

In the management of the investment account of the system in 1930, the investment account of income was included in the investment account with Federal investment, investment and within the investment account a public agency.

Administrative procedure has been improved from time to time in order to maintain a high standard of efficiency and accuracy in the management of the investment account and within the investment account of the system and the public agency.

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REPORT OF THE AGENT

Report of an Annual Valuation of the System of 1930

The purpose of the valuation was to establish the valuation of the investment account of the state of Rhode Island as of June 30, 1930.

The purpose of the valuation was to establish the valuation and relative participation of the account and investment account under the investment account of the system. An account of the valuation was prepared to reflect the valuation of the investment account and investment account of the system and investment account of the system.

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of the system. Because of the marked variance in basic characteristics, separate rates are used for State employees and teacher-members. A further division is made between male and female members to give effect to the diverse physiological conditions and employment factors affecting the two sexes. Some variations from these established standards frequently occur in current operations. These are also considered by means of a specific adjustment of the results of the valuation.

MEMBERSHIP STATISTICS

A variety of statistics forming the basis of the valuation was compiled and tabulated. Detailed tables reflecting this data are presented in the appendix. A summary thereof is as follows:

	<u>State Employees</u>		<u>Teachers</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
<u>ACTIVE MEMBERS</u>				
Number	6,431	6,070	3,264	5,985
Per cent of total	51.4%	48.6%	35.3%	64.7%
Annual salaries	\$44,701,937	\$31,702,005	\$25,135,219	\$45,551,614
Average salary	\$6,951	\$5,223	\$7,701	\$7,611
Average age	46.4	44.2	37.6	40.2
Average service	9.6	8.3	9.4	10.7

<u>RETIREMENTS</u>	<u>State Employees</u>		<u>Teachers</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
Number	955	728	240	1,247
Per cent of total	56.8%	43.2%	16.2%	83.8%
Average age at June 30, 1969	71.7	71.3	71.0	72.3
Service retirements during year	101	94	22	127
Terminations	53	21	16	30
Average age of retirements during year	65.1	64.6	63.2	64.1

BASIS OF VALUATION

The benefit and contribution provisions forming the basis of this valuation are summarized in the appendix. The rate of interest used in the valuation was 4% per annum. The actuarial functions that were applied were those established in the previous actuarial surveys and investigations of the system with some modifications to reflect current operating trends and developments.

RESULTS OF VALUATION

A test of progress in the operation of any retirement system is the extent to which coverage is provided for the accrued liabilities for earned pension credits in comparison with the prior period. This assumes that the system is fully funded, that is, the cost of the accruing pension credits are financed currently

in full measure, and that the unfunded accrued liability is being systematically amortized. Pension liabilities represent discounted sums reflecting the interest factor, therefore the liabilities for prior years accrue currently at interest at the assumed rate.

The law prescribes a partial method of funding the employer's share of the cost of the system. Contributions by the employer are to be the average annual requirements for benefits according to a 5-year projection of payments by the system. The rate per cent of contributions established in 1967 was 5.55% of payroll for State employees and 7.80% for teachers, with the latter cost being divided equally between the State and cities and towns. Partial funding results in a deferment of part of the incurred accruing cost, therefore the unfunded accrued liability has been and will continue to be in a steady and persistent upward trend for an indeterminate period.

The full accruing cost of financing current service on account of the members of the system as a percentage of salary is as follows:

State employees	8.5%
Teachers	10.1%

~~Composite rate~~ (9.2%) average

Some improvement in the rate of funding, otherwise referred to as the "security ratio", occurred during the year. In the case of

State employees, the coverage of accrued liabilities by present assets was equal to 74.0%. This compares with 71.6% a year ago. For teachers, the rate increased during the year from 30.7% to 32.9%. The composite rate for all members of the system at June 30, 1969 was 47.6%. The rate of funding represents the extent to which the accrued liabilities are covered by present assets.

To insure financial stability, a minimum rate of funding of 66-2/3% is considered a reasonable level of funding for a public retirement system because of the infinite character of the organization. It should be noted that the composite rate for the system is below this minimum standard.

