

# **Annual Financial Report**

***for the fiscal year ending June 30, 2003***

**Honorable Paul J. Tavares, General Treasurer**



## **Employees Retirement System of Rhode Island**

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**EMPLOYEES RETIREMENT SYSTEM  
OF RHODE ISLAND**

**INTRODUCTORY SECTION**

**INTRODUCTORY SECTION**

*“A retirement system is hereby established and placed under the management of the retirement board for the purpose of providing retirement allowances for employees of the state of Rhode Island under the provisions of Chapters 8 to 10, inclusive, of this title. The retirement system so created shall begin operation as of the first day of July, 1936. It shall have the power and privileges of a corporation, and shall be known as the “employees retirement system of the state of Rhode Island,” and by that name all of its business shall be transacted, all of its funds invested, and all of its cash and securities and other property held.”*

—Section Two of Chapter 2334 of the Public Laws of 1936



**The Honorable Donald L. Carcieri  
Governor, State of Rhode Island and Providence Plantations  
State House  
Providence, Rhode Island 02903**

**Dear Governor Carcieri:**

**In accordance with Rhode Island General Laws, 36-8-8 and 45-21-34, enclosed is the Sixty-seventh Annual Financial Report of the *Employees' Retirement System* and the Forty-sixth Annual Financial Report of the *Municipal Employees Retirement System* of the State of Rhode Island for transmittal to the General Assembly**

**This report also contains an accounting of the State Police Retirement Plan and the Judicial Retirement Plan.**

**The report covers the fiscal year ending June 30, 2003.**

**Respectfully submitted,**

A handwritten signature in black ink, appearing to read 'Paul J. Tavares'.

**Paul J. Tavares, General Treasurer & Chairman of the Board  
Employees Retirement System of Rhode Island**



**Employees Retirement Board (as of January 1, 2003)**

**Paul J. Tavares**, *Chairperson, General Treasurer*  
**William B. Finelli**, *Vice-Chairperson, Teacher Representative*  
**Ponzi A. Angelone**, *C.L.U., Public Representative*  
**Senator Stephen D. Alves**, *Senate Finance Committee, Chairman*  
**Daniel L. Beardsley**, *Rhode Island League of Cities and Towns*  
**Rosemary Booth Gallogly**, *State Budget Officer/Executive Director*  
**Michael R. Boyce**, *Retired Member Representative*  
**Representative Gordon D. Fox**, *House Finance Committee, Designee*  
**John P. Maguire**, *Teacher Representative*  
**John Marginson**, *Public Representative*  
**Sandra Murphy Crowe**, *Director of Administration, Designee*  
**Michael E. O'Keefe**, *House Fiscal Advisor*  
**Louis M. Prata**, *Municipal Representative*  
**Michael C. Reis**, *State Employee Representative* **Linda C. Riendeau**, *State Employee Representative*

**Employees' Retirement System of Rhode Island Administration (as of January 1, 2003)**

**Frank J. Karpinski**, *Executive Director*  
**Diane S. Bourne**, *Assistant Executive Director*  
**Octavio E Cunha**, *Assistant Director - Member Services*  
**Todd T. San Bento**, *Assistant Director - Finance*  
**David D. Barricelli**, *Board Counsel*

**State Investment Commission (as of January 1, 2003)**

**Paul J. Tavares**, *Chairperson, General Treasurer*  
**Rosemary Booth Gallogly**, *Director of Administration's Designee*  
**J. Michael Costello**, *Governor's Appointee*  
**Senator Daniel DaPonte**, *Senate Finance Committee Designee*  
**Dr. Robert J. McKenna**, *Higher Education Assistance Authority Chairman*  
**Marcia Reback**, *General Treasurer's Appointee*  
**James E. Thorsen**, *Governor's Appointee*  
**Mr. William J. Whitty**, *Governor's Appointee*  
**Frank J. Karpinski**, *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.**

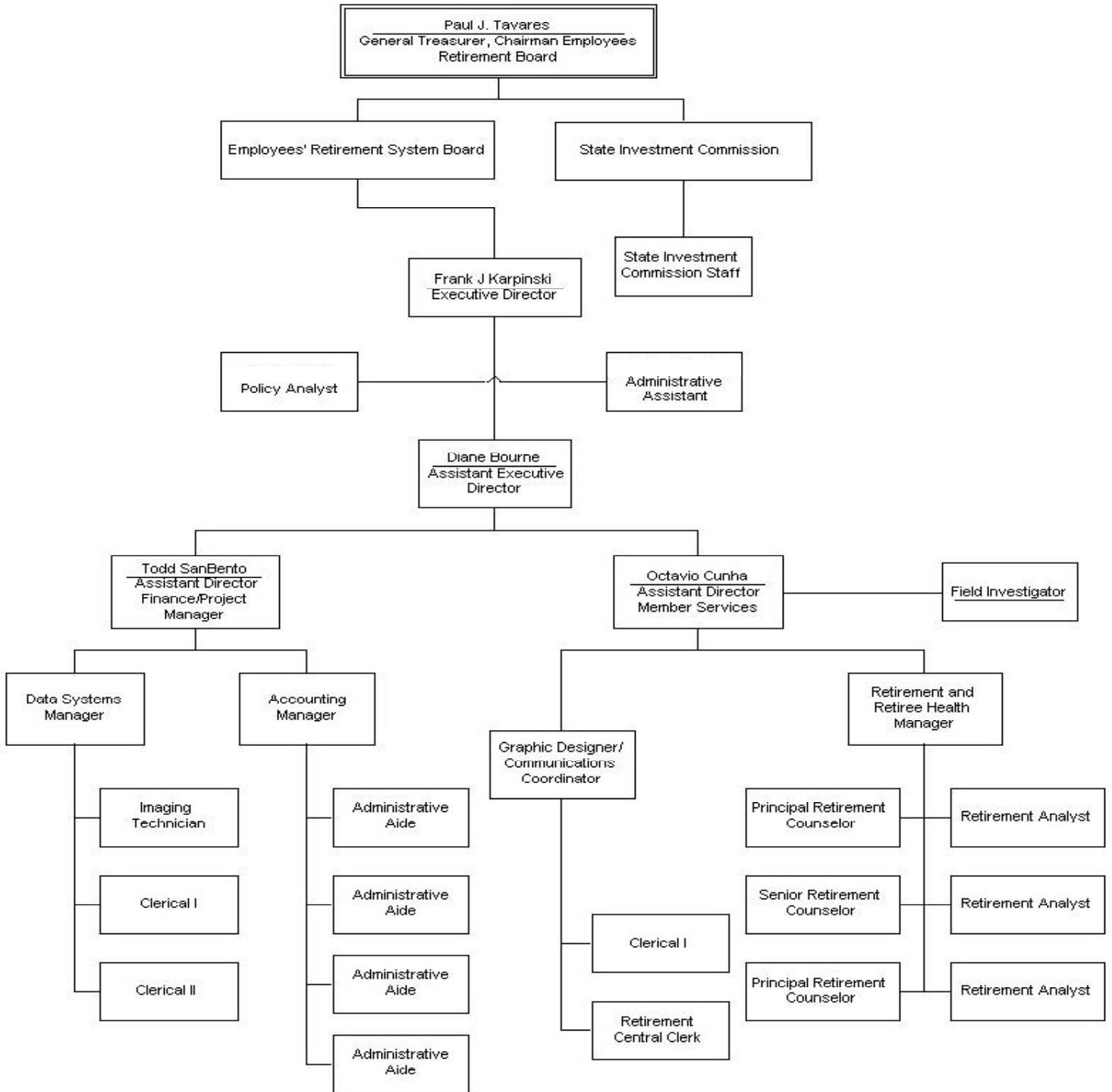
**Joan M. Caine, CFA**, *Deputy Treasurer for Finance*

**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





Dear Governor Carcieri and Members of the Rhode Island General Assembly:

We are pleased to present you with this Annual Financial Report of the Employees' Retirement System of Rhode Island (ERSRI) and the Municipal Employees Retirement System (MERS) for the fiscal year ending June 30, 2003. As required by R.I.G.L. 36-8-8, this report is intended to provide the Governor, the General Assembly members, and beneficiaries of the system and the public with current financial information and an overall status report on the operation of the system.

This report also contains financial information on the status of the State Police Retirement Plan and the Judicial Retirement Plan that commenced in 1987 and 1989.

The report is divided into three sections. The introductory section presents the system's organization, summarizes plan benefits, and provides a review of 2003 retirement legislation. The second section contains the audited financial statements of the following retirement plans:

- (1) The Employees Retirement System of Rhode Island, which includes the retirement assets of all state employees and public school teachers;
- (2) The Municipal Employees Retirement System, which is the municipal retirement plan covering participating municipal units (each unit is valued independently);
- (3) The Judicial Retirement Plan;
- (4) The State Police Retirement Plan.

Because the financial statements are due prior to the completion of the 2003 Actuarial Valuation, the notes to the financial statements reflect the most current actuarial valuation for 2002.

Gabriel, Roeder, Smith & Company (GRS) serves as the system's actuary. Thus, the report concludes with GRS's June 30, 2003 actuarial valuation of our system.

#### Membership

As of June 30, 2003, active membership in the Employees' and Municipal Employees' Retirement System totaled 35,737. There are currently 42 judges contributing to the Judicial Retirement Plan and 150 state police contributing to the State Police Retirement Plan. A total of 20,776 retirees and beneficiaries were receiving benefits from the system.

#### Accounting Basis

The financial statements have been prepared in accordance with generally accepted accounting principles and Governmental Accounting Standards Board Statement Number 25 (GASB No. 25) 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 fair market value.



## Financial Highlights

The major sources of revenue for all ERSRI plans are employee and employer contributions, and investment earnings. Total revenues for fiscal year 2003 included \$ 300,512,157 in contributions from employers and employees and a net investment gain of \$ 145,379,275. The expenditures of the fund consist primarily of payments made to members and beneficiaries for retirement, disability, death, or survivor benefits. In total, benefit payments for fiscal year 2003 were \$ 470,135,919.

Administrative expenses of the retirement system and the cost of maintaining the retirement system are paid from a restricted receipt account that 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, 2003 amounted to \$5,005,829.

## Funding

The actuary determines the actuarial accrued liability of the Plans, which is a measure of the present value of accrued liabilities estimated to be payable in the future to current retirees, beneficiaries, and employees for service earned to date. The percentage computed by dividing the actuarial value of net assets for benefits by the actuarial accrued liability is referred to as the funded ratio. The higher the funded ratio, the greater the degree of overall financial health and stability for the pension fund.

As of June 30, 2003, ERSRI was 65.5% funded for state employees, a decrease of 6.2% from the prior year. The funded ratio for teachers for June 30, 2003 was 64.9%, a decrease of 8.3% from the prior year. The Judicial Retirement Benefits Trust (JRBT) was 72.0% funded, an increase of 3.5% over the previous year while the State Police Retirement Benefits Trust (SPRBT) was 73.7% funded, a decrease of 1.8% over the previous year. The Municipal Employees Retirement System (MERS) prepares separate valuations for each participating unit. Consequently, each unit has its own funding ratio that can be found on pages 77-80 of this report.

## Investment Services

Assets are invested under the direction and authority of the State Investment Commission (SIC) which meets on a monthly basis. In addition to the General Treasurer who serves as Chairperson, members of the SIC include the director of administration, ex officio, or any assistant director of administration as his or her designee, who shall act as secretary, the chairperson of the finance committee of the senate, or any senator as his designee, the chairperson of the finance committee of the house of representatives, ex officio, or his or her designee, the chairperson of the higher education assistance authority, ex officio, or his or her designee, an active teacher, state, or municipal employee member of the retirement system or official from the teacher, state, or municipal employee unions to be appointed by the general treasurer; the executive director of the state retirement board, who shall be a nonvoting member; and three (3) members to be appointed by the governor; each for a term of three (3) years and until his or her successor is appointed and qualified. Wilshire Associates of Pittsburgh, Pennsylvania, serves as investment consultant to the State Investment Commission. State Street Bank and Trust of Boston, Massachusetts, serves as the pension fund custodian.

## Professional Services

W Michael Carter of Gabriel, Roeder, Smith & Company provides actuarial services to the retirement system while David D. Barricelli, Esquire, of the law firm Hinckley Allen & Snyder, Providence, Rhode Island serves as retirement board general counsel. Private attorneys are hired on a per diem basis to serve as hearing officers for the system on disputed retirement issues.

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 Office of 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, 2002 was mailed to each active member in November 2003. 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. Active and retired 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. We would like to thank Michael Carter and our actuarial team at Gabriel, Roeder, Smith & Company, the Office of the Auditor General, and the Office of the State Controller:

We welcome your comments on the issuance of this report.

A handwritten signature in black ink, appearing to read "Paul J. Tavares".

**General Treasurer Paul J. Tavares, Chairman of the Board  
and Members of the Retirement Board  
Employees Retirement System of Rhode Island**



## 2003 RETIREMENT LEGISLATION

No major benefit changes were enacted by the General Assembly. However, several significant pieces of legislation were enacted by the Rhode Island General Assembly. Here is a summary of the relevant legislation.

### *Public Law 03-245 - An Act Relating to Cities and Towns - Retirement of Municipal Employees*

#### *Retirement on Service Allowance*

**This act allows pension credit from a military retirement system to count as credit in the MERS system. This bill is the result of litigation against the Employees' Retirement System of Rhode Island. In the case AUGUST ALMEIDA, et al. VS RETIREMENT BOARD OF THE EMPLOYEES RETIREMENT SYSTEM, et al (C.A. NO. 98-383-I), Judge Lagueux found that Rhode Island General Laws 36-10-9(5) was preempted by the Uniform Services Employment and Reemployment Rights Act. Therefore, this legislation was required in order to make Rhode Island laws comply with federal law.**

### *Public Law 03-155 - An Act Relating to Education*

#### *Substitute Teaching and Employment after Retirement*

**This act added "mentor principal or mentor assistant principal" to allowable vacant positions that may be filled by retired teachers collecting a retirement benefit for up to 90 days in a school year.**

### *Public Law 03-376 - An Act Relating to Making Appropriations for the Support of the State for the Fiscal Year Ending June 30, 2004*

#### *Article 25 Relating to Retirement System Administration*

#### *Payment of administrative expense of the retirement board and maintaining the retirement system - Restricted receipts account*

**This act allows transfer of 17.5 basis points (0.175%), where 100 basis points equals 1% of the average total investments before lending activities as reported in the annual report of the auditor general for the next preceding five fiscal years, to the restricted receipts account for expenses of the retirement board, costs of maintaining the retirement system, and the costs of administering the retirement system. This act is two-fold and applies to both the Employees Retirement System of Rhode Island and the Municipal Employees Retirement System.**

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**EMPLOYEES RETIREMENT SYSTEM  
OF RHODE ISLAND**

**FINANCIAL SECTION**

**FINANCIAL SECTION**

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ERNEST A. ALMONTE, CPA, CFE  
AUDITOR GENERAL  
ernest.almonte@oag.ri.gov

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STATE OF RHODE ISLAND and PROVIDENCE PLANTATIONS  
GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

- ◆ INTEGRITY
- ◆ RELIABILITY
- ◆ INDEPENDENCE
- ◆ ACCOUNTABILITY

**INDEPENDENT AUDITOR'S REPORT**

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

RETIREMENT BOARD OF THE EMPLOYEES' RETIREMENT SYSTEM OF  
RHODE ISLAND:

We have audited the basic financial statements of the State of Rhode Island and Providence Plantations Employees' Retirement System (the System) as of June 30, 2003 and for the year then ended, as listed in the table of contents. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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.

As discussed in Note 1(a), the financial statements referred to above present only the plan net assets and changes in plan net assets of the Pension Trust Funds of the State of Rhode Island and Providence Plantations (the State) and are not intended to present fairly the financial position and results of operations of the State, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the plans within the System as of June 30, 2003, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 14, 2004 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis beginning on page 3 and the Schedules of Funding Progress and the Schedules of Contributions from the Employers and Other Contributing Entity on pages 25 and 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Ernest A. Almonte, CPA, CFE  
Auditor General

May 14, 2004



Management of the Employees' Retirement System (the System) provides this Management's Discussion and Analysis of their financial performance for the readers of the System's financial statements. This narrative provides an overview of the System's financial activity for the fiscal year ended June 30, 2003. This analysis is to be considered in conjunction with the financial statements to provide an objective analysis of the System's financial activities based on the status of the System and issues currently facing management.

**Understanding the Employees' Retirement System Financial Statements**

The Employees' Retirement System administers defined benefit pension plans for state employees, teachers, state police, judges and participating municipal employees. State employees and teachers are combined in one plan while state police, judges and municipal employees are each separate plans. The Statement of Plan Net Assets provides a snapshot of the financial position of the System at June 30, 2003. The Statement of Changes in Plan Net Assets summarizes the additions and deductions that occurred during the fiscal year. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the financial statements. The Required Supplementary Information consists of schedules and related notes which demonstrate the System's progress in accumulating funds to meet future pension benefits for members of the System.

**Financial Highlights for the Fiscal Year Ended June 30, 2003**

- The System's plan net assets decreased by \$34 million from \$5.5 billion at June 30, 2002. This decrease is primarily attributable to payment of pension benefits that exceeded employer and employee contributions.
- Total pension benefits paid to members were \$470.1 million, an increase of \$35.6 million or 8.2% compared to the fiscal year ended June 30, 2002.
- Total employee and employer contributions into the System's plans increased \$38.7 million compared to the prior year. Total contributions from both employers and employees were \$300.5 million.
- The system incurred a net gain from investing activities of \$147.2 million for the fiscal year ended June 30, 2003. Included in this amount is \$1.8 million in securities lending income.

Assets, Liabilities and Net Assets (in millions)		
	<u>June 30, 2003</u>	<u>June 30, 2002</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 3.4	\$ 4.8
Investments	5,386.7	5417.6
Contributions receivable	39.3	44.0
Due from other plans	14.7	8.3
Invested securities lending collateral	582.4	527.2
Property and equipment	15.4	12.7
<b>Total assets</b>	<b>6,041.9</b>	<b>6014.6</b>
<b>Liabilities:</b>		
Accounts payable	4.5	4.8
Due to other plans	14.7	8.3
Securities lending liability	582.4	527.2
<b>Total liabilities</b>	<b>601.6</b>	<b>540.3</b>
<b>Net assets:</b>	<b><u>\$ 5,440.3</u></b>	<b><u>\$ 5,474.3</u></b>





**Summary of Changes in Plan Net Assets  
(in millions)**

	<u>Year Ended June 30, 2003</u>	<u>Year Ended June 30, 2002</u>
<b>Additions:</b>		
Contributions	\$ 300.5	\$ 261.8
Net investment Gain (Loss)	<u>147.2</u>	<u>(508.9)</u>
<b>Total Additions</b>	<b>447.7</b>	<b>(247.1)</b>
<b>Deductions:</b>		
Benefits	470.1	434.6
Refunds of contributions	6.6	5.7
Administrative expenses	<u>5.0</u>	<u>3.9</u>
<b>Total Deductions</b>	<b>481.7</b>	<b>444.2</b>
<b>Decrease in Plan Net Assets:</b>	<b>\$ (34.0)</b>	<b>\$ (691.3)</b>
<b>Net Assets:</b>		
Beginning of year	<u>5,474.3</u>	<u>6,165.6</u>
End of year	<u>\$ 5,440.3</u>	<u>\$ 5,474.3</u>

**Investments**

The State Investment Commission (SIC) establishes long-term asset allocation policy and monitors investment performance of the plan. An asset/liability (A/L) study is conducted every two to three years to identify an optimal diversified investment portfolio that maximizes return within an acceptable level of risk. As long-term investors, the SIC is committed to its strategic asset allocation that has been developed as part of a comprehensive A/L study which incorporates capital market return expectations, risks and correlations associated with each asset class as well as the unique profile and objectives of the System. As a defined benefit plan, the System generally has a much longer time horizon than individual investors and is better positioned to withstand short-term volatility of the capital markets.

The following asset allocation targets were in place during fiscal year 2003.

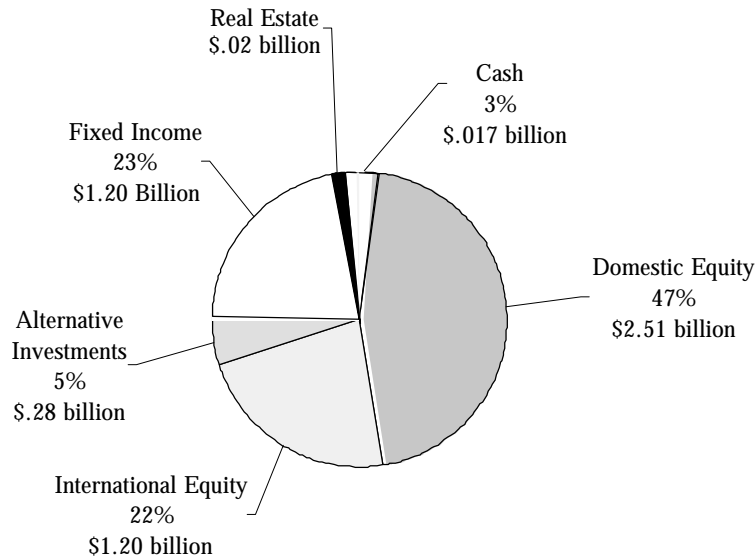
**Fiscal 2003 – Asset Allocation Targets**

Domestic Stocks	42.5%
International Stocks	20.0%
Bonds	25.0%
Alternative Investments	7.5%
Real Estate*	5.0%

\* The real estate allocation was established in January 2003. The majority of this allocation is currently invested in the domestic and international equities portfolios, which will fund approved real estate investments over time.



**Asset Allocation - Actual**  
**Fair market value (in billions) at June 30, 2003**



The allocation of assets among stocks, bonds and alternative investments can have a significant impact on investment performance. In light of its long time horizon, the SIC is able to take advantage of historical long-term return opportunities offered by equity investments.

**Investment Performance**

The System's one-year, three-year and five-year time weighted rates of return for the periods ended June 30, 2003 were 3.9%, -5.4% and 0.4%, respectively

Fiscal year 2003 began with the worst quarter for the US equity markets in over a decade with the S&P 500 losing 17.3% in the quarter ended September 30, 2002. But the year ended on a strong note as investor confidence and technology stocks soared. Both US and Non-US equity markets posted double-digit returns with the S&P 500 gaining 15.4% and the Morgan Stanley Capital Investment All Country World Index (MSCI ACWI) returning 19.6% over the quarter ended June 30, 2003. The threat of terrorism was a dominating factor throughout much of the year, which led to significant uncertainty and volatility in the capital markets and a continued flight to quality by investors. Equity market performance was enhanced in the fourth quarter by lower tax rates and strong liquidity along with signs of a tentative US recovery.

For the fiscal year ended June 30, 2003 the domestic equity portfolio was up 2.8% (vs. 0.2% for the S&P 500), the international portfolio was down 7.3% (vs. -4.2% for the MSCI ACWI x US) and the fixed income composite returned 13.0% (vs. 10.4% for the Lehman Aggregate). While the alternative investment portfolio realized a loss of 8.3% on a time-weighted total return basis for fiscal 2003, the private equity composite has generated an internal rate of return of 11.9% since inception and the real estate portfolio has generated a 3.6% return.

The System's actuarial investment return assumption is 8.25%. Actuarial value of assets is determined based on a five-year smoothing methodology



### Funding Status

Independent actuarial valuations are conducted of the System each year. As part of this valuation, the progress toward funding pension obligations of the System is measured by comparing the actuarial value of assets to the actuarial accrued liability. This measure is referred to as the funded ratio or funded status. As reflected in the most recent actuarial valuation (June 30, 2002), the funded ratio decreased to approximately 71.7% for state employees and 73.2% for teachers within the Employees Retirement System plan and decreased for the State Police and Judges plans to 75.5% and 68.5%, respectively. In total, the Municipal Employees Retirement System Plan decreased its funded ratio but was still overfunded with an overall ratio of 111.3%. Details of the funded status of each plan within the System are included in the Schedules of Funding Progress on page 38.

All employers participating in the System's plans contributed 100% of their annual actuarially required contribution.

### Economic Factors and Next Year's Contribution Rates

The System's investment portfolio experienced positive returns subsequent to June 30, 2003 consistent with the overall performance of domestic and international equity markets.

Employer contribution rates for fiscal 2004 increased for State employees (7.68% for fiscal 2003 compared to 9.60% for fiscal 2004), teachers (11.97% for fiscal 2003 compared to 13.72% for fiscal 2004) and judges (33.42% for fiscal 2003 compared to 33.90% for fiscal 2004). The fiscal 2004 employer contribution rates are based upon an actuarial valuation performed at June 30, 2001.

### Contacting the Employees' Retirement System's Management

This discussion and analysis presentation is designed to provide a general overview of the System's financial activity. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Employees' Retirement System, 40 Fountain Street, Providence, RI, 02903.



**EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND**  
**Statements of Plan Net Assets**  
**June 30, 2003**

Assets	<i>ERS</i>	<i>MERS</i>	<i>SPRBT</i>	<i>JRBT</i>	<i>Total</i> <i>(Memorandum Only)</i>
<b>Cash and cash equivalents</b> <i>(Note 3)</i>	\$ 2,597,708	\$ 458,808	\$ 215,754	\$ 154,694	\$ 3,426,964
<b>Receivables</b>	19,472,668	1,750,926	-	-	21,223,594
Due from State for teachers	14,872,584	-	-	-	14,872,584
Due from other plans	2,472,280	12,006,320	116,547	80,661	14,675,808
Other receivables	2,945,486	230,709	2,209	6,833	3,185,237
<b>Total receivables</b>	<u>39,763,018</u>	<u>13,987,955</u>	<u>118,756</u>	<u>87,494</u>	<u>53,957,223</u>
<b>Investments at fair value</b> <i>(Note 3)</i>					
Equity in Short-term Investment Fund	-	2,090,765	-	-	2,090,765
Equity in Pooled Trust	4,639,657,474	693,116,083	17,759,049	11,187,155	5,361,719,761
Plan Specific Investments	22,850,413	-	-	-	22,850,413
<b>Total Investments before lending activities</b>	<u>4,662,507,887</u>	<u>695,206,848</u>	<u>17,759,049</u>	<u>11,187,155</u>	<u>5,386,660,939</u>
<b>Invested securities lending collateral</b> <i>(Note 3)</i>	<u>503,989,579</u>	<u>75,290,685</u>	<u>1,929,027</u>	<u>1,215,174</u>	<u>582,424,465</u>
<b>Property and equipment at cost net of accumulated depreciation</b> <i>(Note 4)</i>					
Line of business system (net of accumulated depreciation \$1,358,913)	13,132,723	1,931,230	30,796	19,822	15,114,571
Computer equipment (net of accumulated depreciation \$425,559)	263,059	38,405	517	335	302,316
<b>Total property and equipment</b>	<u>13,395,782</u>	<u>1,969,635</u>	<u>31,313</u>	<u>20,157</u>	<u>15,416,887</u>
<b>Total Assets</b>	<u>5,222,253,974</u>	<u>786,913,931</u>	<u>20,053,899</u>	<u>12,664,674</u>	<u>6,041,886,478</u>
<b>Liabilities</b>					
<b>Securities lending liability</b>	503,989,579	75,290,685	1,929,027	1,215,174	582,424,465
<b>Accounts payable</b>	3,808,097	682,293	12,604	8,038	4,511,032
<b>Due to other plans</b>	12,203,528	2,472,280	-	-	14,675,808
<b>Total Liabilities</b>	<u>520,001,204</u>	<u>78,445,258</u>	<u>1,941,631</u>	<u>1,223,212</u>	<u>601,611,305</u>
<b>Net assets held in trust for pension benefits</b> (A schedule of funding progress for each plan is presented on page 38.)	<u>\$ 4,702,252,770</u>	<u>\$ 708,468,674</u>	<u>\$ 18,112,268</u>	<u>\$ 11,441,463</u>	<u>\$ 5,440,275,175</u>

The accompanying notes are an integral part of this statement.



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND  
Statements of Changes In Plan Net Assets  
Fiscal Year ended June 30, 2003

	<u>ERS</u>	<u>MERS</u>	<u>SPRBT</u>	<u>JRBT</u>	<i>Total (Memorandum Only)</i>
<b>Additions</b>					
<b>Contributions</b>					
Member contributions	\$ 129,365,297	\$ 17,680,088	\$ 718,589	\$ 433,824	\$ 148,197,798
Employer contributions	102,283,913	6,485,065	2,256,770	1,656,965	112,682,713
State contributions for teachers	38,242,690	-	-	-	38,242,690
Interest on service credits purchased	1,254,432	134,524	-	-	1,388,956
<b>Total contributions</b>	<u>271,146,332</u>	<u>24,299,677</u>	<u>2,975,359</u>	<u>2,090,789</u>	<u>300,512,157</u>
<b>Investment Income</b>					
Net appreciation in fair value of investments	12,761,770	2,302,774	335,278	199,394	15,599,216
Interest	80,744,407	10,677,586	266,854	167,457	91,856,304
Dividends	38,778,696	5,783,829	135,694	85,222	44,783,441
Other investment income	14,373,078	2,143,693	50,233	31,509	16,598,513
	<u>146,657,951</u>	<u>20,907,882</u>	<u>788,059</u>	<u>483,582</u>	<u>168,837,474</u>
Less investment expense	(20,313,580)	(3,029,465)	(70,915)	(44,239)	(23,458,199)
<b>Net investment income</b>	<u>126,344,371</u>	<u>17,878,417</u>	<u>717,144</u>	<u>439,343</u>	<u>145,379,275</u>
<b>Securities Lending</b>					
Securities lending income	6,485,644	968,886	24,824	15,638	7,494,992
Less securities lending expense	(4,943,543)	(738,513)	(18,922)	(11,919)	(5,712,897)
<b>Net securities lending income</b>	<u>1,542,101</u>	<u>230,373</u>	<u>5,902</u>	<u>3,719</u>	<u>1,782,095</u>
<b>Total net investment income</b>	<u>127,886,472</u>	<u>18,108,790</u>	<u>723,046</u>	<u>443,062</u>	<u>147,161,370</u>
<b>Miscellaneous revenue</b>	<u>49,606</u>	<u>4,906</u>	<u>-</u>	<u>-</u>	<u>54,512</u>
<b>Total Additions</b>	<u>399,082,410</u>	<u>42,413,373</u>	<u>3,698,405</u>	<u>2,533,851</u>	<u>447,728,039</u>
<b>Deductions</b>					
<b>Benefits</b>					
Retirement benefits	326,118,741	32,139,989	69,448	118,978	358,447,156
Cost of living adjustments	79,724,969	3,971,476	-	1,382	83,697,827
SRA Plus Option	23,012,613	1,228,457	-	-	24,241,070
Supplemental benefits	1,006,992	-	-	-	1,006,992
Death benefits	2,317,265	425,609	-	-	2,742,874
<b>Total benefits</b>	<u>432,180,580</u>	<u>37,765,531</u>	<u>69,448</u>	<u>120,360</u>	<u>470,135,919</u>
Refund of contributions	5,277,244	1,292,261	-	-	6,569,505
Administrative expense	4,340,497	645,862	11,830	7,640	5,005,829
<b>Total Deductions</b>	<u>441,798,321</u>	<u>39,703,654</u>	<u>81,278</u>	<u>128,000</u>	<u>481,711,253</u>
<b>Net Increase (Decrease)</b>	<u>(42,715,911)</u>	<u>2,709,719</u>	<u>3,617,127</u>	<u>2,405,851</u>	<u>(33,983,214)</u>
<b>Net assets held in trust for pension benefits</b>					
Beginning of year	<u>4,744,968,681</u>	<u>705,758,955</u>	<u>14,495,141</u>	<u>9,035,612</u>	<u>5,474,258,389</u>
End of year	<u>\$ 4,702,252,770</u>	<u>\$ 708,468,674</u>	<u>\$ 18,112,268</u>	<u>\$ 11,441,463</u>	<u>\$ 5,440,275,175</u>

The accompanying notes are an integral part of this statement.



