

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, 1950

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, 1950, are presented herewith. The teacher-members who came into the system as of July 1, 1949, are included in this valuation for the first time.

Basis of Valuation

This valuation is based upon the benefit and contribution provisions of the plan of operation underlying the system as summarized in the appendix.

Statistical data

The statistics used in the preparation of this report and all financial data pertaining to the operations of the system were supplied by Joseph B. Lewis, Secretary, in the form required for this valuation. Membership statistics are summarized as follows:

|                     | <u>State<br/>Employees</u> | <u>Teachers</u> | <u>Total</u>    |
|---------------------|----------------------------|-----------------|-----------------|
| Number of members   | 5688                       | 4287            | 9975            |
| Proportion of total | 57.0%                      | 43.0%           | 100.0%          |
| Annual salaries     | \$13,567,428.00            | \$14,394,697.00 | \$27,962,125.00 |
| Average salary      | \$2,385.00                 | \$3,357.00      | \$2,803.00      |

### Beneficiaries

Statistics on persons in receipt of benefit payments from the system as of June 30, 1950, are as follows:

|                           | <u>State<br/>Employees</u> | <u>Teachers</u> | <u>Total</u>   |
|---------------------------|----------------------------|-----------------|----------------|
| Number of annuitants      | 162                        | 137             | 299            |
| Proportion of total       | 54.2%                      | 45.8%           | 100.0%         |
| Aggregate annual payments | \$114,503.79               | \$227,767.19    | \$342,270.98   |
| Reserve liability         | \$975,572.00               | \$1,042,945.00  | \$2,018,517.00 |

### Valuation Balance Sheet

The accompanying valuation balance sheet presents the financial condition of the system from a technical standpoint, taking into account all accrued liabilities for service

previous to the date of valuation, and all prospective liabilities covering future membership service.

Total accrued liabilities amounted to \$27,026,175.00 and consisted of the following:

|   | <u>Amount</u>                 |
|---|-------------------------------|
| Present value of annuities and benefits entered upon and in force         | \$2,018,517.00                |
| Reserve requirements for death and disability benefits                    | 1,846,059.00                  |
| Present value of retirement benefits earned on account of "prior service" | 17,879,800.00                 |
| Present value of retirement benefits accruing for "membership service"    | <u>5,281,799.00</u>           |
| Total   | <u><u>\$27,026,175.00</u></u> |

To meet these liabilities the system had net present assets at the close of the fiscal year amounting to \$6,707,250.53. The excess of total liabilities over net assets amounting to \$20,318,924.47 constitutes the actuarial reserve deficiency. This amount is a deferred obligation of the State of Rhode Island and of the cities and towns, to be discharged by future contributions to the system at the prescribed rates, under the applicable method of financing.



Prior service liabilities

The liabilities for service rendered by State employees prior to July 1, 1936 and by the teachers of the cities and towns prior to July 1, 1949 were as follows:

|                 |                         |
|-----------------|-------------------------|
| State Employees | \$ 1,691,081.00         |
| Teachers        | <u>16,188,719.00</u>    |
| Total           | <u>\$ 17,879,800.00</u> |

These liabilities represent prior service credits granted to the employees and teachers in accordance with the provisions of law. They represent the proportionate amount of annuity credits earned by the members concerned during their respective periods of prior service.

Membership service liabilities

The accrued liabilities for membership service representing credits earned by the members towards their retirement allowances during service rendered after July 1, 1936, in the case of the State employees and after July 1, 1949, in the case of the teacher-members, to the date of valuation, were as follows:

|                 |                        |
|-----------------|------------------------|
| State Employees | \$ 4,665,543.00        |
| Teachers        | <u>616,256.00</u>      |
| Total           | <u>\$ 5,281,799.00</u> |

The liability for accrued membership service credits has been discharged partially by contributions made by the members during the period covered by these credits. The employer's share of the cost for such service will be discharged by future contributions.

The liabilities on account of pension credit for service subsequent to the date of valuation are as follows:

|                 |                        |
|-----------------|------------------------|
| State Employees | \$ 6,791,342.00        |
| Teachers        | <u>7,559,244.00</u>    |
| Total           | <u>\$14,350,586.00</u> |

The liability for future membership service is to be met by future contributions on the part of both the members and the employers.

Ordinary death benefit

This benefit constitutes group life insurance. The

amount of insurance coverage and the reserve requirements on account thereof are as follows:

|                      | <u>State<br/>Employees</u> | <u>Teachers</u> | <u>Total</u>   |
|----------------------|----------------------------|-----------------|----------------|
| Amount of insurance  | \$6,101,062.00             | \$3,583,163.00  | \$9,684,225.00 |
| Reserve requirements | 741,139.00                 | 392,276.00      | 1,133,415.00   |

The number of claims incurred during the year among state employees in respect to this benefit was 42 compared with 36 during the preceding year. This increase is explained by a larger membership in the system and by the extension of employment of aged members.

The number of claims arising in the teacher-member group was 12. No comparison could be made with experience during the preceding year because the year just ended represented the first year of membership of the teachers. The number of claim incidents among the teachers, however, would be at a reduced rate in keeping with the lower mortality rates among this group of workers.

