	80,644.25	(57,385.76)	412,900.24	436,158.73
S. Kingstown Hsg. Authority	3080	-	(14,125.77)	41,030.45	26,904.68
W. Warwick Housing Authority	3083	77,778.87	(7,002.20)	307,590.82	378,367.49
Smithfield Housing Authority	3084	19,109.07	(38,621.11)	95,202.07	75,690.03
Central Falls Housing Authority	3096	92,221.09	(199,519.90)	745,927.04	638,628.23
Limerock Admin. Services	3098	8,906.46	6,853.88	6,620.06	22,380.40



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

<i>Participating Unit Name</i>	<i>Unit Code</i>	<i>Members Contribution Reserve</i>	<i>Employers Accumulation Reserve</i>	<i>Retirement Reserve</i>	<i>Total Reserve</i>
Central Falls Regional School	3099	423,810.67	522,035.48	768,624.27	1,714,470.42
Bristol/Warren School Dept.	3100	894,824.16	(917,674.43)	5,572,140.28	5,549,290.01
Valley Falls Fire District	4042	119,384.04	(132,282.11)	527,306.96	514,408.89
Limerock Fire District	4046	18,689.17	67,062.29	41,719.39	127,470.85
N. Smithfield Volunteer Fire Dist.	4047	98,059.60	106,256.74	87,242.32	291,558.66
East Greenwich Fire District	4050	479,364.11	(1,512,875.34)	4,415,805.08	3,382,293.85
East Greenwich Police Dept.	4054	618,626.95	(324,116.79)	4,292,096.76	4,586,606.92
North Kingstown Police and Fire	4055	1,565,882.33	(2,942,254.91)	11,573,431.52	10,197,058.94
North Providence Fire Dept.	4058	1,870,778.91	259,998.90	6,360,476.76	8,491,254.57
Barrington Police	4060	459,898.51	(2,914,717.47)	5,693,732.16	3,238,913.20
Barrington Fire Department	4061	485,168.17	(2,286,902.05)	7,139,796.07	5,338,062.19
Warren Police Department	4062	434,106.62	(1,348,081.63)	4,295,752.70	3,381,777.69
South Kingstown Police	4063	1,184,480.91	(215,394.83)	6,504,127.32	7,473,213.40
Primrose Volunteer Fire Dept.	4064	137,123.00	177,246.20	533,027.92	847,397.12
Scituate Police	4073	-	-	97,032.44	97,032.44
North Smithfield Police Dept.	4076	474,027.57	96,523.23	2,094,077.58	2,664,628.38
Tiverton Fire Department	4077	475,038.32	(447,285.75)	3,255,751.84	3,283,504.41
Foster Police	4082	94,352.72	(119,479.27)	690,099.18	664,972.63
Woonsocket Police	4085	1,549,210.54	1,219,837.38	2,001,388.43	4,770,436.35
Charlestown Police Department	4086	224,853.05	(31,102.59)	648,033.46	841,783.92
Hopkinton Police	4087	214,514.77	176,653.95	344,498.45	735,667.17
Glocester Police Department	4088	210,982.74	136,603.73	451,368.68	798,955.15
W. Greenwich Police and Rescue	4089	114,340.41	187,897.17	176,673.31	478,910.89
Burrillville Police Department	4090	259,953.97	(492,640.67)	2,186,600.05	1,953,913.35
Cumberland Rescue	4091	151,428.34	199,182.48	223,620.87	574,231.69
Washington Fire Department	4092	105,138.37	101,800.50	88,183.71	295,122.58
Woonsocket Fire Department	4093	1,123,040.89	920,719.63	838,287.28	2,882,047.80
Bristol Fire Department	4094	14,943.56	18,846.34	14,181.98	47,971.88
Cumberland Hill Fire Dept.	4095	130,990.41	334,880.06	219,607.37	685,477.84
Coventry Fire Department	4098	106,790.58	(116,791.96)	477,428.94	467,427.56
Tiogue Fire Department	4100	35,295.80	58,090.74	34,695.31	128,081.85
North Cumberland Fire Dept.	4101	142,377.71	242,458.34	140,721.17	525,557.22
Central Coventry Fire Dept.	4102	100,400.52	175,019.81	98,551.08	373,971.41
Hopkins Hill Fire Department	4103	26,686.65	16,146.88	14,470.88	57,304.41
Cumberland Fire Department	4106	98,432.33	219,743.58	111,425.27	429,601.18
Lincoln Rescue	4107	90,817.87	111,525.47	60,110.66	262,454.00
New Shoreham Police	4108	46,855.15	9,962.75	7,966.82	64,784.72
Warren Fire	4109	2,697.09	9,159.63	1,662.51	13,519.23



Actuarial Value of Assets

As of the July 1, 1991 actuarial valuation, the value of assets utilized to assess the contribution rates, referred to as the actuarial value of assets, was altered from the book value of assets to a market related value of assets. The actuarial value recognizes investment gains and losses, relative to the assumed 8% return, over a three year period. The actuarial value of assets for each unit is assessed in proportion to the amount of reserves allocated to each unit relative to the total reserves and is shown in Liabilities and Funded Status table in the statistical section.

Approximately 82.8% of the assets is allocated to general employees and 17.2% is for police and fire.

The actuarial value of assets was reset to equal the market value of assets as of June 30, 1996. A reconciliation of the market value of assets is shown below.

Calculation of Actuarial Asset Value at June 30, 1996

1. Market Value of Assets at June 30, 1995	\$ 499,157,766
2. Contributions	
(a) Employees	*11,438,486
(b) Employers	5,444,410
(c) Contribution for N. Kingstown Police	5,205,000
(d) Total	\$ 22,087,896
3. Disbursements	
(a) Pensions in Payment	21,650,866
(b) Total Death Benefits	383,168
(c) Refund of Contributions, etc.	2,048,334
(d) Total	\$ 24,082,368
4. Investment Income **	\$ 54,933,529
5. Unrealized Gains/(Losses)	\$ 12,291,490
6. Market Value June 30, 1996	\$ 564,388,313
7. Actuarial Asset Value June 30, 1996	\$ 564,388,313

*Already includes the \$500,000 contribution for Newport Housing; "employee" contributions for FY96 were reduced by an equal amount.

** Excludes unrealized gains and losses

FISCAL 1999 RECOMMENDED EMPLOYER CONTRIBUTION RATES

Note: For FY '99, assets are on a market value basis.

MUNICIPALITY	FISCAL 1999		FISCAL 1999		Total Employer Rates for the Fiscal Years	
	EMPLOYEE CONTRIBUTION RATE	EMPLOYER NORMAL COST	PAST SERVICE COST	TOTAL EMPLOYER RATE	1998	1997
					General Employees	
1 Barrington		6.00%	1.71%	0.00%	1.71%	
2 Bristol	B	7.00%	0.88%	0.00%	0.88%	1.45%
3 Burrillville	C	7.00%	3.08%	0.00%	3.08%	0.48%
4 Central Falls		6.00%	1.27%	18.65%	19.92%	2.67%
5 Charlestown	C	7.00%	1.65%	7.80%	9.45%	2.83%
7 Cranston	B	7.00%	1.82%	0.00%	1.82%	19.03%
8 Cumberland		6.00%	2.51%	0.98%	3.49%	16.42%
9 East Greenwich		6.00%	1.48%	0.00%	1.48%	10.90%
10 East Providence	B	7.00%	2.10%	0.00%	2.10%	1.46%
11 Exeter/West Greenwich		6.00%	2.33%	0.00%	2.33%	1.40%
12 Foster		6.00%	2.09%	1.99%	4.08%	2.48%
13 Gloucester		6.00%	2.38%	0.00%	2.38%	3.11%
14 Hopkinton	C	7.00%	3.05%	0.00%	3.05%	1.07%
15 Jamestown	C	7.00%	1.26%	0.00%	1.26%	1.99%
16 Johnston	C	7.00%	1.88%	0.00%	1.88%	2.13%
17 Lincoln		6.00%	2.18%	5.24%	7.42%	3.01%
21 Newport	B	7.00%	0.74%	0.00%	0.74%	3.25%
22 New Shoreham		6.00%	1.77%	0.00%	1.77%	5.64%
23 North Kingstown		6.00%	2.06%	0.00%	2.06%	2.61%
24 North Providence		6.00%	1.22%	0.00%	1.22%	2.58%
25 North Smithfield	C	7.00%	3.95%	0.00%	3.95%	2.73%
26 Pawtucket	C	7.00%	1.28%	0.00%	1.28%	3.05%
						2.87%
						0.55%
						0.70%
						1.39%
						1.35%
						13.35%
						9.84%
						0.43%
						0.28%
						1.83%
						2.02%
						1.67%
						1.65%
						0.84%
						1.16%
						3.82%
						3.82%
						1.18%
						1.30%

FISCAL 1999 RETIRED EMPLOYER CONTRIBUTION RATES

Note: For FY '99, assets are on a market value basis.

MUNICIPALITY	FISCAL 1999		FISCAL 1999		Total Employer Rates for the Fiscal Years	
	EMPLOYEE CONTRIBUTION RATE	EMPLOYER NORMAL COST	PAST SERVICE COST	TOTAL EMPLOYER RATE	1998	1997
General Employees						
29 Richmond	6.00%	2.26%	0.00%	2.26%	6.43%	4.65%
30 Scituate	B 7.00%	2.88%	0.00%	2.88%	2.42%	2.55%
31 Smithfield	6.00%	1.94%	0.00%	1.94%	1.80%	1.86%
32 South Kingstown	6.00%	1.64%	0.00%	1.64%	1.38%	1.38%
33 Tiverton	6.00%	2.45%	0.00%	2.45%	2.24%	2.75%
34 Warren	C 7.00%	2.36%	0.00%	2.36%	2.20%	1.91%
36 Westerly	6.00%	0.00%	107.06%	107.06%	56.87%	54.81%
37 West Greenwich	6.00%	2.45%	4.44%	6.89%	4.97%	4.99%
39 Woonsocket	6.00%	2.07%	0.00%	2.07%	1.61%	1.64%
40 Chariho School District	6.00%	2.43%	0.00%	2.43%	2.12%	2.22%
41 Foster/Glocester	B 7.00%	3.23%	7.70%	10.93%	6.14%	5.63%
42 Tiogue Fire & Lighting	C 7.00%	2.93%	25.32%	28.25%	31.61%	31.69%
43 Narragansett Housing	6.00%	2.80%	1.17%	3.97%	5.94%	5.57%
45 Coventry Lighting District	6.00%	0.00%	9.63%	9.63%	30.66%	42.68%
46 Hope Valley Fire	C 7.00%	6.95%	0.00%	6.95%	18.56%	21.65%
51 Cranston Housing	C 7.00%	4.15%	0.00%	4.15%	3.81%	3.81%
52 East Providence Housing	B 7.00%	4.48%	0.00%	4.48%	4.83%	4.14%
53 Pawtucket Housing	B 7.00%	1.49%	0.00%	1.49%	1.27%	1.63%
56 Cumberland Housing	6.00%	4.58%	0.00%	4.58%	4.78%	2.69%
57 Lincoln Housing	B 7.00%	5.05%	0.00%	5.05%	4.10%	4.18%
59 Bristol Housing	6.00%	2.97%	0.00%	2.97%	2.69%	2.30%
65 Burrillville Housing	6.00%	3.27%	0.00%	3.27%	3.41%	3.57%

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND



FISCAL 1999 RECOMMENDED EMPLOYER CONTRIBUTION RATES

Note: For FY '99, assets are on a market value basis.