**NOTES TO FINANCIAL STATEMENTS**

**1. Plan Descriptions**

*(a.) General*

The Employees' Retirement System of Rhode Island (the "System") acts as a common investment and administrative agent for pension benefits to be provided for four defined benefit retirement plans as listed below:

<u>Plan Name</u>	<u>Type of Plan</u>
Employees' Retirement System ( <i>ERS</i> )	Cost-sharing multiple-employer defined benefit plan
Municipal Employees' Retirement System ( <i>MERS</i> )	Agent multiple-employer defined benefit plan
State Police Retirement Benefits Trust ( <i>SPRBT</i> )	Single-employer defined benefit plan
Judicial Retirement Benefits Trust ( <i>JRBT</i> )	Single-employer defined benefit plan

Although the assets of the plans are commingled for investment purposes, each plan's assets are accounted for separately and may be used only for the payment of benefits to the members of that plan, in accordance with the terms of that plan.

The System's financial statements are included as Pension Trust Funds within the Fiduciary Funds in the Comprehensive Annual Financial Report of the State of Rhode Island and Providence Plantations.

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 System's purpose is to provide retirement benefits to state employees, public school teachers, general municipal employees, public safety employees, state police officers and judges.



A summary of membership in the plans as of the June 30, 2002 actuarial valuation is listed below:

	<i>Retirees and beneficiaries</i>	<i>Terminated plan members entitled to but not yet receiving benefits</i>	<i>Active Vested</i>	<i>Active Non-vested</i>	<i>Total by Plan</i>
<b>ERS</b>					
State Employees	9,426	1,569	8,906	4,889	24,790
Teachers	7,311	1,042	7,568	7,142	23,063
<b>MERS</b>					
General Employees	3,336	1,103	2,768	4,245	11,452
Public Safety	317	33	561	552	1,463
<b>SPRET</b>	1	-	-	150	151
<b>JRET</b>	1	-	-	39	40
<i>Total by type</i>	20,392	3,747	19,803	17,017	60,959

(b) Membership and Benefit Provisions

(1) Employees' Retirement System (ERS)

The ERS was established under section two of chapter 2334 of the Rhode Island Public Laws of 1936 and placed under the management of the Retirement Board for the purpose of providing retirement allowances for employees of the State of Rhode Island under the provisions of chapters 8 to 10, inclusive, of title 36, and public school teachers under the provisions of chapters 15 to 17, inclusive, of title 16 of the Rhode Island General Laws.

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 plan are also covered and have the same benefits as State employees. Narragansett Bay Water Quality District Commission employees who are members of a collective bargaining unit are also covered and have the same benefits as State employees.

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. Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62). 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.



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 nonservice-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.

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. 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.

The plan provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. Not all school districts participate in the plan. The cost of the benefits provided by the plan are two percent (2%) of the member's annual salary up to but not exceeding an annual salary of \$9,600; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the respective city, town, or school district by which the member is employed. These contributions are in addition to the contributions required for regular pension benefits.

Spouse, parents, family and children benefits are payable following the decease of a member: A spouse shall be entitled to benefits upon attaining the age of sixty (60) years. Children's benefits are payable to the child, including a stepchild or adopted child of a deceased member if the child is unmarried and under the age of eighteen (18) years or twenty-three (23) years and a full time student, and was dependent upon the member at the time of the member's death. Family benefits are provided if at the time of the member's death the surviving spouse has in his or her care a child of the deceased member entitled to child benefits. Parents benefits are payable to the parent or parents of a deceased member if the member did not leave a widow, widower, or child who could ever qualify for monthly benefits on the member's wages and the parent has reached the age of 60 years, has not remarried, and received support from the member:

The Teachers Survivor Benefits Fund provides benefits based on the highest salary at the time of retirement of the teacher. Benefits are payable in accordance with the following table:

<u>Highest Annual Salary</u>	<u>Spousal Monthly Minimum Benefit</u>
\$17,000 or less	\$600
\$17,001 to \$25,000	\$700
\$25,001 to \$33,000	\$800
\$33,001 to \$40,000	\$900
\$40,001 and over	\$1,000

Benefits payable to children and families are equal to the spousal benefit multiplied by the percentage below:

Parent and 1 Child	Parent and 2 Children	Parent and more than 2 Children	One Child Alone	Two Children Alone	Three or more Children Alone
150%	175%	175%	75%	150%	175%





(2) *Municipal Employees' Retirement System (MERS)*

The MERS was established under section one of chapter 2784 of the Rhode Island Public Laws of 1951 and placed under the management of the Retirement Board for the purpose of providing retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate.

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%. Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62). 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 nonservice-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. A summary of participating employers is listed below:

Municipalities, housing authorities, water and sewer districts.	65
Municipal police and fire departments.	44
<b>Total participating units as of June 30, 2002</b>	<b>109</b>

(3) *State Police Retirement Benefits Trust (SPRBT)*

The State Police Retirement Benefits Trust was established under Rhode Island General Laws 42-28-22.1 and was placed under the management of the Retirement Board for the purpose of providing retirement allowances to State Police.

The plan covers all State Police and Superintendents hired after July 1, 1987.

The plan generally provides retirement benefits equal to 50% of final salary after 20 years of service, plus 3.0% of final salary times service in excess of 20 years through 25 years to a maximum of 65% of final salary. Such benefits are available to members after 20 years of service regardless of age. The Superintendent of the State Police will receive 50% of his/her final salary and may retire after attainment of age 60 and 10 years of service. A cost-of-living adjustment of \$1,500 per annum beginning on January 1st of the year in which a member attains his/her third anniversary of retirement is provided to all members. Benefits are based on the final base salary earned at retirement including longevity increment, holiday pay, clothing allowance and up to 400 overtime hours.

The plan also provides nonservice-connected disability benefits after 10 years of service and service-connected disability pensions with no minimum service requirement.



(4) *Judicial Retirement Benefits Trust (JRBT)*

The Judicial Retirement Benefits Trust was established under Rhode Island General Laws 8-8.2-7; 8-3-16; 8-8-10.1; 28-30-18.1; and was placed under the management of the Retirement Board for the purpose of providing retirement allowances to Justices of the Traffic Tribunal, Supreme, Superior, Family, District and Workers Compensation courts.

The plan covers all Judges appointed after December 31, 1989.

The plan generally provides retirement benefits equal to 75% of the final salary at the time of retirement after 20 years of service, or 10 years of service and attainment of age 65. Judges retiring after 20 years of service after age 65 or 15 years of service after age 70 will receive full retirement benefits which is the final salary at time of retirement. On the third January after the date of retirement, a cost-of-living increase amounting to 3% not compounded is provided to Supreme, Superior, Family and District Court Judges, independent of actual changes in the consumer price index. Traffic Tribunal and Workers' Compensation Court Judges, on the third January after the date of retirement, receive a cost-of-living increase amounting to 3% compounded annually.

2. **Summary of Significant Accounting Policies**

These financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for defined benefit pension plans established by governmental entities. 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.

*Basis of Accounting*

The financial statements of the System are prepared on the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded when incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Dividend income is recorded on the ex-dividend date. Investment transactions are recorded on a trade date basis. The gains or losses on foreign currency exchange 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.

*Method Used to Value Investments*

Investments are recorded in the financial statements at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller - that is, other than a forced liquidation sale. The fair value of fixed income and domestic and international stocks are generally based on published market prices and quotations from national security exchanges and securities pricing services. Real estate is primarily valued on appraisals by independent appraisers or as adjusted by the general partner. Other securities and investments that are not traded on a national security exchange are valued by the respective fund manager. Commingled funds consist primarily of institutional equity index funds. The fair value of the commingled funds is based on the reported share value of the respective fund. Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they are traded. Short-term investments are stated at cost which approximates fair value.

*Cash and Cash Equivalents*

Cash represents cash held in trust in a financial institution. Cash equivalents are highly liquid investments with a maturity of three months or less at the time of purchase.



*Property and Equipment*

These assets represent the Line of Business System and computer equipment recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives, ten and five years respectfully. Depreciation of the Line of Business System commences as each stage is implemented. Stage 1 was implemented on December 1, 2001. Property plant and equipment is allocated to each plan based on its proportionate share of net assets.

*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. Inter-fund eliminations have not been made in the aggregation of this data.

**3. Cash Deposits and Investments**

*(a.) Cash Deposits and Cash Equivalents*

At June 30, 2003, the carrying amounts of the plans’ cash deposits, including cash overdrafts, are listed below:

	<u>ERS</u>	<u>MERS</u>	<u>SPRBT</u>	<u>JRBT</u>
<i>Book balance</i>	\$2,392,125	\$93,484	\$ 2,246	\$ 1,549
<i>Bank balance</i>	\$1,803,591	\$ 79,135	\$ 213,328	\$153,146

The bank balances represent the plans’ deposits in short-term trust accounts that are covered by federal depository insurance. The book and bank balances include a certificate of deposit of \$1.5 million in ERS with a maturity of less than sixty days. At the end of each business day, the excess bank balances are invested in overnight repurchase agreements, which are categorized in the following table as category 1 investments (see Note 3(b). Investments).

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 were required to be collateralized at June 30, 2003.

*(b.) Investments*

The State Investment Commission oversees all investments made by the State of Rhode Island, including those made for the System. Investment managers engaged by the Commission, at their discretion and in accordance with the investment objectives and guidelines for the System, make certain investments. The General Treasurer makes certain short-term investments on a daily basis. 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.

On July 1, 1992, the State Investment Commission pooled the assets of the ERS with the assets of the MERS for investment purposes only and assigned units to the plans based on their respective share of market value. On September 29, 1994 and November 1, 1995, the assets of the SPRBT and the JRBT, respectively, were added to the pool for investment purposes only. The custodian bank (State Street Bank) holds most assets of the System in two pooled trusts, Short-term Investment Trust and Pooled Trust. Each plan holds units in the



trusts. The number of units held by each plan is a function of each plans' respective contributions to or withdrawals from, the trust. Certain investments are not pooled and are held by only one plan (Plan specific investments). As of June 30, 2003, the ERS held a loan receivable with a fair value of \$22,350,413. This loan is secured by commercial real estate located in Rhode Island.

The System's investments (at fair value) are categorized in the following table to give an indication of the level of risk assumed by the entity at June 30, 2003:

**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

	<i>Short-term Investment Fund</i>	<i>Pooled Trust</i>	<i>Plan Specific</i>
<i>Investments - Category 1</i>			
<b>U.S. Government and Agency Securities</b>			
Not on securities loan	\$ -	\$ 318,158,662	\$ -
On loan for securities collateral	-	2,432,855	-
Domestic Corporate Bonds and Notes	-	693,178,513	22,350,413
Foreign Bonds	-	2,742,370	-
<b>Domestic Equity Securities</b>			
Not on securities loan	-	958,186,513	-
On loan for securities collateral	-	35,472	-
<b>Foreign Equity Securities</b>			
Not on securities loan	-	873,146,663	-
On loan for securities collateral	-	1,006,698	-
Repurchase agreements	-	937,560	-
<b>Subtotal</b>	<b>-</b>	<b>2,849,825,306</b>	<b>22,350,413</b>

*Investments not categorized*

Commingled funds	-	1,478,640,837	-
Real Estate and Alternative Investment Partnerships	-	310,924,134	-
Money Market Mutual Funds	2,070,102	169,779,259	500,000
<b>Investments held by broker-dealers under securities loans with cash collateral</b>			
U.S. Government and Agency Securities	-	106,815,621	-
Domestic Corporate Bonds and Notes	-	60,223,990	-
Domestic Equity Securities	-	192,452,253	-
Foreign Equity Securities	-	202,598,824	-
Securities lending short-term collateral investment pool	-	582,424,465	-
<b>Subtotal</b>	<b>2,070,102</b>	<b>3,103,859,383</b>	<b>500,000</b>
<b>Total</b>	<b>\$ 2,070,102</b>	<b>\$ 5,953,684,689</b>	<b>\$ 22,850,413</b>

*Reconciliation to Statements of Plan Net Assets*

<b>Total above</b>	<b>2,070,102</b>	<b>5,953,684,689</b>	<b>22,850,413</b>
Net investment payable/receivable	20,663	(22,075,094)	-
Foreign Cash *	-	5,538,864	-
Domestic Cash *	-	7,933,327	-
Securities Lending short-term collateral investment pool	-	(582,424,465)	-
Cash equivalents	-	(937,560)	-
<b>Investments on Statements of Plan Net Assets</b>	<b>\$ 2,090,765</b>	<b>\$ 5,361,719,761</b>	<b>\$ 22,850,413</b>

\*Foreign cash deposits at the System's custodian bank are uncollateralized and are not covered by United States federal depository insurance. Domestic cash deposits are fully insured by the Federal Deposit Insurance Corporation.



(c.) *Derivatives and Other Similar Investments*

Some of the System's investment managers are allowed to invest in certain derivative type transactions, including forward foreign currency transactions, futures contracts and mortgage-backed securities. According to investment policy guidelines derivative type instruments may be used for hedging purposes and not for leveraging plan assets. Through commingled funds, the System also indirectly holds derivative type instruments, primarily equity index futures.

**Forward Foreign Currency Contracts** – The System may enter into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on foreign investments. These contracts involve risk in excess of the amount reflected in the System's Statements of Plan Net Assets. The face or contract amount in U.S. dollars reflects the total exposure the System has in that particular currency contract. By policy, no more than 50% of actively managed Foreign Equity securities (at fair value) may be hedged into the base currency (US Dollars). 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.

**Futures contracts** – The System may use futures to manage its exposure to the stock, money market, and bond markets and the fluctuations in interest rates and currency values. Buying futures tend to increase the System's exposure to the underlying instrument. Selling futures tend to decrease the System's exposure to the underlying instrument, or hedge other System investments. Losses may arise from changes in the value of the underlying instruments, if there is an illiquid secondary market for the contracts, or if the counterparties do not perform under the contract terms.

**Mortgage-Backed Securities** – The System invests in various mortgage-backed securities, such as collateralized mortgage obligations (CMO), interest-only and principal-only (PO) strips. They are reported in aggregate as U.S. Government and Agency Securities in the disclosure of custodial credit risk. CMO's are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with the CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly sensitive to interest rate fluctuations. The System may invest in interest-only (IO) and principal-only strips (PO) 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. Principal-only strips receive principal cash flows from the underlying mortgages. In periods of rising interest rates, homeowners tend to make fewer mortgage prepayments.

**Short Sales** – The commingled funds may sell a security they do not own in anticipation of a decline in the fair value of that security. Short sales may increase the risk of loss to the commingled fund when the price of a security underlying the short sale increases and the commingled fund is subject to a higher cost to purchase the security in order to cover the position.

(d.) *Securities Lending*

Policies of the State Investment Commission permit use of investments to enter into securities lending transactions. The System has contracted with State Street Bank & Trust Company (SSB) as third party securities lending agent to lend the System's debt and equity securities for cash, securities and sovereign debt of foreign countries as collateral at 102% of the market value of the domestic securities on loan and 105% of the market value of the international securities on loan. There are no restrictions on the amount of loans that can be made. Securities on loan at year-end for cash collateral are presented as not categorized in the preceding table. Securities on loan for noncash collateral are classified according to the category for the collateral. The contract with the lending agent requires them to indemnify the System if the borrowers fail to return the securities. Either the System or the borrower can terminate all securities loans on demand. The cash collateral received on security loans was invested in the lending agent's short-term investment pool for an average duration of 64 days and a weighted average maturity of 252 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The System is not permitted to pledge or sell collateral securities received unless the borrower defaults. There were no losses during the fiscal year resulting from default of the borrower or lending agent.





At June 30, 2003, management believes the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers do not exceed the amounts the borrowers owe the System. The securities on loan at year-end were \$565,565,715 (fair value), and the collateral received for those securities on loan was \$586,117,017 (fair value).

**4. Property Plant and Equipment**

Property, plant and equipment consist of the line of business system and computer equipment at historical cost. Balances at June 30, 2003 were:

	ERS	MERS	SPRBT	JRBT	Total
Line of Business System	\$ 14,315,084	\$ 2,103,863	\$ 33,177	\$ 21,360	\$ 16,473,484
Accumulated Depreciation	1,182,361	172,633	2,381	1,538	1,358,913
Net Line of Business System	\$ 13,132,723	\$ 1,931,230	\$ 30,796	\$ 19,822	\$ 15,114,571
Equipment	\$ 633,385	\$ 92,454	\$ 1,235	\$ 801	\$ 727,875
Accumulated Depreciation	370,326	54,049	718	466	425,559
Net Equipment	\$ 263,059	\$ 38,405	\$ 517	\$ 335	\$ 302,316

**5. Contributions and Reserves**

Contribution requirements for plan members and employers are established pursuant to Rhode Island General Laws. Employers are required to contribute at an actuarially determined rate. Plan member contributions are fixed by statute.

*(a.) Funding Policy*

The funding policy as set forth in Rhode Island General Laws, Section 36-10-2 and 45-21-42 provide for actuarially determined periodic contributions to the plans. The actuarial valuation uses the Entry Age Normal actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial liability. The valuation is prepared on the projected benefit basis, under which the present value, at the assumed rate of return (currently 8.25 percent), of each participant's expected benefit payable at retirement or death is determined, based on age, service, gender and compensation.

The employer contributions required to support the benefits of the Plan are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution. The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the average uniform and constant percentage rate of employer contribution which, if applied to the compensation of each new participant during the entire period of his anticipated covered service, would be required in addition to the contributions of the participant to meet the cost of all benefits payable on his behalf. The unfunded accrued liability contributions are determined by subtracting the actuarial value of assets from the actuarial accrued liability and amortizing the result over a period not to exceed 30 years from June 30, 1999.

*(b.) Contributions*

Employer contribution rates for fiscal 2003 were developed based on an actuarial valuation performed as of June 30, 2000. The table on the next page displays the contribution rates for the year ended June 30, 2003.



Plan	Employee	Employer
<p><b>ERS</b></p> <p>State Employees Teachers</p> <p><i>Municipal funded</i></p> <p><i>State funded</i></p>	<p>8.75%</p> <p>9.50%</p>	<p>7.68</p> <p>6.93% (6.31% for towns not participating in the 1990 early retirement incentive)</p> <p>5.04% (4.63% for towns not participating in the 1990 early retirement incentive)</p>
<p><b>MERS</b></p> <p>General Employees</p> <p>Public Safety</p>	<p>6.00% (additional 1% with a cost-of-living adjustment)</p> <p>7.00% (additional 1% with a cost-of-living adjustment and/or 1% with a 20 year service plan), Cranston Police &amp; Cranston Fire are contributing 10% due to special plan provisions.</p>	<p>65 Municipalities, housing authorities, water and sewer districts contributed various actuarially determined rates.</p> <p>44 Municipal police and fire departments contributed various actuarially determined rates.</p>
<b>SPRBT</b>	8.75%	27.48%
<b>JRBT</b>	8.75%	33.42%

**6. Administrative Expenses**

Pursuant to General Law section 36-8-10.1, administrative costs of the System are financed through investment earnings up to a maximum of .175% of the average total investments before lending activities as reported in the annual report of the Auditor General for the next preceding five (5) fiscal years. Such amounts are transferred to a restricted receipt account within the State's general fund. Any unencumbered funds on June 30 of any fiscal year shall be credited to the plans in the same proportion as their contributions to the restricted receipt account.

**7. Post-Employment Health Care Benefits**

In accordance with the General Laws, post-employment health care benefits are provided to State employee members of the ERS plan who retire on or after July 1, 1989. The benefits in general cover medical and hospitalization costs for pre-Medicare retirees and a Medicare supplement for Medicare eligible retirees. The State's share of the costs of these benefits ranges from 50% for retirees with 10-15 years of service to 100% for retirees with 35 years of service. These benefits are provided on a pay-as-you-go basis and are not accounted for as part of the Employees' Retirement System. The financial activity related to post-retirement benefits for state employees is reflected in the State's general fund.

**8. Commitments**

The Retirement System has contracted with a systems integration firm to design and build a new pension administration system. The total cost to the System is estimated at \$17.8 million, of which \$17.2 million has been recorded as Property and Equipment. The remaining cost is estimated at \$.6 million. This will be financed in the same manner as other administrative expenses of the System. Full implementation is expected by the fourth quarter of fiscal 2004.





EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION  
Schedules Of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	**		***		UAAI as a Percentage of Covered Payroll ((b - a) / c)
		Actuarial Liability (AAL) - Entry Age - (b)		Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	
<b>ERS (State Employees)</b>						
6/30/2002	\$ 2,353,855,871	\$ 3,284,126,961	\$	930,271,090	71.7%	\$ 586,888,754 158.5%
6/30/2001	2,406,278,029	3,089,247,738		682,969,709	77.9%	539,015,218 126.7%
6/30/2000	2,345,319,663	2,874,905,547		529,585,884	81.6%	517,632,152 102.3%
6/30/1999*	2,201,890,748	2,607,397,329		405,506,581	84.4%	494,815,513 82.0%
6/30/1998	2,075,619,320	2,576,282,134		500,662,814	80.6%	477,319,627 104.9%
6/30/1997	1,810,447,649	2,312,563,765		502,116,116	78.3%	443,709,290 113.2%
<b>ERS (Teachers)</b>						
6/30/2002	\$ 3,553,823,995	\$ 4,857,003,061	\$	1,303,179,066	73.2%	\$ 792,015,577 164.5%
6/30/2001	3,619,863,426	4,679,288,010		1,059,424,584	77.4%	748,460,527 141.5%
6/30/2000	3,514,399,312	4,359,881,262		845,481,950	80.6%	703,201,056 120.2%
6/30/1999*	3,259,015,814	3,967,529,172		708,513,358	82.1%	673,484,467 105.2%
6/30/1998	3,045,858,851	3,999,722,806		953,863,955	76.2%	636,246,593 149.9%
6/30/1997	2,626,621,502	3,579,652,537		953,031,035	73.4%	604,076,573 157.8%
<b>SPRBT</b>						
6/30/2002	\$ 17,770,149	\$ 23,527,125	\$	5,756,976	75.5%	\$ 10,933,360 52.7%
6/30/2001	14,386,064	16,649,820		2,263,756	86.4%	9,139,418 24.8%
6/30/2000	11,336,596	13,917,343		2,580,747	81.5%	8,916,914 28.9%
6/30/1999*	8,480,657	10,841,544		2,360,887	78.2%	7,502,433 31.5%
6/30/1998	6,756,892	7,338,161		581,269	92.1%	7,211,874 8.1%
6/30/1997	4,861,569	5,435,913		574,344	89.4%	5,370,985 10.7%
<b>JRBT</b>						
6/30/2002	\$ 11,129,208	\$ 16,243,709	\$	5,114,501	68.5%	\$ 4,738,059 107.9%
6/30/2001	9,190,325	12,026,257		2,835,932	76.4%	4,092,423 69.3%
6/30/2000	7,374,851	9,719,608		2,344,757	75.9%	3,533,354 66.4%
6/30/1999*	5,521,693	7,415,237		1,893,544	74.5%	3,169,183 59.7%
6/30/1998	4,120,032	5,048,855		928,823	81.6%	3,039,957 30.6%
6/30/1997	2,607,482	3,508,327		900,845	74.3%	2,815,218 32.0%
<b>MERS</b>						
6/30/2002	\$ 907,193,399	\$ 814,857,497	\$	(92,335,902)	111.3%	\$ 247,613,063 (37.3)%
6/30/2001	895,475,425	758,089,758		(137,385,667)	118.1%	225,827,136 (60.8)%
6/30/2000	885,392,216	710,616,311		(174,775,905)	124.6%	207,834,738 (84.1)%
6/30/1999	805,493,262	635,863,479		(169,629,783)	126.7%	191,234,546 (88.7)%
6/30/1998	737,745,574	572,905,862		(164,839,712)	128.8%	181,260,006 (90.9)%
6/30/1997	667,632,428	502,247,591		(165,384,837)	132.9%	167,527,881 (98.7)%

See notes to required supplementary information

\* Restated numbers based on Entry Age Normal funding method

\*\* Frozen Actuarial Liability for ERS, SPRBT, JRBT for plan years 1998 and prior

\*\*\* Unfunded Frozen Actuarial Liability for ERS, SPRBT, JRBT for plan years 1998 and prior



**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedules Of Contributions From The Employers  
And Other Contributing Entity**

**ERS**

Fiscal Year Ended <u>June 30</u>	<u>State Employees</u>		<u>Teachers (State)</u>		<u>Teachers (Employers)</u>	
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	\$ 45,323,258	100%	\$ 38,242,690	100%	\$ 56,888,431	100%
2002	31,801,645	100%	30,763,337	100%	44,391,050	100%
2001	44,540,998	100%	35,365,234	100%	48,153,386	100%
2000	44,353,675	100%	40,719,407	100%	57,667,528	100%
1999	48,526,064	100%	30,202,943	100%	42,373,952	100%
1998	51,310,092	100%	35,005,382	100%	52,040,574	100%

**MERS**

Fiscal Year Ended <u>June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	6,485,065	100%
2002	7,536,081	100%
2001	6,092,688	100%
2000	5,823,861	100%
1999	6,608,642	100%
1998	5,139,666	100%

**SPRBT**

Fiscal Year Ended <u>June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	2,256,770	100%
2002	2,405,041	100%
2001	1,819,930	100%
2000	1,508,778	100%
1999	631,386	100%
1998	602,630	100%

**JRBT**

Fiscal Year Ended <u>June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	1,656,965	100%
2002	1,458,093	100%
2001	1,163,571	100%
2000	1,007,618	100%
1999	737,414	100%
1998	744,054	100%

See notes to required supplementary information



## NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

### 1. Schedules of Funding Progress

Effective with the June 30, 2002 valuation, the amortization period for the unfunded actuarial accrued liability for MERS was changed to 30 years from June 30, 1999 or 27 years from June 30, 2002.

Effective with the June 30, 2002 valuation, the actuarial value of assets for MERS was changed from a three-year smoothed market technique to a five-year smoothed market technique.

Effective with the June 30, 1999 valuation, which was restated, certain actuarial assumptions were changed. Specifically the actuarial cost method for ERS, SPRBT and JRBT were set to Entry Age Normal and the amortization period was changed to 30 years. The inflation assumption was decreased from 3.5% to 3.0%.

Effective with the June 30, 1999 valuation, the actuarial value of assets was developed using a five-year smoothed market technique for ERS, SPRBT and JRBT.

Effective with the June 30, 1998 valuation, the actuarial value of assets was developed using a four-year moving average technique for ERS, SPRBT and JRBT. The MERS actuarial value of assets was developed using a three-year smoothing of the market value of assets.

Effective with the June 30, 1997 valuation, certain actuarial assumptions were changed due to an experience study. Specifically the actuarial value of assets for ERS, MERS, SPRBT and JRBT was reset to equal the fair market value of assets at June 30, 1997. The investment rate of return was increased from 8.00% to 8.25%. Projected salary increases were changed from a fixed percentage to a sliding scale based on age and service. The inflation assumption was increased to 3.5% from 3.0%.

The MERS funded ratio is a composite of all units in the plan. The System performs a separate valuation for each unit.

### 2. Schedules of Employer Contributions

Employer contributions for the ERS plan included in the Schedules of Contributions from the Employers and Other Contributing Entity do not include Teacher Survivor Benefits as described in Note 1 (b) and any employer contributions related to supplemental pension benefits that are attributable and paid by a specific employer. These amounts are not included in the annual required contribution.

The Plans used the entry age normal cost method as the basis for determining employer costs in fiscal 2002. The unfunded liabilities of the plans are amortized over a 30 year period from June 30, 1999. The closed period ends 30 years from June 30, 1999.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.



3 Actuarial Assumptions and Methods

	ERS				
	State Employees	Teachers	MERS	SPRBT	JRBT
Valuation Date	6/30/02	6/30/02	6/30/02	6/30/02	6/30/02
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	27 years	27 years	27 Years	27 years	27 years
Asset Valuation Method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Actuarial Assumptions					
Investment Rate of Return	8.25%	8.25%	8.25%	8.25%	8.25%
Projected Salary Increases	4.25% to 14.25%	4.25% to 16.75%	<u>General Employees</u> 4.25% to 10.25% <u>Police &amp; Fire Employees</u> 5.00% TO 15.50%	5.00% to 15.00%	5.50%
Inflation	3.00%	3.00%	3.00%	3.00%	3.00%
Cost of Living Adjustments	3.0% compounded	3.0% compounded	3.0% Non-compounded	\$1,500 per annum	3.0% (see Note 1 (b) (4) to the financial statements)



ERNEST A. ALMONTE, CPA, CFE  
AUDITOR GENERAL  
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STATE OF RHODE ISLAND and PROVIDENCE PLANTATIONS

GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

- ◆ INTEGRITY
- ◆ RELIABILITY
- ◆ INDEPENDENCE
- ◆ ACCOUNTABILITY

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

RETIREMENT BOARD OF THE EMPLOYEES' RETIREMENT SYSTEM OF  
RHODE ISLAND:

We have audited the statements of plan net assets of the State of Rhode Island and Providence Plantations Employees' Retirement System (the System) as of June 30, 2003 and the related statements of changes in plan net assets for the year then ended, and have issued our report thereon dated May 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions

involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the System's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**Reportable Condition**

The following issues related to implementation of a new member and financial reporting database during fiscal 2002 continued to impact the quality and reliability of contributions and contributions receivable reported by the accounting system as follows:

- The accounting system did not adequately track and report delinquent contributions during the fiscal year.
- Offline manual records were maintained to supplement system generated data for contributions and contributions receivable when data entry errors occurred resulting in incorrect cash postings to employer accounts.
- Controls to ensure the detail contribution database is reconciled to the financial reporting system were not operational during the fiscal year. This feature was programmed as part of the new system but was not operational throughout the fiscal year.

The System has implemented both procedural and system enhancements during fiscal 2004 which will enhance control over financial reporting of contributions and contributions receivable.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

Joint Committee on Legislative Services  
Retirement Board of the Employees' Retirement System of Rhode Island  
Page 3

This report is intended solely for the information and use of the members of the Retirement Board, management, and the Joint Committee on Legislative Services, General Assembly, State of Rhode Island and Providence Plantations and is not intended to be and should not be used by anyone other than these specified parties.



Ernest A. Almonte, CPA, CFE  
Auditor General

May 14, 2004

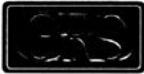
**EMPLOYEES RETIREMENT SYSTEM  
OF RHODE ISLAND**

**ACTUARIAL INFORMATION**

**ERSRI ACTUARIAL INFORMATION**



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**GABRIEL, ROEDER, SMITH & COMPANY**

**Consultants & Actuaries**

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October 18, 2004

Retirement Board  
40 Fountain Street, First Floor  
Providence, RI 02903-1854

Dear Members of the Board:

**Subject: Actuarial Valuation of ERSRI as of June 30, 2003**

This is the June 30, 2003 actuarial valuation of the Employees' Retirement System of Rhode Island (ERSRI), which covers state employees and teachers. This report describes the current actuarial condition of ERSRI, determines recommended employer contribution rates, and analyzes changes in these contribution rates. Valuations are prepared annually, as of June 30, the last day of the ERSRI plan year. Not covered in this report are the Municipal Employees' Retirement System, the State Police Retirement Benefits Trust, the Judicial Retirement Benefits Trust, and the Teachers Survivors Plan, even though assets for ERSRI and these other programs are commingled for investment purposes.