Other benefits

The accidental death and disability benefit claims incurred by the system are below the normal expectancy in a



group of workers of the size represented in the system. The number of ordinary disability claims incurred during the year was likewise below the expected rate for the number of persons subject to this risk.

### Withdrawal benefits

A total of 502 State employees and 28 teachers withdrew their contributions from the system during the year. This compares with 463 State employees who terminated their accounts in the system in the preceding year. The increase in refund payments was due principally to a larger membership in the system. Notwithstanding the larger individual equities in the annuity reserve accounts of the members, refund payments have remained at a fairly uniform level for a considerable period of time reflecting a condition of relative stability.

### Federal Social Security

The new social security legislation affecting public employees may create some policy problems for the system. The operation of social security benefits for some public employees and the maintenance of local plans for others

may give rise to demands for the establishment of benefits with which either group may not be favored. It is difficult at the moment to visualize what form these demands may take but as they develop, a reasonable solution will be formulated.

Public employees now covered by local retirement plans are excluded from social security coverage by a specific mandatory exemption. Integration of established local plans with social security is not now possible. A change in the federal law may occur in the future to permit such integration and at that time a practical plan of coordinating the two systems will be presented. Until this occurs, the system should continue to strengthen its position by maintaining a policy of providing coverage for the State employees, on an all-inclusive basis, in order that all employees of the State government may be granted retirement protection within the scope of its authority. The same principle should apply to the teacher group subject to membership in the system.

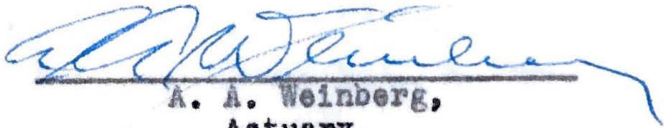
### Conclusion

The system is continuing to make definite progress in



operations and is constantly improving its position. The increased obligations assumed on account of the teachers of the cities and towns who came into the system on July 1, 1949, will be covered by contributions by the teachers, the cities and towns and the State at the prescribed rates. A gradual reduction in these obligations should occur with continued operations. However, some revision in the employer's contribution rate may be required in 1957 upon termination of the ten-year period for which the present rate was established. This will be determined after further experience.

Respectfully submitted,

  
A. A. Weinberg,  
Actuary.

Employees Retirement System of the  
State of Rhode Island

VALUATION BALANCE SHEET - JUNE 30, 1950

A S S E T S

NET PRESENT ASSETS:

|             |                       |
|-------------|-----------------------|
| Cash        | \$ 265,517.03         |
| Investments | <u>6,441,733.50</u>   |
|             | <u>\$6,707,250.53</u> |

DEFERRED ASSETS:

|  |               |
|--|---------------|
| Obligation of members and of the employers for retirement benefits covering service of members after June 30, 1950, to be discharged by future contributions | 14,350,586.00 |
|--|---------------|

ACTUARIAL RESERVE DEFICIENCY:

Deferred obligation of the employers -

|   |                 |
|---|-----------------|
| Present value of accrued retirement benefits on account of prior service of members | \$17,879,800.00 |
|---|-----------------|

|   |              |
|---|--------------|
| Present value of accrued retirement benefits on account of membership service | 5,281,799.00 |
|---|--------------|

|   |              |
|---|--------------|
| Present value of annuities and benefits entered upon and in force | 2,018,517.00 |
|---|--------------|

|   |                     |
|---|---------------------|
| Liability for disability and death benefits on active members | <u>1,846,059.00</u> |
|---|---------------------|

\$27,026,175.00

LESS:

|                    |                |
|--------------------|----------------|
| Contingent Reserve | \$2,943,087.02 |
|--------------------|----------------|

|                                    |                     |
|------------------------------------|---------------------|
| Members' Accumulated contributions | <u>3,764,163.51</u> |
|------------------------------------|---------------------|

|                     |                      |
|---------------------|----------------------|
| <u>6,707,250.53</u> | <u>20,318,924.47</u> |
|---------------------|----------------------|

|       |                               |
|-------|-------------------------------|
| Total | <u><u>\$41,376,761.00</u></u> |
|-------|-------------------------------|

Employees Retirement System of the  
State of Rhode Island

VALUATION BALANCE SHEET - JUNE 30, 1950

L I A B I L I T I E S

|  |                      |                        |
|--|----------------------|------------------------|
| Present value of annuities and benefits entered upon and in force                              |                      | \$ 2,018,517.00        |
| Present value of retirement benefits covering service of members subsequent to June 30, 1950 - |                      |                        |
| State employees  | \$6,739,753.00       |                        |
| Teachers   | <u>7,610,833.00</u>  | 14,350,586.00          |
| Present value of retirement benefits accruing on account of service prior to July 1, 1950 -    |                      |                        |
| State employees  | \$6,972,880.00       |                        |
| Teachers   | <u>16,188,719.00</u> | 23,161,599.00          |
| Liability on account of disability and death benefits on active members -                      |                      |                        |
| Ordinary disability  | \$ 312,852.00        |                        |
| Ordinary death   | 1,133,415.00         |                        |
| Accidental disability  | 210,334.00           |                        |
| Accidental death   | <u>189,458.00</u>    | <u>1,846,059.00</u>    |
| Total  |                      | <u>\$41,376,761.00</u> |