

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, 1951

There are presented herewith 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, 1951.

Basis of Valuation

The valuation is based upon the benefit and contribution provisions governing the system as summarized in the appendix.

The statistics used in the preparation of this report were supplied to me by Joseph B. Lewis, Secretary, in proper form.

Summary of membership statistics

	<u>State Employees</u>		
	<u>Male</u>	<u>Female</u>	<u>Total</u>
Number of members	3519	2286	5805
Proportion of total	60.62%	39.38%	100%
Annual salaries	\$10,311,663.00	\$5,446,955.00	\$15,758,618.00
Average salary	\$2,930.00	\$2,383.00	\$2,657.00
Average age (years)	47.6	39.9	43.8

	<u>T e a c h e r s</u>		
	<u>Male</u>	<u>Female</u>	<u>Total</u>
Number of members	1086	3378	4464
Proportion of total	24.33%	75.67%	100%
Annual salaries	\$4,073,785.00	\$11,237,673.00	\$15,311,458.00
Average salary	\$3,751.00	\$3,327.00	\$3,539.00
Average age (years)	42.2	44.6	43.4

	<u>B e n e f i c i a r i e s</u>		
	<u>State Employees</u>	<u>Teachers</u>	<u>Total</u>
Number of annuitants	178	198	376
Proportion of total	47.34%	52.66%	100%
Aggregate annual payments	\$130,432.25	\$328,513.45	\$458,945.70
Average annual payment	\$732.77	\$1,659.16	\$1,195.97
Reserve liability	\$829,960.00	\$2,235,320.00	\$3,065,280.00

Valuation Balance Sheet

The accompanying balance sheet sets forth the financial condition of the retirement system from an actuarial standpoint giving effect to accrued liabilities for service rendered previous to the date of valuation, including prior service and membership service, and to prospective liabilities on account of service to be rendered by the members during their future working lifetime.

Total accrued liabilities amounted to \$29,692,105.00. To meet these liabilities the system had net present assets at the close of the fiscal year amounting to \$8,847,556.75. The excess of the accrued liabilities over these net assets amounting to \$20,844,548.25 constitutes the unfunded or unfinanced liability. This is technically referred to as the actuarial reserve deficiency. This amount is a deferred obligation of the State of Rhode Island and of the cities and towns, for their respective interests on account of the membership for which they are obligated, to be discharged by future contributions to the system under the prescribed method of financing.

Prior service liability

The liability for service rendered by the State

employees prior to July 1, 1936 and by the teachers of the cities and towns prior to July 1, 1949, is as follows:

	<u>Male</u>	<u>Female</u>	<u>Total</u>
State Employees	\$1,123,128.00	\$386,735.00	\$1,509,863.00
Teachers	3,058,607.00	11,491,062.00	14,549,669.00

This liability covers prior service credits granted to the employees and teachers, and represents the obligations for annuities on account of these credits for the respective periods of prior service.

Accrued membership service liability

The accrued liability for membership service rendered between July 1, 1936 and June 30, 1951 in the case of State employees, and between July 1, 1949 and June 30, 1951, in the case of teachers, is as follows:

	<u>Male</u>	<u>Female</u>	<u>Total</u>
State Employees	\$4,974,958.00	\$1,687,452.00	\$6,662,410.00
Teachers	340,294.00	877,393.00	1,217,687.00

This liability has been partially discharged by contributions made by the members and the employers during the period

of membership service to June 30, 1951. The additional requirements on account of this obligation will be met by future contributions to the system.

Future membership service liability

The accrued liability for membership service on account of credits to be earned by the members subsequent to June 30, 1951, during their remaining working lifetime, is as follows:

	<u>Male</u>	<u>Female</u>	<u>Total</u>
State Employees	\$5,541,896.00	\$1,910,700.00	\$7,452,596.00
Teachers	2,278,199.00	4,445,037.00	6,723,236.00

This liability will be met by future contributions on the part of both the members and the respective employers.

Ordinary death benefit

The amount of life insurance represented by this benefit and the liability on account thereof is as follows:

	<u>State Employees</u>	<u>Teachers</u>	<u>Total</u>
Amount of insurance	\$7,753,075.00	\$7,013,638.00	\$14,766,713.00
Reserve liability	975,941.00	806,483.00	1,782,424.00

The number of claims incurred during the year on account of State employees was 40 involving benefit payments totaling \$48,565.01. Twelve of these claims were at the maximum rate of \$2,000.00. The average payment was \$1,214.00.