Under Rhode Island General Laws, the employer contribution rates for state employees and for teachers are certified annually by the State of Rhode Island Retirement Board. These rates are determined actuarially, based on the plan provisions in effect as of the valuation date, the actuarial assumptions adopted by the Board, and the methodology set forth in the statutes. The Board's current policy is that the contribution rates determined by a given actuarial valuation become effective two years after the valuation date. For example, the rates determined by this June 30, 2003 actuarial valuation will be applicable for the year beginning July 1, 2005 and ending June 30, 2006.

**Financing objectives**

The actuarial cost method and the amortization periods are set by statute. Contribution rates and liabilities are computed using the Entry Age actuarial cost method. The employer contribution rate is the sum of two pieces: the employer normal cost rate and the amortization rate. The normal cost rate is determined as a percent of pay. The employer normal cost is the difference between this and the member contribution rate. The amortization rate is determined as a level percent of pay. It is the amount required to amortize the unfunded actuarial accrued liability over a closed period (30 years as of June 30, 1999). The amortization rate is adjusted

for the two-year deferral in contribution rates. Separate employer contribution rates are determined for state employees and for teachers.

#### **Progress toward realization of financing objectives**

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches 100%. For the state employees, the funded ratio is 65.5% (decreased from 71.7% last year), while for teachers the ratio is 64.9% (decreased from 73.2% last year).

The employer contribution rate increased for state employees, from 11.51% to 16.96%, and for teachers, from 14.84% to 20.01%. The increase was principally due to assumption changes adopted as a result of the recent experience study and to the recognition of deferred asset losses from prior valuations. An analysis of the changes in the employer contribution rates appears on Table 10.

#### **Benefit provisions**

The benefit provisions reflected in this valuation are those which were in effect on June 30, 2003. There were no material changes adopted since the previous actuarial valuation. The benefit provisions are summarized in Appendix B.

#### **Assumptions and methods**

The actuarial assumptions were changed as a result of the experience study approved by the Board on August 11, 2004 for teachers and September 8, 2004 for state employees. Changes were made to the salary increase, termination, retirement, and mortality rates. Also, the payroll growth assumption was increased. More detail on changes adopted as a result of the experience study is on page 8 in the discussion section of this report.

All assumptions and methods are described in Appendix A.

#### **Data**

The System's staff supplied data for retired, active and inactive members as of June 30, 2003. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. The System's staff also supplied asset data as of June 30, 2003.

#### **Certification**

All of our work conforms with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of Rhode Island state law and, where

Members of the Board  
October 18, 2004  
Page 3

applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries. Both are Members of the Society of Actuaries and Members of the American Academy of Actuaries, they both meet the Qualifications Standards of the American Academy of Actuaries, and they are experienced in performing valuations for large public retirement systems.

Sincerely,  
Gabriel, Roeder, Smith & Company



J. Christian Conradi, ASA, MAAA  
Senior Consultant



W. Michael Carter, FSA, MAAA  
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Actuarial Valuation - June 30, 2003

Executive Summary (State Employees)

Item	2003	2002
<b>Membership</b>		
• Number of		
- Active members	13,281	13,795
- Retirees and beneficiaries	9,398	9,426
- Inactive members	1,876	1,569
- Total	24,555	24,790
• Payroll supplied by ERSRI	\$ 575,919,807	563,002,274
<b>Contribution rates</b>		
• Member	8.75%	8.75%
• Employer	16.96%	11.51%
<b>Assets</b>		
• Market value	\$ 1,811,009,064	\$ 1,831,019,880
• Actuarial value	\$ 2,267,673,016	\$ 2,353,855,871
• Return on market value	2.6%	-8.4%
• Return on actuarial value	-0.8%	0.9%
• Employer contribution	\$ 45,141,250	\$ 31,840,749
• Ratio of actuarial value to market value	125.2%	128.6%
<b>Actuarial Information</b>		
• Employer normal cost %	3.83%	0.32%
• Unamortized actuarial accrued liability (UAAL)	\$ 1,194,035,145	\$ 930,271,090
• Amortization percentage	13.13%	11.19%
• Funding period	26 years	27 years
• GASB funded ratio	65.5%	71.7%
<b>Projected employer contribution</b>		
• Fiscal year ending June 30,	2006	2005
• Projected payroll (millions)	\$ 652.4	\$ 622.6
• Projected employer contribution (millions)	\$ 110.6	\$ 71.7



Actuarial Valuation - June 30, 2003

Executive Summary (Teachers)

Item	2003	2002
<b>Membership</b>		
• Number of		
- Active members	14,410	14,710
- Retirees and beneficiaries	7,704	7,311
- Inactive members	1,404	1,042
- Total	23,518	22,063
• Payroll supplied by ERSRI	\$ 781,718,751	\$ 735,288,788
<b>Contribution rates</b>		
• Member	9.50%	9.50%
• Employer	20.01%	14.84%
• State share	8.17%	6.12%
• Local employer share	11.84%	8.72%
<b>Assets</b>		
• Market value	\$ 2,729,820,882	\$ 2,754,225,451
• Actuarial value	3,427,685,554	3,553,823,995
• Return on market value	2.6%	-8.4%
• Return on actuarial value	-0.8%	0.9%
• Employer contribution (state & local)	\$ 93,747,429	\$ 74,648,349
• Ratio of actuarial value to market value	125.6%	129.0%
<b>Actuarial Information</b>		
• Normal cost %	5.09%	3.35%
• Unamortized actuarial accrued liability (UAAL)	\$ 1,857,247,595	\$ 1,303,179,066
• Amortization percentage	14.92%	11.49%
• Funding period	26 years	27 years
• GASB funded ratio	64.9%	73.2%
<b>Projected employer contribution</b>		
• Fiscal year ending June 30,	2006	2005
• Projected payroll (millions)	\$ 898.4	\$ 840.2
• Projected employer contribution (millions)	179.8	124.7
• State share (millions)	73.4	51.4
• Local employer share (millions)	106.4	73.3



**CONTRIBUTION RATES**

The employer contribution rates for ERSRI are determined actuarially. Separate rates are determined for State Employees and for Teachers. The rates determined in this valuation become effective two years after the valuation date, i.e., as of July 1, 2005.

The rate consists of two pieces: the normal cost rate and the amortization rate. The normal cost rate is the Entry Age Normal cost as a percent of pay. The amortization rate is the unfunded actuarial liability amortized over 26 years as a level percent of pay.

For the Teachers, the State of Rhode Island pays 40% of the rate, adjusted so that the State pays the entire amortization charges for the 1990/91 and 1991/92 deferrals, and the town or city employing the teacher pays the balance.

	Local	State	Total
Amortization for FY 91 and 92 deferrals	0.00%	0.27%	0.27%
Normal cost and all other amortizations	<u>11.84%</u>	<u>7.90%</u>	<u>19.74%</u>
<b>Total</b>	<b>11.84%</b>	<b>8.17%</b>	<b>20.01%</b>

Five towns or cities—Burrillville, East Greenwich, Little Compton, New Shoreham, and North Smithfield—did not participate in the 1990 early retirement window for teachers, and an adjusted contribution rate is charged for these:

	Local	State	Total
Amortization for FY 91 and 92 deferrals	0.00%	0.27%	0.27%
Normal cost and all other amortizations	<u>11.18%</u>	<u>7.45%</u>	<u>18.63%</u>
<b>Total</b>	<b>11.18%</b>	<b>7.72%</b>	<b>18.90%</b>

**DISCUSSION OF THE EXPERIENCE STUDY**

Between the June 30, 2002 actuarial valuation and this report, the Retirement Board asked GRS to analyze the assumptions and methods used in the ERSRI actuarial valuation. The experience study was performed for the period June 30, 1996 to June 30, 2003. The study examined the assumptions used for expected investment rate, inflation rate, retirement, mortality, termination, disability salary increases, payroll growth, and other miscellaneous assumptions.

Material changes were made to the termination, payroll growth, and salary increase assumptions. Changes were also made to the mortality rates used for disabled lives as well as male teachers. The disability and retirement tables were adjusted to more closely reflect the plan experience.

All of the changes recommended by GRS were adopted by the Board except for GRS' recommendation to decrease the expected investment return assumption from 8.25% to 8.00%. Even though the Board did not accept this change, we still believe the 8.25% is a reasonable assumption and the results produced by the adopted assumptions are within the range of reasonableness.



## SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

### Valuation Date

The valuation date is June 30th of each plan year. This is the date as of which the actuarial present value of future benefits and the actuarial value of assets are determined.

### Actuarial Cost Method

The actuarial valuation uses the Entry Age Normal actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial liability.

1. The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future (currently 8.25 percent), of each participant's expected benefit payable at retirement or death is determined, based on his age, service, sex and compensation. The calculations take into account the probability of a participant's death or termination of employment prior to becoming eligible for a benefit, as well as the possibility of his terminating with a service or survivor's benefit. Future salary increases are also anticipated. The present value of the expected benefits payable on account of the active participants is added to the present value of the expected future payments to retired participants and beneficiaries to obtain the present value of all expected benefits payable from the Plan on account of the present group of participants and beneficiaries.
2. The employer contributions required to support the benefits of the Plan are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the average uniform and constant percentage rate of employer contribution which, if applied to the compensation of each new participant during the entire period of his anticipated covered service, would be required in addition to the contributions of the participant to meet the cost of all benefits payable on his behalf.
4. The unfunded accrued liability contributions are determined by subtracting the actuarial value of assets from the actuarial accrued liability and amortizing the result over 30 years from June 30, 1999.

The contribution rate determined by this valuation will not be effective until two years later; and the determination of the rate reflects this deferral. It is assumed that there will be no change in the employer normal cost rate due to the deferral, and it is assumed that payments are made monthly throughout the year.

### Actuarial Value of Assets

The actuarial value of assets is based on the market value of assets with a five-year phase-in of actual investment return in excess of (less than) expected investment income. Expected investment income is determined using the assumed investment return rate and the market value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administration and investment expenses.





**ACTUARIAL ASSUMPTIONS**

**Economic Assumptions**

*Investment return: 8.25% per year; compounded annually, composed of an assumed 3.00% inflation rate and a 5.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses.*

*Salary increase rate: A service-related component shown below, plus a 3.00% inflation component, plus a 1.50% general increase, as follows:*

<b>State Employees</b>		
<b>Years of Service</b>	<b>Service-related Component</b>	<b>Total Annual Rate of Increase Including 3.00% Inflation Component and 1.25% General Increase Rate</b>
(1)	(2)	(3)
0	3.75%	8.25%
1	3.50	8.00
2	3.25	7.75
3	3.00	7.50
4	2.75	7.25
5	2.50	7.00
6	1.75	6.25
7	1.50	6.00
8	1.25	5.75
9	1.00	5.50
10	0.75	5.25
11	0.75	5.25
12	0.50	5.00
13	0.25	4.75
14	0.25	4.75
15 or more	0.00	4.50

<b>Teachers</b>		
<b>Years of Service</b>	<b>Service-related Component</b>	<b>Total Annual Rate of Increase Including 3.00% Inflation Component and 1.25% General Increase Rate</b>
(1)	(2)	(3)
0	12.50%	17.00%
1	12.50	17.00
2	6.75	11.25
3	5.75	10.25
4	5.50	10.00
5	5.00	9.50
6	4.50	9.00
7	4.25	8.75
8	4.00	8.50
9	3.00	7.50
10	1.25	5.75
11 or more	0.00	4.50



Salary increases are assumed to occur once a year, on July 1. Therefore the pay used for the period between the valuation date and the first anniversary of the valuation date is equal to the reported pay for the prior year; annualized if necessary, and then increased by the salary increase assumption.

*Payroll growth rate:* In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.75% per year. This increase rate is solely due to the effect of inflation on salaries, with no allowance for future membership growth.

**Demographic Assumptions**

*Mortality rates (for active and retired members)*

- **Healthy males** – Based on the 1994 Group Annuity Mortality Tables for males. Rates for teachers are set back one year, while rates for all state employees are set forward one year.
- **Healthy females** - Based on the 1994 Group Annuity Mortality Tables for females.
- **Disabled males** - 65% of the PBGC Table Va for disabled males eligible for Social Security disability benefits
- **Disabled females** - 100% of the PBGC Table Via for disabled females eligible for Social Security disability benefits.

Sample rates are shown below:

Expected Deaths per 100 Lives					
Age	Healthy Males (Non-Teachers)	Healthy Males (Teachers)	Healthy Females	Disabled Males	Disabled Females
(1)	(2)	(3)	(4)	(5)	(6)
25	0.07	0.06	0.03	3.14	2.63
30	0.08	0.08	0.04	2.35	2.37
35	0.09	0.08	0.05	1.81	2.14
40	0.12	0.10	0.07	1.83	2.09
45	0.17	0.15	0.10	2.09	2.24
50	0.29	0.23	0.14	2.49	2.57
55	0.49	0.40	0.23	3.13	2.95
60	0.90	0.71	0.44	3.92	3.31
65	1.62	1.29	0.86	4.41	3.70
70	2.60	2.17	1.37	4.80	4.11
75	4.09	3.41	2.27	5.47	4.92
80	6.86	5.59	3.94	7.33	7.46



Disability rates: Sample rates are shown below

Expected Disabilities per 1,000 Lives

Age	State	State	State	State	Teachers	Teachers	Teachers	Teachers
	Ordinary	Accidental	Ordinary	Accidental	Ordinary	Accidental	Ordinary	Accidental
	Males	Males	Females	Females	Males	Males	Females	Females
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
25	0.32	0.20	0.45	0.09	0.15	0.08	0.16	0.04
30	0.39	0.25	0.55	0.11	0.18	0.10	0.20	0.04
35	0.53	0.34	0.75	0.15	0.24	0.13	0.27	0.06
40	0.77	0.50	1.10	0.22	0.36	0.19	0.40	0.09
45	1.26	0.81	1.80	0.36	0.59	0.32	0.66	0.14
50	2.14	1.37	3.05	0.61	0.99	0.54	1.12	0.24
55	3.54	2.27	5.05	1.01	1.65	0.89	1.85	0.40
60	4.94	3.17	7.05	1.41	2.30	1.24	2.58	0.56
65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Termination rates (for causes other than death, disability or retirement):

Termination rates are a function of the member's sex, age and service. Termination rates are not applied after a member becomes eligible for a retirement benefit. Rates at selected ages are shown:

Active Male Members - State Employees

Years of Service

Age	0	1	2	3	4	5	6	7	8	9	10+
20	0.1373	0.1331	0.1271	0.1200	0.1105	0.1000	0.0880	0.0809	0.0778	0.0792	0.0613
25	0.1321	0.1208	0.1107	0.1017	0.0925	0.0837	0.0741	0.0681	0.0649	0.0644	0.0504
30	0.1293	0.1065	0.0894	0.0771	0.0681	0.0613	0.0552	0.0509	0.0474	0.0443	0.0356
35	0.1311	0.0989	0.0759	0.0607	0.0514	0.0459	0.0422	0.0392	0.0358	0.0314	0.0259
40	0.1370	0.0964	0.0681	0.0501	0.0401	0.0353	0.0332	0.0313	0.0283	0.0234	0.0198
45	0.1470	0.0993	0.0665	0.0457	0.0346	0.0299	0.0286	0.0276	0.0252	0.0207	0.0172
50	0.1609	0.1079	0.0713	0.0478	0.0351	0.0297	0.0286	0.0281	0.0267	0.0236	0.0180
55	0.1784	0.1221	0.0827	0.0565	0.0418	0.0351	0.0332	0.0330	0.0330	0.0325	0.0223
60	0.1960	0.1392	0.0985	0.0702	0.0534	0.0447	0.0414	0.0414	0.0431	0.0463	0.0000
65	0.2484	0.1870	0.1412	0.1066	0.0843	0.0710	0.0644	0.0642	0.0689	0.0797	0.0000



Termination rates (continued):

<b>Active Female Members - State Employees</b>											
<b>Age</b>	<b>Years of Service</b>										
	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10+</b>
20	0.1355	0.1232	0.1163	0.1131	0.1100	0.1061	0.1012	0.0933	0.0860	0.0784	0.0755
25	0.1230	0.1091	0.1003	0.0955	0.0919	0.0884	0.0845	0.0784	0.0725	0.0658	0.0617
30	0.1079	0.0910	0.0793	0.0719	0.0673	0.0643	0.0616	0.0579	0.0537	0.0484	0.0426
35	0.0982	0.0791	0.0653	0.0562	0.0509	0.0480	0.0459	0.0435	0.0404	0.0360	0.0295
40	0.0923	0.0717	0.0563	0.0460	0.0401	0.0370	0.0350	0.0332	0.0306	0.0268	0.0205
45	0.0900	0.0687	0.0527	0.0418	0.0353	0.0316	0.0292	0.0272	0.0246	0.0211	0.0156
50	0.0908	0.0701	0.0545	0.0436	0.0365	0.0320	0.0287	0.0258	0.0225	0.0187	0.0147
55	0.0945	0.0757	0.0615	0.0514	0.0438	0.0382	0.0334	0.0289	0.0243	0.0197	0.0176
60	0.0993	0.0838	0.0722	0.0636	0.0558	0.0488	0.0423	0.0358	0.0293	0.0232	0.0000
65	0.1220	0.1107	0.1029	0.0963	0.0873	0.0773	0.0670	0.0563	0.0454	0.0354	0.0000

<b>Active Male Members - Teachers</b>											
<b>Age</b>	<b>Years of Service</b>										
	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10+</b>
20	0.1294	0.0739	0.0439	0.0281	0.0178	0.0131	0.0118	0.0122	0.0183	0.0385	0.0675
25	0.1115	0.0669	0.0408	0.0259	0.0162	0.0115	0.0100	0.0102	0.0149	0.0300	0.0528
30	0.0915	0.0606	0.0391	0.0247	0.0155	0.0106	0.0086	0.0082	0.0107	0.0178	0.0328
35	0.0850	0.0609	0.0414	0.0269	0.0175	0.0120	0.0093	0.0084	0.0092	0.0124	0.0200
40	0.0892	0.0670	0.0473	0.0321	0.0218	0.0154	0.0119	0.0102	0.0096	0.0096	0.0123
45	0.1040	0.0791	0.0573	0.0403	0.0286	0.0209	0.0163	0.0138	0.0122	0.0105	0.0098
50	0.1290	0.0974	0.0715	0.0517	0.0378	0.0285	0.0224	0.0190	0.0168	0.0152	0.0127
55	0.1641	0.1220	0.0901	0.0664	0.0495	0.0381	0.0302	0.0259	0.0234	0.0238	0.0209
60	0.2046	0.1497	0.1106	0.0825	0.0622	0.0485	0.0388	0.0335	0.0313	0.0352	0.0333
65	0.2973	0.2135	0.1576	0.1186	0.0901	0.0711	0.0570	0.0498	0.0485	0.0600	0.0614



**EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND**

*Termination rates (continued):*

Age	Active Female Members – Teachers										
	Years of Service										
	0	1	2	3	4	5	6	7	8	9	10+
20	0.0774	0.0813	0.0751	0.0689	0.0672	0.0692	0.0745	0.0785	0.0719	0.0680	0.0569
25	0.0744	0.0715	0.0641	0.0583	0.0567	0.0584	0.0625	0.0653	0.0602	0.0563	0.0473
30	0.0738	0.0607	0.0505	0.0445	0.0425	0.0435	0.0458	0.0469	0.0437	0.0401	0.0339
35	0.0776	0.0570	0.0435	0.0360	0.0329	0.0329	0.0338	0.0338	0.0319	0.0286	0.0243
40	0.0858	0.0589	0.0415	0.0314	0.0266	0.0251	0.0247	0.0241	0.0231	0.0203	0.0172
45	0.0989	0.0667	0.0447	0.0311	0.0237	0.0204	0.0189	0.0180	0.0174	0.0153	0.0129
50	0.1174	0.0804	0.0534	0.0353	0.0246	0.0190	0.0163	0.0151	0.0147	0.0138	0.0114
55	0.1415	0.1003	0.0678	0.0442	0.0293	0.0208	0.0167	0.0153	0.0150	0.0157	0.0131
60	0.1676	0.1234	0.0857	0.0563	0.0369	0.0252	0.0197	0.0182	0.0177	0.0206	0.0000
65	0.2307	0.1780	0.1280	0.0860	0.0571	0.0389	0.0306	0.0286	0.0279	0.0349	0.0000



Retirement rates: Separate male and female rates, based on age. Sample rates are below.

Expected Retirements per 100 Lives				
Age	State Employees		Teachers	
	Males	Females	Males	Females
(1)	(2)	(3)	(4)	(5)
45	12	13	10	5
46	12	13	10	6
47	12	13	10	7
48	12	13	10	8
49	12	13	10	10
50	12	13	16	12
51	12	13	18	14
52	12	13	20	16
53	12	13	22	18
54	12	13	24	20
55	12	16	26	22
56	15	16	28	24
57	16	16	30	26
58	17	16	33	28
59	18	16	36	30
60	15	14	25	30
61	10	15	20	15
62	25	20	25	25
63	20	20	20	20
64	15	20	15	25
65	20	25	25	35
66	20	20	20	25
67	15	20	20	25
68	15	20	20	25
69	15	20	20	25
70	100	100	100	100



### **Other Assumptions**

*Percent married:* **100% of employees are assumed to be married.**

*Age difference:* **Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.**

*Percent electing annuity on death (when eligible):* **All of the spouses of vested, married participants are assumed to elect an annuity.**

*Percent electing deferred termination benefit:* **Vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.**

*There will be no recoveries once disabled.*

*No surviving spouse will remarry and there will be no children's benefit.*

*Assumed age for commencement of deferred benefits:* **Members electing to receive a deferred benefit are assumed to commence receipt at the first age at which unreduced benefits are available.**

*Administrative expenses:* **The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.**

*Inactive members:* **Liabilities for inactive members were approximated as a multiple of their member contribution account balances. For nonvested members, the multiple was one, and for vested inactive members, the multiple was between three and eight, depending on age and service.**

### **Participant Data**

**Participant data was supplied on electronic files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.**

**The data for an active member included birthdate, sex, service, salary and employee contribution account balance. For retired members and beneficiaries, the data included date of birth, sex, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and a form of payment code.**

**Salaries supplied for the current year was based on the earnings for the year preceding the valuation date. This salary was adjusted by the salary increase rate for one year.**

**Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.**



## SUMMARY OF BENEFIT PROVISIONS

**Effective Date and Authority:** The Employees' Retirement System of Rhode Island (ERSRI) became effective on July 1, 1936 for state employees and on July 1, 1949 for teachers. Benefits for state employees are described in Rhode Island General Laws, Title 36, Chapters 8-10, and benefits for teachers are described in Rhode Island General Laws, Title 16, Chapters 15-17.

**Plan Year:** A twelve-month period ending June 30th.

**Administration:** ERSRI is administered by the Employees' Retirement Board. However, the State Treasurer is responsible for the investment of the trust assets, including the establishment of the asset allocation policy.

**Type of Plan:** ERSRI is a qualified governmental defined benefit retirement plan. Separate contribution rates are determined for state employees and for teachers. For Governmental Accounting Standards Board purposes, it is a cost-sharing multiple employer plan.

**Eligibility:** Most Rhode Island state employees and certified public school teachers participate in ERSRI. State police officers, state judges, and teachers and administrators in the public colleges and universities are covered by their own separate systems, and are therefore excluded. Certain elected state officials are excluded unless they make an election to join ERSRI. Superintendents, principals, business agents and other administrators participate as teachers. Non-certified public school employees, such as teacher's aides, janitors, secretaries, and bus drivers, cannot participate in ERSRI, although they may be covered by the Municipal Employees Retirement System (MERS) or a separate plan maintained by the town or city. Eligible employees become members at their date of employment.

**Employee Contributions:** State employees generally contribute 8.75% of their salary per year, although members of the General Assembly who elect to participate contribute 30.0% of salary per year. Teachers contribute 9.50% per year. The state "picks up" the members' contributions for its employees under the provisions of Internal Revenue Code (IRC) Section 414(h). At their option, the city or town employing a teacher may also pick up their members' contributions.

**Salary:** Salary includes the member's base earnings plus any payments under a regular longevity or incentive plan. Salary excludes overtime, unused sick and vacation leave, severance pay, and other extraordinary compensation. Certain amounts that are excluded from taxable wages, such as amounts sheltered under a Section 125 plan or amounts picked up by the employer under IRC Section 414(h), are not excluded from salary.

**Employer Contributions:** For state employees, the state contributes an actuarially determined percentage of the member's salary. For teachers, the state contributes 40% of the employer contribution rate and the city, town or other local employer contributes the remaining 60%. (This basic 40-60 split is further adjusted, since the state bears the cost of repaying certain amounts taken from the trust in the early 1990's.) Contributions determined in a given actuarial valuation go into effect two years after the actuarial valuation.

**Service:** Employees receive credit for service while a member. In addition, a member may purchase credit for certain periods, such as time spent teaching at a public school in another state, by making an additional contribution to purchase the additional service. Special rules and limits govern the purchase of additional service and the contribution required.

**Final Average Compensation (FAC):** The average of the member's highest three consecutive annual salaries. Monthly benefits are based on one-twelfth of this amount.





*Retirement*

**Eligibility:** All members are eligible for retirement on or after age 60 if they have credit for 10 years of service, or at any age if they have credit for 28 years of service. Correctional officers are also eligible for retirement if they have reached age 50 and have credit for 20 years of service. Members of the General Assembly who elect to participate are eligible for retirement if they have reached age 55 and have credit for 8 years of service, or at any age if they have credit for 20 years of service.

**Monthly Benefit:** For most state employees and for all teachers, the retirement benefit is a percentage of the member’s monthly FAC. This percentage is a function of the member’s service, determined using the following schedule:

For Service In:	Years	Benefit Percentage Earned
The first 10 years of service	1 – 10	1.7% per year
The next 10 years of service	11 – 20	1.9% per year
The next 14 years of service	21 – 34	3.0% per year
The next 1 year of service	35	2.0% per year

The maximum benefit is 80% of FAC.

Correctional Officers receive a benefit computed under a different formula:

For Service In:	Years	Benefit Percentage Earned
The first 30 years of service	1 – 30	2.0% per year
The next 1 year of service	31	6.0% per year
The next 1 year of service	32	5.0% per year
The next 1 year of service	33	4.0% per year
The next 1 year of service	34	3.0% per year
The next 14 years of service	35	2.0% per year

The maximum benefit for correctional officers is also 80% of FAC.

Finally members of the General Assembly who elect to participate receive \$50 per month for each year of service, up to a maximum benefit of \$1,000 per month, i.e., a maximum of 20 years of service.

**Payment Form:** Benefits are paid as a monthly life annuity. See section ‘Optional Forms of Payment.’

**Death benefit:** After retirement, death benefits are based on the form of annuity elected. If no option is elected, i.e., if payments are made as a life annuity there is a minimum death benefit equal to the sum of the member’s contributions without interest, less the sum of the monthly benefit payments made before the member’s death. In addition, a lump-sum death benefit is payable upon the death of any retired member, regardless of option elected. This lump sum is equal to a percentage of the lump-sum death benefit that was available to the member at the time of retirement. The percentage is 100% in the first year of retirement, 75% in the second year; 50% in the third year; and 25% in the fourth and subsequent years of retirement. However, in no event will the lump sum death benefit be less than \$4,000.



### *Disability Retirement*

**Eligibility:** A member is eligible provided he/she has credit for at least five years of service or if the disability is work-related.

**Ordinary Disability Benefit:** The benefit payable under the retirement formula, using FAC and service at the time of disability but not less than 10 years of service.

**Occupational Disability Benefit:** An annual annuity equal to two-thirds of salary at the time of disability

**Payment Form:** The disability benefit commences immediately upon the member's retirement. Benefits cease upon recovery or reemployment. Disability benefits are payable as a monthly life annuity with a guarantee that, at the member's death, the sum of the member's contributions plus interest as of the date of retirement will be paid in a lump-sum to the member's beneficiary. All alternative forms of payment except for the Social Security Option are permitted in the case of disability retirement.

### *Deferred Termination Benefit*

**Eligibility:** A member with at least ten years of service (eight years for members of the general Assembly) is vested. A vested member who does not withdraw his/her contributions from the fund is eligible for a deferred termination benefit.

**Monthly Benefit:** The monthly benefit is based on the retirement formula described previously. Both FAC and service are determined at the time the member leaves active employment. Benefits may commence at age 60 or at such earlier age that the member has met the requirements for a retirement benefit.

**Payment Form:** The same as for Retirement above.

**Death Benefit before retirement:** A member who dies after leaving active service but before retiring is entitled to receive a benefit as described below

**Death Benefit after Retirement:** The same as for Retirement.

### *Withdrawal (Refund) Benefit*

**Eligibility:** All members leaving covered employment with less than ten years of service are eligible. Optionally vested members (those with ten or more years of service) may withdraw their accumulated contributions in lieu of the deferred benefits otherwise due.

**Benefit:** The member who withdraws receives a lump-sum payment of equal to the sum of his/her employee contributions. No interest is credited on these contributions.

### *Death Benefit of Active or Inactive Members*

**Eligibility:** Death must have occurred while an active or an inactive, non-retired member.

**Basic Benefit:** Upon the death of a nonvested member; or upon the death of an inactive, vested member; or upon the death of an active, unmarried member; a refund of the member's contributions (without interest) is paid. Upon the death of a vested, married, active member; the spouse may elect (i) the refund benefit described above, or (ii) a life annuity paid to the spouse or beneficiary. The amount of the annuity is equal to the amount which would have been paid had the member retired at the time of his death and elected the Joint and 100% Survivor option. If the member was not eligible for retirement, the annuity benefit is reduced 6% per year from the date at which the member would have been eligible had he or she remained in service.

**Lump-sum Benefit:** \$800 per year of service, with a maximum benefit of \$16,000 and a minimum of \$4,000.

**Accidental Duty-related Death Benefit:** If a member dies as the result of an accident while in the course of his or her duties, in lieu of the above benefits the member's spouse may elect to receive (i) a refund of all contributions made (including interest), and (ii) an annual life annuity equal to 50% of the member's salary at the time of death. The annuity benefit stops when the spouse remarries or dies, although it may be continued to any children under age 18 or to any dependent parents.