MUNICIPALITY	FISCAL 1999		FISCAL 1999		Total Employer Rates for the Fiscal Years	
	EMPLOYEE CONTRIBUTION RATE	EMPLOYER NORMAL COST	PAST SERVICE COST	TOTAL EMPLOYER RATE	1998	1997
General Employees						
66 North Providence Housing	B 7.00%	2.81%	0.00%	2.81%	4.03%	4.61%
67 East Smithfield Water	C 7.00%	4.16%	0.00%	4.16%	6.48%	13.34%
68 Greenville Water	6.00%	0.00%	0.00%	0.00%	0.00%	0.00%
69 Newport Housing	6.00%	2.02%	3.61%	5.63%	11.46%	11.46%
71 Warren Housing	6.00%	4.02%	0.00%	4.02%	3.92%	4.03%
72 Johnston Housing	6.00%	0.18%	0.00%	0.18%	0.18%	
77 Tiverton Local 2670A	C 7.00%	3.42%	0.00%	3.42%	3.57%	5.75%
79 Coventry Housing	6.00%	3.65%	0.00%	3.65%	3.68%	3.84%
80 S. Kingstown Housing	3 —	—	—	—	—	—
83 West Warwick Housing	6.00%	1.87%	0.00%	1.87%	3.37%	3.32%
84 Smithfield Housing	6.00%	1.08%	0.00%	1.08%	0.01%	0.00%
96 Central Falls Housing	6.00%	4.23%	9.19%	13.42%	15.71%	20.34%
98 Lime Rock Admin. Services	6.00%	1.10%	4.41%	5.51%	4.17%	0.00%
99 Central Falls Schools	6.00%	2.62%	0.37%	2.99%	4.71%	6.18%
100 Bristol/Warren Schools	B 7.00%	3.71%	0.00%	3.71%	3.36%	3.36%
<u>POLICE AND FIRE</u>						
42 Valley Falls Fire	D 8.00%	5.39%	35.31%	40.70%	25.70%	29.18%
46 Lime Rock Fire	3 —	—	—	—	1.96%	3.74%
47 N. Smithfield Voluntary Fire	D 8.00%	8.97%	0.00%	8.97%	5.85%	5.82%
50 East Greenwich Fire	C,D 9.00%	10.14%	0.00%	10.14%	7.44%	7.44%
54 East Greenwich Police	C,D 9.00%	8.90%	0.00%	8.90%	7.12%	7.12%
55 North Kingstown Fire	D 8.00%	7.14%	0.00%	7.14%	4.81%	4.68%

FISCAL 1999 RECOMMENDED EMPLOYER CONTRIBUTION RATES

Note: For FY '99, assets are on a market value basis.

Note: For FY '99, assets are on a market value basis.

MUNICIPALITY	FISCAL 1999		FISCAL 1999		Total Employer Rates for the Fiscal Years	
	EMPLOYEE CONTRIBUTION RATE	EMPLOYER NORMAL COST	PAST SERVICE COST	TOTAL EMPLOYER RATE	1998	1997
POLICE AND FIRE						
56 North Kingstown Police	C,D,2 9.00%	8.08%	7.57%	15.65%	5.46%	5.46%
58 North Providence Fire	D 8.00%	7.47%	0.00%	7.47%	4.62%	4.40%
60 Barrington Police	D 8.00%	5.69%	12.10%	17.79%	10.46%	5.13%
61 Barrington Fire	D 8.00%	6.85%	0.00%	6.85%	4.90%	4.90%
62 Warren Police	C,D 9.00%	9.68%	2.36%	12.04%	6.57%	6.56%
63 S. Kingstown Police & Fire	C,D,1 9.00%	4.18%	0.00%	4.18%	4.01%	3.98%
64 Primrose Volunteer Fire	B,D 9.00%	7.46%	0.00%	7.46%	7.79%	7.41%
73 Scituate Police	3 —	—	—	—	—	—
76 North Smithfield Police	C,D 9.00%	9.28%	0.00%	9.28%	5.81%	5.81%
77 Tiverton Fire	D 8.00%	7.44%	0.00%	7.44%	3.12%	3.05%
82 Foster Police	D 8.00%	7.66%	0.00%	7.66%	3.18%	3.26%
85 Woonsocket Police	C,D 9.00%	10.68%	0.00%	10.68%	6.31%	6.24%
86 Charlestown Police	D 8.00%	9.19%	7.22%	16.41%	3.77%	3.82%
87 Hopkinton Police	C,D 9.00%	8.03%	0.00%	8.03%	4.88%	4.70%
88 Gloucester Police	C,D 9.00%	8.80%	3.90%	12.70%	6.13%	4.92%
89 W. Greenwich Police/Rescue	7.00%	2.60%	0.00%	2.60%	2.76%	3.18%
90 Burrillville Police	C,D 9.00%	9.82%	3.08%	12.90%	8.39%	8.96%
91 Cumberland Rescue	D 8.00%	8.37%	0.00%	8.37%	4.47%	4.19%
92 Washington Fire	D 8.00%	8.72%	5.94%	14.66%	6.28%	6.28%
93 Woonsocket Fire	C,D,4 9.00%	10.80%	0.00%	10.80%	6.29%	6.14%
94 Bristol Fire	7.00%	6.63%	0.00%	6.63%	6.39%	6.40%
95 Cumberland Hill Fire	C,D 9.00%	7.99%	16.08%	24.07%	13.64%	12.99%

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND



FISCAL 1999 RECOMMENDED EMPLOYER CONTRIBUTION RATES

Note: For FY '99, assets are on a market value basis.

MUNICIPALITY	FISCAL 1999		FISCAL 1999		Total Employer Rates for the Fiscal Years		
	EMPLOYEE CONTRIBUTION RATE	EMPLOYER NORMAL COST	PAST SERVICE COST	TOTAL EMPLOYER RATE	1998	1997	
POLICE AND FIRE							
98 Coventry Fire		5.10%	4.80%	9.90%	10.28%	6.29%	
99 South Kingstown EMT	C,D,2	9.00%	11.97%	1.22%	13.19%	7.42%	7.42%
100 Tiogue Fire		7.00%	4.37%	2.28%	6.65%	5.42%	7.14%
101 North Cumberland	D	8.00%	7.40%	8.82%	16.22%	7.37%	8.69%
102 Central Coventry Fire	D	8.00%	4.74%	7.52%	12.26%	12.39%	12.39%
103 Hopkins Hill Fire		7.00%	5.09%	0.00%	5.09%	2.52%	2.63%
106 Cumberland Fire	D	8.00%	3.06%	8.09%	11.15%	11.34%	14.81%
107 Lincoln Rescue		7.00%	4.84%	2.35%	7.19%	7.07%	7.88%
108 New Shoreham Police		7.00%	6.23%	0.00%	6.23%	10.14%	10.14%
109 Warren Fire	D	8.00%	11.60%	21.36%	32.96%	27.17%	27.17%

NOTES

(B) - Municipality has adopted COLA Plan B

(C) - Municipality has adopted COLA Plan C

(D) - Municipality has adopted the "20-year" optional Police & Fire Plan

(1) - S. Kingstown Police have a unique plan that provides 2.0% of salary for service prior to July 1, 1992, and 2.5% of salary for service on or after July 1, 1992.

(2) - New unit.

(3) - Closed unit.

(4) - By special agreement, the Woonsocket Firefighters are currently contributing 8.0% of salary; the above costs assume an employee contribution of 9.0

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND



Smoothed Contribution Rate

The following units are eligible to elect the option for fiscal 1999. The number of units has increased dramatically because the change in assumed retirement age for police and fire units increased cost significantly.

<i>Unit</i>	<i>Contribution Rate (%)</i>	<i>Smoothed Contribution Rate (%)</i>	
3036	Westerly	107.06%	55.51%
3041	Foster/Glocester	10.93%	8.14%
4042	Valley Falls Fire	40.70%	27.70%
4047	North Smithfield Voluntary Fire	8.97%	7.85%
4050	East Greenwich Fire	10.14%	9.44%
4055	North Kingstown Fire	7.14%	6.81%
4056	North Kingstown Police	15.65%	7.46%
4058	North Providence Fire	7.47%	6.62%
4060	Barrington Police	17.79%	9.13%
4062	Warren Police	12.04%	8.57%
4076	North Smithfield Police	9.28%	7.81%
4077	Tiverton Fire	7.44%	5.12%
4082	Foster Police	7.66%	5.18%
4085	Woonsocket Police	10.68%	8.31%
4086	Charlestown Police	16.41%	5.77%
4087	Hopkinton Police	8.03%	6.88%
4088	Glocester Police	12.70%	8.13%
4090	Burrillville Police	12.90%	10.39%
4091	Cumberland Rescue	8.37%	6.47%
4092	Washington Fire	14.66%	8.28%
4093	Woonsocket Fire	10.80%	8.29%
4095	Cumberland Hill Fire	24.07%	15.64%
4099	South Kingstown EMT	13.19%	9.42%
4101	North Cumberland	16.22%	9.37%
4103	Hopkins Hill Fire	5.09%	4.52%
4109	Warren Fire	32.96%	29.17%

In determining whether a unit is eligible to elect a smoothed contribution rate, we have calculated whether the difference between the fiscal 1998 cost, adjusted for benefit improvements, if any, and the fiscal 1999 cost exceeds 2%. The only exception to this rule applies for units which were eligible for a smoothed rate for fiscal 1998. In those cases we have compared the fiscal 1998 smoothed rate with the fiscal 1999 cost.