VALUATION BALANCE SHEET

The Valuation Balance Sheet presented in the following pages reflects the financial condition of the system at June 30, 1969. From a strict actuarial standpoint, a retirement system is considered to be in a sound financial condition when its present assets are equal to the difference between (a) the total of all accrued and prospective liabilities, and (b) the present value of future contributions to be received by the system. A system attaining this status will have provided in full for all actuarial reserve requirements.

VALUATION BALANCE SHEET - JUNE 30, 1969
Statement of Assets, Liabilities and Reserves

A S S E T S

NET PRESENT ASSETS:

Cash	\$ 1,667,167.00
Investments (at amortized book value)	114,003,351.00
Accrued Interest Receivable	1,161,295.00

DEFERRED ASSETS:

Present value of future service credits on account of service subsequent to July 1, 1969		
State employees - Members	\$11,662,291.00	
State of Rhode Island	20,033,667.00	
Teacher-Members - Members	12,686,619.00	
State of Rhode Island	11,990,382.00	
Cities and Towns	11,990,382.00	68,363,341.00

UNFUNDED ACCRUED LIABILITY:

Due from employers for unfunded accrued pension credits		
State of Rhode Island	\$84,511,198.00	
Cities and Towns ^{1/}	43,823,111.00	128,334,309.00
<u>TOTAL ASSETS</u>		<u>\$313,529,463.00</u>

^{1/} The State of Rhode Island and the cities and towns share equally in the financing of teachers' pensions.

VALUATION BALANCE SHEET - JUNE 30, 1969
Statement of Assets, Liabilities and Reserves

LIABILITIES AND RESERVES

CURRENT LIABILITIES:

Unclaimed Benefits		\$ 14,107.00
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FUTURE SERVICE LIABILITY:

State employees	\$29,237,585.00	
Teacher-members	39,125,756.00	68,363,341.00

RESERVE REQUIREMENTS:

RESERVE FOR MEMBER CONTRIBUTIONS -

State Employees -		
For service retirement and disability annuities	\$10,892,901.00	
For future refunds	12,766,444.00	23,659,345.00

Teacher-Members -		
For service retirement and disability annuities	\$18,957,009.00	
For future refunds	8,835,921.00	27,792,930.00

RESERVE FOR SURVIVOR BENEFITS		1,577,962.00
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RESERVE FOR EMPLOYER CONTRIBUTIONS -

For service retirement and disability annuities on active members -

State Employees -		
Total requirements	\$52,621,589.00	
Employee contributions	12,766,444.00	39,855,145.00

Teacher-Members -		
Total requirements	\$91,959,327.00	
Employee contributions	18,957,009.00	73,002,318.00

RETIREMENT AND BENEFITS RESERVE -

State Employees	24,332,133.00
Teacher-Members	54,932,132.00

<u>TOTAL LIABILITIES AND RESERVES</u>	<u>\$313,529,463.00</u>
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The following explanation of the several items comprising the Valuation Balance Sheet is given to facilitate an understanding of their function and meaning.

Present Assets comprise the assets on hand as shown by the financial reports prepared by the system.

Deferred Assets consist of the obligations of the members and the employers for service to be rendered subsequent to June 30, 1968. They represent actuarially determined amounts, giving effect to the factors of mortality, interest, turnover and other factors that enter into the computation of liabilities for annuities and benefits that we accrue on account of future service.

Unfunded Accrued Liability constitutes the amounts accrued and unpaid on account of service rendered prior to the balance sheet date. This is an accrued obligation of the State and the cities and towns to be discharged in future years by increased financial allocations to the system.

Current Liabilities represent current accounts payable at the close of the year as shown by the financial statements prepared by the system.

Future Service Liability is an offset to Deferred Assets and represents the present value of the proportionate pension credit to be earned by the members during future service extending from the balance sheet date to the assumed ages of retirement.

Reserve for Members' Contributions consists of the total of members' contribution credits at the balance sheet date. Part of these credits is payable as a refund in future years to members withdrawing from service on account of resignation, dismissal or death. The remainder is to be applied to finance a portion of the annuities and benefits payable to members now in service who will ultimately qualify for retirement.