*Optional Forms of Payment*

**In addition to a life annuity ERSRI offers members these optional forms of payment on an actuarially equivalent basis:**

**Option 1 (Joint and 100% Survivor) - A life annuity payable while either the participant or his beneficiary is alive.**

**Option 2 (Joint and 50% Survivor) - A life annuity payable to the member while both the member and beneficiary are alive, reducing to 50% of this amount if the member predeceases the beneficiary**

**Social Security Option – An annuity paid at one amount prior to age 62, and at a reduced amount after age 62, designed to provide a level total income when combined with the member's age 62 Social Security benefit. Benefits cease upon the member's death.**

**Actuarial equivalence is based on tables adopted by the Employees' Retirement Board.**

*Post-retirement Benefit Increase*

**Members receive a 3% compound increase in their retirement benefit each year, beginning in January of the year in which the member reaches the third anniversary of retirement. This increase is not tied in any way to actual increases in the cost of living**



**PLAN NET ASSETS**  
(Assets at Market or Fair Value)

Item	June 30, 2003	June 30, 2002
(1)	(2)	(3)
<b>A. Total ERSRI assets</b>		
1. Cash and cash equivalents	\$ 2,597,708	\$ 4,319,155
2. Receivables:		
a. Transfers receivable	\$ 2,472,280	\$ 690,017
b. Employer and member contributions	\$ 19,472,668	\$ 22,105,123
c. Due from state for teachers	14,872,584	15,486,158
d. Net investment income and other	2,945,486	2,356,727
e. Total receivables	\$ 39,763,018	\$ 40,638,025
3. Investments		
a. Short-term investment fund	\$ -	\$ (7,365,699)
b. Pooled trust	4,639,657,474	4,677,732,344
c. Plan specific investments	22,850,413	23,071,604
d. Invested securities lending collateral	503,989,579	457,123,111
e. Total	\$ 5,166,497,466	\$ 5,150,561,360
4. Total property and equipment	\$ 13,395,782	\$ 11,058,453
5. Total assets	\$ 5,222,253,974	\$ 5,206,576,993
6. Liabilities		
a. Cash Overdraft	\$ -	\$ -
b. Transfers payable	12,203,528	315,907
c. Accounts and vouchers payable	3,808,097	4,169,294
d. Securities lending liability	503,989,579	457,123,111
e. Total liabilities	\$ 520,001,204	\$ 461,608,312
7. Total market value of assets available for benefits Total (Item 4 - Item 5)	\$ 4,702,252,770	\$ 4,744,968,681
<b>B. Breakdown</b>		
1. State employees	\$ 1,811,009,064	\$ 1,831,019,880
2. Teachers	2,729,820,882	2,754,225,451
3. Teachers' survivors benefits	161,422,824	159,723,350
4. Total	\$ 4,702,252,770	\$ 4,744,968,681



## RECONCILIATION OF PLAN NET ASSETS

Item	Year Ending 06/30/2003	
	State Employees	Teachers
(1)	(2)	(3)
1. Market value of assets at beginning of year	\$ 1,831,019,880	\$ 2,754,225,451
Current year prior period adjustments	96*	-
Adjusted market value of assets at BOY	\$ 1,831,019,976	\$ 2,754,225,451
2. Contributions		
a. Members	\$ 51,400,872	\$ 74,508,208
b. State	45,141,250	55,504,739
c. Local employers	-	38,242,690
d. Reimbursement of Supplement Pensions	197,605	809,387
e. Service purchases	1,298,358	2,804,529
f. Total	\$ 98,038,085	\$ 171,869,553
3. Investment earnings, net of investment and administrative expenses	\$ 47,582,061	\$ 71,722,725
4. Expenditures for the year		
a. Benefit payments	\$ (119,784,332)	\$ (203,014,604)
b. Cost-of-living adjustments	(34,917,624)	(44,797,306)
c. Death benefits	(1,675,265)	(642,000)
d. Social security supplements	(5,971,362)	(17,041,251)
e. Supplemental pensions	(197,605)	(809,387)
f. Refunds	(3,096,623)	(1,709,788)
g. Total expenditures	\$ (165,642,811)	\$ (268,014,336)
5. Transfers and other adjustments	\$ 11,752	\$ 17,489
6. Market value of assets at end of year	\$ 1,811,009,063	\$ 2,729,820,882

\* Correction, from Teacher Survivor Benefits Fund



**ANALYSIS OF CHANGE IN EMPLOYER COST**

Basis	State Employees	Teachers
(1)	(2)	(3)
<b>1. Employer fiscal 2005 cost</b>	<b>11.51%</b>	<b>14.84%</b>
<b>2. Impact of changes, gains and losses</b>		
a. Salary (gain)/loss	-0.04%	0.37%
b. Investment experience (gain)/loss	2.56%	2.83%
c. Non-salary liability experience (gain)/loss	0.19%	-0.20%
d. Changes in assumptions	2.74%	2.17%
e. Total	5.45%	5.17%
<b>3. Employer fiscal 2006 cost</b>	<b>16.96%</b>	<b>20.01%</b>

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**MUNICIPAL EMPLOYEES  
RETIREMENT SYSTEM  
ACTUARIAL INFORMATION**

**MERS ACTUARIAL INFORMATION**



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October 18, 2004

Retirement Board  
40 Fountain Street, First Floor  
Providence, RI 02903-1854

Dear Members of the Board:

**Subject: Actuarial Valuation of MERS as of June 30, 2003**

This is the June 30, 2003 actuarial valuation of the Municipal Employees' Retirement System (MERS). Separate liabilities and contribution rates are determined for each of the participating units. Valuations are prepared annually as of June 30, the last day of the plan year.

Under Rhode Island General Laws, the employer contribution rates for the units participating in MERS are certified annually by the State of Rhode Island Retirement Board. These rates are determined actuarially, based on the plan provisions in effect as of the valuation date and the actuarial assumptions and methodology adopted by the Board. Where known, we have also reflected adoption of a COLA provision or the 20-year retirement provision, even if the effective date was after the valuation date. The Board's current policy is that the contribution rates determined by a given actuarial valuation become effective two years after the valuation date. For example, the rates determined by this June 30, 2003 actuarial valuation will be applicable for the year beginning July 1, 2005 and ending June 30, 2006.

**Financing objectives and funding policy**

The actuarial cost method and the amortization periods are set by board policy. Contribution rates and liabilities are computed using the Entry Age actuarial cost method. The employer contribution rate is the sum of two pieces: the employer normal cost rate and the amortization rate. The normal cost rate is determined as a percent of pay. The employer normal cost is the difference between this and the member contribution rate. The amortization rate is determined as a level percent of pay. It is the amount required to amortize the unfunded actuarial accrued liability over a closed period (30 years as of June 30, 1999). The amortization rate is adjusted for the two-year deferral in contribution rates.

### **Progress toward realization of financing objectives**

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches 100%. The funded ratio of the average unit in MERS is about 100%, a decrease from the prior year (111%).

There are currently 110 units participating in MERS, 66 covering general employees and 44 covering police and/or fire employees. Of these 110 units, 19 have no required contribution rate, one is a new unit, 13 had rate decreases and 77 had rate increases. Those rate increases were principally due to the actuarial investment losses in FY 2001 and FY 2002 being recognized in this valuation.

### **Benefit provisions**

The benefit provisions reflected in this valuation are those which were in effect on June 30, 2003. We have also reflected the known adoption of COLA B, COLA C, or the 20-year retirement provision, even if the effective date and/or the adoption date occurred after the valuation date. The benefit provisions are summarized in Appendix B, and each unit's individual election is indicated by a code in column 4 on Table 1. Changes in elections are discussed on page 5.

### **Assumptions and methods**

The actuarial assumptions were changed as a result of the experience study approved by the Board on August 11, 2004. Changes were made to the salary increase, termination, retirement, disability, and mortality rates. Also, the payroll growth assumption was increased. More detail on changes adopted as a result of the experience study is on page 6 in the discussion section of this report.

All assumptions and methods are summarized in Appendix A.

### **Data**

The System's staff supplied data for retired, active and inactive members as of June 30, 2003. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. The System's staff also supplied asset data as of June 30, 2003.

### **Certification**

All of our work conforms with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of Rhode Island state law and, where

Members of the Board

October 18, 2004

Page 3

applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries. Both are Members of the Society of Actuaries and Members of the American Academy of Actuaries, they both meet the Qualification Standards of the American Academy of Actuaries, and both are experienced in performing valuations for large public retirement systems.

Sincerely,  
Gabriel, Roeder, Smith & Company



J. Christian Conradi, ASA, MAAA  
Senior Consultant



W. Michael Carter, FSA, MAAA  
Senior Consultant

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**GASB 25 AND FUNDING PROGRESS**

Accounting requirements for MERS are set by Governmental Accounting Standards Board Statement No. 25 (GASB 25). The *Schedule of Funding Progress* tables on pages 81 - 84 show a summary of the funded ratios and other information for MERS as of June 30, 2003.

GASB 25 requires that plans calculate an Annual Required Contribution (ARC), and, if actual contributions received are less than the ARC, this must be disclosed. The ARC must be calculated in accordance with certain parameters. In particular, it must include a payment to amortize the unfunded actuarial accrued liability. This amortization payment eventually will have to be computed using a funding period no greater than 30 years, but a 40-year maximum amortization period may be used during a ten-year transition period. Further, the amortization payment included in the ARC may be computed as a level amount, or it may be computed as an amount that increases with payroll. However, if payments are computed on a level percent of payroll approach, the payroll growth assumption may not anticipate future membership growth.

For MERS, the calculated contribution rate shown in the *Contribution Rates* tables on pages 75-77 is the ARC.

**CONTRIBUTION RATES**

The employer contribution rates for MERS are determined actuarially. The rates determined in this valuation become effective two years after the valuation date, i.e., as of July 1, 2005.

The rate consists of two pieces: the normal cost rate and the amortization rate. The normal cost and actuarial accrued liability are determined using the Entry Age actuarial cost method. The employer normal cost is the difference between (i) the normal cost rate, determined as a level percent of pay, and (ii) the member contribution rate. The unfunded actuarial accrued liability is amortized as a level percent of payroll over a closed period. The period is 30 years as measured from June 30, 1999, or 26 years as of the valuation date. The amortization rate is adjusted for the fact that the contribution rate set by this valuation is deferred for two years, and other amortization rates may apply for the next two years.

The *Contribution Rates* tables on pages 75-77 show the member contribution rate, the employer normal cost rate, the amortization rate and the total employer contribution rate. These rates are applicable to the fiscal year ending June 30, 2006. The *Comparison of Employer Contribution Rates* tables on pages 78-80 compare the total employer contribution rate with those rates determined in the two prior actuarial valuations.

**CHANGES IN BENEFIT PROVISIONS**

Individual units may elect certain optional provisions, including an annual benefit increase of 3% of the original benefit amount (i.e., a "simple" increase) applicable to future retirees only (COIAC), the same increase applicable to both current and future retirees (COIAB), or the 20-year retirement provision for police/fire units. Since the prior valuation, the following changes were made:

<u>Unit</u>	<u>Adopted</u>
Tiverton (#3033)	COIAC (Jan. 1, 2004)
Burrillville Housing (#3065)	COIAB (Jan. 1, 2004)
Central Falls Housing (#3096)	COIAC (Jan. 1, 2004)
Tiverton Fire (#4077)	COIAC (Jan. 1, 2004)
Lincoln Rescue (#4107)	COIAC (Jan. 1, 2004)

One new unit--Town of East Greenwich COIA--joined MERS since the prior valuation. No units closed or withdrew or merged or subdivided. Some employee groups were transferred from the East Greenwich to the Town of East Greenwich COIA.

There were no ancillary benefits--e.g., cost of living benefits--that are currently provided by a source independent of MERS but that might be deemed a MERS liability if continued beyond the availability of funding by the current funding source.



Contribution Rates  
For Fiscal Year Ending June 30, 2006

Unit Number		Unit	Member Code(s)	Employer Rate	Employer Rate		
Old	New				Amortization Normal Cost	Rate	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>General Employee Units</b>							
3001	1002 1003	Barrington		6.00%	0.84%	(379.04%)	0.00%
3002	1012 1019	Bristol	B	7.00%	3.84%	1.35%	5.19%
3003	1032 1033	Burrillville	C	7.00%	5.36%	(4.71%)	0.65%
3004	1052	Central Falls		6.00%	2.48%	4.70%	7.18%
3005	1082	Charlestown	C	7.00%	3.54%	3.25%	6.79%
3007	1112 1113	Cranston	B	7.00%	5.23%	(5.15%)	0.08%
3008	1122 1123	Cumberland		6.00%	4.03%	3.37%	7.40%
3009	1152 1153	East Greenwich		6.00%	4.03%	(22.74%)	0.00%
3010	1162 1163	East Providence	B	7.00%	4.69%	6.15%	10.84%
3011	1183	Exeter/West Greenwich	B	7.00%	6.33%	0.50%	6.83%
3012	1192 1193	Foster		6.00%	4.41%	1.49%	5.90%
3013	1212 1213	Glocester	C	7.00%	5.35%	3.07%	8.42%
3014	1262	Hopkinton	C	7.00%	5.35%	(2.28%)	3.07%
3015	1272 1273	Jamestown	C	7.00%	4.94%	3.82%	8.76%
3016	1282 1283	Johnston	C	7.00%	5.33%	0.94%	6.27%
3017	1302 1303	Lincoln		6.00%	4.71%	0.86%	5.57%
3019	1322 1323	Middletown	C	7.00%	5.40%	(4.63%)	0.77%
3021	1352 1353 1354	Newport	B	7.00%	4.28%	4.71%	8.99%
3022	1342 1343	New Shoreham	B	7.00%	5.61%	1.53%	7.14%
3023	1372 1373	North Kingstown	C	7.00%	5.23%	3.89%	9.12%
3024	1382 1383	North Providence		6.00%	3.43%	(6.47%)	0.00%
3025	1392 1393	North Smithfield	B	7.00%	5.72%	(9.14%)	0.00%
3026	1412 1413	Pawtucket	C	7.00%	4.40%	1.16%	5.56%
3027	1515	Union Fire District		6.00%	3.36%	0.11%	3.47%
3029	1452	Richmond		6.00%	4.65%	(0.64%)	4.01%
3030	1462 1463	Scituate	B	7.00%	5.78%	1.50%	7.28%
3031	1472 1473	Smithfield		6.00%	4.43%	(9.51%)	0.00%
3032	1492 1493	South Kingstown	B	7.00%	4.96%	(1.90%)	3.06%
3033	1532 1533	Tiverton	C	7.00%	5.29%	(9.92%)	0.00%
3034	1562	Warren	C	7.00%	4.27%	5.87%	10.14%
3036	1622 1623	Westerly		6.00%	1.70%	50.63%	52.33%
3037	1602	West Greenwich		6.00%	4.13%	1.91%	6.04%
3039	1632 1633	Woonsocket	B	7.00%	5.00%	(7.45%)	0.00%
3040	1073	Charlho School District		6.00%	4.13%	(0.52%)	3.61%
3041	1203	Foster/Glocester	B	7.00%	5.91%	3.40%	9.31%
3042	1528	Tiogue Fire & Lighting	C,5	7.00%	0.00%	0.00%	0.00%
3043	1336	Narragansett Housing	C	7.00%	2.92%	1.17%	4.09%
3045	1098	Coventry Lighting District	C	7.00%	2.75%	(16.75%)	0.00%
3046	1242	Hope Valley Fire	C	7.00%	4.76%	(0.29%)	4.47%
3050	1156	East Greenwich Housing	C	7.00%	4.66%	6.28%	10.94%
3051	1116	Cranston Housing	C	7.00%	5.25%	(5.22%)	0.03%
3052	1166	East Providence Housing	B	7.00%	6.58%	(4.40%)	2.18%
3053	1416	Pawtucket Housing	B	7.00%	4.31%	(13.49%)	0.00%
3056	1126	Cumberland Housing	C	7.00%	6.54%	(1.97%)	4.57%
3057	1306	Lincoln Housing	B	7.00%	7.27%	(2.62%)	4.65%



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

Contribution Rates  
For Fiscal Year Ending June 30, 2006

Unit Number		Unit	Member Code(s)	Employer Rate	Employer Rate		
Old	New				Amortization Normal Cost	Rate	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>General Employee Units</b>							
3059	1016	Bristol Housing		6.00%	3.75%	(22.60%)	0.00%
3065	1036	Burrillville Housing	B	7.00%	5.38%	(12.49%)	0.00%
3066	1386	North Providence Hsg	B	7.00%	6.32%	8.71%	15.03%
3067	1177	East Smithfield Water	C	7.00%	6.44%	(8.62%)	0.00%
3068	1227	Greenville Water		6.00%	1.81%	(17.20%)	0.00%
3069	1356	Newport Housing	C	7.00%	5.24%	(2.78%)	2.46%
3071	1566	Warren Housing	B	7.00%	6.88%	(3.02%)	3.86%
3072	1286	Johnston Housing		6.00%	4.57%	(5.19%)	0.00%
3077	1538	Tiverton Local 2670A	C	7.00%	5.54%	0.79%	6.33%
3078	1007 1009	Barrington COIA	C	7.00%	5.41%	3.56%	8.97%
3079	1096	Coventry Housing		6.00%	3.57%	(5.01%)	0.00%
3080	1496	South Kingstown Hsg	C	7.00%	7.29%	(1.56%)	5.73%
3081	1403	N RI Collabor. Adm. Svcs.	C	7.00%	6.50%	(1.03%)	5.47%
3083	1616	West Warwick Housing	B	7.00%	5.16%	0.79%	5.95%
3084	1476	Smithfield Housing		6.00%	2.37%	(3.02%)	0.00%
3094	1478	Smithfield COIA	C	7.00%	5.09%	(5.87%)	0.00%
3096	1056	Central Falls Housing	C	7.00%	5.59%	6.17%	11.76%
3098	1293	Lime Rock Admini. Svcs.		6.00%	3.62%	(0.21%)	3.41%
3099	1063	Central Falls Schools	C	7.00%	5.63%	0.83%	6.46%
3100	1023	Bristol/Warren Schools	B	7.00%	6.14%	0.76%	6.90%
3101	1157	Town E.Greenwich-COIA	2	7.00%	4.76%	(4.20%)	0.56%
<b>General Employee Units Averages</b>				<b>6.87%</b>	<b>4.86%</b>	<b>(1.06%)</b>	<b>4.77%</b>
<b>Police &amp; Fire Units</b>							
4016	1285	Johnston Fire	D	8.00%	10.40%	0.09%	10.49%
4029	1454	Richmond Fire District		7.00%	6.16%	8.74%	14.90%
4031	1474	Smithfield Police	C,D	9.00%	12.08%	0.95%	13.03%
4042	1555	Valley Falls Fire	D	8.00%	9.37%	6.28%	15.65%
4047	1395 1435	North Smithfield Vol. Fire	B,D	9.00%	13.69%	4.21%	17.90%
4050	1155	East Greenwich Fire	C,D	9.00%	12.99%	9.29%	22.28%
4054	1154	East Greenwich Police	C,D	9.00%	13.37%	(0.46%)	12.91%
4055	1375	North Kingstown Fire	C,D	9.00%	13.12%	6.80%	19.92%
4056	1374	North Kingstown Police	C,D	9.00%	12.92%	4.69%	17.61%
4057	1235	Harris Fire Department	C	8.00%	8.17%	18.67%	26.84%
4058	1385	North Providence Fire	D	8.00%	9.06%	2.49%	11.55%
4059	1008	Barrington Fire (25)	C	8.00%	8.35%	(1.95%)	6.40%
4060	1004	Barrington Police	C,D	9.00%	13.14%	18.94%	32.08%
4061	1005	Barrington Fire (20)	C,D	9.00%	13.29%	(7.90%)	5.39%
4062	1564	Warren Police & Fire	C,D	9.00%	12.85%	12.12%	24.97%
4063	1494	South Kingstown Police	B,1	9.00%	12.94%	(2.92%)	10.02%
4073	1464	Scituate Police	3	7.00%	0.00%	0.00%	0.00%
4076	1394	North Smithfield Police	C,D	9.00%	13.37%	4.16%	17.53%
4077	1534	Tiverton Fire	C,D	9.00%	13.25%	(1.19%)	12.06%
4082	1194	Foster Police	C,D	9.00%	12.63%	(1.29%)	11.34%
4085	1634	Woonsocket Police	C,D	9.00%	12.71%	1.90%	14.61%



**Contribution Rates  
For Fiscal Year Ending June 30, 2006**

<u>Unit Number</u>		<u>Unit</u>	<u>Member Code(s)</u>	<u>Employer Rate</u>	<u>Employer Rate</u>		
<u>Old</u>	<u>New</u>				<u>Amortization Normal Cost</u>	<u>Rate</u>	<u>Total</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Police &amp; Fire Units</b>							
4086	1084	Charlestown Police	C,D	9.00%	13.33%	15.25%	28.58%
4087	1264	Hopkinton Police	C,D	9.00%	12.75%	(2.29%)	10.46%
4088	1214	Glocester Police	C,D	9.00%	12.86%	5.62%	18.48%
4089	1604	W Greenwich Police/Rescue	C,D	9.00%	13.27%	8.62%	21.89%
4090	1034	Burrillville Police	C,D	9.00%	13.22%	6.55%	19.77%
4091	1148	Cumberland Rescue	C,D	9.00%	13.56%	2.95%	16.51%
4092	1585	Washington Fire	D	8.00%	9.79%	3.36%	13.15%
4093	1635	Woonsocket Fire	C,D	9.00%	13.01%	2.52%	15.53%
4094	1015	Bristol Fire	C	9.00%	9.13%	0.53%	9.66%
4095	1135	Cumberland Hill Fire	C,D	9.00%	12.30%	7.22%	19.52%
4096	1014	Bristol Police	C,D	9.00%	13.76%	(0.47%)	13.29%
4098	1095	Coventry Fire	D	8.00%	9.98%	7.44%	17.42%
4099	1505	South Kingstown EMT	C,D	9.00%	13.28%	(2.63%)	10.65%
4100	1525	Tiogue Fire		7.00%	5.97%	24.26%	30.23%
4101	1365	North Cumberland	D	8.00%	9.13%	5.40%	14.53%
4102	1045	Central Coventry Fire	C,D	9.00%	13.38%	2.14%	15.52%
4103	1255	Hopkins Hill Fire	D	8.00%	9.09%	5.14%	14.23%
4104	1114	Cranston Police	C,D,4	10.00%	12.20%	4.92%	17.12%
4105	1115	Cranston Fire	C,D,4	10.00%	12.48%	3.84%	16.32%
4106	1125	Cumberland Fire	B,D	9.00%	13.90%	8.83%	22.73%
4107	1305	Lincoln Rescue	C	8.00%	8.18%	6.13%	14.31%
4108	1344	New Shoreham Police	B,D	9.00%	12.25%	8.04%	20.29%
9710	1324	Middletown Police & Fire	C,D	9.00%	14.09%	(2.24%)	11.85%
<b>Police &amp; Fire Units Averages</b>				<b>9.00%</b>	<b>12.20%</b>	<b>3.87%</b>	<b>16.07%</b>
<i>All MERS Units Averages</i>				<i>7.31%</i>	<i>6.40%</i>	<i>(0.02%)</i>	<i>7.14%</i>

B - Municipality has adopted COIA Plan B

C - Municipality has adopted COIA 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, 1993, and 2.5% of salary for service on or after July 1, 1993.

2 - New unit in 2003 valuation.

3 - Closed unit.

4 - Cranston Fire and Police are contributing 10% due to special plan provision.

5 - This unit has no active members.

\* - There is no actives in unit 3042, this payment is the amortization amount amortized for 5 years.





EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

COMPARISON OF EMPLOYER CONTRIBUTION RATES

Unit Number		Unit	Code(s)	June 30, 2003	June 30, 2002	June 30, 2001
Old	New			Actuarial Valuation for FY 2006	Actuarial Valuation for FY 2005	Actuarial Valuation for FY 2004
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>General Employee Units</b>						
3001	1002 1003	Barrington		0.00%	0.00%	0.00%
3002	1012 1019	Bristol	B	5.19%	0.17%	0.00%
3003	1032 1033	Burrillville	C	0.65%	0.00%	0.00%
3004	1052	Central Falls		7.18%	4.94%	7.50%
3005	1082	Charlestown	C	6.79%	3.90%	1.78%
3007	1112 1113	Cranston	B	0.08%	0.00%	0.00%
3008	1122 1123	Cumberland		7.40%	4.65%	2.55%
3009	1152 1153	East Greenwich		0.00%	0.00%	0.00%
3010	1162 1163	East Providence	B	10.84%	7.43%	7.85%
3011	1183	Exeter/West Greenwich	B	6.83%	5.08%	4.01%
3012	1192 1193	Foster		5.90%	3.94%	1.03%
3013	1212 1213	Glocester	C	8.42%	5.51%	5.62%
3014	1262	Hopkinton	C	3.07%	0.00%	0.00%
3015	1272 1273	Jamestown	C	8.76%	5.12%	2.82%
3016	1282 1283	Johnston	C	6.27%	2.47%	0.00%
3017	1302 1303	Lincoln		5.57%	3.41%	3.47%
3019	1322 1323	Middletown	C	0.77%	1.64%	1.87%
3021	1352 1353 1354	Newport	B	8.99%	5.49%	3.61%
3022	1342 1343	New Shoreham	B	7.14%	3.23%	0.39%
3023	1372 1373	North Kingstown	C	9.12%	5.99%	1.90%
3024	1382 1383	North Providence		0.00%	0.00%	0.00%
3025	1392 1393	North Smithfield	B	0.00%	0.00%	0.00%
3026	1412 1413	Pawtucket	C	5.56%	1.70%	0.00%
3027	1515	Union Fire District		3.47%	0.00%	4.22%
3029	1452	Richmond		4.01%	1.52%	0.00%
3030	1462 1463	Scituate	B	7.28%	4.73%	0.00%
3031	1472 1473	Smithfield		0.00%	0.00%	0.00%
3032	1492 1493	South Kingstown	B	3.06%	0.32%	0.00%
3033	1532 1533	Tiverton	C	0.00%	0.00%	0.00%
3034	1562	Warren	C	10.14%	6.23%	6.16%
3036	1622 1623	Westerly		52.33%	41.62%	289.17%
3037	1602	West Greenwich		6.04%	3.36%	0.89%
3039	1632 1633	Woonsocket	B	0.00%	0.00%	0.00%
3040	1073	Charlho School District		3.61%	1.44%	0.00%
3041	1203	Foster/Glocester	B	9.31%	6.44%	10.52%
3042	1528	Tiogue Fire & Lighting	C,5	0.00%	N/A	N/A
3043	1336	Narragansett Housing	C	4.09%	2.20%	2.40%
3045	1098	Coventry Lighting District	C	0.00%	0.00%	0.00%
3046	1242	Hope Valley Fire	C	4.47%	4.10%	2.13%
3050	1156	East Greenwich Housing	C	10.94%	11.53%	21.00%
3051	1116	Cranston Housing	C	0.03%	0.00%	0.00%
3052	1166	East Providence Housing	B	2.18%	0.00%	0.00%
3053	1416	Pawtucket Housing	B	0.00%	0.00%	0.00%
3056	1126	Cumberland Housing	C	4.57%	1.11%	0.00%
3057	1306	Lincoln Housing	B	4.65%	0.00%	0.00%



COMPARISON OF EMPLOYER CONTRIBUTION RATES

Unit Number		Unit	Code(s)	June 30, 2003	June 30, 2002	June 30, 2001
Old	New			Actuarial Valuation for FY 2006	Actuarial Valuation for FY 2005	Actuarial Valuation for FY 2004
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>General Employee Units</b>						
3059	1016	Bristol Housing		0.00%	0.00%	0.00%
3065	1036	Burrillville Housing	B	0.00%	0.00%	0.00%
3066	1386	North Providence Housing	B	15.03%	12.42%	11.76%
3067	1177	East Smithfield Water	C	0.00%	0.00%	0.00%
3068	1227	Greenville Water		0.00%	0.00%	0.00%
3069	1356	Newport Housing	C	2.46%	0.26%	0.00%
3071	1566	Warren Housing	B	3.86%	0.00%	0.00%
3072	1286	Johnston Housing		0.00%	0.00%	0.00%
3077	1538	Tiverton Local 2670A	C	6.33%	0.00%	0.00%
3078	1007 1009	Barrington COIA	C	8.97%	0.00%	0.00%
3079	1096	Coventry Housing		0.00%	0.00%	0.00%
3080	1496	South Kingstown Housing	C	5.73%	4.97%	1.58%
3081	1403	N. RI Collabor. Adm. Svcs.	C	5.47%	3.92%	3.90%
3083	1616	West Warwick Housing	B	5.95%	2.76%	0.00%
3084	1476	Smithfield Housing		0.00%	0.00%	0.00%
3094	1478	Smithfield COIA	C	0.00%	0.00%	3.80%
3096	1056	Central Falls Housing	C	11.76%	4.55%	2.82%
3098	1293	Lime Rock Admin. Services		3.41%	1.08%	0.00%
3099	1063	Central Falls Schools	C	6.46%	4.15%	3.09%
3100	1023	Bristol/Warren Schools	B	6.90%	1.42%	0.00%
3101	1157	Town E Greenwich-COIA	C,2	0.56%	N/A	N/A
<b>General Employee Units Average</b>				4.77%	0.27%	0.00%
<b>Police &amp; Fire Units</b>						
4016	1285	Johnston Fire	D	10.49%	12.10%	10.54%
4029	1454	Richmond Fire District		14.90%	10.83%	4.30%
4031	1474	Smithfield Police	C,D	13.03%	15.84%	12.83%
4042	1555	Valley Falls Fire	D	15.65%	13.76%	20.90%
4047	1395 1435	North Smithfield Voluntary Fire	B,D	17.90%	21.34%	7.02%
4050	1155	East Greenwich Fire	C,D	22.28%	15.19%	5.78%
4054	1154	East Greenwich Police	C,D	12.91%	9.39%	0.00%
4055	1375	North Kingstown Fire	C,D	19.92%	14.46%	9.93%
4056	1374	North Kingstown Police	C,D	17.61%	15.90%	8.00%
4057	1235	Harris Fire Department	C	26.84%	21.53%	20.87%
4058	1385	North Providence Fire	D	11.55%	8.39%	1.64%
4059	1008	Barrington Fire (25)	C	6.40%	6.24%	7.13%
4060	1004	Barrington Police	C,D	32.08%	27.35%	18.72%
4061	1005	Barrington Fire (20)	C,D	5.39%	0.00%	0.00%
4062	1564	Warren Police & Fire	C,D	24.97%	19.49%	19.31%
4063	1494	South Kingstown Police	B,1	10.02%	2.30%	0.00%
4073	1464	Scituate Police	3	0.00%	----	----
4076	1394	North Smithfield Police	C,D	17.53%	17.50%	8.82%
4077	1534	Tiverton Fire	C,D	12.06%	0.00%	0.00%
4082	1194	Foster Police	C,D	11.34%	15.65%	3.52%



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

COMPARISON OF EMPLOYER CONTRIBUTION RATES

Unit Number		Unit	Code(s)	June 30, 2003	June 30, 2002	June 30, 2001
Old	New			Actuarial Valuation for FY 2006	Actuarial Valuation for FY 2005	Actuarial Valuation for FY 2004
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Police &amp; Fire Units</b>						
4085	1634	Woonsocket Police	C,D	14.61%	12.61%	9.89%
4086	1084	Charlestown Police	C,D	28.58%	22.48%	18.11%
4087	1264	Hopkinton Police	C,D	10.46%	8.99%	6.25%
4088	1214	Glocester Police	C,D	18.48%	14.08%	10.06%
4089	1604	W Greenwich Police/Rescue	C,D	21.89%	22.34%	18.99%
4090	1034	Burrillville Police	C,D	19.77%	18.89%	17.73%
4091	1148	Cumberland Rescue	C,D	16.51%	12.95%	9.61%
4092	1585	Washington Fire	D	13.15%	11.04%	9.84%
4093	1635	Woonsocket Fire	C,D	15.53%	12.53%	10.95%
4094	1015	Bristol Fire	C	9.66%	9.62%	1.00%
4095	1135	Cumberland Hill Fire	C,D	19.52%	19.50%	16.87%
4096	1014	Bristol Police	C,D	13.29%	14.52%	13.11%
4098	1095	Coventry Fire	D	17.42%	14.21%	19.71%
4099	1505	South Kingstown EMT	C,D	10.65%	13.64%	10.99%
4100	1525	Tiogue Fire		30.23%	12.36%	16.29%
4101	1365	North Cumberland	D	14.53%	13.23%	14.95%
4102	1045	Central Coventry Fire	C,D	15.52%	17.05%	18.25%
4103	1255	Hopkins Hill Fire	D	14.23%	13.39%	5.43%
4104	1114	Cranston Police	C,D,4	17.12%	16.35%	16.53%
4105	1115	Cranston Fire	C,D,4	16.32%	18.16%	17.55%
4106	1125	Cumberland Fire	B,D	22.73%	22.45%	24.02%
4107	1305	Lincoln Rescue	C	14.31%	6.69%	5.95%
4108	1344	New Shoreham Police	B,D	20.29%	22.86%	24.36%
9710	1324	Middletown Police & Fire	C,D	11.85%	16.75%	14.93%
Police & Fire Units Average				16.07%	13.37%	8.18%
All MERS Units Average				7.14%	2.85%	0.00%

B - Municipality has adopted COIA Plan B

C - Municipality has adopted COIA 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, 1993, and 2.5% of salary for service on or after July 1, 1993.