Changes in the Retirement System

The following new units have been included in the valuation of the Municipal Retirement System as of June 30, 1996:

<i>Unit</i>	<i>Entered System</i>
4056 North Kingstown Police	7/1/96
4099 South Kingstown Emergency Medical Services	7/1/96



Plan Benefits

The following units adopted benefit changes:

<u>Unit</u>	<u>Benefit Change</u>	<u>Effective Date</u>
3014 Hopkinton	COLA C	(1/1/97)
3034 Warren	COLA C	(1/1/97)
3051 Cranston Housing	COLA C	(1/1/97)
3052 East Providence Housing	COLA B	(1/1/97)
4050 East Greenwich Fire	COLA C	(1/1/97)
4086 Charlestown Police	20 year plan	(7/1/97)
4087 Hopkinton Police	COLA C	(1/1/97)
4102 Central Conventry Fire	20 year plan	(7/1/96)

If certain units, prior to fiscal 1999, reach a decision to adopt a new benefit structure, the contribution rates incorporated in this report will be altered accordingly.

LIABILITIES AND FUNDED STATUS AS OF JUNE 30, 1996

Note: For FY '99, assets are on a market value basis

<u>MUNICIPALITY</u>		<u>MARKET VALUE OF ASSETS</u>	<u>TOTAL ACCRUED LIABILITY</u>	<u>VESTED LIABILITY</u>	<u>TOTAL UNFUNDED LIABILITY</u>	<u>UNFUNDED VESTED LIABILITY</u>
General Employees						
1	Barrington	\$15,247,961	\$10,183,001	\$7,696,601	\$0	\$0
2	Bristol	10,102,524	7,612,370	6,169,665	0	0
3	Burrillville	11,173,627	8,418,760	6,204,472	0	0
4	Central Falls	1,216,930	3,060,012	2,598,736	1,843,082	1,381,806
5	Charlestown	797,562	1,368,740	998,905	571,178	201,343
7	Cranston	79,103,440	60,317,812	45,252,809	0	0
8	Cumberland	10,652,927	11,004,662	8,768,581	351,735	0
9	East Greenwich	11,577,998	7,492,873	5,387,719	0	0
10	East Providence	45,276,783	43,904,941	35,936,139	0	0
11	Exeter/West Greenwich	2,305,139	1,878,618	1,358,766	0	0
12	Foster	1,312,215	1,397,940	1,018,555	85,725	0
13	Glocester	1,760,716	1,626,084	1,123,801	0	0
14	Hopkinton	1,545,056	1,060,424	797,957	0	0
15	Jamestown	3,674,742	3,031,488	2,090,716	0	0
16	Johnston	19,257,945	16,759,701	13,239,716	0	0
17	Lincoln	93,377	213,250	113,503	119,873	20,126
21	Newport	30,146,836	28,854,117	21,929,295	0	0
22	New Shoreham	1,375,668	1,040,879	720,516	0	0
23	North Kingstown	17,760,947	15,095,844	10,620,099	0	0
24	North Providence	16,233,714	11,255,497	8,684,684	0	0
25	North Smithfield	7,680,098	4,905,157	3,840,180	0	0
26	Pawtucket	58,693,573	49,777,763	37,891,651	0	0
29	Richmond	557,444	556,188	397,254	0	0
30	Scituate	5,544,980	4,729,509	3,573,296	0	0

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND



LIABILITIES AND FUNDED STATUS AS OF JUNE 30, 1996

Note: For FY '99, assets are on a market value basis

<u>MUNICIPALITY</u>	<u>MARKET VALUE OF ASSETS</u>	<u>TOTAL ACCRUED LIABILITY</u>	<u>VESTED LIABILITY</u>	<u>TOTAL UNFUNDED LIABILITY</u>	<u>UNFUNDED VESTED LIABILITY</u>
General Employees					
31 Smithfield	12,362,629	7,559,679	6,090,675	0	0
32 South Kingstown	17,751,500	11,373,261	7,757,950	0	0
33 Tiverton	6,671,139	4,295,260	3,484,474	0	0
34 Warren	4,139,492	4,027,460	3,573,010	0	0
36 Westerly	820,322	1,235,301	1,228,681	414,979	408,359
37 West Greenwich	686,436	861,129	532,142	174,693	0
39 Woonsocket	38,546,472	22,574,527	17,948,529	0	0
40 Chariho School District	3,939,175	3,395,956	2,023,297	0	0
41 Foster/Glocester	1,773,584	2,232,091	1,704,505	458,507	0
42 Tiogue Fire & Lighting	21,631	46,225	44,609	24,594	22,978
43 Narragansett Housing	28,795	35,898	10,465	7,103	0
45 Coventry Lighting District	380,195	472,133	388,144	91,938	7,949
46 Hope Valley Fire	63,823	81,581	63,694	17,758	0
51 Cranston Housing	1,527,041	1,115,540	693,590	0	0
52 East Providence Housing	1,289,814	1,007,294	806,359	0	0
53 Pawtucket Housing	5,487,305	3,175,057	2,419,262	0	0
56 Cumberland Housing	626,436	479,435	483,526	0	0
57 Lincoln Housing	863,705	673,865	545,603	0	0
59 Bristol Housing	866,254	484,316	348,978	0	0
65 Burrillville Housing	349,492	142,935	69,506	0	0
66 North Providence Housing	549,230	315,412	211,701	0	0
67 East Smithfield Water	265,831	142,993	97,120	0	0
68 Greenville Water	503,279	345,660	253,469	0	0
69 Newport Housing	958,030	1,147,637	699,321	189,607	0

LIABILITIES AND FUNDED STATUS AS OF JUNE 30, 1996

Note: For FY '99, assets are on a market value basis

<u>MUNICIPALITY</u>		<u>MARKET VALUE OF ASSETS</u>	<u>TOTAL ACCRUED LIABILITY</u>	<u>VESTED LIABILITY</u>	<u>TOTAL UNFUNDED LIABILITY</u>	<u>UNFUNDED VESTED LIABILITY</u>
General Employees						
71	Warren Housing	576,565	363,127	266,651	0	0
72	Johnston Housing	518,737	412,761	341,460	0	0
77	Tiverton Local 2670A	1,244,600	1,021,361	619,908	0	0
79	Coventry Housing	563,842	451,113	388,100	0	0
80	South Kingstown Housing	34,781	26,657	26,657	0	0
83	West Warwick Housing	489,131	371,680	265,254	0	0
84	Smithfield Housing	97,848	83,242	65,958	0	0
96	Central Falls Housing	825,582	1,171,184	1,011,154	345,602	185,572
98	Lime Rock Admin. Services	28,932	50,179	15,924	21,247	0
99	Central Falls Schools	2,216,370	2,344,969	1,276,182	128,599	0
100	Bristol/Warren Schools	7,173,808	4,798,144	3,093,001	0	0
<u>POLICE AND FIRE</u>						
42	Valley Falls Fire	\$664,999	\$1,645,463	\$1,348,425	\$980,464	\$683,426
46	Lime Rock Fire	164,787	18,689	18,689	0	0
47	N. Smithfield Voluntary Fire	376,911	368,615	160,753	0	0
50	East Greenwich Fire	4,372,438	4,200,982	3,175,310	0	0
54	East Greenwich Police	5,929,306	4,699,527	3,878,358	0	0
55	North Kingstown Fire	13,182,180	11,659,066	9,758,745	0	0
56	North Kingstown Police	5,205,000	6,284,803	3,623,249	1,079,803	0
58	North Providence Fire	10,977,014	9,709,400	6,764,366	0	0
60	Barrington Police	4,187,083	5,071,071	4,490,456	883,988	303,373

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

LIABILITIES AND FUNDED STATUS AS OF JUNE 30, 1996

Note: For FY '99, assets are on a market value basis

<u>POLICE AND FIRE</u>		<u>MARKET VALUE OF ASSETS</u>	<u>TOTAL ACCRUED LIABILITY</u>	<u>VESTED LIABILITY</u>	<u>TOTAL UNFUNDED LIABILITY</u>	<u>UNFUNDED VESTED LIABILITY</u>
61	Barrington Fire	D 6,900,744	5,648,487	4,927,611	0	0
62	Warren Police	C,D 4,371,771	4,529,237	3,856,473	157,466	0
63	S. Kingstown Police & Fire	C,D,1 9,660,947	6,903,919	5,072,055	0	0
64	Primrose Volunteer Fire	B,D 1,095,467	665,644	537,163	0	0
73	Scituate Police	3 125,437	47,790	47,790	0	0
76	North Smithfield Police	C,D 3,444,680	2,542,798	1,996,909	0	0
77	Tiverton Fire	D 4,244,728	3,335,302	2,685,714	0	0
82	Foster Police	D 859,639	762,629	522,053	0	0
85	Woonsocket Police	C,D 6,166,949	5,923,324	2,839,529	0	0
86	Charlestown Police	D 1,088,211	1,490,497	1,001,694	402,286	0
87	Hopkinton Police	C,D 951,029	735,507	431,293	0	0
88	Glocester Police	C,D 1,032,844	1,204,830	626,829	0	0
89	W. Greenwich Police/Rescue	619,109	531,535	351,526	171,986	0
90	Burrillville Police	C,D 2,525,908	2,745,231	2,196,043	0	0
91	Cumberland Rescue	D 742,335	604,270	278,703	219,323	0
92	Washington Fire	D 381,518	548,378	288,173	0	0
93	Woonsocket Fire	C,D,4 3,725,748	3,674,551	1,471,419	166,860	0
94	Bristol Fire	62,015	33,261	14,944	0	0
95	Cumberland Hill Fire	C,D 886,147	1,212,233	903,168	0	0
98	Coventry Fire	604,264	772,608	518,895	326,086	17,021
99	South Kingstown EMT	C,D,2 106,703	133,137	0	168,344	0
100	Tiogue Fire	165,577	177,406	99,367	26,434	0
101	North Cumberland	D 679,410	1,055,759	565,578	11,829	0
102	Central Coventry Fire	D 483,449	749,309	529,734	376,349	0
103	Hopkins Hill Fire	74,079	43,971	34,780	265,860	46,285
					0	0

