

REPORT ON AN ACTUARIAL VALUATION OF THE  
ASSETS AND LIABILITIES OF THE EMPLOYEES RETIREMENT  
SYSTEM OF THE STATE OF RHODE ISLAND  
AS OF JUNE 30, 1949

This report presents the results of an actuarial valuation of the assets and liabilities of the Employees Retirement System of the State of Rhode Island, as of June 30, 1949.

Basis of Valuation

The provisions of the plan of operation forming the basis of this valuation are summarized in the appendix hereof.

Teacher Members

Membership of teachers of the State Schools and of the several Cities and Towns of the State became effective July 1, 1949, under Chapters 2101 and 2102. Because complete data concerning age, service and salary characteristics was not available on the teachers in time for our valuation, this group of members is not reflected in this report.

Basic data

The statistics used in the preparation of this report, and all financial data pertaining to the operations of the system, were compiled by Joseph B. Lewis, Secretary, from the records of the system and furnished me in the form required for this valuation. This courtesy is hereby acknowledged.

Tables reflecting membership, salary and service data upon which our calculations were based, are presented in the appendix.

Membership

The membership and salary data on active members may be summarized as follows:

	<u>Male</u>	<u>Female</u>	<u>Total</u>
Number of Members	2812	1888	4700
Proportion of Total	59.8%	40.2%	100.0%
Annual Salaries	\$7,312,387.00	\$3,958,931.00	\$11,271,318.00
Average Salary	\$ 2,600.42	\$ 2,096.89	\$ 2,398.15
Average Age	48.4	41.0	45.4
Average length of service	7.1 yrs.	6.3 yrs.	6.8 yrs.

It is noted that the proportion of female employees comprising the active membership was 40.2%, being substantially the same as at the end of the preceding year.

Annuitants

Statistics on annuities in force at the close of the year are as follows:

	<u>Male</u>	<u>Female</u>	<u>Total</u>
Number of Annuitants	90	65	155
Proportion of total	58.1%	41.9%	100.0%
Aggregate annual payments	\$65,752.97	\$41,701.57	\$107,454.54
Average Age	72.6 yrs.	67.9 yrs.	70.6 yrs.
Reserve Liability	\$491,777.00	\$398,827.00	\$890,604.00

Valuation Balance Sheet

The Valuation Balance Sheet presented herewith sets forth the condition of the system, taking into account all accrued and prospective benefit liabilities. Total accrued liabilities of the system at June 30, 1949, amounted to \$8,201,773.00, consisting of the following items:

1. Present value of annuities entered upon and in force at June 30, 1949	\$ 890,604.00
2. Reserve requirements for death and disability benefits	1,031,640.00
3. Present value of retirement benefits on account of service rendered prior to July 1, 1936	2,107,851.00
4. Present value of retirement benefits earned during the period from July 1, 1936, to June 30, 1949	<u>4,171,678.00</u>
Total accrued liabilities	<u><u>\$8,201,773.00</u></u>

To meet these liabilities the system had net present assets at June 30, 1949, amounting to \$4,757,987.91, indicating an actuarial reserve deficiency at such date of \$3,443,785.09. This amount is a deferred obligation of the State of Rhode Island, to be discharged by the regular annual appropriations to the system.

Prior service liabilities

The following statistics are pertinent to the prior service liabilities remaining unliquidated at the close of the year:



	<u>Male</u>	<u>Female</u>	<u>Total</u>
Number of members with prior service credit	497	210	707
Proportion of total membership	70.3%	29.7%	100.0%
Average age	53.8	53.9	53.8
Average length of prior service	8.6 yrs.	9.2 yrs.	8.8 yrs.
Prior service liability	\$1,603,838.00	\$504,013.00	\$2,107,851.00

Membership service liabilities

The liabilities for membership service consist of the amounts of pension credit earned by the members during the period from July 1, 1936 to June 30, 1949, of \$4,171,678.00, and the pension credit to be earned during future service in the case of those present members who will ultimately qualify for retirement benefits, amounting to \$5,948,358.00.

The former amount presents an accrued liability towards which the members made their share of contributions, and on account of which the State is obligated to meet the remainder of the cost. The obligation of the State is being met in part by current biennial appropriations.

The latter amount may properly be designated as a future service liability which is to be covered by future contributions by the members and by the State.

Ordinary death benefit

This benefit is analogous to group life insurance. The amount of life insurance which this benefit represents, and the reserve requirements on account thereof are as follows:

	<u>Male</u>	<u>Female</u>	<u>Total</u>
Amount of insurance	\$3,164,000.00	\$1,878,200.00	\$5,042,200.00
Reserve requirements	\$ 393,198.00	\$ 219,417.00	\$ 612,615.00

A total of 36 death claims was paid during the year, involving the sum of \$44,204.48, or an average payment per claim of \$1,228.00. This compares with 34 claim settlements for the preceding year, involving total payments of \$32,680.60, or an average per claim of \$961.00.