2 - New unit in 2003 valuation.

3 - Closed unit.

4 - Cranston Fire and Police are contributing 10% due to special plan provision.

5 - This unit has no active members.



SCHEDULE OF FUNDING PROGRESS

Unit Number Old (1) New (2)	Unit (3)	Code(s) (4)	Actuarial Value of Assets (AVA) (5)	Actuarial Accrued Liability (AAL) (6)	Unfunded Actuarial Accrued Liability (UAAL) (5) - (4) (7)	Funded Ratio (4)/(5) (8)	Annual Covered Payroll (9)	UAAL as % of Payroll (6)/(8) (10)
<b>General Employee Units</b>								
3001	1002 1003		14,356,436	5,625,240	(8,731,196)	255.2%	161,914	(5392.5%)
3002	1012 1019	B	12,777,488	13,219,563	442,075	96.7%	3,023,307	14.6%
3003	1032 1033	C	18,122,783	14,744,138	(3,378,646)	122.9%	4,490,812	(75.2%)
3004	1052		3,101,760	4,290,708	1,188,948	72.3%	1,557,782	76.3%
3005	1082	C	2,697,530	3,309,074	611,544	81.5%	1,295,466	47.2%
3007	1112 1113	B	110,439,637	92,892,158	(17,547,479)	118.9%	21,675,306	(81.0%)
3008	1122 1123		14,200,841	17,452,058	3,251,218	81.4%	6,578,472	49.4%
3009	1152 1153		8,554,475	5,328,233	(3,226,242)	160.5%	977,562	(330.0%)
3010	1162 1163	B	54,469,379	70,278,418	15,809,039	77.5%	16,495,338	95.8%
3011	1183	B	4,451,897	4,557,603	105,707	97.7%	1,612,598	6.6%
3012	1192 1193		1,941,940	2,117,049	175,109	91.7%	909,487	19.3%
3013	1212 1213	C	3,606,635	4,422,192	815,558	81.6%	1,737,709	46.9%
3014	1262	C	2,553,361	2,174,952	(378,409)	117.4%	934,481	(40.5%)
3015	1272 1273	C	5,496,909	6,726,189	1,229,280	81.7%	2,223,956	55.3%
3016	1282 1283	C	26,206,815	26,872,578	665,764	97.5%	7,917,808	8.4%
3017	1302 1303		740,863	827,441	86,578	89.5%	719,765	12.0%
3019	1322 1323	C	6,336,461	4,057,113	(2,279,348)	156.2%	3,253,437	(70.1%)
3021	1352 1353 1354	B	38,988,455	45,900,955	6,912,500	84.9%	9,879,190	70.0%
3022	1342 1343	B	2,690,396	3,020,096	329,700	89.1%	1,689,959	19.5%
3023	1372 1373	C	27,651,706	32,946,121	5,294,415	83.9%	9,517,449	55.6%
3024	1382 1383		23,170,107	17,102,221	(6,067,887)	135.5%	6,254,381	(97.0%)
3025	1392 1393	B	11,509,135	8,125,367	(3,383,768)	141.6%	2,425,765	(139.5%)
3026	1412 1413	C	79,871,660	82,338,394	2,466,734	97.0%	20,455,101	12.1%
3027	1515		145,942	148,373	2,431	98.4%	89,098	2.7%
3029	1452		1,033,557	950,603	(82,954)	108.7%	567,639	(14.6%)
3030	1462 1463	B	7,800,570	8,259,902	459,332	94.4%	2,534,396	18.1%
3031	1472 1473		10,379,936	7,644,627	(2,735,310)	135.8%	1,935,420	(141.3%)
3032	1492 1493	B	30,662,509	27,328,781	(3,333,729)	112.2%	9,787,115	(34.1%)
3033	1532 1533	C	9,416,868	6,550,012	(2,866,857)	143.8%	1,940,783	(147.7%)
3034	1562	C	4,213,205	5,458,841	1,245,636	77.2%	1,375,876	90.5%
3036	1622 1623		614,769	1,149,562	534,794	53.5%	51,142	1045.7%
3037	1602		1,290,636	1,469,859	179,223	87.8%	719,266	24.9%
3039	1632 1633	B	55,329,087	42,169,290	(13,159,797)	131.2%	11,573,665	(113.7%)



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

SCHEDULE OF FUNDING PROGRESS

Unit Number Old New	Unit (3)	Code(s) (4)	Actuarial Value of Assets (AVA) (5)	Actuarial Accrued Liability (AAL) (6)	Unfunded Actuarial Accrued Liability (UAAAL) (5) - (4) (7)	Funded Ratio (4)/(5) (8)	Annual Covered Payroll (9)	UAAAL as % of Payroll (6)/(8) (10)
<b>General Employee Units</b>								
3040	1073		7,593,062	7,184,458	(408,604)	105.7%	3,417,826	(12.0%)
3041	1203	B	3,303,114	3,989,874	686,760	82.8%	1,219,691	56.3%
3042	1528	C,5	31,806	7,883	(23,924)	403.5%	0	-
3043	1336	C	140,765	165,332	24,567	85.1%	130,475	18.8%
3045	1098	C	1,100,426	749,296	(351,130)	146.9%	143,424	(244.8%)
3046	1242	C	204,185	198,682	(5,503)	102.8%	82,547	(6.7%)
3050	1156	C	255,736	483,024	227,288	52.9%	199,052	114.2%
3051	1116	C	2,650,110	2,068,659	(581,451)	128.1%	705,309	(82.4%)
3052	1166	B	2,073,364	1,703,994	(369,370)	121.7%	507,078	(72.8%)
3053	1416	B	9,161,598	5,700,598	(3,461,000)	160.7%	1,746,783	(198.1%)
3056	1126	C	862,411	687,596	(174,816)	125.4%	481,632	(36.3%)
3057	1306	B	1,220,169	1,038,669	(181,500)	117.5%	380,482	(47.7%)
3059	1016	B	1,543,351	761,675	(781,676)	202.6%	238,184	(328.2%)
3065	1036	B	724,498	490,489	(234,009)	147.7%	127,478	(183.6%)
3066	1386	B	805,778	1,175,039	369,261	68.6%	269,578	137.0%
3067	1177	C	652,325	444,380	(207,945)	146.8%	156,025	(133.3%)
3068	1227	C	814,099	365,853	(448,246)	222.5%	182,113	(246.1%)
3069	1356	C	5,667,241	4,947,277	(719,964)	114.6%	1,474,869	(48.8%)
3071	1566	B	1,062,670	953,581	(109,089)	111.4%	202,283	(53.9%)
3072	1286	B	833,282	641,499	(191,783)	129.9%	248,417	(77.2%)
3077	1538	C	2,446,416	2,461,358	14,942	99.4%	687,519	2.2%
3078	1007 1009	C	8,682,364	10,935,603	2,253,239	79.4%	5,200,237	43.3%
3079	1096	C	766,266	521,869	(244,396)	146.8%	317,848	(76.9%)
3080	1496	C	88,534	62,112	(26,422)	142.5%	93,077	(28.4%)
3081	1403	C	784,718	572,305	(212,412)	137.1%	1,258,785	(16.9%)
3083	1616	B	816,336	831,262	14,927	98.2%	274,593	5.4%
3084	1476	B	187,645	149,440	(38,205)	125.6%	83,121	(46.0%)
3094	1478	C	7,904,901	5,657,667	(2,247,234)	139.7%	2,568,386	(87.5%)
3096	1056	C	1,163,155	1,702,072	538,917	68.3%	607,274	88.7%
3098	1293	C	100,472	95,887	(4,585)	104.8%	59,895	(7.7%)
3099	1063	C	6,593,705	6,986,457	392,752	94.4%	3,838,575	10.2%
3100	1023	B	11,800,054	11,896,178	96,124	99.2%	3,498,612	2.7%
3101	1157	C,2	10,145,222	7,794,018	(2,351,204)	130.2%	3,912,193	(60.1%)
<b>General Employee Units Subtotal</b>			\$ 687,003,525	\$ 652,881,79	\$ (34,121,728)	105.2%	\$ 190,674,806	(17.9%)



SCHEDULE OF FUNDING PROGRESS

Unit Number Old (1) New (2)	Unit (3)	Code(s) (4)	Actuarial Value of Assets (AVA) (5)	Actuarial Accrued Liability (AAL) (6)	Unfunded Actuarial Accrued Liability (UAAL) (5) - (4) (7)	Funded Ratio (4)/(5) (8)	Annual Covered Payroll (9)	UAAL as % of Payroll (6)/(8) (10)
<b>Police &amp; Fire Units</b>								
4016	1285	D	290,381	307,145	16,764	94.5%	847,210	2.0%
4029	1454		243,286	462,065	218,779	52.7%	172,239	127.0%
4031	1474	C,D	221,381	271,394	50,013	81.6%	304,180	16.4%
4042	1555	D	1,881,368	2,454,329	572,961	76.7%	539,532	106.2%
4047	1395	B,D	3,074,053	3,576,377	502,324	86.0%	831,779	60.4%
4050	1155	C,D	6,747,187	7,945,166	1,197,979	84.9%	954,904	125.5%
4054	1154	C,D	9,342,618	8,986,706	(355,912)	104.0%	1,470,574	(24.2%)
4055	1375	C,D	19,276,926	22,508,273	3,231,347	85.6%	3,291,128	98.2%
4056	1374	C,D	12,085,034	13,454,686	1,369,652	89.8%	2,067,633	66.2%
4057	1235	C	139,957	489,358	349,401	28.6%	119,103	293.4%
4058	1385	D	20,269,638	21,578,889	1,309,251	93.9%	4,711,792	27.8%
4059	1008	C	338,791	226,531	(112,260)	149.6%	347,854	(32.3%)
4060	1004	C,D	5,539,623	8,097,687	2,558,064	68.4%	865,960	295.4%
4061	1005	C,D	8,399,028	7,618,780	(780,247)	110.2%	596,044	(130.9%)
4062	1564	C,D	5,938,996	7,835,174	1,896,178	75.8%	1,004,483	188.8%
4063	1494	B,1	16,815,268	15,533,180	(1,282,089)	108.3%	2,267,781	(56.5%)
4073	1464	3	156,500	41,554	(114,945)	376.6%	0	-
4076	1394	C,D	5,603,755	6,155,159	551,404	91.0%	925,789	59.6%
4077	1534	C,D	6,463,349	6,081,466	(381,883)	106.3%	1,059,670	(36.0%)
4082	1194	C,D	1,543,052	1,477,318	(65,734)	104.4%	247,331	(26.6%)
4085	1634	C,D	17,265,652	18,352,512	1,086,861	94.1%	4,670,820	23.3%
4086	1084	C,D	3,256,271	5,409,126	2,152,855	60.2%	917,461	234.7%
4087	1264	C,D	2,327,323	2,072,837	(254,486)	112.3%	595,648	(42.7%)
4088	1214	C,D	2,592,960	3,126,094	533,134	82.9%	682,011	78.2%
4089	1604	C,D	1,333,301	1,932,380	599,080	69.0%	430,778	139.1%
4090	1034	C,D	4,496,825	5,563,173	1,066,348	80.8%	1,043,138	102.2%
4091	1148	C,D	2,101,812	2,357,547	255,735	89.2%	660,150	38.7%
4092	1585	D	1,074,924	1,265,575	190,651	84.9%	368,800	51.7%
4093	1635	C,D	12,799,203	14,120,028	1,320,824	90.6%	4,139,429	31.9%
4094	1015	C	176,787	177,290	503	99.7%	90,247	0.6%
4095	1135	C,D	2,354,357	3,013,027	658,670	78.1%	577,387	114.1%
4096	1014	C,D	684,231	622,974	(61,257)	109.8%	645,881	(9.5%)
4098	1095	D	1,433,224	2,117,079	683,855	67.7%	556,547	122.9%



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

SCHEDULE OF FUNDING PROGRESS

Unit Number Old	Unit New	Code(s)	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (5) - (4)	Funded Ratio (4)/(5)	Annual Covered Payroll (9)	UAAL as % of Payroll (6)/(8)
(1)	(2)	(3)	(5)	(6)	(7)	(8)	(9)	(10)
<b>Police &amp; Fire Units</b>								
4099	1505	C,D	1,024,277	810,860	(213,417)	126.3%	507,008	(42.1%)
4100	1525		170,525	844,479	673,954	20.2%	184,884	364.5%
4101	1365	D	1,670,711	2,130,083	459,372	78.4%	541,377	84.9%
4102	1045	C,D	1,401,831	1,567,300	165,469	89.4%	436,574	37.9%
4103	1255	D	260,529	379,514	118,985	68.6%	166,475	71.5%
4104	1114	C,D,4	5,260,034	8,047,991	2,787,957	65.4%	3,695,706	75.4%
4105	1115	C,D,4	9,511,014	13,143,435	3,632,421	72.4%	5,722,530	63.5%
4106	1125	B,D	1,653,410	2,199,867	546,457	75.2%	383,784	142.4%
4107	1305	C	1,073,211	1,612,441	539,230	66.6%	604,583	89.2%
4108	1344	B,D	459,852	687,307	227,455	66.9%	166,918	136.3%
9710	1324	C,D	86,557	53,113	(33,444)	163.0%	113,103	(29.6%)
<b>Police &amp; Fire Units Subtotal</b>			<b>\$ 198,839,008</b>	<b>\$ 226,707,267</b>	<b>\$ 27,868,2608</b>	<b>7.7%</b>	<b>\$ 50,526,225</b>	<b>55.2%</b>
All MERS Units Total			885,842,533	879,589,065	(6,253,468)	100.7%	241,201,031	(2.6%)

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, 1993, and 2.5% of salary for service on or after July 1, 1993.

2 - New unit in 2003valuation.

3 - Closed unit

4 - Cranston Fire and Police are contributing 10% due to special plan provision.

5 - This unit has no active members.





Asset Values

Old Unit Number	New Unit Number	Unit	Code	Market Value of Assets of Assets	Actuarial Value of Assets
(1)	(2)	(3)	(4)	(5)	(6)
<b>General Employee Units</b>					
3001	1002 1003	Barrington		\$ 11,481,821	\$ 14,356,436
3002	1012 1019	Bristol	B	10,219,029	12,777,488
3003	1032 1033	Burrillville	C	14,494,026	18,122,783
3004	1052	Central Falls		2,480,689	3,101,760
3005	1082	Charlestown	C	2,157,399	2,697,530
3007	1112 1113	Cranston	B	88,326,108	110,439,637
3008	1122 1123	Cumberland		11,357,380	14,200,841
3009	1152 1153	East Greenwich		6,841,597	8,554,475
3010	1162 1163	East Providence	B	43,562,877	54,469,379
3011	1183	Exeter/West Greenwich	B	3,560,485	4,451,897
3012	1192 1193	Foster		1,553,101	1,941,940
3013	1212 1213	Glocester	C	2,884,472	3,606,635
3014	1262	Hopkinton	C	2,042,097	2,553,361
3015	1272 1273	Jamestown	C	4,396,253	5,496,909
3016	1282 1283	Johnston	C	20,959,376	26,206,815
3017	1302 1303	Lincoln		592,519	740,863
3019	1322 1323	Middletown	C	5,067,700	6,336,461
3021	1352 1353 1354	Newport	B	31,181,726	38,988,455
3022	1342 1343	New Shoreham	B	2,151,693	2,690,396
3023	1372 1373	North Kingstown	C	22,114,955	27,651,706
3024	1382 1383	North Providence		18,530,715	23,170,107
3025	1392 1393	North Smithfield	B	9,204,640	11,509,135
3026	1412 1413	Pawtucket	C	63,878,812	79,871,660
3027	1515	Union Fire District		116,720	145,942
3029	1452	Richmond		826,606	1,033,557
3030	1462 1463	Scituate	B	6,238,648	7,800,570
3031	1472 1473	Smithfield		8,301,543	10,379,936
3032	1492 1493	South Kingstown	B	24,522,899	30,662,509
3033	1532 1533	Tiverton	C	7,531,312	9,416,868
3034	1562	Warren	C	3,369,588	4,213,205
3036	1622 1623	Westerly		491,672	614,769
3037	1602	West Greenwich		1,032,210	1,290,636
3039	1632 1633	Woonsocket	B	44,250,444	55,329,087
3040	1073	Charlho School District		6,072,689	7,593,062
3041	1203	Foster/Glocester	B	2,641,726	3,303,114
3042	1528	Tiogue Fire & Lighting	C,5	25,438	31,806
3043	1336	Narragansett Housing	C	112,580	140,765
3045	1098	Coventry Lighting District	C	880,085	1,100,426
3046	1242	Hope Valley Fire	C	163,301	204,185
3050	1156	East Greenwich Housing	C	204,530	255,736
3051	1116	Cranston Housing	C	2,119,474	2,650,110
3052	1166	East Providence Housing	B	1,658,210	2,073,364
3053	1416	Pawtucket Housing	B	7,327,155	9,161,598
3056	1126	Cumberland Housing	C	689,729	862,411
3057	1306	Lincoln Housing	B	975,852	1,220,169
3059	1016	Bristol Housing		1,234,323	1,543,351
3065	1036	Burrillville Housing	B	579,430	724,498





EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

Asset Values

Old Unit Number	New Unit Number	Unit	Code	Market Value of Assets of Assets	Actuarial Value of Assets
(1)	(2)	(3)	(4)	(5)	(6)
<b>General Employee Units</b>					
3066	1386	North Providence Housing	B	644,436	805,778
3067	1177	East Smithfield Water	C	521,708	652,325
3068	1227	Greenville Water		651,090	814,099
3069	1356	Newport Housing	C	4,532,479	5,667,241
3071	1566	Warren Housing	B	849,890	1,062,670
3072	1286	Johnston Housing		666,432	833,282
3077	1538	Tiverton Local 2670A	C	1,956,566	2,446,416
3078	1007 1009	Barrington COIA	C	6,943,878	8,682,364
3079	1096	Coventry Housing		612,835	766,266
3080	1496	South Kingstown Housing	C	70,807	88,534
3081	1403	N. RI Collaborative Adm. Services	C	627,592	784,718
3083	1616	West Warwick Housing	B	652,879	816,336
3084	1476	Smithfield Housing		150,073	187,645
3094	1478	Smithfield COIA	C	6,322,088	7,904,901
3096	1056	Central Falls Housing	C	930,255	1,163,155
3098	1293	Lime Rock Administrative Services		80,355	100,472
3099	1063	Central Falls Schools	C	5,273,435	6,593,705
3100	1023	Bristol/Warren Schools	B	9,437,308	11,800,054
3101	1157	Town of E. Greenwich-COIA	C,2	8,113,826	10,145,222
<b>General Employee Units Subtotal</b>				<b>\$ 549,443,562</b>	<b>\$ 687,003,525</b>
<b>Police &amp; Fire Units</b>					
4016	1285	Johnston Fire	D	\$ 232,238	\$ 290,381
4029	1454	Richmond Fire District		194,573	243,286
4031	1474	Smithfield Police	C,D	177,053	221,381
4042	1555	Valley Falls Fire	D	1,504,658	1,881,368
4047	1395 1435	North Smithfield Voluntary Fire	B,D	2,458,529	3,074,053
4050	1155	East Greenwich Fire	C,D	5,396,185	6,747,187
4054	1154	East Greenwich Police	C,D	7,471,928	9,342,618
4055	1375	North Kingstown Fire	C,D	15,417,072	19,276,926
4056	1374	North Kingstown Police	C,D	9,665,226	12,085,034
4057	1235	Harris Fire Department	C	111,933	139,957
4058	1385	North Providence Fire	D	16,211,012	20,269,638
4059	1008	Barrington Fire (25)	C	270,954	338,791
4060	1004	Barrington Police	C,D	4,430,414	5,539,623
4061	1005	Barrington Fire (20)	C,D	6,717,275	8,399,028
4062	1564	Warren Police & Fire	C,D	4,749,820	5,938,996
4063	1494	South Kingstown Police	B,1	13,448,317	16,815,268
4073	1464	Scituate Police	3	125,163	156,500
4076	1394	North Smithfield Police	C,D	4,481,705	5,603,755
4077	1534	Tiverton Fire	C,D	5,169,181	6,463,349
4082	1194	Foster Police	C,D	1,234,084	1,543,052
4085	1634	Woonsocket Police	C,D	13,808,519	17,265,652
4086	1084	Charlestown Police	C,D	2,604,262	3,256,271
4087	1264	Hopkinton Police	C,D	1,861,319	2,327,323
4088	1214	Glocester Police	C,D	2,073,767	2,592,960
4089	1604	West Greenwich Police/Rescue	C,D	1,066,331	1,333,301



Asset Values

Old Unit Number	New Unit Number	Unit	Code	Market Value of Assets of Assets	Actuarial Value of Assets
(1)	(2)	(3)	(4)	(5)	(6)
<b>Police &amp; Fire Units</b>					
4090	1034	Burrillville Police	C,D	3,596,417	4,496,825
4091	1148	Cumberland Rescue	C,D	1,680,962	2,101,812
4092	1585	Washington Fire	D	859,690	1,074,924
4093	1635	Woonsocket Fire	C,D	10,236,396	12,799,203
4094	1015	Bristol Fire	C	141,388	176,787
4095	1135	Cumberland Hill Fire	C,D	1,882,940	2,354,357
4096	1014	Bristol Police	C,D	547,226	684,231
4098	1095	Coventry Fire	D	1,146,247	1,433,224
4099	1505	South Kingstown EMT	C,D	819,184	1,024,277
4100	1525	Tiogue Fire		136,381	170,525
4101	1365	North Cumberland	D	1,336,181	1,670,711
4102	1045	Central Coventry Fire	C,D	1,121,140	1,401,831
4103	1255	Hopkins Hill Fire	D	208,363	260,529
4104	1114	Cranston Police	C,D,4	4,206,808	5,260,034
4105	1115	Cranston Fire	C,D,4	7,606,606	9,511,014
4106	1125	Cumberland Fire	B,D	1,322,345	1,653,410
4107	1305	Lincoln Rescue	C	858,320	1,073,211
4108	1344	New Shoreham Police	B,D	367,775	459,852
9710	1324	Middletown Police & Fire	C,D	69,226	86,557
<b>Police &amp; Fire Units Subtotal</b>				<b>\$ 159,025,112</b>	<b>\$ 198,839,008</b>
<i>All MERS Units Total</i>				<i>\$ 708,468,674</i>	<i>\$ 885,842,533</i>

B - Municipality has adopted COIA Plan B

C - Municipality has adopted COIA 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, 1993, and 2.5% of salary for service on or after July 1, 1993.

2 - New unit in 2003 valuation.

3 - Closed unit.



## DISCUSSION OF THE EXPERIENCE STUDY

Between the June 30, 2002 actuarial valuation and this report, the Retirement Board asked GRS to analyze the assumptions and methods used in the ERSRI actuarial valuation. The experience study was performed for the period June 30, 1996 to June 30, 2003. The study examined the assumptions used for expected investment rate, inflation rate, retirement, mortality, termination, disability, salary increases, payroll growth, and other miscellaneous assumptions.

Material changes were made to the termination, payroll growth, and salary increase assumptions. Changes were also made to the mortality rates used for disabled lives as well as male teachers. The disability and retirement tables were adjusted to more closely reflect the plan experience.

All of the changes recommended by GRS were adopted by the Board except for GRS' recommendation to decrease the expected investment return assumption from 8.25% to 8.00%. Even though the Board did not accept this change, we still believe the 8.25% is a reasonable assumption and the results produced by the adopted assumptions are within the range of reasonableness.

## SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

### Valuation Date

The valuation date is June 30th of each plan year. This is the date as of which the actuarial present value of future benefits and the actuarial value of assets are determined.

### Actuarial Cost Method

The actuarial valuation uses the Entry Age Normal actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial accrued liability.

The employer normal cost rate is the total normal cost rate, less the member contribution rate. The total normal cost rate is the level percentage of pay contribution which would theoretically pay for all benefits if it had been made each year from the inception of the plan and if there had never been any changes of benefits, any changes of assumptions or methods, or any experience gains or losses. The normal costs are determined on an individual basis.

The actuarial accrued liability is the difference between the actuarial present value of all future benefits and the actuarial present value of future normal costs. It is the amount to which the normal costs would have accumulated under the assumptions described in the preceding paragraph. The unfunded actuarial accrued liability (UAAL) is the difference between the actuarial accrued liability and the actuarial value of assets.

The unfunded accrued liability contributions are determined by subtracting the actuarial value of assets from the actuarial accrued liability and amortizing the result over a closed 30-year period from June 30, 1999.

The contribution rate determined by this valuation will not be effective until two years later. The calculated contribution rate is adjusted for the deferral period. Employer contributions are assumed to be made at the middle of the year.

### Actuarial Value of Assets

The actuarial value of assets is based on the market value of assets with a five-year phase-in of actual investment return in excess of (less than) expected investment income. Expected investment income is determined using the assumed investment return rate and the market value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses.



**Actuarial Assumptions**

**Economic Assumptions**

*Investment return:* **8.25% per year, compounded annually, composed of an assumed 3.00% inflation rate and a 5.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses.**

*Salary increase rate:* **A service-related component, plus a 3.00% inflation component, plus a general increase, as follows:**

<b>General Employees</b>		
<b>Years of Service</b>	<b>Service-related Component</b>	<b>Total Annual Rate of Increase Including 3.00% Inflation Component and 1.50% General Increase Rate</b>
(1)	(2)	(3)
0	4.50%	9.00%
1	4.00	8.50
2	2.00	6.50
3	1.75	6.25
4	1.50	6.00
5 or more	0.00	4.50

<b>Police &amp; Fire</b>		
<b>Years of Service</b>	<b>Service-related Component</b>	<b>Total Annual Rate of Increase Including 3.00% Inflation Component and 2.00% General Increase Rate</b>
(1)	(2)	(3)
0	10.50%	15.50%
1	4.00	9.00
2	1.50	6.50
3	1.00	6.00
4	0.75	5.75
5 or more	0.00	5.00

**Salary increases are assumed to occur once a year, on July 1. Therefore the pay used for the period between the valuation date and the first anniversary of the valuation date is equal to the reported pay for the prior year, annualized if necessary, and then increased by the salary increase assumption.**

*Payroll growth rate:* **In the amortization of the portion of the unfunded accrued liability due to changes, gains and losses since inception, payroll is assumed to increase 3.75% per year. This increase rate is solely due to the effect of inflation on salaries, with no allowance for future membership growth.**

**Demographic Assumptions**

*Mortality rates (for active and retired members):*

- **Healthy males – Based on the 1994 Group Annuity Mortality Table for males. Rates are set forward one year.**
- **Healthy females - Based on the 1994 Group Annuity Mortality Table for females.**



- Disabled males - 65% of the PBGC Table Va for disabled males eligible for Social Security disability benefits
- Disabled females - 100% of the PBGC Table VIa for disabled females eligible for Social Security disability benefits.

Sample rates are shown below:

**Expected Deaths per 100 Lives**

Age	Healthy Males	Healthy Females	Disabled Males	Disabled Females
(1)	(2)	(3)	(6)	(7)
25	0.07	0.03	3.14	2.63
30	0.08	0.04	2.35	2.37
35	0.09	0.05	1.81	2.14
40	0.12	0.07	1.83	2.09
45	0.17	0.10	2.09	2.24
50	0.29	0.14	2.49	2.57
55	0.49	0.23	3.13	2.95
60	0.90	0.44	3.92	3.31
65	1.62	0.86	4.41	3.70
70	2.60	1.37	4.80	4.11
75	4.09	2.27	5.47	4.92
80	6.86	3.94	7.33	7.46

Disability rates: Disability is assumed to occur in accordance with the following table with 25% of disabilities for general employees and 75% for police and fire considered occupational.

**Expected Disabilities Occurring per 100 Lives**

Age	General	Police & Fire
(1)	(2)	(3)
25	0.05	0.17
30	0.06	0.22
35	0.09	0.29
40	0.13	0.44
45	0.22	0.72
50	0.37	1.21
55	0.61	1.21
60	0.85	1.21
65	0.00	1.21



*Termination rates (for causes other than death, disability or retirement):* Termination rates are a function of the member's sex, age and service. Termination rates are not applied after a member becomes eligible for a retirement benefit. For police and firemen, no withdrawal rates are assumed. Rates at selected ages are shown:

**Active Male Members - General Employees**

Years of Service

Age	0	1	2	3	4	5	6	7	8	9	10+
20	0.1989	0.1979	0.1831	0.1580	0.1312	0.1148	0.1148	0.1148	0.1148	0.1148	0.1148
25	0.1780	0.1634	0.1413	0.1179	0.0980	0.0883	0.0883	0.0883	0.0883	0.0883	0.0883
30	0.1499	0.1297	0.1092	0.0908	0.0765	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700
35	0.1281	0.1056	0.0868	0.0725	0.0626	0.0575	0.0575	0.0575	0.0575	0.0575	0.0575
40	0.1105	0.0894	0.0740	0.0636	0.0569	0.0517	0.0517	0.0517	0.0517	0.0517	0.0517
45	0.0973	0.0811	0.0706	0.0642	0.0599	0.0539	0.0539	0.0539	0.0539	0.0539	0.0539
50	0.0884	0.0805	0.0766	0.0744	0.0719	0.0653	0.0653	0.0653	0.0653	0.0653	0.0653
55	0.0840	0.0877	0.0919	0.0944	0.0932	0.0874	0.0874	0.0874	0.0874	0.0874	0.0874
60	0.0838	0.1024	0.1165	0.1241	0.1235	0.1202	0.1202	0.1202	0.1202	0.1202	0.1202
65	0.0878	0.1243	0.1506	0.1655	0.1676	0.1713	0.1713	0.1713	0.1713	0.1713	0.1713
70	0.0976	0.1573	0.1940	0.2055	0.1969	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

**Active Female Members - General Employees**

Years of Service

Age	0	1	2	3	4	5	6	7	8	9	10+
20	0.2037	0.1831	0.1696	0.1609	0.1545	0.1491	0.1426	0.1345	0.1263	0.1181	0.1281
25	0.1926	0.1726	0.1593	0.1506	0.1443	0.1390	0.1329	0.1254	0.1178	0.1102	0.1190
30	0.1578	0.1376	0.1232	0.1130	0.1058	0.1005	0.0956	0.0905	0.0856	0.0807	0.0834
35	0.1337	0.1130	0.0975	0.0863	0.0786	0.0735	0.0694	0.0660	0.0629	0.0597	0.0584
40	0.1166	0.0952	0.0786	0.0667	0.0588	0.0539	0.0506	0.0483	0.0464	0.0442	0.0404
45	0.1066	0.0845	0.0672	0.0548	0.0469	0.0422	0.0395	0.0379	0.0364	0.0346	0.0296
50	0.1031	0.0806	0.0631	0.0508	0.0430	0.0385	0.0361	0.0346	0.0330	0.0308	0.0262
55	0.1055	0.832	0.0664	0.0547	0.0472	0.0429	0.0407	0.0386	0.0360	0.0325	0.0300
60	0.1128	0.0918	0.0767	0.0663	0.0592	0.0551	0.0528	0.0496	0.0452	0.0394	0.0406
65	0.1315	0.1121	0.0998	0.0912	0.0846	0.0802	0.0776	0.0722	0.0645	0.0546	0.0624
70	0.1197	0.1059	0.0986	0.0935	0.0886	0.0849	0.0826	0.0764	0.0675	0.0564	0.0679



**Retirement rates:** For general employees, separate male and female rates, based on age, as shown below. 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.