Note: For FY '99, assets are on a market value basis

		<u>MARKET</u>	<u>TOTAL</u>	<u>VESTED</u>	<u>TOTAL</u>	<u>UNFUNDED</u>
		<u>VALUE</u>	<u>ACCRUED</u>	<u>LIABILITY</u>	<u>UNFUNDED</u>	<u>VESTED</u>
<u>POLICE AND FIRE</u>		<u>OF ASSETS</u>	<u>LIABILITY</u>	<u>LIABILITY</u>	<u>LIABILITY</u>	<u>LIABILITY</u>
106	Cumberland Fire	D 555,364	797,206	580,558	241,842	25,194
107	Lincoln Rescue	339,286	387,552	199,106	48,266	0
108	New Shoreham Police	83,750	75,503	77,797	0	0
109	Warren Fire	D 17,477	54,658	2,697	37,181	0

NOTES

(B) - Municipality has adopted COLA Plan B

(C) - Municipality has adopted COLA Plan C

(D) - Municipality has adopted the "20-year" optional Police & Fire Plan

(1) - S. Kingstown Police have a unique plan that provides 2.0% of salary for service prior to July 1, 1992, and 2.5% of salary for service on or after July 1, 1992.

(2) - New unit.

(3) - Closed unit.

(4) - By special agreement, the Woonsocket Firefighters are currently contributing 8.0% of salary; the above costs assume an employee contribution of 9.0





SUMMARY OF PLAN EXPERIENCE

- The average annual salary for general employees increased by 2.8%. This is due to a combination of several factors. Average salaries for continuing members increased by 6.8%. However, this increase was offset by the addition of new employees earning less than current members or retirees whom they replaced. The ratio of average salaries of new entrants to the average salaries of new terminated employees was approximately 53%.
- The average annual salary for policemen and firemen increased by 0.6%. Average salary for continuing members increased by 3.3%. New hires were paid approximately 91% as much as were the terminating employees they replaced.
- The increase in the average monthly benefit can be attributed in part to the ratio of the average benefits payable to continuing retirees versus those who retired during the year. This ratio was 68%, indicating that, on the average, the new retirees have 148% as large a pension as continuing retirees. The increase in average monthly benefits can also be partly attributed to increases caused by cost of living adjustments.

The actual funding percentage for any unit participating in the plan will vary from the above depending on its particular demographics. Each unit's costs and liabilities are independently determined.

SUMMARY OF PLAN PROVISIONS

FINAL AVERAGE SALARY

Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay.

NORMAL RETIREMENT

Age and Service Requirements

General Employees may retire with full accrued benefits at age 58 with 10 years of service or after 30 years of service regardless of age.

Police and Firemen may retire with unreduced accrued benefits at age 55 with 10 years of service or after 25 years regardless of age.

Police and Firemen under the Optional Plan may retire with unreduced accrued benefits at age 55 with 10 years of service or after 20 years of service with no restriction on age.

Amount of Retirement Benefits

2% of final average salary times service, maximum benefit is 75% of final average salary.

For the optional 20-year service plan, retirement benefit is 2.5% of final average salary times service with a maximum benefit of 75% of final average salary.

EARLY RETIREMENT

Age and Service Requirement

Early retirement is only available to policemen and firemen under the normal plan.

Amount of Retirement Benefits

Regular pension accrued, reduced by 6% for each year of age less than 55.



DISABILITY BENEFIT

Non-occupational

Service Requirement - 5 years

Amount of Benefit - Regular pension benefit based on service to disability and final average salary at time of disability, payable immediately. The minimum benefit is 20% of final average salary.

Occupational

There is no age or service requirements for the occupational disability benefit.

Amount of Benefit - Two thirds of final salary at time of disability, payable immediately.

VESTING

Employees are vested in their retirement benefits on completion of 10 years of service.

PRE-RETIREMENT DEATH BENEFITS

Lump Sum Benefit

There are no age or service requirements for this benefit.

Amount of Benefit:

- (a) \$800 per year of service with a minimum of \$4,000 and a maximum of \$16,000, plus
- (b) Refund of employee contributions.

Joint and Survivor Benefit (optional)

Service Requirement - 10 years.

Amount of Benefit - Benefit employee would have received had he/she retired the day before he/she died and chosen the 100% joint and survivor option.

Police and Firemen's Survivor Benefit

There is no age of service requirement for this benefit.

Amount of Benefit:

- (a) 30% of final average salary to spouse plus 10% to each child under age 18, plus
- (b) Refund of employee contributions.

Occupational Death Benefit

This benefit has no age or service requirement.

Amount of benefit:

- (a) 50% of salary to spouse or children of employees under age 18, less workmen's compensation. Police and firemen also receive 10% for each child under 18 to a maximum of 66.66%.
- (b) Refund of employee contributions.

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

POST-RETIREMENT DEATH BENEFITS

Lump sum in the amount of:

- (a) 100% of employee contributions less benefits paid, plus
- (b) Pre-retirement death benefit, reduced 25% per year of retirement, with a minimum of \$4,000.

EMPLOYEE CONTRIBUTIONS

Municipal Employees - 6% until maximum benefit (75% of final average salary) is accrued. Increased to 7% with post-retirement cost-of-living increase.

Policemen and Firemen - 7% until maximum benefit (75% of final average salary) is accrued. Increased to 8% with post-retirement cost-of-living increase. Increased by 1% for 20-year service plan.

AVAILABLE BENEFIT OPTIONS

Joint and Survivor - Actuarially Equivalent Benefit paying either 100% or 50%, depending on option selected, of retirement benefit to surviving beneficiary.

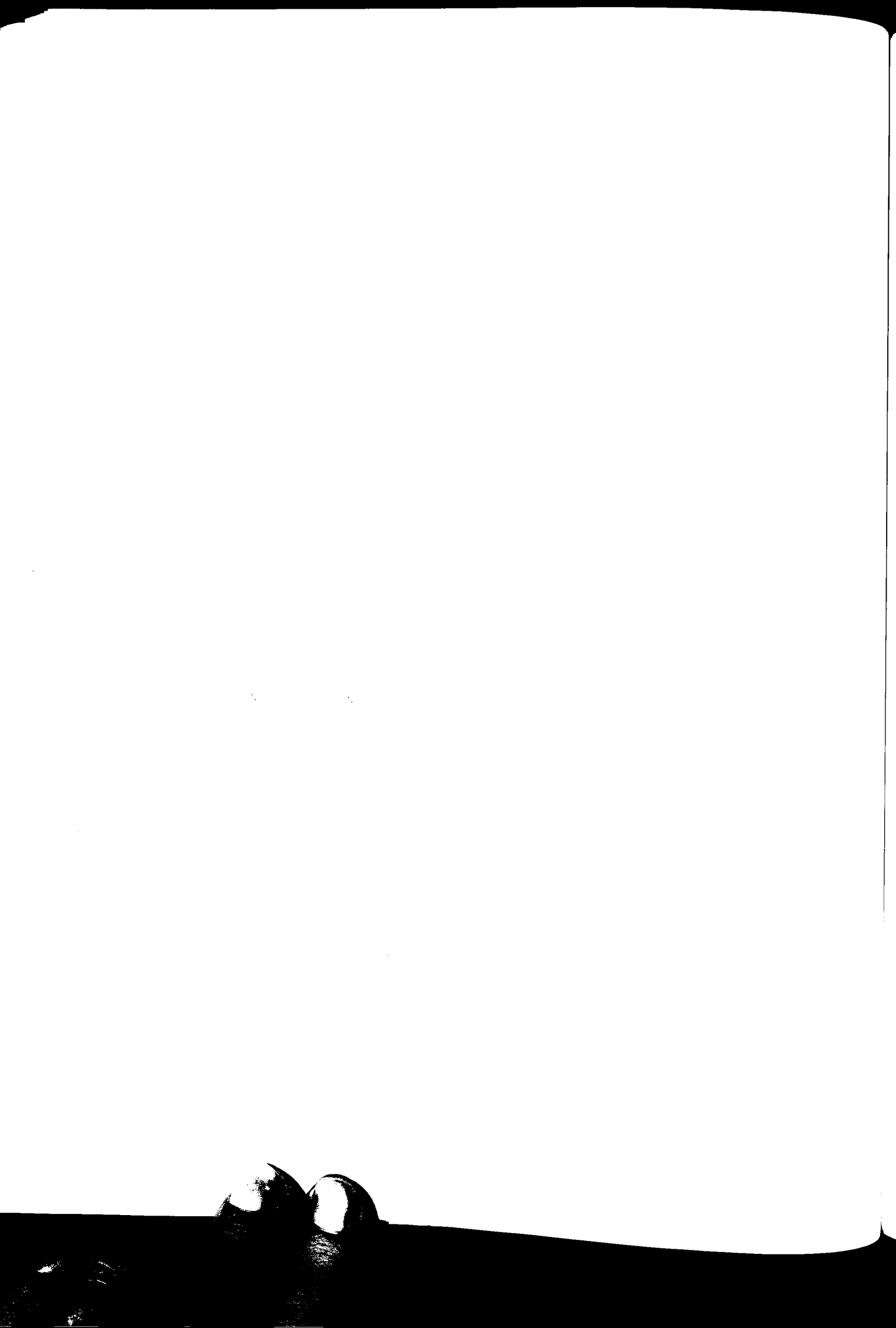
Social Security - Pays an increased benefit until age 62 and a reduced benefit thereafter to provide a level benefit when Social Security payments are accounted for.

POST-RETIREMENT COST OF LIVING ADJUSTMENT

Retirees' benefits are adjusted annually by 3%, not compounded, to allow for increases in cost of living if their municipal group adopts this benefit provision.