The increase in the number of claims was due to a slightly higher membership of the system, and a higher average age of the members. The average age of the death incidents during the year under review was 59.4 years,

compared with 57.9 years in the preceding year. The larger average payment per claim may be explained by the longer average period of service involved in the claims paid during the past year, being 8.4 years compared with 5.1 years for the preceding year.

Accidental death and disability benefits.

The number of claims being paid by the system on account of accidental disability or death are below the expected, and the experience of the system with respect to these incidents is satisfactory.

Ordinary disability benefits

The rate of disability incidents due to non-occupational causes is likewise below the expected for the total number of employees exposed to risk, and the experience of the system in regard to these benefits is also favorable.

Withdrawal benefits

A total of 463 members withdrew from the system



during the year, and received refunds of their accumulated contributions aggregating \$128,558.18. This compares with 495 refund payments made during the preceding fiscal year, with refund payments totalling \$120,185.46.

### Conclusion

The system is developing satisfactorily and is making gratifying progress. The results of operations confirm the assumptions previously made as to its probable experience and costs. The system is fulfilling its objectives in an adequate measure.

Some changes in the basic plan of operation may be necessary in the future, to give effect to the current underlying trend in pension planning. The amount of retirement allowance in cases involving employees in the low salary brackets is below a reasonable level and some adjustment may be necessary to meet this condition. Such adjustment as may be made should conform to the pattern of the plan underlying the system. Any minimum provision will, of course, involve an increase in cost, and any such increase should be shared equitably by the employees and the State.



It seems reasonable to expect, according to present indications, that the old age and survivors insurance provisions of the Federal Social Security Act will be extended to public employees during the year 1950, under a measure now pending before the Congress, designated as H.R. 6000. If this occurs, consideration might be given to the formulation of a plan of integration between the Employees Retirement System and the federal program. This will require action on the part of the State Legislature by means of enabling legislation. The form of this legislation will be proposed and recommended at a future date when final action has been taken on the pending federal legislation. A plan of integration should make it possible to provide larger benefits for members at the lower salary levels, as well as to establish survivors benefits for widows, children and parents on account of death of the members from non-occupational causes.

Any plan of integration, even if it takes the form of a scaling of the rates of benefit now provided by the retirement system, and a reduction in rates of contribution to give effect to the rates of benefit and contributions prescribed by the federal Act, will entail

some increase in cost if it is proposed to maintain the same total rate of benefit now provided by the State system. A statement of the cost implications of such plan of integration as may be proposed will also be prepared and presented to the board as a part of the report on this subject.

Respectfully submitted,

(Sgd.) A. A. WEINBERG

A. A. Weinberg,  
Actuary

Employees Retirement System of the  
State of Rhode Island

VALUATION BALANCE SHEET - JUNE 30, 1949

A S S E T S

NET PRESENT ASSETS:

Cash	\$ 365,254.41
Investments	4,392,733.50
	<u>\$4,757,987.91</u>

DEFERRED ASSETS:

Obligation of members and of the State of Rhode Island for retirement benefits covering service of members after June 30, 1949, to be discharged by future contributions

5,948,358.00

ACTUARIAL RESERVE DEFICIENCY:

Deferred obligation of the State of Rhode Island -

Present value of accrued retirement benefits on account of prior service of members, i.e., prior to July 1, 1936

\$2,107,851.00

Present value of accrued retirement benefits on account of membership service, i.e., service from July 1, 1936 to June 30, 1949

4,171,678.00

Present value of annuities and benefits entered upon and in force

890,604.00

Liability for disability and death benefits on active members

1,031,640.00

\$8,201,773.00

LESS:

Contingent Reserve	\$2,078,382.46		
Members' Accumulated Contributions	2,679,605.45	4,757,987.91	3,443,785.09
		<u>Total</u>	<u>\$14,150,131.00</u>



Employees Retirement System of the  
State of Rhode Island

VALUATION BALANCE SHEET - JUNE 30, 1949

L I A B I L I T I E S

Present value of annuities and benefits entered upon and in force		\$ 890,604.00
Present value of retirement benefits covering service of members sub- sequent to June 30, 1949		5,948,358.00
Present value of retirement benefits accruing on account of service prior to July 1, 1949		6,279,529.00
Liability on account of disability and death benefits on active members -		
Ordinary disability	\$140,500.00	
Ordinary death	612,615.00	
Accidental disability	157,655.00	
Accidental death	<u>120,870.00</u>	<u>1,031,640.00</u>
Total		<u>\$14,150,131.00</u>

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