**Expected Retirements per 100 Lives General Employees**

<b>Age</b>	<b>Males</b>	<b>Females</b>
45	8	5
46	8	5
47	8	5
48	8	5
49	8	5
50	8	5
51	8	5
52	8	5
53	8	5
54	8	5
55	8	5
56	8	5
57	9	5
58	18	15
59	10	10
60	10	12
61	15	14
62	30	16
63	30	18
64	30	20
65	40	30
66	30	20
67	30	20
68	30	20
69	30	20
70	100	100



## Other Assumptions

*Percent married:* 100% of employees are assumed to be married.

*Age difference:* Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.

*Percent electing annuity on death (when eligible):* All of the spouses of vested, married participants are assumed to elect an annuity.

*Percent electing deferred termination benefit:* Vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.

*Assumed age for commencement of deferred benefits:* Members electing to receive a deferred benefit are assumed to commence receipt at the first age at which unreduced benefits are available.

*Administrative expenses:* The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.

*Inactive members:* Liabilities for inactive members were approximated as a multiple of their member contribution account balances. For non-vested members, the multiple was one, and for vested inactive members, the multiple was between three and eight, depending on age and service.

## Participant Data

Participant data was supplied on electronic files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, sex, service, salary and employee contribution account balance. For retired members and beneficiaries, the data included date of birth, sex, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and a form of payment code.

Salary supplied for the current year was based on the earnings for the year preceding the valuation date. This salary was adjusted by the salary increase rate for one year.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.





## SUMMARY OF BENEFIT PROVISIONS

**Authority:** The Municipal Employees' Retirement System (MERS) covers employees of certain participating Rhode Island municipalities and other local governmental units, such as housing authorities, water districts, etc. Benefits are described in Rhode Island General Laws, Title 45, Chapters 19, 19.1, 21, 21.1, 21.2, and 21.3.

**Plan Year:** A twelve-month period ending June 30th.

**Administration:** MERS is administered by the Employees' Retirement Board. However, the State Treasurer is responsible for the investment of the trust assets, including the establishment of the asset allocation policy.

**Type of Plan:** MERS is a qualified governmental defined benefit retirement plan. Separate contribution rates are determined for each participating governmental unit. For Governmental Accounting Standards Board purposes, it is an agent multiple-employer plan.

**Eligibility:** General employees, police officers and firefighters employed by electing municipalities participate in MERS. Teachers and administrators are covered by the separate Employees' Retirement System of Rhode Island, but other school employees may be covered by MERS. Eligible employees become members at their date of employment. Anyone employed by a municipality at the time the municipality joins MERS may elect not to be covered. Elected officials may opt to be covered by MERS. Employees covered under another plan maintained by the municipality may not become members of MERS. Police officers and/or firefighters may be classified as such by the municipality in which case the special contribution and benefit provisions described below will apply to them, or they may be classified as general employees with no special benefits. Members designated as police officers and/or firefighters are treated as belonging to a separate unit from the general employees, with separate contribution rates applicable.

**Employee Contributions:** General employees contribute 6.00% of their salary per year, and police officers and firefighters contribute 7.00%. In addition, if the municipality has elected one of the optional cost of living provisions, an additional member contribution of 1.00% of salary is required. If a municipality elects the optional 20-year retirement provision for its police officers and/or its firefighters, an additional contribution of 1.00% of salary will be required from these members. The municipality, at its election, may choose to "pick up" the members' contributions for its employees under the provisions of Internal Revenue Code (IRC) Section 414(h).

**Salary:** Salary includes the member's base earnings plus any payments under a regular longevity or incentive plan. Salary excludes overtime, unused sick and vacation leave, severance pay and other extraordinary compensation. Certain amounts that are excluded from taxable wages, such as amounts sheltered under a Section 125 plan or amounts picked up by the employer under IRC Section 414(h), are not excluded from salary.

**Employer Contributions:** Each participating unit's contribution rate is determined actuarially. Contributions determined in a given actuarial valuation go into effect two years after the actuarial valuation.

**Service:** Employees receive credit for service while a member. In addition, a member may purchase credit for certain periods by making an additional contribution to purchase the additional service. Special rules and limits govern the purchase of additional service and the contribution required.

**Final Average Compensation (FAC):** The average of the member's highest three consecutive annual salaries. Monthly benefits are based on one-twelfth of this amount.



### Retirement

**Eligibility:** General employees are eligible for retirement on or after age 58 if they have credit for 10 or more years of service, or at any age if they have credit for at least 30 years of service. Members designated as police officers or firefighters may retire at or after age 55 with credit for at least 10 years of service, or at any age with credit for 25 or more years of service. Members may retire and receive a reduced benefit if they are at least age 50 and have at least 20 years of service. If the municipality elects to adopt the 20-year retirement provisions for police officers and/or firefighters, then such a member may retire at any age with 20 or more years of service.

**Monthly Benefit:** 2.00% of the member's monthly FAC for each year of service, up to 37.5 years (75% of FAC maximum). If the optional 20-year retirement provisions are adopted by the municipality the benefit is 2.50% of the member's monthly FAC for each year of service, up to 30 years (75% of FAC maximum). If a police officer or firefighter not covered by the 20-year retirement provision retires before age 55 with at least 20, but less than 25, years of service, benefits are reduced 0.5% per month that the member's age at retirement is less than 55.

**Payment Form:** Benefits are paid as a monthly life annuity. Optional forms of payment are available; see below.

**Death benefit:** After retirement, death benefits are based on the form of annuity elected. If no option is elected, i.e., if payments are made as a life annuity, there is a minimum death benefit equal to the sum of the member's contributions without interest, less the sum of the monthly benefit payments made before the member's death. In addition, a lump-sum death benefit is payable upon the death of any retired member, regardless of option elected. This lump sum is equal to a percentage of the lump-sum death benefit that was available to the member at the time of retirement. The percentage is 100% in the first year of retirement, 75% in the second year, 50% in the third year, and 25% in the fourth and subsequent years of retirement. However, in no event will the lump sum death benefit be less than \$4,000.

### Disability Retirement

**Eligibility:** A member is eligible provided he/she has credit for at least five years of service or if the disability is work-related.

**Ordinary Disability Benefit:** The benefit payable under the retirement formula, using FAC and service at the time of disability but not less than 10 years of service.

**Occupational Disability Benefit:** An annual annuity equal to two-thirds of salary at the time of disability.

**Payment Form:** The disability benefit commences immediately upon the member's retirement. Benefits cease upon recovery or reemployment. Disability benefits are payable as a monthly life annuity with a guarantee that, at the member's death, the sum of the member's contributions plus interest as of the date of retirement will be paid in a lump-sum to the member's beneficiary. All alternative forms of payment except for the Social Security Option are permitted in the case of disability retirement.

### Deferred Termination Benefit

**Eligibility:** A member with at least ten years of service is vested. A vested member who does not withdraw his/her contributions from the fund is eligible for a deferred termination benefit.

**Monthly Benefit:** The monthly benefit is based on the retirement formula described above. Both FAC and service are determined at the time the member leaves active employment. Benefits may commence at age 58 or at such earlier age that the member has met the requirements for a retirement benefit.

**Payment Form:** The same as for Retirement above.

**Death Benefit before Retirement:** A member who dies after leaving active service but before retiring is entitled to receive a benefit as described on the next page in *Death Benefit of Active or Inactive Members*.

**Death Benefit after Retirement:** The same as for Retirement above.



*Withdrawal (Refund) Benefit*

**Eligibility:** All members leaving covered employment with less than ten years of service are eligible. Optionally vested members (those with ten or more years of service) may withdraw their accumulated contributions in lieu of the deferred benefits otherwise due.

**Benefit:** The member who withdraws receives a lump-sum payment of equal to the sum of his/her employee contributions. No interest is credited on these contributions.

*Death Benefit of Active or Inactive Members*

**Eligibility:** Death must have occurred while an active member or while an inactive, non-retired member: The basic benefit plus the lump-sum benefit are paid on behalf of an active, general employee, and the special police/fire benefit and the lump-sum benefit are paid on behalf of an active police officer or firefighter: If the death was due to accidental, duty-related causes, the accidental death benefit is paid regardless of whether the employee is a general employee, a police officer, or a firefighter. Inactive members receive a refund of their accumulated contributions without interest.

**Basic Benefit:** Upon the death of a non-vested member, or upon the death of a vested, inactive member; or upon the death of an active, unmarried member; a refund of the member's contributions (without interest) is paid. Upon the death of a vested, married, active member, the spouse may elect (i) the refund benefit described above, or (ii) a life annuity paid to the spouse or beneficiary. The amount of the annuity is equal to the amount which would have been paid had the member retired at the time of his death and elected the Joint and 100% Survivor option. If the member was not eligible for retirement, the annuity benefit is reduced 6% per year from the date at which the member would have been eligible had he or she remained in service.

**Lump-sum Benefit:** \$800 per year of service, with a maximum benefit of \$16,000 and a minimum of \$4,000.

**Special Police/Fire Death Benefit:** In lieu of the basic benefit above, if a police officer or firefighter dies while an active member; an annuity of 30% of the member's salary will be paid to the member's spouse, for life or until remarriage. Children's benefits may also be payable.

**Accidental Duty-related Death Benefit:** If a member dies as the result of an accident while in the course of his or her duties, in lieu of the above benefits the member's spouse may elect to receive (i) a refund of all contributions made (including interest), and (ii) an annual life annuity equal to 50% of the member's salary at the time of death. The annuity benefit stops when the spouse remarries or dies, although it may be continued to any children under age 18 or to any dependent parents.

**Optional Forms of Payment:** In addition to a life annuity, MERS offers members these optional forms of payment on an actuarially equivalent basis:

**Option 1 (Joint and 100% Survivor)** - A life annuity payable while either the participant or his beneficiary is alive.

**Option 2 (Joint and 50% Survivor)** - A life annuity payable to the member while both the member and beneficiary are alive, reducing to 50% of this amount if the member predeceases the beneficiary.

**Social Security Option** – An annuity paid at one amount prior to age 62, and at a reduced amount after age 62, designed to provide a level total income when combined with the member's age 62 Social Security benefit. Benefits cease upon the member's death.

Actuarial equivalence is based on tables adopted by the Employees' Retirement Board.

**Post-retirement Benefit Increase:** Members employed by municipalities who elect one of the optional COIA provisions receive an increase equal to 3% of the original retirement benefit each year, beginning January 1 following the member's retirement. This increase is not tied in any way to actual increases in the cost of living and increases are not compounded. When a municipality elects coverage, it may elect either COIAC (covering only current and future active members and excluding members already retired) or COIAB (covering current retired members as well as current and future active members).

**STATE POLICE  
RETIREMENT BENEFITS TRUST**

**ACTUARIAL INFORMATION**

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**GABRIEL, ROEDER, SMITH & COMPANY**  
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October 18, 2004

Retirement Board  
40 Fountain Street, First Floor  
Providence, RI 02903-1854

Dear Members of the Board:

**Subject: Actuarial Valuation of SPRBT as of June 30, 2003**

This is the June 30, 2003 actuarial valuation of the State Police Retirement Benefits Trust (SPRBT). This report describes the current actuarial condition of the SPRBT, determines the recommended employer contribution rate, and analyzes changes in the contribution rate. Valuations are prepared annually, as of June 30, the last day of the SPRBT plan year. Benefits for state police officers hired before July 1, 1987 are funded by the state from general assets, on a pay-as-you-go basis, and are not included in this valuation.

Under Rhode Island General Laws, the employer contribution rate for state police is certified annually by the State of Rhode Island Retirement Board. This rate is determined actuarially, based on the plan provisions in effect as of the valuation date and the actuarial assumptions and methods adopted by the Board or set by statute. The Board's current policy is that the contribution rate determined by a given actuarial valuation becomes effective two years after the valuation date. For example, the rate determined by the June 30, 2003 actuarial valuation will be applicable for the year beginning July 1, 2005 and ending June 30, 2006.

**Financing objectives and funding policy**

The actuarial cost method and the amortization periods are set by statute. Contribution rates and liabilities are computed using the Entry Age actuarial cost method. The employer contribution rate is the sum of two pieces: the employer normal cost rate and the amortization rate. The normal cost rate is determined as a percent of pay. The employer normal cost is the difference between this and the member contribution rate. The amortization rate is determined as a level percent of pay. It is the amount required to amortize the unfunded actuarial accrued liability over a closed period (30 years as of June 30, 1999). The amortization rate is adjusted for the two-year deferral in contribution rates.

**Progress toward realization of financing objectives**

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches 100%. The funded ratio, as can be seen on Table 3, decreased from 75.5% to 73.7%. The employer contribution rate increased from 28.87% to 31.35%. This increase was principally due to assumption changes adopted as a result of the recent experience study and to the recognition of deferred asset losses from prior valuations. An analysis of the changes in the employer contribution rate appears on Table 10.

### **Benefit provisions**

The benefit provisions reflected in this valuation are those which were in effect on June 30, 2003. There were no material changes adopted since the previous actuarial valuation. The benefit provisions are summarized in Appendix B.

### **Assumptions and methods**

The actuarial assumptions were changed as a result of the experience study approved by the Board on August 11, 2004. The most material changes were an increase in the payroll growth assumption and adjusting the disability mortality rates to more closely reflect the experience of the plan. More detail on changes adopted as a result of the experience study is on page 7 in the discussion section of this report.

All assumptions and methods are described in Appendix A.

### **Data**

The System's staff supplied data for active, inactive, and retired members as of June 30, 2003. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. The System's staff also supplied asset data as of June 30, 2003.

### **Certification**

All of our work conforms with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of Rhode Island state law and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries. Both are Members of the Society of Actuaries and Members of the American Academy of Actuaries, they both meet the Qualification Standards of the American Academy of Actuaries, and they are experienced in performing valuations for large public retirement systems.

Sincerely,  
Gabriel, Roeder, Smith & Company



J. Christian Conradi, ASA, MAAA  
Senior Consultant



W. Michael Carter, FSA, MAAA  
Senior Consultant

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Actuarial Valuation - June 30, 2003

State Police Retirement Benefits Trust - Executive Summary

Item	2003	2002
<b>Membership</b>		
• Number of		
- Active members	150	150
- Retirees and beneficiaries	1	1
- Vested terminations	_____	_____
- Total	151	151
• Payroll for benefits	\$ 11,286,365	\$ 10,933,360
<b>Contribution rates</b>		
• Member	8.75%	8.75%
• State	31.35%	28.87%
<b>Assets</b>		
• Market value	\$ 18,112,268	\$ 14,495,142
• Actuarial value	20,966,294	17,770,149
• Return on market value	4.5%	-8.4%
• Return on actuarial value	1.5%	0.9%
• Employer contribution	\$ 2,256,770	\$ 2,405,041
• Ratio of actuarial value to market value	115.6%	122.6%
<b>Actuarial Information</b>		
• Employer normal cost %	25.63%	23.98%
• Unfunded actuarial accrued liability (UAAL)	\$ 7,477,423	\$ 5,756,976
• Amortization rate	5.72%	4.89%
• Funding period	26 years	27 years
• GASB funded ratio	73.7%	75.5%
<b>Projected employer contribution</b>		
• Fiscal year ending June 30,	2006	2005
• Projected payroll for contributions	\$ 9,566,846	\$ 7,108,476
• Projected employer contribution	2,999,206	2,629,617





## DISCUSSION OF THE EXPERIENCE STUDY

Between the June 30, 2002 actuarial valuation and this report, the Retirement Board asked GRS to analyze the assumptions and methods used in the ERSRI actuarial valuation. The experience study was performed for the period June 30, 1996 to June 30, 2003. The study examined the assumptions used for expected investment rate, inflation rate, retirement, mortality termination, disability salary increases, payroll growth, and other miscellaneous assumptions.

Material changes were made to the termination, payroll growth, and salary increase assumptions. Changes were also made to the mortality rates used for disabled lives as well as male teachers. The disability and retirement tables were adjusted to more closely reflect the plan experience.

All of the changes recommended by GRS were adopted by the Board except for GRS' recommendation to decrease the expected investment return assumption from 8.25% to 8.00%. Even though the Board did not accept this change, we still believe the 8.25% is a reasonable assumption and the results produced by the adopted assumptions are within the range of reasonableness.

## SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

### Valuation Date

The valuation date is June 30th of each plan year. This is the date as of which the actuarial present value of future benefits and the actuarial value of assets are determined.

### Actuarial Cost Method

The actuarial valuation uses the Entry Age Normal actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial liability

1. The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future (currently 8.25 percent), of each participant's expected benefit payable at retirement or death is determined, based on his age, service, sex and compensation. The calculations take into account the probability of a participant's death or termination of employment prior to becoming eligible for a benefit, as well as the possibility of his terminating with a service or survivor's benefit. Future salary increases are also anticipated. The present value of the expected benefits payable on account of the active participants is added to the present value of the expected future payments to retired participants and beneficiaries to obtain the present value of all expected benefits payable from the Plan on account of the present group of participants and beneficiaries.
2. The employer contributions required to support the benefits of the Plan are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the average uniform and constant percentage rate of employer contribution which, if applied to the compensation of each new participant during the entire period of his anticipated covered service, would be required in addition to the contributions of the participant to meet the cost of all benefits payable on his behalf.
4. The unfunded accrued liability contributions are determined by subtracting the actuarial value of assets from the actuarial accrued liability and amortizing the results over 30 years from June 30, 1999. The contribution rate determined by this valuation will not be effective until two years later, and the determination of the rate reflects this deferral. It is assumed that there will be no change in the employer normal cost rate due to the deferral, and it is assumed that payments are, on average, made monthly throughout the year.

### Actuarial Value of Assets

The actuarial value of assets is based on the market value of assets with a five-year phase-in of actual investment return in excess of (less than) expected investment income. Expected investment income is determined using the assumed investment return rate and the market value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses.



**Actuarial Assumptions**

**Economic Assumptions**

*Investment return:* 8.25% per year; compounded annually, composed of an assumed 3.00% inflation rate and a 5.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses.

*Salary increase rate:* Salaries are assumed to increase at the rates shown below. These rates include an inflationary increase of 3.00%, a general increase of 2.00%, and a service-related increase as shown below.

Years of Service	Service-related Component	Total Annual Rate of Increase Including 3.00% Inflation Component and 2.00% General Increase Rate
(1)	(2)	(3)
0	10.00%	15.00%
1	3.50	8.50
2	2.00	7.00
3	1.00	6.00
4 or more	0.00	5.00

Salary increases are assumed to occur once a year, on July 1. Therefore the pay used for the period between the valuation date and the first anniversary of the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption.

*Payroll growth rate:* In the amortization of the unfunded frozen liability, payroll is assumed to increase 3.75% per year. This assumption includes no allowance for future membership growth.

**Demographic Assumptions**

*Mortality rates*

- **Healthy males** – Based on the 1994 Group Annuity Mortality Table for males. Rates are set forward one year.
- **Healthy females** - Based on the 1994 Group Annuity Mortality Table for females.
- **Disabled males** - 65% of the PBGC Table Va for disabled males eligible for Social Security disability benefits
- **Disabled females** - 100% of the PBGC Table VIa for disabled females eligible for Social Security disability benefits.

15% of active member deaths are occupational.



**Disability rates – Rates are applied, with 75% of disabilities considered occupational, and assumes no recoveries once disabled:**

<u>Age</u>	<u>Rate</u>
(1)	(2)
20	0.12%
25	0.17
30	0.22
35	0.29
40	0.44
45	0.72
50	1.21

*Termination rates - None*

*Retirement rates – State police are assumed to retire after completion of 25 years of service, or if earlier, after reaching age 50 and completing 21 years of service.*

**Other Assumptions**

*Percent married: 85% of employees are assumed to be married.*

*Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses. No surviving spouse will remarry and there will be no children's benefit.*

*Administrative expenses: The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.*

**Participant Data**

**Participant data was supplied in electronic files for active and retired members. The data for an active member included birthdate, sex, service, salary and employee contribution account balance. A file was also supplied showing both the salary for contribution purposes and the salary for benefit purposes. For retired members and beneficiaries, the data included date of birth, sex, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and a form of payment code.**



## SUMMARY OF BENEFIT PROVISIONS

**Effective Date and Authority:** The State Police Retirement Benefits Plan (SPRBP) became effective on July 1, 1989 for state police officers originally hired on or after July 1, 1987. Benefits are described in Rhode Island General Laws, Title 42, Chapter 28.

**Plan Year:** A twelve-month period ending June 30th.

**Administration:** The State Police Retirement Benefits Plan is administered by the Employees' Retirement Board. However, the State Treasurer is responsible for the investment of the trust assets, including the establishment of the asset allocation policy. Assets are commingled for investment purposes with those of the Employees' Retirement System of Rhode Island and various other plans and programs.

**Type of Plan:** The State Police Retirement Benefits Plan is a qualified governmental defined benefit retirement plan. For Governmental Accounting Standards Board purposes, it is a single-employer plan.

**Eligibility:** All state police officers, and the Superintendent of State Police, hired on or after July 1, 1987, participate in this plan. Benefits for state police officers hired before July 1, 1987 are being paid by the state from the general assets of the state, on a pay-as-you-go basis. Eligible employees become members at their date of employment.

**Salary for Contribution Purposes:** Salary includes the member's base earnings plus any payments under a regular longevity or incentive plan. Salary excludes overtime, unused sick and vacation leave, severance pay, and other extraordinary compensation. Certain amounts that are excluded from taxable wages, such as amounts sheltered under a Section 125 plan or amounts picked up by the employer under IRC Section 414(h), are not excluded from salary.

**Employee Contributions:** State police officers contribute 8.75% of their salary per year. The state "picks up" the members' contributions for its employees under the provisions of Internal Revenue Code (IRC) Section 414(h).

**Employer Contributions:** The state contributes an actuarially determined percentage of the member's annual salary. Contributions determined in a given actuarial valuation go into effect two years after the actuarial valuation.

**Service:** Employees receive credit for service while a member. In addition, a member may purchase credit for certain periods by making an additional contribution to purchase the additional service. Special rules and limits govern the purchase of additional service and the contribution required.

**Final Salary (Salary for Benefit Purposes):** Benefits are determined using a different, more expansive, definition of salary than is used for determining member and employer contributions. Final Salary includes base pay, longevity increases, 400 hours of overtime pay, holiday pay and the member's clothing allowance. For members who work more than 25 years, the Final Salary shall not be more than the Final Salary in the 25<sup>th</sup> year. In determining monthly benefits, Final Salary is expressed as a monthly amount.

### Retirement

**Eligibility:** All members are eligible for retirement at any age after completion of 20 years of service. (The Superintendent of State Police may retire on or after age 60 if he has credit for 10 years of service.)

**Monthly Benefit:** 50% of Final Salary, plus 3% of Final Salary for each year of service in excess of 20. (The Superintendent of State Police receives a benefit of 50% of Final Salary.) The maximum benefit is 65% of FAC.

**Payment Form:** Benefits are paid as a monthly life annuity. There are no optional forms of payment available.



**Death benefit:** After the death of a retired member, if the member was married, a benefit will be paid to the spouse equal to 2.00% of the member's Final Salary for each year of service. There is a minimum benefit of 25% of Final Salary. Benefits are increased one-third for each dependent child. The maximum benefit is 50% of Final Salary. Benefits may not begin before the spouse is age 40, and benefits stop upon the spouse's death or remarriage.

#### *Disability Retirement*

**Eligibility:** A member is eligible provided he/she has credit for at least ten years of service or if the disability is work-related.

**Ordinary Disability Benefit:** 2.00% of Final Salary for each year of service, but not less than 25% of Final Salary

**Occupational Disability Benefit:** 75% of Final Salary.

**Payment Form:** The disability benefit commences immediately upon the member's retirement. Benefits cease upon recovery or reemployment. Disability benefits are payable as a monthly life annuity. The same provisions that apply upon the death of a retired member apply upon the death of a disabled member.

#### *Refunds*

**Eligibility:** All members leaving covered employment prior to eligibility for other benefits.

**Benefit:** A lump-sum payment equal to the sum of his/her employee contributions. No interest is credited on these contributions.

#### *Death Benefit of Active Members*

**Eligibility:** Death must have occurred from a service-related cause, or the member must have 10 or more years of service.

**Ordinary Benefit:** After the death of an active member, if the member was married, a benefit will be paid to the spouse equal to 2.00% of the member's Final Salary for each year of service. There is a minimum benefit of 25% of Final Salary. Benefits are increased one-third for each dependent child. The maximum benefit is 50% of Final Salary. Benefits may not begin before the spouse is age 40 without a dependent child, and benefits stop upon the spouse's death or remarriage.

**Duty-related Death Benefit:** 75% of Final Salary paid to the spouse or other dependent relative. Benefits cease when the spouse or other relatives die or are no longer dependent.

**Post-retirement Benefit Increase:** Members receive an increase of \$1,500 per year (\$125.00 per month) beginning on the January 1 next following the third anniversary date of the retirement, and in every year thereafter. The increase applies to service retirement, disability retirement and death benefits. This increase is not tied in any way to actual increases in the cost of living.



**PLAN NET ASSETS**  
**(Assets at Market or Fair Value)**

Item	June 30, 2003	June 30, 2002
(1)	(2)	(3)
1. Cash and cash equivalents	\$ 215,754	\$ 217,403
2. Receivables:		
a. Employer and member contributions	\$ -	\$ 601,843
b. Transfers receivable	116,547	11,257
c. Miscellaneous	<u>2,209</u>	<u>2,427</u>
d. Total receivables	\$ 118,756	\$ 615,527
3. Investments		
a. Pooled trust	\$ 17,759,049	\$ 13,649,793
b. Plan specific investments	<u>-</u>	<u>-</u>
c. Total	\$ 17,759,049	\$ 13,649,793
4. Invested securities lending collateral	\$ 1,929,027	\$ 1,333,843
5. Property and equipment (net of depreciation)	\$ 31,313	\$ 23,536
6. Total assets	\$ 20,053,899	\$ 15,840,102
7. Liabilities		
a. Benefits payable	\$ -	\$ -
b. Securities lending liability	1,929,027	1,333,843
c. Accounts and vouchers payable	<u>12,604</u>	<u>11,117</u>
d. Total liabilities	\$ 1,941,631	\$ 1,344,960
8. Total market value of assets available for benefits		
Total (Item 6 - Item 7)	\$ 18,112,268	\$ 14,495,142



RECONCILIATION OF PLAN NET ASSETS

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
1. Market value of assets as of beginning of year	\$ 14,495,142	\$ 12,544,779
2. Contributions		
a. Members	\$ 718,589	\$ 777,566
b. State	2,256,770	2,405,041
c. Service purchases	-	-
d. Total	<u>2,975,359</u>	<u>\$ 3,182,607</u>
3. Investment earnings, net of investment expenses	\$ 723,045	\$ (1,166,864)
4. Expenditures for the year		
a. Benefit payments	\$ (69,448)	\$ (48,303)
b. Cost-of-living adjustments	-	-
c. Death benefits	-	-
d. Social security supplements	-	-
e. Supplemental pensions	-	-
f. Refunds	-	(9,480)
g. Administrative expense	(11,830)	(7,579)
h. Total expenditures	<u>\$ (81,278)</u>	<u>\$ (65,380)</u>
5. Transfers and other adjustments	\$ -	\$ -
6. Market value of assets at end of year	\$ 18,112,268	\$ 14,495,142

ANALYSIS OF CHANGE IN EMPLOYER COST

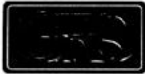
<u>Basis</u>	<u>Employer Cost</u>
1. Employer fiscal 2005 cost	28.87%
2. Impact of changes, gains and losses	
a. Salary (gain)/loss	-0.47%
b. Investment experience (gain)/loss	1.08%
c. Non-salary liability experience (gain)/loss	0.68%
d. Changes in assumptions	1.19%
e. Total	<u>2.48%</u>
3. Employer fiscal 2006 cost	31.35%

**JUDICIAL RETIREMENT  
BENEFITS TRUST  
ACTUARIAL INFORMATION**

**JUDICIAL ACTUARIAL INFORMATION**



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**GABRIEL, ROEDER, SMITH & COMPANY**

Consultants & Actuaries

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October 18, 2004

Retirement Board  
40 Fountain Street, First Floor  
Providence, RI 02903-1854

Dear Members of the Board:

**Subject: Actuarial Valuation of the JRBT as of June 30, 2003**

This is the June 30, 2003 actuarial valuation of the Judicial Retirement Benefits Trust (JRBT). This report describes the current actuarial condition of the JRBT, determines the recommended employer contribution rate, and analyzes changes in the contribution rate. Valuations are prepared annually, as of June 30, the last day of the JRBT plan year. Benefits for state judges hired before January 1, 1990 are funded by the state from general assets, on a pay-as-you-go basis, and are not included in this valuation.

Under Rhode Island General Laws, the employer contribution rate for Judges is certified annually by the State of Rhode Island Retirement Board. This rate is determined actuarially, based on the plan provisions in effect as of the valuation date and the actuarial assumptions and methods adopted by the Board or set by statute. The Board's current policy is that the contribution rate determined by a given actuarial valuation becomes effective two years after the valuation date. For example, the rate determined by the June 30, 2003 actuarial valuation will be applicable for the year beginning July 1, 2005 and ending June 30, 2006.

**Financing objectives and funding policy**

The actuarial cost method and the amortization periods are set by statute. Contribution rates and liabilities are computed using the Entry Age actuarial cost method. The employer contribution rate is the sum of two pieces: the employer normal cost rate and the amortization rate. The normal cost rate is determined as a percent of pay. The employer normal cost is the difference between this and the member contribution rate. The amortization rate is determined as a level percent of pay. It is the amount required to amortize the unfunded actuarial accrued liability over a closed period (30 years as of June 30, 1999). The amortization rate is adjusted for the two-year deferral in contribution rates.

**Progress toward realization of financing objectives**

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches 100%. The funded ratio, as can be seen on Table 3, increased from 68.5% to 72.0%. The employer contribution rate decreased from 36.19% to 35.51%. This decrease was principally due to assumption changes adopted as a result of the recent experience study. An analysis of the changes in the employer contribution rate appears on Table 10.