STATISTICAL SECTION





EMPLOYEES' RETIREMENT SYSTEM

Statistical Information

EMPLOYEES' RETIREMENT SYSTEM STATISTICS

Active Employees

	<u>State Employees</u>		<u>Teachers</u>	
	<u>June 30, 1996</u>	<u>June 30, 1995</u>	<u>June 30, 1996</u>	<u>June 30, 1995</u>
Number of Covered Employees	12,976	13,550	12,391	12,079
Average Annual Salary	\$34,900	\$33,300	\$43,900	\$41,100
Average Age (years)	45.5	45.1	44.9	44.8
Average Service (years)	13.7	13.0	15.5	15.9
Number of Vested Active Employees	7,586	7,656	7,251	7,474
Number of Employees Eligible for Retirement	1,300	1,343	1,497	1,053

Retirees and Beneficiaries

	<u>State Employees</u>		<u>Teachers</u>	
	<u>June 30, 1996</u>	<u>June 30, 1995</u>	<u>June 30, 1996</u>	<u>June 30, 1995</u>
Pensioners				
Number	7,884	7,967	5,013	4,804
Average Age	72.0	71.6	69.0	69.9
Average Monthly Benefit	\$1,038	\$991	\$2,086	\$1,977
Beneficiaries				
Number	733	682	216	207
Average Age	72.0	71.9	69.0	68.8
Average Monthly Benefit	\$757	\$736	\$1,122	\$1,062

Distribution of State Employees in Active Service

Years of Service and Average Annual Earnings

<u>Age</u>	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30-34</u>	<u>35-39</u>	<u>40+</u>	<u>Total</u>
0-19	2									2
	\$18,900									\$18,900
20-24	71	5								76
	\$22,826	\$22,820								\$22,826
25-29	281	351	2							634
	\$29,016	\$29,757	\$27,554							\$29,422
30-34	332	694	255	28						1,309
	\$30,676	\$31,980	\$29,956	\$28,706						\$31,185
35-39	277	622	487	371	73					1,830
	\$32,429	\$31,837	\$35,804	\$32,896	\$30,442					\$33,141
40-44	275	533	353	542	536	53				2,292
	\$31,798	\$32,797	\$36,553	\$36,817	\$34,632	\$32,616				\$34,631
45-49	238	458	363	456	603	308	13			2,439
	\$31,647	\$31,869	\$36,650	\$40,018	\$42,403	\$42,043	\$34,841			\$37,987
50-54	166	380	317	358	337	253	64	1		1,876
	\$34,057	\$32,772	\$33,769	\$38,079	\$42,316	\$45,025	\$44,831	\$44,521		\$37,851
55-59	92	261	229	249	265	124	46	14	2	1,282
	\$31,847	\$29,244	\$32,744	\$36,566	\$37,780	\$39,480	\$48,038	\$37,885	\$39,190	\$35,017
60-64	34	153	152	187	140	77	26	8	3	780
	\$30,087	\$29,556	\$33,548	\$34,497	\$37,720	\$39,166	\$44,570	\$45,400	\$30,770	\$34,623
65-69	11	67	71	84	55	15	11	7	7	328
	\$28,806	\$30,474	\$32,340	\$34,459	\$37,132	\$40,713	\$50,995	\$54,395	\$37,769	\$34,781
70-74	3	11	18	27	18	10	6	3	2	98
	\$20,830	\$42,752	\$30,186	\$32,947	\$38,655	\$34,954	\$37,220	\$34,143	\$44,441	\$34,956
75+	2	5	7	11	11	1	1	2	1	30
	\$17,553	\$27,379	\$33,013	\$28,857	\$29,615	\$28,236	\$65,068	\$38,891		\$31,580
Total	1,782	3,537	2,252	2,309	2,038	841	167	35	15	12,976
Average Pay	\$31,000	\$31,605	\$34,466	\$36,559	\$38,745	\$41,582	\$44,929	\$44,327	\$37,523	\$34,880

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND



Distribution of Teachers in Active Service

Years of Service and Average Annual Earnings

<u>Age</u>	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30-34</u>	<u>35-39</u>	<u>40+</u>	<u>Total</u>
0-19										0
20-24	99									99
	\$20,401									\$20,401
25-29	644	184								828
	\$25,691	\$34,868								\$27,730
30-34	293	589	78	2						962
	\$27,176	\$38,817	\$44,243	\$43,094						\$35,720
35-39	339	446	232	99	4					1,120
	\$27,878	\$41,295	\$45,950	\$45,351	\$43,115					\$38,563
40-44	315	584	248	463	392	14				2,016
	\$31,196	\$42,233	\$46,366	\$47,304	\$48,229	\$48,542				\$43,391
45-49	251	566	287	305	1,026	1,298	38			3,771
	\$33,603	\$44,131	\$47,279	\$47,872	\$49,056	\$49,405	\$48,547			\$47,172
50-54	114	238	166	150	251	959	391	10		2,279
	\$34,575	\$45,302	\$47,081	\$48,401	\$49,830	\$50,633	\$51,757	\$52,621		\$48,980
55-59	41	108	65	77	119	175	207	69	1	862
	\$37,276	\$45,250	\$48,553	\$48,320	\$49,781	\$49,919	\$52,389	\$55,070	\$52,095	\$49,476
60-64	12	26	20	24	66	66	41	22	6	283
	\$36,765	\$44,067	\$50,388	\$48,066	\$49,050	\$50,311	\$50,238	\$53,969	\$52,427	\$49,002
65-69	5	8	8	11	17	32	20	9	7	117
	\$21,656	\$39,986	\$47,214	\$49,009	\$52,912	\$48,976	\$49,600	\$48,837	\$56,266	\$48,180
70-74	1	4	2	3	6	15	3	1	5	40
	\$43,446	\$49,244	\$49,472	\$57,165	\$48,808	\$48,875	\$56,112	\$47,311	\$53,667	\$50,520
75+	9	1	1	1	1	1				14
	\$24,846	\$48,435	\$47,954		\$47,671	\$27,120			\$47,976	\$31,626
Total	2,123	2,754	1,107	1,134	1,882	2,560	700	111	20	\$12,391
Average Pay	\$28,509	\$41,655	\$46,687	\$47,552	\$49,053	\$49,902	\$51,638	\$54,056	\$53,842	\$43,914

Distribution of Pensioners - State Employees
Number of Pensioners and Total Monthly Pensions Paid by Age

Age	Pension Type					Total by Age	Percent of Pensioners/ Average Pension
	Service Retirements	Beneficiaries	Legislator's Pension	Accidental Disabilities	Ordinary Disabilities		
<30	0	3	0	1	0	4	0.05%
	\$ 0	\$ 2,595	\$ 0	\$ 1,528	\$ 0	\$ 4,123	\$ 1,030.75
				18	7	28	0.32%
30-39	0	3	0	29,427	2,631	36,133	1,290.46
	\$ 0	\$ 4,075	\$ 0	\$ 27	\$ 41	\$ 142	\$ 1.65%
40-49	32	37	5	42,765	23,982	154,687	1,089.35
	\$ 60,989	\$ 21,861	\$ 5,090	\$ 17	\$ 38	\$ 203	\$ 2.36%
50-54	118	24	6	24,392	23,870	347,645	1,712.54
	\$ 275,119	\$ 18,459	\$ 5,805	\$ 7	\$ 41	\$ 374	\$ 4.34%
55-59	269	37	20	9,121	26,235	791,632	2,116.66
	\$ 704,396	\$ 35,051	\$ 16,829	\$ 21	\$ 68	\$ 887	\$ 10.29%
60-64	730	51	17	24,447	41,088	1,271,412	1,433.38
	\$ 1,144,902	\$ 46,144	\$ 14,831	\$ 25	\$ 66	\$ 1,670	\$ 19.38%
65-69	1,435	103	41	27,336	32,647	1,780,609	1,066.23
	\$ 1,591,956	\$ 87,415	\$ 41,255	\$ 14	\$ 52	\$ 1,978	\$ 22.96%
70-74	1,752	132	28	14,172	27,341	1,849,833	935.20
	\$ 1,690,268	\$ 87,436	\$ 30,616	\$ 10	\$ 50	\$ 1,596	\$ 18.52%
75-79	1,369	139	28	5,699	20,563	1,297,319	812.86
	\$ 1,136,013	\$ 105,393	\$ 29,651	\$ 4	\$ 29	\$ 1,041	\$ 12.08%
80-84	876	108	24	3,211	9,988	755,198	725.45
	\$ 635,698	\$ 77,122	\$ 29,179	\$ 4	\$ 9	\$ 507	\$ 5.88%
85-89	424	61	9	3,843	3,482	325,618	642.24
	\$ 263,760	\$ 45,048	\$ 9,485	\$ 1	\$ 1	\$ 156	\$ 1.81%
90-94	123	30	1	903	179	98,470	631.22
	\$ 75,339	\$ 21,426	\$ 623	\$ 0	\$ 0	\$ 31	\$ 0.36%
95-99	25	5	1	0	0	22,088	712.52
	\$ 17,837	\$ 2,693	\$ 1,558	\$ 0	\$ 0	\$ 8,617	\$ 100%
Total	7,153	733	180	149	402	8,734,767	1,013.67
	\$ 7,596,277	\$ 554,718	\$ 184,922	\$ 186,844	\$ 212,006		