The number of ordinary death claims processed on account of teacher-members was 19, involving total benefit payments of \$37,087.77. Eighteen of these claims were at the maximum rate of \$2,000.00. The average payment per claim amounted to \$1,952.00.

Other benefits

The experience of the system with disability claims was below the normal expectancy for the group of workers subject to the risk of occupational disability or total and permanent disability due to non-occupational causes.

A larger number of claims for non-occupational disability causes is to be expected on the teacher-members due to the characteristics of their employment.

Withdrawal benefits

While withdrawal benefit payments showed an increase during the year of about 18% in the case of State employees,

there was little change in the number of refunds paid. The increase in payments was due for the most part to larger contribution credits in the accounts of the employees.

Refund payments to teachers leaving the service showed a marked increase over the preceding year. No comparison with the preceding year is possible because the teachers came into membership during that year and a normal experience with these payments is not available for comparison.

PERIODIC ACTUARIAL INVESTIGATION

Section 3, subdivision (7) of the Act provides that

"the actuary shall make an actuarial investigation into the mortality, service and compensation experience of the members and beneficiaries of the retirement system, and shall make a valuation of the assets and liabilities of the system, and, taking into account the result of such investigation and valuation, the retirement board shall (a) adopt for the retirement system such mortality and other tables as shall be deemed necessary; and (b) certify the rates of contribution payable by the state of Rhode Island to carry out the provisions of this chapter."

The valuation of the assets and liabilities of the system made by the actuary each year is limited in scope and does not go beyond the establishing of its accrued and prospective

liabilities. An actuarial investigation embraces a number of other factors that are basic in the operation of a retirement system, including a study of the mortality and service experience, compensation trends, rates of disability and rates of retirement.

The last such actuarial investigation was completed as of June 30, 1947. The next such investigation, according to the Act above quoted, is due to be made as of June 30, 1952. Preparations for such investigation have been made and certain required statistical data is now in process of compilation.

Conclusion

Due to the increase in membership during the year and an upward adjustment in salaries of the employees, an increase occurred in the unfunded liability amounting to \$525,623.78. The larger contributions by the employers for the year were insufficient to offset the effect of these factors.

If the exemption from social security coverage of employees in positions covered by local retirement systems is modified or removed, an adjustment of the retirement plan will

be possible whereby the plan would be integrated with the benefits and contributions provided by social security. A plan of adjustment to effectuate integration will be formulated and presented at the appropriate time.

Respectfully submitted,

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

A. A. Weinberg,
Actuary.

Employees Retirement System of the
State of Rhode Island

VALUATION BALANCE SHEET - JUNE 30, 1951

A S S E T S

NET PRESENT ASSETS:

Cash	\$ 592,638.45
Investments	8,254,918.30
	<u>\$8,847,556.75</u>

DEFERRED ASSETS:

Obligation of members and of the employers for retirement benefits covering service of members after June 30, 1951, to be discharged by future contributions	\$14,175,832.00
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UNFUNDED LIABILITY:

Deferred obligation of the employers -

Present value of accrued retirement benefits on account of prior service	\$16,059,532.00
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Present value of accrued retirement benefits on account of membership service	7,880,097.00
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Present value of annuities and benefits entered upon and in force	3,065,280.00
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Liability for disability and death benefits on active members	<u>2,687,196.00</u>
	\$29,692,105.00

LESS:

Contingent Reserve	\$3,948,336.42
Members' Accumulated contributions	<u>4,899,220.33</u>
	<u>8,847,556.75</u>
	<u>\$20,844,548.25</u>

Total	<u>\$43,867,937.00</u>
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Employees Retirement System of the
State of Rhode Island

VALUATION BALANCE SHEET - JUNE 30, 1951

L I A B I L I T I E S

Present value of annuities and benefits entered upon and in force		\$ 3,065,280.00
Present value of retirement benefits covering service of members subsequent to June 30, 1951 -		
State employees	\$7,452,596.00	
Teachers	<u>6,723,236.00</u>	14,175,832.00
Present value of retirement benefits accruing on account of service prior to July 1, 1951 -		
State employees	\$8,172,273.00	
Teachers	<u>15,767,356.00</u>	23,939,629.00
Liability on account of disability and death benefits on active members -		
Ordinary disability	\$ 494,901.00	
Ordinary death	1,782,424.00	
Accidental disability	212,482.00	
Accidental death	<u>197,389.00</u>	<u>2,687,196.00</u>
Total		<u>\$43,867,937.00</u>