### **Benefit provisions**

The benefit provisions reflected in this valuation are those which were in effect on June 30, 2003. There were no material changes adopted since the previous actuarial valuation. The benefit provisions are summarized in Appendix B.

### **Assumptions and methods**

The actuarial assumptions were changed as a result of the experience study approved by the Board on August 11, 2004. The most material changes were a decrease in the salary increase assumption and the payroll growth assumption from 5.5% to 5.25%. More detail on changes adopted as a result of the experience study is on page 7 in the discussion section of this report.

All assumptions and methods are described in Appendix A.

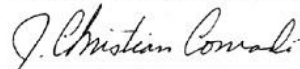
### **Data**

The System's staff supplied data for active members and retirees as of June 30, 2003. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. The System's staff also supplied asset data as of June 30, 2003.

### **Certification**

All of our work conforms with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of Rhode Island state law and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries. Both are Members of the Society of Actuaries and Members of the American Academy of Actuaries, they both meet the Qualification Standards of the American Academy of Actuaries, and they are experienced in performing valuations for large public retirement systems.

Sincerely,  
Gabriel, Roeder, Smith & Company



J. Christian Conradi, ASA, MAAA  
Senior Consultant



W. Michael Carter, FSA, MAAA  
Senior Consultant



## Actuarial Valuation - June 30, 2003

## Judicial Retirement Benefits Trust - Executive Summary

Item	2003	2002
<b>Membership</b>		
• Number of		
- Active members	42	39
- Retirees and beneficiaries	2	1
- Inactive members	-	-
- Total	44	40
• Payroll supplied by ERSRI, annualized	\$ 5,303,153	\$ 4,738,059
<b>Contribution rates</b>		
• Member	8.75%	8.75%
• State	35.51%	36.19%
<b>Assets</b>		
• Market value	\$ 11,441,463	\$ 9,035,612
• Actuarial value	\$ 13,270,977	\$ 11,129,208
• Return on market value	4.3%	-8.4%
• Return on actuarial value	1.4%	0.9%
• Employer contribution	\$ 1,656,965	\$ 1,458,093
• Ratio of actuarial value to market value	116.0%	123.2%
<b>Actuarial Information</b>		
• Normal cost %	30.28%	30.57%
• Unfunded actuarial accrued liability (UAAL)	\$ 5,164,418	\$ 5,114,501
• Amortization percentage	5.23%	5.62%
• Funding period	26 years	27 years
• GASB funded ratio	72.0%	68.5%
<b>Projected employer contribution</b>		
• Fiscal year ending June 30,	2006	2005
• Projected payroll	\$ 6,183,018	\$ 5,563,600
• Projected employer contribution	\$ 2,195,590	\$ 2,013,467



## DISCUSSION OF THE EXPERIENCE STUDY

Between the June 30, 2002 actuarial valuation and this report, the Retirement Board asked GRS to analyze the assumptions and methods used in the ERSRI actuarial valuation. The experience study was performed for the period June 30, 1996 to June 30, 2003. The study examined the assumptions used for expected investment rate, inflation rate, retirement, mortality, termination, disability salary increases, payroll growth, and other miscellaneous assumptions.

Material changes were made to the termination, payroll growth, and salary increase assumptions. Changes were also made to the mortality rates used for disabled lives as well as male teachers. The disability and retirement tables were adjusted to more closely reflect the plan experience.

All of the changes recommended by GRS were adopted by the Board except for GRS' recommendation to decrease the expected investment return assumption from 8.25% to 8.00%. Even though the Board did not accept this change, we still believe the 8.25% is a reasonable assumption and the results produced by the adopted assumptions are within the range of reasonableness.

## SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

### Valuation Date

The valuation date is June 30th of each plan year. This is the date as of which the actuarial present value of future benefits and the actuarial value of assets are determined.

### Actuarial Cost Method

The actuarial valuation uses the Entry Age Normal actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial liability.

1. The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future (currently 8.25 percent), of each participant's expected benefit payable at retirement or death is determined, based on his age, service, sex and compensation. The calculations take into account the probability of a participant's death or termination of employment prior to becoming eligible for a benefit, as well as the possibility of his terminating with a service or survivor's benefit. Future salary increases are also anticipated. The present value of the expected benefits payable on account of the active participants is added to the present value of the expected future payments to retired participants and beneficiaries to obtain the present value of all expected benefits payable from the Plan on account of the present group of participants and beneficiaries.
2. The employer contributions required to support the benefits of the Plan are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the average uniform and constant percentage rate of employer contribution which, if applied to the compensation of each new participant during the entire period of his anticipated covered service, would be required in addition to the contributions of the participant to meet the cost of all benefits payable on his behalf.
4. The unfunded accrued liability contributions are determined by subtracting the actuarial value of assets from the actuarial accrued liability and amortizing the result over 30 years from June 30, 1999.
5. The contribution rate determined by this valuation will not be effective until two years later; and the determination of the rate reflects this deferral. It is assumed that there will be no change in the employer normal cost rate due to the deferral, and it is assumed that payments are made monthly throughout the year.

### Actuarial Value of Assets

The actuarial value of assets is based on the market value of assets with a five-year phase-in of actual investment return in excess of (less than) expected investment income. Expected investment income is determined using the assumed investment return rate and the market value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses.



## Actuarial Assumptions

### Economic Assumptions

*Investment return:* 8.25% per year, compounded annually, composed of an assumed 3.00% inflation rate and a 5.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses.

*Salary increase rate:* Salaries are assumed to increase at the rate of 5.25% per year.

Salary increases are assumed to occur once a year, on July 1. Therefore the pay used for the period between the valuation date and the first anniversary of the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption.

*Payroll growth rate:* In the amortization of the unfunded frozen liability payroll is assumed to increase 5.25% per year. This assumption includes no allowance for future membership growth.

### Demographic Assumptions

#### *Mortality rates*

- **Healthy males** – Based on the 1994 Group Annuity Mortality Table for males. Rates are set forward one year.
- **Healthy females** - Based on the 1994 Group Annuity Mortality Table for females.
- **Disability rates** – None
- **Termination rates** - None

*Retirement rates* – Judges are assumed to retire when eligible for an unreduced retirement benefit (age 65 with 20 years of service, or age 70 with 15 years of service). Judges who have not reached eligibility for an unreduced retirement benefit by age 75 are assumed to terminate at age 75 and receive either a reduced retirement benefit, if eligible, or a refund.

#### *Other Assumptions*

**Percent married:** 85% of employees are assumed to be married.

**Age difference:** Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.

**No surviving spouse will remarry and there will be no children's benefit.**

**Administrative expenses:** The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.

### Participant Data

Participant data was supplied in an electronic files for active members and retirees. The data for active members included birth date, sex, service, salary and employee contribution account balance. For retired members and beneficiaries, the data included date of birth, sex, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and a form of payment code.



## **SUMMARY OF BENEFIT PROVISIONS**

**Effective Date and Authority:** The Judicial Retirement Fund (JRF) became effective on January 1, 1990 for judges hired on or after that date. Benefits are described in Rhode Island General Laws, Title 8, Chapters 3, 8, and 16, Title 28, Chapter 30, and Title 31, Chapter 43.

**Plan Year:** A twelve-month period ending June 30th.

**Administration:** The Judicial Retirement Fund is administered by the Employees' Retirement Board. However, the State Treasurer is responsible for the investment of the trust assets, including the establishment of the asset allocation policy. Assets are commingled for investment purposes with those of the Employees' Retirement System of Rhode Island and various other plans and programs.

**Type of Plan:** The Judicial Retirement Fund is a qualified governmental defined benefit retirement plan. For Governmental Accounting Standards Board purposes, it is a single-employer plan.

**Eligibility:** All judges or justices of the supreme court, a superior court, a district court, a family court, an administrative adjudication court or a workers' compensation court participate in this plan if they were hired on or after January 1, 1990. (These are referred to collectively as state judges.) Benefits for state judges hired before January 1, 1990 are being paid by the state from the general assets of the state, on a pay-as-you-go basis. Eligible state judges become members at their date of employment.

**Salary:** Contributions are based on the judge's salary. Benefits are based on the judge's salary at the time of retirement.

**Employee Contributions:** State judges contribute 8.75% of their salary per year. The state "picks up" the members' contributions for its employees under the provisions of Internal Revenue Code (IRC) Section 414(h).

**Employer Contributions:** The state contributes an actuarially determined percentage of the member's annual salary. Contributions determined in a given actuarial valuation go into effect two years after the actuarial valuation.

### *Full Retirement*

**Eligibility:** All judges are eligible for unreduced retirement at or after age 65 if the judge has served for 20 years, or at or after age 70 after 15 years of service.

**Monthly Benefit:** 100% of the judge's salary at retirement.

**Payment Form:** Benefits are paid as a monthly life annuity. There are no optional forms of payment available.

**Death Benefit:** After the death of a retired member; if the member was married, 50% of the retiree's benefit is paid to the surviving spouse for life (or until remarriage).

### *Reduced Retirement*

**Eligibility:** A judge is eligible for a reduced retirement benefit at age 65 if the judge has served for 10 years, or at any age after 20 years of service.

**Reduced Retirement Benefit:** 75% of the judge's salary at retirement.

**Payment Form:** Same as for Full Retirement.

**Death Benefit:** Same as for Full Retirement.



### *Refunds*

**Eligibility:** All judges leaving covered employment for a reason other than death or retirement.

**Benefit:** A lump-sum payment equal to the sum of his/her employee contributions. No interest is credited on these contributions.

### *Death Benefit of Active Members*

After the death of an active member, if the member was married, a benefit will be paid to the spouse until his/her death or remarriage. The benefit is equal to 25% of the judge's salary at death if the member had less than seven years of service. If the judge had at least seven but less than 15 years of service, the benefit is equal to 1/3 of the judge's salary at death. If the judge had at least 15 years of service or if the judge was eligible for retirement, the spouse receives 50% of the judge's salary at death. Benefits are payable until the spouse's death or remarriage. Benefits may be paid to any minor children after the death of the spouse.

*Post-retirement Benefit Increase:* Members receive an increase equal to 3.00% of the original benefit each year, beginning in January of the year in which the member reaches the third anniversary of retirement. The increase applies to both retirement and death benefits. This increase is not tied in any way to actual increases in the cost of living (Judges of the administrative adjudication and workers compensation courts receive a compound 3.00% increase, rather than a simple 3.00% increase.)



**EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND****PLAN NET ASSETS**  
**(Assets at Market or Fair Value)**

<b>Item</b>	<b>June 30, 2003</b>	<b>June 30, 2002</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
<b>1. Cash and cash equivalents</b>	<b>\$ 154,694</b>	<b>\$ 137,623</b>
<b>2. Receivables:</b>		
<b>a. Employer and member contributions</b>	<b>\$ -</b>	<b>\$ 71,737</b>
<b>b. Transfers receivable</b>	<b>80,661</b>	<b>-</b>
<b>c. Miscellaneous</b>	<b>6,833</b>	<b>1,548</b>
<b>d. Total receivables</b>	<b>\$ 87,494</b>	<b>\$ 73,285</b>
<b>3. Investments</b>		
<b>a. Pooled trust</b>	<b>\$ 11,187,155</b>	<b>\$ 8,816,963</b>
<b>b. Plan specific investments</b>	<b>-</b>	<b>-</b>
<b>c. Total</b>	<b>\$ 11,187,155</b>	<b>\$ 8,816,963</b>
<b>4. Invested securities lending collateral</b>	<b>\$ 1,215,174</b>	<b>\$ 861,583</b>
<b>5. Property and equipment</b>	<b>20,157</b>	<b>\$ 15,147</b>
<b>6. Total assets</b>	<b>\$ 12,664,674</b>	<b>\$ 9,904,601</b>
<b>7. Liabilities</b>		
<b>a. Benefits payable</b>	<b>\$ -</b>	<b>\$ -</b>
<b>b. Securities lending liability</b>	<b>1,215,174</b>	<b>861,583</b>
<b>c. Accounts and vouchers payable</b>	<b>8,037</b>	<b>7,406</b>
<b>d. Total liabilities</b>	<b>\$ 1,223,211</b>	<b>\$ 868,989</b>
<b>8. Total market value of assets available for benefits</b>		
<b>Total (Item 6 - Item 7)</b>	<b>\$ 11,441,463</b>	<b>\$ 9,035,612</b>



## RECONCILIATION OF PLAN NET ASSETS

	June 30, 2003	June 30, 2002
1. Market value of assets as of beginning of year	\$ 9,035,612	\$ 8,007,396
2. Contributions		
a. Members	\$ 433,824	\$ 415,930
b. State	1,656,965	1,458,093
c. Service purchases	-	-
d. Total	<u>\$ 2,090,789</u>	<u>\$ 1,874,023</u>
3. Investment earnings, net of investment and administrative expenses	\$ 443,062	\$ (748,801)
4. Expenditures for the year		
a. Benefit payments	\$ (118,978)	\$ (92,136)
b. Cost-of-living adjustments	(1,382)	-
c. Post-retirement death benefits	-	-
d. Pre-retirement death benefits	-	-
e. Social security supplements	-	-
f. Supplemental pensions	-	-
g. Refunds	-	-
h. Administrative expenses	(7,640)	(4,870)
i. Total expenditures	<u>\$ (128,000)</u>	<u>\$ (97,006)</u>
5. Transfers and other adjustments	\$ -	\$ -
6. Market value of assets at end of year	\$ 11,441,463	\$ 9,035,612

## ANALYSIS OF CHANGE IN EMPLOYER COST

Basis	Employer Cost
1. Employer fiscal 2005 cost	36.19%
2. Impact of changes, gains and losses	
a. Salary (gain)/loss	(0.11%)
b. Investment experience (gain)/loss	0.93%
c. Non-salary liability experience (gain)/loss	(0.19%)
d. Changes in assumptions	<u>(1.31%)</u>
e. Total	(0.68%)
3. Employer fiscal 2006 cost	35.51%

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**EMPLOYEES RETIREMENT SYSTEM  
OF RHODE ISLAND**

**STATISTICAL INFORMATION**

**STATISTICAL INFORMATION**

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Distribution of Active Members by Age and by Years of Service (Teachers)  
As of 06/30/2003  
Years of Credited Service

Attired Age	0		1		2		3		4		5-9		10-14		15-19		20-24		25-29		30-34		35 & Over		4Total			
	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	
Under 25	32	\$24,334	82	\$29,910	37	\$34,017	2	\$38,947	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	153	\$29,855
25-29	62	\$22,698	179	\$32,059	235	\$34,887	310	\$37,813	227	\$198	198	\$43,855	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	1,211	\$36,968
30-34	72	\$26,935	178	\$36,514	245	\$39,210	269	\$39,256	273	\$42,293	947	\$48,466	117	\$59,371	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	2,101	\$44,262
35-39	29	\$23,901	66	\$37,172	102	\$40,112	116	\$43,020	137	\$45,224	577	\$51,456	589	\$59,805	85	\$60,544	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	1,701	\$52,020
40-44	28	\$27,153	66	\$36,330	91	\$41,748	109	\$43,510	91	\$45,986	399	\$52,248	411	\$61,940	312	\$61,940	37	\$63,228	0	\$0	0	\$0	0	\$0	0	\$0	1,544	\$53,834
45-49	18	\$28,751	65	\$39,756	100	\$41,032	122	\$46,524	113	\$46,654	430	\$53,783	469	\$61,270	329	\$62,822	304	\$63,090	164	\$63,160	0	\$0	0	\$0	0	\$0	2,114	\$56,869
50-54	14	\$30,864	41	\$40,655	49	\$44,189	71	\$47,976	88	\$48,523	328	\$56,496	577	\$61,843	376	\$63,026	271	\$63,168	680	\$64,232	528	\$65,685	558	\$67,210	80	\$67,619	3,023	\$61,307
55-59	11	\$37,569	30	\$47,763	31	\$50,767	32	\$52,586	33	\$57,148	171	\$58,791	273	\$61,690	267	\$62,480	195	\$63,349	213	\$65,021	558	\$67,210	60	\$69,210	56	\$69,210	1,894	\$63,189
60-64	4	\$36,203	7	\$57,679	8	\$64,259	13	\$60,557	5	\$43,850	57	\$62,356	95	\$62,970	97	\$62,304	68	\$66,117	70	\$63,661	60	\$66,110	18	\$69,210	18	\$69,210	540	\$63,784
65 & Over	2	\$11,591	1	\$61,264	3	\$33,107	2	\$71,798	2	\$47,889	13	\$55,845	16	\$60,771	17	\$62,083	14	\$62,241	23	\$64,907	18	\$68,050	154	\$74,490	154	\$74,490	14,410	\$62,844
Total	272	\$26,138	715	\$35,931	901	\$39,300	1,046	\$41,863	969	\$44,053	3,120	\$51,637	2,547	\$60,899	1,483	\$62,454	889	\$63,394	1,150	\$64,204	1,164	\$66,475	154	\$69,001	154	\$69,001	14,410	\$54,248



**MEMBERSHIP DATA (TEACHERS)**

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
	(1)	(1)
<b>1. Active members</b>		
a. Number	14,410	14,710
b. Number vested	7,387	7,568
c. Total payroll supplied by ERSRI	\$ 781,718,751	\$ 735,288,788
d. Average salary	\$ 54,248	\$ 49,986
e. Average age	44.2	44.4
f. Average service	12.7	12.5
<b>2. Inactive members</b>		
a. Number	1,404	1,042
<b>3. Service retirees</b>		
a. Number	7,131	6,772
b. Total annual benefits	\$ 255,829,530	\$ 232,932,070
c. Average annual benefit	\$ 35,876	\$ 34,396
d. Average age	67.3	67.4
<b>4. Disabled retirees</b>		
a. Number	220	213
b. Total annual benefits	\$ 4,940,819	\$ 4,600,110
c. Average annual benefit	\$ 22,458	\$ 21,597
d. Average age	63.2	62.8
<b>5. Beneficiaries and spouses</b>		
a. Number	353	326
b. Total annual benefits	\$ 6,465,097	\$ 5,854,110
c. Average annual benefit	\$ 18,315	\$ 17,957
d. Average age	69.7	70.8



Distribution of Active Members by Age and by Years of Service (State Employees)  
As of 06/30/2003  
Years of Credited Service

Attained Age	0		1		2		3		4		5-9		10-14		15-19		20-24		25-29		30-34		35 & Over		4Total			
	Count	Avg Comp	Count	Avg Comp	Count	Avg Comp	Count	Avg Comp	Count	Avg Comp	Count	Avg Comp	Count	Avg Comp	Count	Avg Comp	Count	Avg Comp	Count	Avg Comp	Count	Avg Comp	Count	Avg Comp	Count	Avg Comp	Count	Avg Comp
Under 25	36	\$18,201	25	\$26,386	21	\$26,717	13	\$26,553	2	\$30,828	1	\$21,358	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	98	\$23,512
25-29	67	\$17,337	67	\$31,907	118	\$31,776	81	\$32,286	63	\$34,210	44	\$35,522	1	\$33,825	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	441	\$30,422
30-34	148	\$20,509	88	\$34,330	120	\$33,711	128	\$36,922	109	\$37,308	233	\$39,651	141	\$38,383	2	\$36,847	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	969	\$34,695
35-39	71	\$24,647	51	\$35,622	93	\$33,950	100	\$35,008	107	\$37,689	272	\$40,961	519	\$42,412	206	\$40,843	1	\$29,579	0	\$0	0	\$0	0	\$0	0	\$0	1,420	\$39,333
40-44	77	\$22,887	69	\$36,596	99	\$37,513	93	\$35,089	101	\$38,430	233	\$41,914	507	\$43,221	509	\$46,914	237	\$44,140	13	\$40,353	0	\$0	0	\$0	0	\$0	1,938	\$42,152
45-49	52	\$21,392	52	\$31,025	99	\$34,223	90	\$36,614	123	\$38,553	215	\$41,878	476	\$43,208	434	\$49,597	477	\$49,251	399	\$46,073	18	\$44,105	18	\$44,105	0	\$0	2,435	\$44,143
50-54	47	\$25,772	44	\$35,314	66	\$36,026	63	\$32,933	80	\$36,179	198	\$43,824	403	\$43,707	386	\$46,657	377	\$51,633	514	\$54,309	230	\$52,984	230	\$52,984	7	\$47,359	2,415	\$47,359
55-59	20	\$26,199	28	\$40,968	25	\$36,075	46	\$34,944	42	\$42,529	142	\$41,153	331	\$41,186	332	\$45,796	342	\$49,368	324	\$54,764	275	\$62,143	275	\$62,143	38	\$57,011	1,945	\$48,602
60-64	11	\$22,449	17	\$30,954	6	\$36,253	19	\$35,973	20	\$36,083	71	\$43,305	192	\$41,296	224	\$42,298	185	\$48,788	161	\$49,289	87	\$54,393	87	\$54,393	35	\$60,005	1,028	\$45,397
65 & Over	7	\$31,648	2	\$23,188	5	\$16,172	5	\$37,850	9	\$50,361	22	\$35,091	116	\$37,923	126	\$41,165	105	\$43,804	111	\$46,471	53	\$55,129	53	\$55,129	31	\$62,937	592	\$43,884
Total	536	\$21,792	443	\$33,967	652	\$34,038	638	\$34,954	656	\$37,798	1,431	\$41,301	2,686	\$42,101	2,219	\$45,862	48,700	\$48,700	1,522	\$51,025	663	\$56,898	663	\$56,898	111	\$59,555	13,281	\$43,364





MEMBERSHIP DATA (STATE EMPLOYEES)

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
	(1)	(1)
<b>1. Active members</b>		
a. Number	13,281	13,795
b. Number vested	8,925	8,906
c. Total payroll supplied by ERSRI	\$ 575,919,807	\$ 563,002,274
d. Average salary	43,364	40,812
e. Average age	47.8	47.4
f. Average service	14.8	14.3
<b>2. Inactive members</b>		
a. Number	1,876	1,569
<b>3. Service retirees</b>		
a. Number	7,728	7,761
b. Total annual benefits	\$ 141,888,640	\$ 134,644,000
c. Average annual benefit	18,360	17,349
d. Average age	73.4	73.2
<b>4. Disabled retirees</b>		
a. Number	638	628
b. Total annual benefits	\$ 8,736,196	\$ 8,018,000
c. Average annual benefit	13,693	12,768
d. Average age	62.5	62.4
<b>5. Beneficiaries and spouses</b>		
a. Number	1,032	1,037
b. Total annual benefits	\$ 12,882,285	\$ 12,341,000
c. Average annual benefit	12,483	11,901
d. Average age	74.9	74.5



**HISTORICAL SUMMARY OF ACTIVE MEMBER DATA**

Valuation as of June 30,	Active Members		Covered Payroll		Average Salary		Average Age	Average Service
	Number	Percent Increase	Amount in \$ Millions	Percent Increase	\$ Amount	Percent Increase		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<i>State Employees</i>								
1998	13,105	1.9%	458	7.6%	34,963	5.6%	46.4	14.4
1999	13,369	2.0%	476	3.9%	35,606	1.8%	46.4	14.4
2000	13,305	(0.5%)	499	4.8%	37,510	5.3%	46.7	14.4
2001	13,594	2.2%	521	4.4%	38,321	2.2%	46.9	14.5
2002	13,795	1.5%	563	8.1%	40,812	6.5%	47.4	14.3
2003	13,281	(3.7%)	576	2.3%	43,364	6.3%	47.8	14.8
<i>Teachers</i>								
1998	12,883	1.6%	598	4.4%	46,453	2.8%	45.0	14.9
1999	13,282	3.1%	633	5.7%	47,642	2.6%	45.0	14.6
2000	13,607	2.4%	659	4.0%	48,402	1.6%	44.7	14.0
2001	14,092	3.6%	697	5.9%	49,491	2.3%	44.4	13.3
2002	14,710	4.4%	735	5.4%	49,986	1.0%	44.4	12.5
2003	14,410	(2.0%)	782	6.3%	54,248	8.5%	44.2	12.7



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

ACTIVE MEMBER STATISTICS

Unit Old	Number New	Unit	Code(s)	Active Employees as of June 30, 2003				Active Employees as of June 30, 2002			
				Number	Avg Age	Avg Service	Avg Salary	Number	Avg Age	Avg Service	Avg Salary
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(11)
<b>General Employee Units</b>											
3001	1002 1003	Barrington		5	42.5	16.0	\$ 32,383	11	40.6	8.3	\$ 23,199
3002	1012 1019	Bristol	B	94	46.1	11.7	32,163	97	44.5	10.9	30,363
3003	1032 1033	Burrillville	C	160	49.0	10.7	28,068	163	48.8	9.9	27,475
3004	1052	Central Falls		50	43.5	10.2	31,156	49	44.1	9.9	29,893
3005	1082	Charlestown	C	38	43.7	9.4	34,091	36	41.5	9.4	31,103
3007	1112 1113	Cranston	B	864	49.3	10.3	25,087	883	48.7	9.7	25,175
3008	1122 1123	Cumberland		253	48.7	8.7	26,002	263	48.2	8.4	24,872
3009	1152 1153	East Greenwich		30	49.6	8.7	32,585	186	47.5	8.6	25,324
3010	1162 1163	East Providence	B	488	47.4	9.8	33,802	493	47.2	9.2	31,517
3011	1183	Exeter/West Greenwich	B	72	50.1	10.3	22,397	70	49.5	9.7	22,729
3012	1192 1193	Foster		43	48.5	9.9	21,151	46	48.3	8.4	19,508
3013	1212 1213	Glocester	C	66	49.4	9.8	26,329	69	48.3	9.2	23,626
3014	1262	Hopkinton	C	28	48.5	8.2	33,374	32	49.6	7.5	28,388
3015	1272 1273	Jamestown	C	75	47.1	7.7	29,653	72	46.8	7.5	28,030
3016	1282 1283	Johnston	C	300	48.6	8.3	26,393	310	48.1	7.7	26,374
3017	1302 1303	Lincoln		19	46.7	4.2	37,882	23	46.7	2.7	37,720
3019	1322 1323	Middletown	C	91	45.9	5.3	35,752	91	46.0	7.8	35,251
3021 1352	1353 1354	Newport	B	315	48.2	11.9	31,363	314	47.8	11.6	30,102
3022	1342 1343	New Shoreham	B	58	46.4	6.1	29,137	58	45.1	5.8	30,298
3023	1372 1373	North Kingstown	C	353	49.4	10.6	26,962	354	48.9	10.7	26,617
3024	1382 1383	North Providence		269	46.9	9.4	23,250	275	46.8	8.9	23,252
3025	1392 1393	North Smithfield	B	95	48.7	8.7	25,534	104	47.5	7.6	26,589
3026	1412 1413	Pawtucket	C	703	47.5	10.9	29,097	729	47.7	10.8	27,518
3027	1515	Union Fire District		3	56.0	11.2	29,699	3	55.0	10.0	29,240
3029	1452	Richmond		22	47.7	5.0	25,802	23	44.7	5.7	19,948
3030	1462 1463	Scituate	B	103	48.8	7.1	24,606	111	47.7	6.5	23,139
3031	1472 1473	Smithfield		69	51.1	9.4	28,050	75	50.0	8.0	27,190
3032	1492 1493	South Kingstown	B	373	47.4	9.0	26,239	366	46.9	8.9	26,241
3033	1532 1533	Tiverton	C	68	49.8	10.1	28,541	73	51.6	9.6	28,632
3034	1562	Warren	C	41	43.9	8.3	33,558	40	44.9	8.6	30,939
3036	1622 1623	Westerly		1	52.3	20.9	51,142	1	51.0	19.0	54,849
3037	1602	West Greenwich		25	47.6	9.2	28,771	25	48.2	10.2	27,012
3039	1632 1633	Woonsocket	B	458	47.5	8.7	25,270	437	47.1	8.6	23,593
3040	1073	Chariho School District		153	48.0	9.7	22,339	163	46.7	8.7	21,102
3041	1203	Foster/Glocester	B	48	51.0	10.5	25,410	48	50.5	9.7	23,461
3042	1528	Tiogue Fire & Lighting	C,5	—	—	—	—	—	—	—	—
3043	1336	Narragansett Housing	C	4	36.6	5.2	32,619	4	35.8	4.0	29,546
3045	1098	Coventry Lighting Dist.	C	3	67.3	36.5	47,808	4	61.3	28.5	42,909
3046	1242	Hope Valley Fire	C	3	49.8	11.2	27,516	3	49.0	10.0	26,713
3050	1156	East Greenwich Hsg	C	6	44.4	10.4	33,175	5	46.4	11.2	27,875
3051	1116	Cranston Housing	C	19	49.3	10.1	37,122	19	48.4	9.0	34,769
3052	1166	East Providence Hsg	B	15	50.6	9.3	33,805	15	51.2	8.5	34,136
3053	1416	Pawtucket Housing	B	45	47.9	12.0	38,817	50	47.0	11.1	36,736
3056	1126	Cumberland Housing	C	15	44.7	4.6	32,109	16	43.8	3.8	31,577
3057	1306	Lincoln Housing	B	10	51.7	3.6	38,048	9	52.2	2.7	36,375