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND



Distribution of Pensioners - Teachers

Number of Pensioners and Total Monthly Pensions Paid by Age

Age	Pension Type				Total by Age	Percent of Pensioners/ Average Pension
	Service Retirements	Beneficiaries	Accidental Disabilities	Ordinary Disabilities		
<30	0	4	0	0	4	0.08%
30-39	\$ 0	\$ 3,343	\$ 0	\$ 0	\$ 3,343	\$ 835.75
40-49	0	5	1	1	7	0.13%
	\$ 0	\$ 4,388	\$ 2,397	\$ 402	\$ 7,187	\$ 1,026.71
50-54	4	10	7	26	47	0.90%
	\$ 9,022	\$ 9,557	\$ 13,930	\$ 32,360	\$ 64,869	\$ 1,380.19
55-59	310	21	8	19	358	6.85%
	\$ 887,871	\$ 22,974	\$ 19,974	\$ 25,547	\$ 956,366	\$ 2,671.41
60-64	599	15	4	18	636	12.16%
	\$ 1,886,487	\$ 21,499	\$ 5,667	\$ 20,876	\$ 1,934,529	\$ 3,041.71
65-69	742	25	8	25	800	15.30%
	\$ 1,965,142	\$ 29,403	\$ 16,326	\$ 32,524	\$ 2,043,395	\$ 2,554.24
70-74	861	24	8	21	914	17.47%
	\$ 1,863,972	\$ 32,922	\$ 14,841	\$ 23,508	\$ 1,935,243	\$ 2,117.33
75-79	718	36	2	21	777	14.86%
	\$ 1,325,644	\$ 47,305	\$ 2,219	\$ 20,306	\$ 1,395,474	\$ 1,795.98
80-84	631	21	2	12	666	12.74%
	\$ 955,352	\$ 20,029	\$ 3,186	\$ 10,962	\$ 989,529	\$ 1,485.78
85-89	408	30	2	4	444	8.49%
	\$ 573,135	\$ 30,497	\$ 2,617	\$ 3,794	\$ 610,043	\$ 1,373.97
90-94	357	14	0	2	373	7.13%
	\$ 494,376	\$ 12,699	\$ 0	\$ 1,353	\$ 508,428	\$ 1,363.08
95-99	152	11	0	1	164	3.14%
	\$ 196,455	\$ 7,778	\$ 0	\$ 1,093	\$ 205,326	\$ 1,251.99
100+	35	0	0	1	36	0.69%
	\$ 42,884	\$ 0	\$ 0	\$ 713	\$ 43,597	\$ 1,211.03
Total	3	0	0	0	3	0.06%
	\$ 3,577	\$ 0	\$ 0	\$ 0	\$ 3,577	\$ 1,192.33
	4,820	216	42	151	5,229	100.00%
	\$ 10,203,917	\$ 242,394	\$ 81,157	\$ 173,438	\$ 10,700,906	\$ 2,049.45



MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Statistical Information



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM STATISTICS

Active Employees

	<u>General Employees</u>		<u>Police and Fire</u>	
	<u>June 30, 1996</u>	<u>June 30, 1995</u>	<u>June 30, 1996</u>	<u>June 30, 1995</u>
Number of Covered Employees	5,745	5,919	798	723
Average Annual Salary	\$22,100	\$21,500	\$33,500	\$33,300
Average Age (years)	46.7	46.9	36.3	35.9
Average Service (years)	9.6	10.4	10.1	9.9
Number of Vested Employees	2,206	2,586	354	263
Number of Employees Eligible for Retirement	603	615	74	68

Retirees and Beneficiaries

	<u>June 30, 1996</u>	<u>June 30, 1995</u>
Pensioners		
Number	2,817	2,746
Average Age	70.4	70.4
Average Monthly Benefit	\$ 629	\$ 591
Beneficiaries		
Number	196	155
Average Age	69.0	68.8
Average Monthly Benefit	\$ 448	\$ 439

Distribution of Municipal General Employees in Active Service

Years of Service and Average Annual Earnings

<u>Age</u>	<u>0 - 4</u>	<u>5 - 9</u>	<u>10 - 14</u>	<u>15 - 19</u>	<u>20 - 24</u>	<u>25 - 29</u>	<u>30 - 34</u>	<u>35 - 39</u>	<u>40 +</u>	<u>Total</u>
0 - 19										0
										\$ 0
										48
20 - 24	46	2								\$ 16,929
	\$ 16,273	\$ 3,200								233
										\$ 20,596
25 - 29	125	107	1							469
	\$ 17,933	\$ 23,713	\$ 19,819							\$ 22,320
										661
30 - 34	181	216	70	2						\$ 21,596
	\$ 18,306	\$ 24,461	\$ 26,111	\$ 21,736						1,064
										\$ 20,931
35 - 39	244	249	97	62	9					\$ 20,931
	\$ 16,544	\$ 23,174	\$ 25,496	\$ 28,578	\$ 24,778					1,107
										\$ 22,612
40 - 44	432	324	132	100	66					\$ 22,612
	\$ 15,407	\$ 21,774	\$ 25,613	\$ 29,671	\$ 28,956	\$ 30,048				762
										\$ 23,205
45 - 49	277	413	188	106	67					\$ 23,205
	\$ 16,922	\$ 21,753	\$ 23,561	\$ 28,622	\$ 31,650	\$ 32,051	\$ 13,090			676
										\$ 23,134
50 - 54	133	256	158	99	67					\$ 23,134
	\$ 18,743	21,588	\$ 22,228	\$ 26,845	\$ 28,052	\$ 31,269	\$ 39,478	\$ 29,073		461
										\$ 22,893
55 - 59	99	173	119	126	101					\$ 22,893
	\$ 19,166	\$ 22,256	\$ 24,031	\$ 23,638	\$ 24,015	\$ 26,083	\$ 30,354	\$ 40,395	\$ 28,004	185
										\$ 20,458
60 - 64	45	148	77	71	63					\$ 20,458
	\$ 20,225	\$ 22,079	\$ 23,257	\$ 23,772	\$ 25,789	\$ 22,215	\$ 20,731	\$ 30,060	\$ 25,548	66
										20,965
65 - 69	11	53	41	21	22					20,965
	\$ 14,092	\$ 20,051	\$ 20,944	\$ 21,611	\$ 23,929	\$ 19,584	\$ 17,244	\$ 4,753	\$ 33,360	13
										18,378
70 - 74	2	11	12	9	11					18,378
	\$ 16,511	\$ 16,269	\$ 21,353	\$ 21,244	\$ 30,036	\$ 18,218	\$ 7,030	\$ 1,800	\$ 43,265	5,745
										\$ 22,095
75+		3	3	3	1					\$ 22,095
		\$ 11,407	\$ 16,603	\$ 15,626	\$ 24,226	\$ 27,925	\$	\$	\$	230
										\$ 27,720
Total	1,595	1,955	898	599	407	230	39	12	10	\$ 22,095
	\$ 17,036	\$ 22,309	\$ 23,896	\$ 26,431	\$ 27,188	\$ 26,353	\$ 27,723	\$ 28,998	\$ 27,720	

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

Distribution of Police and Fire in Active Service

Years of Service and Average Annual Earnings

<u>Age</u>	<u>0 - 4</u>	<u>5 - 9</u>	<u>10 - 14</u>	<u>15 - 19</u>	<u>20 - 24</u>	<u>25 - 29</u>	<u>30 - 34</u>	<u>35 - 39</u>	<u>40 +</u>	<u>Total</u>
0 - 19										0
20 - 24	9	1								0
	\$ 24,583	\$ 30,660								10
25 - 29	43	68	6							\$ 25,191
	\$ 30,275	\$ 33,368	\$ 30,175							117
30 - 34	78	133	51	2						\$ 32,068
	\$ 25,116	\$ 33,471	\$ 35,238	\$ 34,624						264
35 - 39	10	59	68	40	3					\$ 31,352
	\$ 28,645	\$ 33,812	\$ 34,435	\$ 36,478	\$ 30,572					180
40 - 44	3	15	39	38	16					\$ 34,299
	\$ 28,958	\$ 33,418	\$ 34,214	\$ 36,250	\$ 39,126	1				112
45 - 49		7	7	12	18	12				\$ 35,429
50 - 54		\$ 31,719	\$ 33,673	\$ 34,662	\$ 39,453	\$ 39,329		1		57
			3	5	16		\$ 45,338			\$ 36,862
55 - 59			\$ 34,868	\$ 32,667	\$ 38,037	\$ 41,101	3			37
		1		2	1		\$ 40,864			\$ 38,112
60 - 64		\$ 37,161		\$ 48,254	\$ 29,453	\$ 37,909	6			13
		1	1	1		\$ 37,823	2	1		\$ 35,877
65 - 69		\$ 33,860	\$ 44,926	\$ 31,726		2	1			\$ 35,877
			1		\$ 41,651	\$ 46,518			1	7
70 +p			\$ 44,238						47,454	\$ 41,112
										1
Total	143	285	176	100	54	31	7	1	1	\$ 44,238
	\$ 29,961	\$ 33,475	\$ 34,566	\$ 36,134	\$ 38,258	\$ 39,863	\$ 41,442	\$ 39,880	\$ 47,454	798
										\$ 33,499

Distribution of Pensioners

Number of Pensioners and Total Monthly Pensions Paid by Age

Age	Pension Type				Total by Age	Percent of Pensioners/ Average Pension
	Service Retirements	Beneficiaries	Accidental Disabilities	Ordinary Disabilities		
<30	0	1	1	0	2	0.07%
	\$ 0	\$ 290	\$ 2,098	\$ 0	\$ 2,388	\$ 1,194
30-39	0	2	4	4	10	0.33%
	\$ 0	\$ 944	\$ 6,367	\$ 1,426	\$ 8,737	\$ 874
40-49	25	8	15	14	62	2.06%
	\$ 41,570	\$ 3,905	\$ 21,452	\$ 8,163	\$ 75,090	\$ 1,211
50-54	36	7	7	13	63	2.09%
	\$ 62,735	\$ 4,754	\$ 9,014	\$ 6,781	\$ 83,284	\$ 1,322
55-59	108	16	10	24	158	5.24%
	\$ 172,653	\$ 10,872	\$ 8,848	\$ 10,349	\$ 202,723	\$ 1,283
60-64	362	30	8	30	430	14.27%
	\$ 313,498	\$ 18,942	\$ 8,158	\$ 10,552	\$ 351,151	\$ 817
65-69	651	32	10	22	715	23.73%
	\$ 436,617	\$ 13,169	\$ 9,810	\$ 6,422	\$ 466,019	\$ 652
70-74	662	43	10	17	732	24.30%
	\$ 351,036	\$ 16,277	\$ 7,218	\$ 4,472	\$ 379,004	\$ 518
75-79	441	30	4	9	484	16.06%
	\$ 176,521	\$ 8,859	\$ 2,053	\$ 1,839	\$ 189,272	\$ 391
80-84	209	17	2	1	229	7.60%
	\$ 61,517	\$ 5,249	\$ 789	\$ 334	\$ 67,889	\$ 296
85-89	90	9	0	0	99	3.29%
	\$ 23,939	\$ 4,500	\$ 0	\$ 0	\$ 28,439	\$ 287
90-94	24	1	0	0	25	0.83%
	\$ 4,803	\$ 69	\$ 0	\$ 0	\$ 4,872	\$ 195
95+	4	0	0	0	4	0.13%
	\$ 706	\$ 0	\$ 0	\$ 0	\$ 706	\$ 176
Total	2,612	196	71	134	3,013	100%
	\$ 1,645,594	\$ 87,831	\$ 75,809	\$ 50,339	\$ 1,859,572	\$ 617

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

Municipal Participant Information by Plan

Active Employees as of June 30, 1996

Active Employees as of June 30, 1995

<u>MUNICIPALITY</u> General Employees		<u>NUMBER</u>	<u>AVERAGE</u> <u>AGE</u>	<u>AVERAGE</u> <u>SERVICE</u>	<u>AVERAGE</u> <u>SALARY</u>	<u>NUMBER</u>	<u>AVERAGE</u> <u>AGE</u>	<u>AVERAGE</u> <u>SERVICE</u>	<u>AVERAGE</u> <u>SALARY</u>
1	Barrington	145	46.4						
2	Bristol	B 77	44.4	10.5	\$24,920	153	47.2		
3	Burrillville	C 134	47.3	11.4	25,206	86	45.4	11.3	\$23,820
4	Central Falls	49	41.3	9.9	22,750	143	47.6	10.3	24,226
5	Charlestown	C 31	40.3	8.2	21,625	47	42.9	10.6	21,034
7	Cranston	B 811	46.9	7.1	25,358	30	39.9	7.3	24,783
8	Cumberland	213	48.9	10.5	22,792	812	46.9	10.9	24,233
9	East Greenwich	132	47.3	9.5	20,633	210	48.8	10.9	22,115
10	East Providence	B 400	46.9	10.7	23,908	132	47.4	8.7	20,543
11	Exeter/West Greenwich	56	45.9	9.8	25,996	418	47.0	11.0	20,420
12	Foster	37	44.3	8.7	17,176	59	47.0	10.0	24,736
13	Glocester	53	44.3	8.2	17,368	37	46.0	7.8	17,156
14	Hopkinton	C 24	45.0	7.5	20,428	58	44.2	9.4	16,837
15	Jamestown	C 47	46.4	5.9	21,336	25	45.5	8.2	19,056
16	Johnston	C 223	44.7	10.0	25,825	45	46.3	8.8	20,984
17	Lincoln	9	47.8	10.0	20,404	223	43.8	10.5	26,972
21	Newport	B 314	40.5	4.7	29,962	9	48.8	11.5	19,305
22	New Shoreham	38	45.1	11.7	24,651	351	43.0	9.0	22,322
23	North Kingstown	309	43.1	6.3	21,916	42	45.2	11.6	23,475
24	North Providence	262	47.6	10.1	20,627	301	44.1	8.2	22,610
25	North Smithfield	C 81	46.3	9.6	19,080	290	47.4	10.3	20,503
26	Pawtucket	C 645	47.8	8.9	20,968	79	47.2	11.3	18,329
29	Richmond	21	46.9	11.6	22,515	673	48.7	9.6	20,115
30	Scituate	B 84	43.1	6.2	21,105	23	47.1	11.6	22,140
31	Smithfield	120	49.6	9.2	17,590	94	45.5	8.5	21,294
32	South Kingstown	281	48.2	9.6	25,093	128	49.2	10.3	16,778
			45.7	9.4	21,269	287	47.6	10.1	24,899
							45.6	10.0	21,032

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

Municipal Participant Information by Plan

Active Employees as of June 30, 1996

Active Employees as of June 30, 1995

	<u>MUNICIPALITY</u>		<u>Active Employees as of June 30, 1996</u>			<u>Active Employees as of June 30, 1995</u>				
			<u>NUMBER</u>	<u>AVERAGE AGE</u>	<u>AVERAGE SERVICE</u>	<u>AVERAGE SALARY</u>	<u>NUMBER</u>	<u>AVERAGE AGE</u>	<u>AVERAGE SERVICE</u>	<u>AVERAGE SALARY</u>
			59	49.9	10.6	23,247	61	49.5	11.0	21,939
33	Tiverton		33	45.6	9.5	23,340	32	47.0	10.1	23,149
34	Warren	C	2	58.8	16.8	38,919	3	59.0	16.8	31,558
36	Westerly		21	49.0	11.1	21,018	21	48.0	6.8	18,763
37	West Greenwich		413	46.7	9.2	18,952	431	46.9	9.5	19,269
39	Woonsocket		113	44.9	8.3	19,520	117	45.4	8.7	19,305
40	Chariho School District		39	48.1	10.2	18,716	47	48.6	8.1	19,044
41	Foster/Glocester	B	2	54.0	19.4	6,440	2	53.0	17.4	5,939
42	Tiogue Fire & Lighting	C	4	42.3	3.2	18,034	3	46.9	6.6	16,817
43	Narragansett Housing		3	60.3	29.5	38,408	3	59.3	28.5	36,768
45	Coventry Lighting District		1	60.8	13.9	34,427	1	59.8	14.5	34,709
46	Hope Valley Fire	C	17	48.6	9.0	28,552	15	48.0	8.3	29,241
51	Cranston Housing	C	14	47.0	7.4	25,354	12	47.9	8.6	27,464
52	East Providence Housing	B	44	43.8	8.3	30,881	43	43.5	8.4	27,597
53	Pawtucket Housing	B	12	43.8	2.1	16,159	13	42.3	9.0	23,389
56	Cumberland Housing		8	49.5	9.1	27,685	8	45.8	8.4	27,907
57	Lincoln Housing	B	8	48.8	11.1	25,286	8	47.8	10.0	24,087
59	Bristol Housing		4	47.1	8.0	22,015	3	48.2	9.0	28,809
65	Burrillville Housing		8	40.6	6.1	24,972	9	43.5	6.8	23,226
66	North Providence Housing	B	4	45.1	6.1	30,754	4	49.0	11.3	28,539
67	East Smithfield Water	C	4	40.9	10.7	30,276	3	49.4	17.4	34,518
68	Greenville Water		21	49.2	11.1	30,208	21	47.1	10.1	30,700
69	Newport Housing		6	52.6	11.8	25,395	6	51.6	10.8	24,265
71	Warren Housing		6	48.6	10.4	23,841	6	47.6	9.2	25,741
72	Johnston Housing		23	52.5	10.8	24,311	19	53.3	10.1	23,276
77	Tiverton Local 2670A	C	8	48.8	7.3	24,964	8	52.3	7.4	26,731
79	Coventry Housing		---	---	---	---	---	---	---	---
80	South Kingstown Housing	3	7	49.0	9.7	25,366	7	49.7	11.0	22,365
83	West Warwick Housing		3	39.8	5.6	20,214	3	41.0	8.0	16,987
84	Smithfield Housing									

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND





Municipal Participant Information by Plan

Active Employees as of June 30, 1996

Active Employees as of June 30, 1995

<u>MUNICIPALITY</u>		<u>NUMBER</u>	<u>AVERAGE AGE</u>	<u>AVERAGE SERVICE</u>	<u>AVERAGE SALARY</u>	<u>NUMBER</u>	<u>AVERAGE AGE</u>	<u>AVERAGE SERVICE</u>	<u>AVERAGE SALARY</u>	
96	Central Falls Housing	15	48.4	6.0	26,329	15	46.9	6.2	25,469	
98	Lime Rock Adm. Services	2	42.0	9.8	22,365	2	41.0	8.8	20,048	
99	Central Falls Schools	106	44.3	7.9	17,551	102	44.5	7.8	16,599	
100	Bristol/Warren Schools	139	46.8	7.9	18,079	134	47.4	9.6	17,431	
POLICE AND FIRE										
42	Valley Falls Fire	D	12	39.5	14.6	28,730	11	39.3	14.9	29,666
46	Lime Rock Fire	3	—	—	—	5	33.9	12.1	14,458	
47	North Smithfield Vol. Fire	D	9	36.4	7.9	27,761	9	35.4	6.9	26,546
50	East Greenwich Fire	C,D	24	36.2	9.9	37,404	24	35.1	8.5	36,528
54	East Greenwich Police	C,D	31	38.6	12.1	31,060	23	37.4	11.3	30,445
55	North Kingstown Fire	D	67	38.0	12.8	33,845	67	37.0	11.3	32,563
56	North Kingstown Police	C,D,2	49	38.2	13.6	35,041	—	—	—	
58	North Providence Fire	D	100	36.2	10.0	35,505	89	36.1	10.0	38,645
60	Barrington Police	D	24	36.0	11.4	33,524	25	38.9	12.9	28,674
61	Barrington Fire	D	21	38.0	12.4	34,444	22	38.2	12.0	43,607
62	Warren Police	C,D	21	36.3	10.3	33,776	19	37.6	12.3	34,817
63	S. Kingstown Police & Fire	C,D,1	44	41.1	16.0	37,367	42	40.1	15.2	36,819
64	Primrose Volunteer Fire	B,D	6	40.2	13.7	27,364	7	38.7	12.4	27,881
73	Scituate Police	3	—	—	—	—	—	—	—	
76	North Smithfield Police	C,D	18	38.4	12.6	34,132	18	39.8	13.4	34,374
77	Tiverton Fire	D	26	38.8	11.4	31,706	27	40.1	12.2	30,307
82	Foster Police	D	7	33.7	11.8	29,669	4	32.2	10.5	31,052
85	Woonsocket Police	C,D	83	32.4	7.9	36,708	83	31.4	6.6	34,723
86	Charlestown Police	D	17	36.7	9.3	34,252	17	35.6	6.7	33,037
87	Hopkinton Police	C,D	10	37.1	9.4	34,546	11	36.4	8.3	33,616
88	Glocester Police	C,D	14	37.4	9.6	31,673	15	38.7	7.8	27,977
89	W.Greenwich Police/Rescue		8	40.5	14.8	29,958	8	39.5	13.8	29,192
90	Burrillville Police	C,D	20	34.4	7.2	31,955	20	36.0	6.3	30,669