ACTIVE MEMBER STATISTICS

Unit Old	Number New	Unit	Code(s)	Active Employees as of June 30, 2003				Active Employees as of June 30, 2002			
				Number	Avg Age	Avg Service	Avg Salary	Number	Avg Age	Avg Service	Avg Salary
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(11)
<b>General Employee Units</b>											
3059	1016	Bristol Housing		8	51.3	13.3	29,773	9	50.7	10.8	27,050
3065	1036	Burrillville Housing	B	4	53.1	16.5	31,870	4	52.0	15.5	31,267
3066	1386	North Providence Hsg	B	8	50.2	10.5	33,697	9	51.1	8.8	29,766
3067	1177	East Smithfield Water	C	4	54.1	10.7	39,006	4	57.8	11.5	33,849
3068	1227	Greenville Water		4	45.6	14.1	45,528	4	45.0	13.0	44,330
3069	1356	Newport Housing	C	41	51.0	8.7	35,972	43	49.7	8.0	34,147
3071	1566	Warren Housing	B	6	54.7	9.9	33,714	6	55.2	12.2	32,898
3072	1286	Johnston Housing		8	53.6	12.9	31,052	8	52.6	11.9	31,610
3077	1538	Tiverton Local 2670A	C	23	47.7	8.6	29,892	22	50.5	9.2	29,435
3078	1007 1009	Barrington COIA	C	168	49.4	9.7	30,954	164	49.2	9.0	30,485
3079	1096	Coventry Housing		11	44.1	5.8	28,895	11	43.2	4.7	28,534
3080	1496	South Kingstown Hsg	C	3	43.4	2.5	31,026	5	41.2	1.0	27,758
3081	1403	N. RI Collab. Adm. Svcs.	C	67	43.9	2.7	18,788	71	42.3	1.4	18,039
3083	1616	West Warwick Housing	B	8	53.2	10.9	34,324	8	52.1	9.8	32,311
3084	1476	Smithfield Housing		3	44.3	13.3	27,707	3	43.0	12.0	26,569
3094	1478	Smithfield COIA	C	69	47.9	9.8	37,223	80	47.8	9.5	34,224
3096	1056	Central Falls Housing	C	19	42.6	4.2	31,962	17	46.7	5.2	30,575
3098	1293	Lime Rock Adm. Svcs.		2	47.3	11.0	29,948	2	46.5	10.0	27,989
3099	1063	Central Falls Schools	C	163	47.4	8.0	23,550	167	46.7	7.1	22,815
3100	1023	Bristol/Warren Schools	B	149	48.5	8.3	23,481	158	47.9	7.5	22,613
3101	1157	Town of EGreenwich-COIA	C,2	160	47.3	8.9	24,451	---	---	---	---
<b>All General Employee Units</b>				<b>6,881</b>	<b>48.1</b>	<b>9.5</b>	<b>\$ 27,710</b>	<b>7,013</b>	<b>47.7</b>	<b>9.1</b>	<b>\$ 26,773</b>
<b>Police &amp; Fire Units</b>											
4016	1285	Johnston Fire	D	20	34.6	2.0	42,361	10	33.6	2.0	37,833
4029	1454	Richmond Fire District		6	37.7	5.5	28,707	9	34.1	3.2	\$ 23,091
4031	1474	Smithfield Police	C,D	8	27.3	3.2	38,023	8	26.4	2.1	40,818
4042	1555	Valley Falls Fire	D	13	38.7	11.6	41,502	12	38.5	11.5	40,023
4047	1395 1435	N. Smithfield Vol. Fire	B,D	21	37.8	8.0	39,609	19	38.5	7.8	44,928
4050	1155	East Greenwich Fire	C,D	21	40.4	13.8	45,472	25	38.9	12.0	41,697
4054	1154	East Greenwich Police	C,D	31	38.1	10.7	47,438	32	37.4	10.0	46,015
4055	1375	North Kingstown Fire	C,D	80	39.5	12.3	41,139	75	38.8	11.7	39,805
4056	1374	North Kingstown Police	C,D	48	37.5	11.0	43,076	47	37.4	11.8	40,144
4057	1235	Harris Fire Department	C	4	32.9	6.6	29,776	4	32.0	5.5	29,997
4058	1385	North Providence Fire	D	102	40.8	13.6	46,194	101	40.5	13.5	45,076
4059	1008	Barrington Fire (25)	C	8	34.8	3.5	43,482	7	33.9	2.7	39,172
4060	1004	Barrington Police	C,D	19	36.5	10.3	45,577	21	39.6	12.5	45,034
4061	1005	Barrington Fire (20)	C,D	13	46.6	19.7	45,850	13	45.6	18.6	44,623
4062	1564	Warren Police & Fire	C,D	25	35.9	9.4	40,179	21	37.4	10.1	41,958
4063	1494	South Kingstown Police	B,1	52	40.7	14.6	43,611	52	40.0	14.2	44,023
4064	1435	Prinrose Volunteer Fire	3	---	---	---	---	---	---	---	---
4073	1464	Scituate Police	3	---	---	---	---	---	---	---	---
4076	1394	North Smithfield Police	C,D	21	35.9	10.2	44,085	21	40.1	12.8	45,800
4077	1534	Tiverton Fire	C,D	29	38.3	9.8	36,540	30	37.8	9.5	35,422
4082	1194	Foster Police	C,D	6	41.7	15.9	41,222	7	44.4	14.1	43,388



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

ACTIVE MEMBER STATISTICS

Unit Old	Number New	Unit	Code(s)	Active Employees as of June 30, 2003				Active Employees as of June 30, 2002			
				Number	Avg Age	Avg Service	Avg Salary	Number	Avg Age	Avg Service	Avg Salary
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(11)
<b>Police &amp; Fire Units</b>											
4085	1634	Woonsocket Police	C,D	100	37.5	11.7	46,708	96	36.9	11.2	46,516
4086	1084	Charlestown Police	C,D	20	40.5	13.9	45,873	19	39.6	13.2	43,745
4087	1264	Hopkinton Police	C,D	15	37.0	10.0	39,710	16	37.3	8.7	36,440
4088	1214	Glocester Police	C,D	17	38.3	11.0	40,118	17	37.8	11.0	38,706
4089	1604	WGreenwich Pol./RSQ	C,D	12	38.6	9.6	35,898	10	36.5	10.3	35,971
4090	1034	Burrillville Police	C,D	23	38.8	11.5	45,354	24	37.7	10.3	43,026
4091	1148	Cumberland Rescue	C,D	16	38.3	10.0	41,259	16	36.4	8.4	31,629
4092	1585	Washington Fire	D	9	39.2	10.8	40,978	9	38.2	9.7	38,951
4093	1635	Woonsocket Fire	C,D	94	36.8	10.7	44,036	94	36.2	9.9	39,220
4094	1015	Bristol Fire	C	2	50.2	8.7	45,124	2	49.5	7.5	43,061
4095	1135	Cumberland Hill Fire	C,D	15	36.0	11.1	38,492	13	35.8	11.5	37,996
4096	1014	Bristol Police	C,D	16	31.2	3.7	40,368	14	32.1	2.9	38,176
4098	1095	Coventry Fire	D	16	40.0	9.2	34,784	15	39.3	8.1	33,154
4099	1505	South Kingstown EMT	C,D	16	32.3	5.7	31,688	18	32.1	4.5	32,954
4100	1525	Tiogue Fire		6	35.6	6.6	30,814	6	37.2	5.5	28,736
4101	1365	North Cumberland	D	14	39.5	12.5	38,670	14	39.4	11.4	37,788
4102	1045	Central Coventry Fire	C,D	12	34.6	7.8	36,381	12	35.4	7.6	38,105
4103	1255	Hopkins Hill Fire	D	4	37.0	9.8	41,619	4	36.3	8.8	35,753
4104	1114	Cranston Police	C,D,4	81	33.4	5.8	45,626	63	34.7	6.4	44,593
4105	1115	Cranston Fire	C,D,4	116	37.2	8.3	49,332	102	37.0	8.4	47,375
4106	1125	Cumberland Fire	B,D	11	39.8	10.0	34,889	11	40.4	9.0	34,737
4107	1305	Lincoln Rescue	C	16	35.9	8.4	37,786	17	34.6	7.7	35,904
4108	1344	New Shoreham Police	B,D	4	38.9	12.2	41,730	4	39.0	11.8	49,469
9710	1324	Middletown Pol. & Fire	C,D	3	30.1	2.1	37,701	3	29.0	1.0	33,401
<b>All Police &amp; Fire Units</b>				<b>1,165</b>	<b>37.7</b>	<b>10.3</b>	<b>\$ 43,370</b>	<b>1,113</b>	<b>37.6</b>	<b>10.2</b>	<b>\$ 41,794</b>
<i>All MERS Units</i>				<i>8,046</i>	<i>46.6</i>	<i>9.7</i>	<i>\$ 29,978</i>	<i>8,126</i>	<i>46.3</i>	<i>9.3</i>	<i>\$ 28,830</i>

B - Municipality has adopted COIA Plan B

C - Municipality has adopted COIA 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, 1993, and 2.5% of salary for service on or after July 1, 1993.

2 - New unit in 2003 valuation.

3 - Closed unit.

4 - Cranston Fire and Police are contributing 10% due to special plan provision.

5 - This unit has no active members.



**Distribution of Active Members by Age and by Years of Service (General Employees)**  
 As of 06/30/2003  
 Years of Credited Service

Attained Age	0		1		2		3		4		5-9		10-14		15-19		20-24		25-29		30-34		35-39		40 & Over		Total	
	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp	Count & Avg Comp
Under 25	34	\$23,308	26	\$21,834	11	\$25,446	8	\$23,417	6	\$41,142	1	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	86	\$23,326
25-29	24	\$25,842	50	\$23,068	43	\$27,850	26	\$27,189	15	\$26,518	29	\$32,455	2	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	189	\$26,159
30-34	49	\$28,356	52	\$23,511	53	\$24,360	38	\$28,057	38	\$29,928	88	\$33,568	49	\$37,437	1	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	368	\$27,951
35-39	116	\$26,099	103	\$23,169	118	\$25,716	88	\$24,087	59	\$30,995	130	\$32,897	145	\$36,841	62	\$0	0	\$0	2	\$0	0	\$0	0	\$0	0	\$0	823	\$27,548
40-44	71	\$28,578	109	\$22,334	168	\$20,512	92	\$24,139	95	\$26,630	285	\$30,488	172	\$36,639	87	\$9,458	44	\$39,773	44	\$0	4	\$0	0	\$0	0	\$0	1,127	\$26,563
45-49	74	\$24,650	118	\$22,188	124	\$21,353	119	\$25,458	89	\$25,487	315	\$28,946	268	\$39,521	116	\$9,458	76	\$39,773	76	\$0	47	\$0	3	\$0	0	\$0	1,349	\$27,052
50-54	41	\$21,508	54	\$24,616	91	\$23,826	67	\$29,343	65	\$24,679	251	\$27,805	290	\$37,447	169	\$5,106	90	\$41,036	90	\$0	61	\$38,393	28	\$35,861	1	\$0	1,208	\$28,652
55-59	33	\$29,860	32	\$22,994	57	\$23,778	39	\$27,851	27	\$26,168	169	\$27,418	212	\$35,290	176	\$5,574	87	\$39,280	87	\$0	50	\$48,972	30	\$46,573	5	\$0	917	\$29,359
60-64	12	\$29,425	17	\$23,770	25	\$25,804	25	\$30,240	19	\$25,676	91	\$28,212	109	\$30,508	86	\$9,325	69	\$34,539	69	\$0	48	\$35,574	22	\$29,897	3	\$0	526	\$29,363
65-69	5	\$25,080	4	\$16,244	5	\$26,656	4	\$22,659	8	\$27,479	30	\$27,356	41	\$27,456	38	\$11,240	24	\$28,922	24	\$0	17	\$30,391	11	\$26,298	2	\$0	189	\$27,195
70 & Over	4	\$22,457	0	\$0	6	\$17,814	2	\$11,170	2	\$18,415	11	\$23,330	19	\$19,329	18	\$1,890	7	\$25,665	7	\$0	12	\$20,524	12	\$19,405	4	\$0	99	\$40,745
<b>Total</b>	463	\$26,173	565	\$22,862	701	\$22,711	508	\$26,081	423	\$26,480	1,400	\$29,072	1,307	\$31,530	753	\$31,161	399	\$36,805	399	\$0	239	\$37,761	106	\$32,575	15	\$0	6,881	\$40,745



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

Distribution of Active Members by Age and by Years of Service (Police & Fire)  
As of 06/30/2003  
Years of Credited Service

Attained Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over	Total
	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.
Under 25	26 \$33,201	10 \$30,623	7 \$31,374	1 \$36,691	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	44 \$32,404
25-29	23 \$36,660	22 \$33,891	25 \$33,483	28 \$37,142	14 \$39,752	21 \$44,356	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	133 \$37,247
30-34	24 \$36,994	20 \$36,213	13 \$37,403	26 \$39,575	23 \$42,348	105 \$43,538	41 \$44,331	1 \$49,819	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	253 \$41,661
35-39	12 \$39,245	6 \$36,101	14 \$37,403	12 \$39,263	8 \$40,512	69 \$43,278	137 \$46,510	49 \$19,290	1 \$42,989	0 \$0	0 \$0	0 \$0	0 \$0	308 \$44,506
40-44	5 \$36,910	3 \$38,671	5 \$36,604	2 \$38,494	5 \$34,038	32 \$46,052	87 \$45,983	74 \$5,788	26 \$51,323	1 \$43,305	0 \$0	0 \$0	0 \$0	240 \$46,272
45-49	1 \$34,335	2 \$39,797	2 \$39,364	1 \$33,080	0 \$0	7 \$44,081	19 \$44,114	26 \$11,881	41 \$49,508	13 \$55,578	13 \$53,343	1 \$0	0 \$0	113 \$47,746
50-54	2 \$39,115	1 \$54,600	0 \$0	1 \$26,295	0 \$0	4 \$48,250	10 \$41,267	3 \$0	19 \$45,633	13 \$47,770	5 \$52,784	0 \$0	0 \$0	58 \$45,859
55-59	0 \$0	1 \$35,949	0 \$0	1 \$50,561	0 \$0	1 \$68,566	2 \$33,888	3 \$15,191	0 \$0	1 \$53,182	5 \$43,250	0 \$0	0 \$0	14 \$45,499
60-64	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	1 \$0	0 \$0	0 \$0	1 \$53,343	0 \$0	0 \$0	2 \$50,651
65-69	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0
70 & Over	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0
<b>Total</b>	93 \$36,154	65 \$35,059	66 \$35,277	72 \$38,385	50 \$40,496	239 \$44,071	296 \$45,637	157 \$47,297	87 \$49,130	28 \$51,429	12 \$48,905	0 \$0	0 \$0	1,165 \$43,370





RETIRED MEMBER STATISTICS

Unit Number		Unit	Retirees and Beneficiaries As of June 30, 2003				Retirees and Beneficiaries As of June 30, 2002		
Old	New		Code(s)	Number	Avg Age	Avg Monthly Benefit	Number	Avg Age	Avg Monthly Benefit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<b>General Employee Units</b>									
3001	1002 1003	Barrington		98	76.1	\$534	102	75.1	\$540
3002	1012 1019	Bristol	B	76	74.5	\$790	76	73.8	775
3003	1032 1033	Burrillville	C	70	73.0	\$686	71	72.0	662
3004	1052	Central Falls		24	69.7	\$660	25	69.1	657
3005	1082	Charlestown	C	8	69.6	\$1,320	7	69.1	1,348
3007	1112 1113	Cranston	B	467	73.2	\$871	472	72.8	843
3008	1122 1123	Cumberland		132	72.0	\$610	131	71.5	600
3009	1152 1153	East Greenwich		71	73.7	\$514	70	73.7	499
3010	1162 1163	East Providence	B	315	70.9	\$1,081	312	70.6	1,048
3011	1183	Exeter/West Greenwich	B	12	67.4	\$732	14	67.1	675
3012	1192 1193	Foster		14	74.4	\$479	15	72.9	524
3013	1212 1213	Glocester	C	17	66.3	\$667	17	66.4	663
3014	1262	Hopkinton	C	10	70.4	\$698	10	72.0	575
3015	1272 1273	Janestown	C	22	66.5	\$1,049	25	67.8	990
3016	1282 1283	Johnston	C	153	73.4	\$786	149	72.8	759
3017	1302 1303	Lincoln		1	63.8	\$3,037	1	63.0	3,037
3019	1322 1323	Middletown	C	5	55.5	\$1,355	4	53.0	1,409
3021	1352 1353 1354	Newport	B	178	72.5	\$1,026	183	72.4	966
3022	1342 1343	New Shoreham	B	9	69.2	\$1,035	8	68.0	1,027
3023	1372 1373	North Kingstown	C	135	71.7	\$776	126	71.8	706
3024	1382 1383	North Providence		144	73.5	\$528	143	72.9	529
3025	1392 1393	North Smithfield	B	60	74.6	\$538	63	73.6	513
3026	1412 1413	Pawtucket	C	441	72.9	\$762	433	72.7	743
3027	1515	Union Fire District		---	---	---	---	---	---
3029	1452	Richmond		8	73.8	\$446	8	72.9	446
3030	1462 1463	Scituate	B	52	73.4	\$761	52	72.6	744
3031	1472 1473	Smithfield		83	74.0	\$577	83	73.1	577
3032	1492 1493	South Kingstown	B	97	72.2	\$693	101	71.3	666
3033	1532 1533	Tiverton	C	55	75.0	\$562	56	74.5	536
3034	1562	Warren	C	51	74.9	\$657	52	74.1	631
3036	1622 1623	Westerly		11	76.4	\$985	13	77.6	880
3037	1602	West Greenwich		5	70.3	\$875	4	72.0	637
3039	1632 1633	Woonsocket	B	293	73.3	\$627	300	72.6	610
3040	1073	Charlho School District		22	63.6	\$612	22	63.5	543
3041	1203	Foster/Glocester	B	18	69.9	\$671	18	68.9	655
3042	1528	Tiogue Fire & Lighting	C,5	1	66.7	\$10	1	66.0	312
3043	1336	Narragansett Housing	C	1	67.8	\$437	1	67.0	437
3045	1098	Coventry Lighting District	C	---	---	---	---	---	---
3046	1242	Hope Valley Fire	C	---	---	---	---	---	---
3050	1156	East Greenwich Housing	C	---	---	---	---	---	---
3051	1116	Cranston Housing	C	9	73.5	\$630	10	71.9	597
3052	1166	East Providence Housing	B	9	77.1	\$582	10	76.9	593
3053	1416	Pawtucket Housing	B	20	74.7	\$807	17	76.5	732





EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

RETIRED MEMBER STATISTICS

Unit Number		Unit	Retirees and Beneficiaries As of June 30, 2003				Retirees and Beneficiaries As of June 30, 2002		
Old	New		Code(s)	Number	Avg Age	Avg Monthly Benefit	Number	Avg Age	Avg Monthly Benefit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<b>General Employee Units</b>									
3056	1126	Cumberland Housing	C	4	72.5	\$811	4	71.5	811
3057	1306	Lincoln Housing	B	6	73.2	\$1,073	6	72.0	1,047
3059	1016	Bristol Housing		3	72.4	\$614	3	71.7	614
3065	1036	Burrillville Housing	B	---	---	---	---	---	---
3066	1386	North Providence Housing	B	4	69.9	\$1,192	4	69.0	1,161
3067	1177	East Smithfield Water	C	1	61.5	\$660	1	61.0	623
3068	1227	Greenville Water		---	---	---	1	75.0	749
3069	1356	Newport Housing	C	11	62.3	\$1,340	11	61.4	1,308
3071	1566	Warren Housing	B	3	73.0	\$1,343	2	76.5	1,354
3072	1286	Johnston Housing		3	80.5	\$560	3	79.7	560
3077	1538	Tiverton Local 2670A	C	10	65.2	\$914	8	65.4	827
3078	1007 1009	Barrington COIA	C	6	65.3	\$1,296	4	64.5	1,140
3079	1096	Coventry Housing		6	73.6	\$434	6	72.5	434
3080	1496	South Kingstown Housing	C	1	82.4	\$246	1	81.0	246
3081	1403	N. RI Collaborative Adm. Services	C	---	---	---	---	---	---
3083	1616	West Warwick Housing	B	3	73.1	\$794	3	72.0	773
3084	1476	Smithfield Housing		---	---	---	---	---	---
3094	1478	Smithfield COIA	C	6	63.5	\$1,538	5	64.0	1813
3096	1056	Central Falls Housing	C	10	68.2	\$993	9	67.6	1,032
3098	1293	Lime Rock Administrative Services		---	---	---	---	---	---
3099	1063	Central Falls Schools	C	16	66.2	\$588	15	65.5	551
3100	1023	Bristol/Warren Schools	B	53	65.3	\$936	45	65.3	903
3101	1157	Town of E. Greenwich-COIA-NCE	C,2	---	---	---	---	---	---
<b>All General Employee Units</b>				<b>3,343</b>	<b>72.5</b>	<b>\$775</b>	<b>3,336</b>	<b>72.1</b>	<b>\$744</b>
<b>Police and Fire Units</b>									
4016	1285	Johnston Fire	D	---	---	---	---	---	---
4029	1454	Richmond Fire District		1	42.8	\$2,199	1	42.0	2199
4031	1474	Smithfield Police	C,D	1	75.5	\$374	2	73.0	250
4042	1555	Valley Falls Fire	D	5	58.2	\$1,505	5	57.2	1,505
4047	1395 1435	North Smithfield Voluntary Fire	B,D	5	58.6	\$1,836	4	60.5	1,712
4050	1155	East Greenwich Fire	C,D	18	64.3	\$1,646	16	66.1	1,561
4054	1154	East Greenwich Police	C,D	17	65.3	\$1,818	17	64.2	1,658
4055	1375	North Kingstown Fire	C,D	47	66.0	\$1,577	46	65.6	1,539
4056	1374	North Kingstown Police	C,D	15	54.8	\$2,755	15	54.6	2,680
4057	1235	Harris Fire Department	C	1	33.6	\$1,709	1	33.0	1,663
4058	1385	North Providence Fire	D	27	57.3	\$1,924	25	57.4	1,861
4059	1008	Barrington Fire (25)	C	---	---	---	---	---	---
4060	1004	Barrington Police	C,D	26	62.0	\$1,604	24	61.8	1,460
4061	1005	Barrington Fire (20)	C,D	31	66.7	\$1,182	30	65.5	1,205
4062	1564	Warren Police & Fire	C,D	25	63.9	\$1,457	26	63.8	1,395
4063	1494	South Kingstown Police	B,1	22	61.6	\$1,661	22	60.6	1,616
4073	1464	Scituate Police	3	1	74.0	\$497	1	73.0	497



RETIRED MEMBER STATISTICS

Unit Number		Unit	Retirees and Beneficiaries As of June 30, 2003				Retirees and Beneficiaries As of June 30, 2002		
Old	New		Code(s)	Number	Avg Age	Avg Monthly Benefit	Number	Avg Age	Avg Monthly Benefit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<b>Police &amp; Fire Units</b>									
4076	1394	North Smithfield Police	C,D	11	59.9	\$1,882	9	60.4	1,887
4077	1534	Tiverton Fire	C,D	17	62.9	\$1,357	18	63.1	1,305
4082	1194	Foster Police	C,D	2	62.4	\$1,203	2	61.0	1,203
4085	1634	Woonsocket Police	C,D	5	38.5	\$1,975	5	37.6	1,924
4086	1084	Charlestown Police	C,D	4	48.2	\$2,206	4	47.3	2,161
4087	1264	Hopkinton Police	C,D	1	75.5	\$1,072	1	75.0	1,041
4088	1214	Glocester Police	C,D	4	62.9	\$1,202	3	66.7	990
4089	1604	West Greenwich Police/Rescue	C,D	3	57.9	\$1,531	3	56.7	1,517
4090	1034	Burrillville Police	C,D	8	60.0	\$2,038	8	59.0	1,998
4091	1148	Cumberland Rescue	C,D	1	39.7	\$2,045	3	42.3	1,231
4092	1585	Washington Fire	D	1	48.9	\$2,552	1	48.0	2,552
4093	1635	Woonsocket Fire	C,D	4	27.4	\$1,524	4	22.5	991
4094	1015	Bristol Fire	C	---	---	---	---	---	---
4095	1135	Cumberland Hill Fire	C,D	3	55.1	\$2,145	3	54.0	2,087
4096	1014	Bristol Police	C,D	---	---	---	---	---	---
4098	1095	Coventry Fire	D	5	42.6	\$1,209	5	41.8	1,209
4099	1505	South Kingstown EMT	C,D	---	---	---	---	---	---
4100	1525	Tiogue Fire		3	51.6	\$1,664	1	49.0	2,528
4101	1365	North Cumberland	D	3	43.3	\$1,440	3	42.0	1,440
4102	1045	Central Coventry Fire	C,D	2	62.6	\$2,187	2	61.5	2,187
4103	1255	Hopkins Hill Fire	D	---	---	---	---	---	---
4104	1114	Cranston Police	C,D,4	3	40.1	\$2,974	1	39.0	3,037
4105	1115	Cranston Fire	C,D,4	---	---	---	---	---	---
4106	1125	Cumberland Fire	B,D	4	57.4	\$1,818	4	56.5	1,769
4107	1305	Lincoln Rescue	C	2	47.4	\$2,042	2	46.5	2,042
4108	1344	New Shoreham Police	B,D	---	---	---	---	---	---
9710	1324	Middletown Police & Fire	C,D	---	---	---	---	---	---
<b>All Police &amp; Fire Units</b>				<b>328</b>	<b>60.5</b>	<b>\$1,675</b>	<b>317</b>	<b>60.2</b>	<b>\$1,598</b>
<i>All MERS Units</i>				<i>3,671</i>	<i>71.5</i>	<i>\$856</i>	<i>3,653</i>	<i>71.1</i>	<i>\$818</i>

B - Municipality has adopted COIA Plan B

C - Municipality has adopted COIA 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, 1993, and 2.5% of salary for service on or after July 1, 1993.

2 - New unit in 2003 valuation.

3 - Closed unit.

4 - Cranston Fire and Police are contributing 10% due to special plan provision.

5 - This unit has no active members.



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

Distribution of Active Members by Age and by Years of Service (State Police)

As of 06/30/2003

Years of Credited Service

Attained Age	0		1		2		3		4		5-9		10-14		15-19		20-24		25-29		30-34		35-39		40 & Over		Total			
	Count	& Avg Comp.	Count	& Avg Comp.	Count	& Avg Comp.	Count	& Avg Comp.	Count	& Avg Comp.	Count	& Avg Comp.	Count	& Avg Comp.	Count	& Avg Comp.	Count	& Avg Comp.	Count	& Avg Comp.	Count	& Avg Comp.	Count	& Avg Comp.	Count	& Avg Comp.	Count	& Avg Comp.		
Under 25	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
25-29	0	\$0	0	\$0	0	\$0	5	\$63,963	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	5	\$63,963
30-34	0	\$0	0	\$0	0	\$0	9	\$63,963	0	\$0	23	\$73,322	4	\$78,286	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	36	\$71,534
35-39	0	\$0	0	\$0	0	\$0	5	\$63,963	1	\$74,214	32	\$74,451	38	\$80,131	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	76	\$76,598
40-44	0	\$0	0	\$0	0	\$0	2	\$63,963	0	\$0	7	\$74,625	18	\$80,164	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	27	\$77,528
45-49	1	\$48,178	0	\$0	0	\$0	0	\$0	0	\$0	1	\$75,323	4	\$88,283	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	6	\$79,439
50-54	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
55-59	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
60-64	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
65 & Over	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Total	1	\$48,178	0	\$0	0	\$0	21	\$63,963	1	\$74,214	63	\$74,072	64	\$80,534	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	150	\$75,242



**MEMBERSHIP DATA (STATE POLICE)**

	June 30, 2003	June 30, 2002
	(1)	(2)
<b>1. Active members</b>		
a. Number	150	150
b. Number vested	0	0
c. Total payroll supplied by State (for benefits)	\$ 11,286,365	\$ 10,933,360
d. Average salary	\$ 75,242	\$ 72,889
e. Average age	36.6	35.5
f. Average service	8.4	7.5
<b>2. Inactive members</b>		
a. Number	0	0
<b>3. Service retirees</b>		
a. Number	1	1
b. Total annual benefits	\$ 69,279	\$ 69,279
c. Average annual benefit	69,279	69,279
d. Average age	65.0	64.0
<b>4. Disabled retirees</b>		
a. Number	0	0
b. Total annual benefits	\$ -	\$ -
c. Average annual benefit	N/A	N/A
d. Average age	N/A	N/A
<b>5. Beneficiaries and spouses</b>		
a. Number	0	0
b. Total annual benefits	\$ -	\$ -
c. Average annual benefit	N/A	N/A
d. Average age	N/A	N/A

**Historical Summary of Active Member Data (State Police)**

Valuation as of June 30,	Active Members		Covered Payroll		Average Salary		Average Age	Average Service
	Number	Percent Increase	Amount	Percent Increase	Amount	Percent Increase		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1996	97	---	\$4,948,746	---	\$51,018	---	31.1	3.8
1997	96	(1.0%)	\$5,370,985	8.5%	\$55,948	9.7%	32.2	4.8
1998	130	35.4%	\$7,211,874	34.3%	\$55,476	(0.8%)	32.3	4.4
1999	130	0.0%	\$7,502,433	4.0%	\$57,711	4.0%	33.3	5.4
2000	152	16.9%	\$8,916,914	18.9%	\$58,664	1.7%	33.7	5.5
2001	151	(0.7%)	\$9,139,418	2.5%	\$60,526	3.2%	34.7	6.6
2002	150	(0.7%)	\$10,933,360	19.6%	\$72,889	20.4%	35.5	7.5
2003	150	0.0%	\$11,286,365	3.2%	\$75,242	3.2%	36.6	8.4



EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND

Distribution of Active Members by Age and by Years of Service (State Judges)

As of 06/30/2003

Years of Credited Service

Attained Age	Years of Credited Service											Total Count	Total Count & Avg Comp.			
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34			35 & Over		
	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.	Count & Avg Comp.		
Under 25	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25-29	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
30-34	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
35-39	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
40-44	\$119,579	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$119,579
45-49	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1
50-54	\$0	\$0	\$116,428	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$116,428
55-59	1	1	3	0	0	1	3	1	0	0	0	0	0	0	0	10
60-64	\$106,524	\$117,722	\$116,597	\$0	\$0	\$121,172	\$125,834	\$131,759	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$120,447
65 & Over	0	0	2	0	0	2	5	0	0	0	0	0	0	0	0	9
Total	\$0	\$0	\$122,568	\$0	\$0	\$138,371	\$136,164	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$133,633
	2	0	1	1	0	2	2	0	0	0	0	0	0	0	0	8
	\$130,875	\$0	\$117,722	\$131,537	\$0	\$127,649	\$128,166	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$127,830
	0	0	1	1	0	4	0	0	0	0	0	0	0	0	0	7
	\$0	\$0	\$119,579	\$112,116	\$0	\$130,111	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$123,975
	0	0	0	0	0	5	1	0	0	0	0	0	0	0	0	6
	\$0	\$0	\$0	\$0	\$0	\$129,237	\$123,328	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$128,252
	4	1	8	2	0	14	11	1	1	0	0	0	0	0	0	42
	\$121,963	\$117,722	\$118,582	\$121,826	\$0	\$129,989	\$130,726	\$131,759	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$126,266



MEMBERSHIP DATA (STATE JUDGES)

	June 30, 2003	June 30, 2002
	(1)	(2)
<b>1. Active members</b>		
a. Number	42	39
b. Number vested	0	0
c. Total annualized payroll supplied by State	\$ 5,303,153	\$ 4,738,059
d. Average salary	\$ 126,266	\$ 121,489
e. Average age	55.8	55.6
f. Average service	7.6	7.5
<b>2. Inactive members</b>		
a. Number	0	0
<b>3. Service retirees</b>		
a. Number	1	1
b. Total annual benefits	\$ 94,900	\$ 92,136
c. Average annual benefit	\$ 94,900	\$ 92,136
d. Average age	75.0	74.0
<b>4. Disabled retirees</b>		
a. Number	0	0
b. Total annual benefits	\$ -	\$ -
c. Average annual benefit	NA	NA
d. Average age	NA	NA
<b>5. Beneficiaries and spouses</b>		
a. Number	1	0
b. Total annual benefits	\$ 53,073	\$ -
c. Average annual benefit	\$ 53,073	NA
d. Average age	75.0	NA

Historical Summary of Active Member Data (State Judges)

Valuation as of June 30,	Active Members		Covered Payroll		Average		Average Age	Average Service
	Number	Percent Increase	Amount	Percent Increase	Amount	Percent Increase		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1996	27	---	\$ 2,596,860	---	\$ 96,180	---	51.5	3.2
1997	28	3.7%	\$ 2,815,218	8.4%	\$ 100,544	4.5%	53.0	4.1
1998	29	3.6%	\$ 3,039,957	8.0%	\$ 104,826	4.3%	54.0	4.9
1999	29	0.0%	\$ 3,169,183	4.3%	\$ 109,282	4.3%	55.0	5.9
2000	31	6.9%	\$ 3,533,354	11.5%	\$ 113,979	4.3%	55.9	6.5
2001	35	12.9%	\$ 4,092,423	15.8%	\$ 116,926	2.6%	55.4	6.4
2002	39	11.4%	\$ 4,738,059	15.8%	\$ 121,489	3.9%	55.6	7.5
2003	42	7.7%	\$ 5,303,153	11.9%	\$ 126,266	3.9%	55.8	7.6

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