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

Municipal Participant Information by Plan

<u>Active Employees as of June 30, 1996</u>						<u>Active Employees as of June 30, 1995</u>				
		<u>NUMBER</u>	<u>AVERAGE AGE</u>	<u>AVERAGE SERVICE</u>	<u>AVERAGE SALARY</u>	<u>NUMBER</u>	<u>AVERAGE AGE</u>	<u>AVERAGE SERVICE</u>	<u>AVERAGE SALARY</u>	
<u>POLICE AND FIRE</u>										
91	Cumberland Rescue	D	14	32.3	7.7	29,064	15	31.0	6.1	28,854
92	Washington Fire	D	9	35.3	10.2	29,961	10	33.4	8.0	27,142
93	Woonsocket Fire	C,D,4	75	31.7	6.6	33,413	72	30.8	6.1	32,647
94	Bristol Fire		1	46.9	6.0	42,735	1	45.9	5.0	43,535
95	Cumberland Hill Fire	C,D	10	41.0	15.0	29,705	10	40.0	14.0	31,074
98	Coventry Fire		12	36.6	9.6	29,183	12	36.9	11.0	28,029
99	South Kingstown EMT	C,D,2	7	33.4	3.3	24,806	—	—	—	—
100	Tiogue Fire		4	36.2	9.9	26,827	4	35.2	8.9	25,641
101	North Cumberland	D	14	35.0	12.9	29,512	14	34.0	11.9	28,634
102	Central Coventry Fire	D	11	35.8	9.5	32,054	10	35.4	9.4	33,781
103	Hopkins Hill Fire		4	31.5	3.1	19,302	4	29.3	4.7	21,103
106	Cumberland Fire	D	10	42.2	11.6	30,449	9	42.6	11.7	36,300
107	Lincoln Rescue		12	35.3	8.4	25,757	12	35.1	9.4	28,831
108	New Shoreham Police		3	41.4	4.5	36,586	3	40.4	7.3	44,667
109	Warren Fire	D	1	49.4	8.0	33,712	1	48.4	7.0	35,000

NOTES

(B) - Municipality has adopted COLA Plan B

(C) - Municipality has adopted COLA Plan C

(D) - Municipality has adopted the "20-year" optional Police & Fire Plan

(1) - S. Kingstown Police have a unique plan that provides 2.0% of salary for service prior to July 1, 1992, and 2.5% of salary for service on or after July 1, 1992.

(2) - New unit.

(3) - Closed unit.

(4) - By special agreement, the Woonsocket Firefighters are currently contributing 8.0% of salary; the above costs assume an employee contribution of 9.0





Municipal Participant Information by Plan

<u>MUNICIPALITY</u> General Employees	Retirees and Beneficiaries As of June 30, 1996			Retirees and Beneficiaries As of June 30, 1995		
	<u>NUMBER</u>	<u>AVERAGE AGE</u>	<u>AVERAGE MONTHLY BENEFIT</u>	<u>NUMBER</u>	<u>AVERAGE AGE</u>	<u>MONTHLY BENEFIT</u>
1 Barrington	107	72.6	\$442	104	72.3	\$427
2 Bristol	74	71.6	496	74	71.4	472
3 Burrillville	59	70.4	546	57	70.3	537
4 Central Falls	28	63.8	610	25	64.0	562
5 Charlestown	4	66.8	825	4	65.8	803
7 Cranston	401	71.6	583	396	71.4	542
8 Cumberland	91	68.7	548	81	68.1	503
9 East Greenwich	60	70.1	469	59	69.9	454
10 East Providence	275	68.9	927	268	68.7	882
11 Exeter/West Greenwich	9	66.2	603	7	68.8	291
12 Foster	13	69.0	554	12	68.4	621
13 Gloucester	8	65.0	631	8	63.2	572
14 Hopkinton	10	69.5	570	8	71.0	421
15 Jamestown	17	70.1	585	17	70.5	502
16 Johnston	120	69.8	644	112	70.1	598
17 Lincoln	—	—	—	—	—	—
21 Newport	176	71.4	695	175	71.2	650
22 New Shoreham	8	66.3	400	8	65.3	400
23 North Kingstown	101	71.2	563	99	70.9	551
24 North Providence	115	71.4	407	107	71.4	363
25 North Smithfield	58	71.7	378	55	71.2	335
26 Pawtucket	387	71.8	541	391	72.1	496
29 Richmond	6	69.6	203	6	68.6	203
30 Scituate	40	71.6	487	38	72.8	422
31 Smithfield	74	71.6	477	69	71.5	489
32 South Kingstown	72	73.0	422	71	72.3	399

Municipal Participant Information by Plan

	Retirees and Beneficiaries As of June 30, 1996			Retirees and Beneficiaries As of June 30, 1995		
	<u>NUMBER</u>	<u>AVERAGE AGE</u>	<u>AVERAGE MONTHLY BENEFIT</u>	<u>NUMBER</u>	<u>AVERAGE AGE</u>	<u>MONTHLY BENEFIT</u>
			437	51	71.1	425
33 Tiverton	51	71.7	543	55	70.3	518
34 Warren	53	70.2	907	10	73.2	718
36 Westerly	12	72.2	479	5	71.5	600
37 West Greenwich	4	72.1	457	259	71.3	465
39 Woonsocket	262	71.5	537	11	65.5	408
40 Chariho School District	15	65.4	804	9	65.1	524
41 Foster/Glocester	12	64.6	—	—	—	—
42 Tiogue Fire & Lighting	—	—	—	—	—	—
43 Narragansett Housing	—	—	—	—	—	—
45 Coventry Lighting District	—	—	—	8	72.8	437
46 Hope Valley Fire	7	72.7	472	10	74.1	395
51 Cranston Housing	10	75.1	395	24	73.0	515
52 East Providence Housing	25	74.3	556	6	65.8	599
53 Pawtucket Housing	6	66.8	634	4	71.8	692
56 Cumberland Housing	3	73.5	765	2	67.8	553
57 Lincoln Housing	2	68.8	553	—	—	—
59 Bristol Housing	—	—	—	3	67.6	279
65 Burrillville Housing	3	68.6	288	1	78.6	521
66 North Providence Housing	—	—	—	1	68.0	749
67 East Smithfield Water	2	67.5	815	—	—	—
68 Greenville Water	—	—	—	1	79.1	476
69 Newport Housing	1	80.1	476	3	72.5	560
71 Warren Housing	3	73.5	560	—	—	—
72 Johnston Housing	—	—	—	5	66.7	337
77 Tiverton Local 2670A	5	67.7	337	1	74.4	246
79 Coventry Housing	1	75.4	246			
80 South Kingstown Housing						

EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND



Municipal Participant Information by Plan

Retirees and Beneficiaries
As of June 30, 1996

Retirees and Beneficiaries
As of June 30, 1995

	Retirees and Beneficiaries As of June 30, 1996			Retirees and Beneficiaries As of June 30, 1995			
	<u>MUNICIPALITY</u>	<u>NUMBER</u>	<u>AVERAGE AGE</u>	<u>AVERAGE MONTHLY BENEFIT</u>	<u>NUMBER</u>	<u>AVERAGE AGE</u>	<u>MONTHLY BENEFIT</u>
83	West Warwick Housing	2	66.8	570	2	65.8	570
84	Smithfield Housing	1	72.5	572	1	71.5	572
96	Central Falls Housing	7	64.1	1,027	7	63.1	1,027
98	Lime Rock Administrative Services	—	—	—	—	—	—
99	Central Falls Schools	5	65.2	492	5	64.2	473
100	Bristol/Warren Schools	14	62.5	797	—	—	—
	<u>POLICE AND FIRE</u>						
42	Valley Falls Fire	3	58.6	1,452	3	57.6	\$1,437
46	Lime Rock Fire	—	—	—	—	—	—
47	North Smithfield Voluntary Fire	—	—	—	—	—	—
50	East Greenwich Fire	13	63.6	1,373	11	65.6	1,243
54	East Greenwich Police	12	67.0	1,145	10	65.2	1,332
55	North Kingstown Fire	38	63.1	1,216	34	61.3	1,348
56	North Kingstown Police	—	—	—	—	—	—
58	North Providence Fire	14	65.0	1,475	10	64.4	1,706
60	Barrington Police	21	61.4	1,141	18	60.9	1,201
61	Barrington Fire	28	61.6	1,177	27	60.7	1,208
62	Warren Police	18	61.9	1,085	14	62.1	1,065
63	South Kingstown Police & Fire	14	59.9	1,043	12	59.8	1,120
64	Primrose Volunteer Fire	1	82.1	321	1	81.1	312
73	Scituate Police	1	67.0	497	1	66.0	497
76	North Smithfield Police	3	60.5	1,238	2	59.8	1,359
77	Tiverton Fire	13	63.9	935	10	66.4	877
82	Foster Police	2	55.4	1,203	2	54.4	1,203
85	Woonsocket Police	1	39.7	1,755	1	38.7	1,710
86	Charlestown Police	2	37.7	1,078	2	36.7	1,078
87	Hopkinton Police	—	—	—	—	—	—
88	Gloicester Police	2	60.8	695	1	59.1	377

Municipal Participant Information by Plan

	Retirees and Beneficiaries As of June 30, 1996			Retirees and Beneficiaries As of June 30, 1995		
	NUMBER	AVERAGE AGE	AVERAGE MONTHLY BENEFIT	NUMBER	AVERAGE AGE	MONTHLY BENEFIT
<u>POLICE AND FIRE</u>						
89 West Greenwich Police/Rescue	7	53.9	1,690	5	55.7	1,666
90 Burrillville Police	—	—	—	—	—	—
91 Cumberland Rescue	—	—	—	—	—	—
92 Washington Fire	—	—	—	—	—	—
93 Woonsocket Fire	—	—	—	—	—	—
94 Bristol Fire	—	—	—	—	—	—
95 Cumberland Hill Fire	1	35.1	1,745	2	44.5	1,146
98 Coventry Fire	—	—	—	—	—	—
99 South Kingstown EMT	—	—	—	—	—	—
100 Tiogue Fire	—	—	—	—	—	—
101 North Cumberland	—	—	—	—	—	—
102 Central Coventry Fire	—	—	—	—	—	—
103 Hopkins Hill Fire	—	—	—	—	—	—
106 Cumberland Fire	—	—	—	—	—	—
107 Lincoln Rescue	—	—	—	—	—	—
108 New Shoreham Police	—	—	—	—	—	—
109 Warren Fire	—	—	—	—	—	—

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