Reserve for Survivor Benefits represents the accumulation of contributions by the teacher-members and the cities and towns towards the survivor benefit provision specifically applicable to these members.

Reserve for Employer Contributions represents the amounts that must be provided to finance the employer's portion of the accrued pension credits for those employees now in service who will ultimately qualify for retirement and disability pensions.

Retirement and Benefits Reserve constitutes the amount reserved to pay out during the future lifetime of the pensioners presently on the pension roll the pensions granted and in force at the balance sheet date.

CERTIFICATION

The accompanying Valuation Balance Sheet exhibits all assets, accrued liabilities and reserves of the system as of June 30, 1969. Present assets were taken from the financial statements submitted by the accountant of the system.

In our opinion, this Valuation Balance Sheet correctly presents the condition of the Employees' Retirement System of the State of Rhode Island at June 30, 1969, after giving effect to all accrued liabilities and actuarial reserve requirements for the several annuities and benefits under the applicable law in effect at such date.

A. A. Weinberg
Actuary

January 30, 1970

FINANCIAL STATEMENTS

1. Financial Balance Sheet as of June 30, 1969
2. Statement of Revenues and Expenditures for the Fiscal Year Ended June 30, 1969
3. Statement of Cash Receipts and Disbursements for the Fiscal Year Ended June 30, 1969
4. Comparative Statement of Investment Receipts and Disbursements, Fiscal Years Ended June 30, 1969 and June 30, 1968
5. Statement of Net Investment Earnings for Fiscal Year Ended June 30, 1969

FINANCIAL BALANCE SHEET - JUNE 30, 1969

A S S E T S

Cash	\$115,305,410.70	\$ 1,667,110.00
Accrued Interest Receivable		1,161,110.00
Investments	<u>1,302,059.39</u>	
Less Unamortized Discounts and Premiums (Net)		
Net Investments		114,003,330.00
Total Assets		<u>\$116,831,800.00</u>

LIABILITIES AND RESERVES

<u>Current Liabilities</u>	\$ 14,107.99
Unclaimed Benefits	
<u>Members' Contribution Reserves</u>	
State Employees	\$23,659,345.39
Teachers	27,792,930.90
Teachers' Survivors	<u>1,577,962.63</u>
Total Members' Reserves	53,030,238.92
<u>General Reserves</u>	
State Employees	\$40,692,895.48
Teachers	19,765,874.90
Teachers' Survivors	2,664,229.12
State Employees - Full funded costs	648,017.74
Certain State Employees	14,196.70
Certain Teachers	<u>2,253,344.00</u>
Total General Reserves	<u>63,787,467.28</u>
Total Liabilities and Reserves	<u>\$116,831,800.00</u>

STATEMENT OF REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1969

REVENUES

<u>Member Contributions -</u>		
State Employees	\$ 3,460,961.15	
Teachers	4,547,746.96	
Teachers' Survivors	375,234.56	
Death Benefit Premiums - Retired Legislators	\$825.00	
Retired Employees	<u>285.45</u>	
	1,110.45	\$ 8,385,053.12
<u>General Fund Appropriations -</u>		
State Employees	\$ 3,981,155.54	
Teachers	2,289,171.00	
Certain State Employees	16,765.00	
Certain Teachers	<u>3,680.00</u>	
	6,290,771.54	6,290,771.54
<u>Municipal Contributions -</u>		
Teachers	\$ 3,042,170.09	
Teachers' Survivors	<u>375,777.61</u>	
	3,417,947.70	3,417,947.70
<u>Other Contributions -</u>		
Unclaimed Benefits	\$ 1,747.29	
Miscellaneous Receipts	<u>2,381.89</u>	
	4,129.18	4,129.18
<u>Investment Income -</u>		
Investment Earnings	\$ 5,161,334.19	
Gain on Sales	<u>1,143,931.16</u>	
	6,305,265.35	6,305,265.35
TOTAL REVENUES		\$24,403,165.69

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EXPENDITURES

<u>Pensions and Death Benefits -</u>		
State Employees	\$ 3,572,346.97	
Legislators	143,323.23	
Teachers	5,752,927.66	
Teachers' Survivors	39,071.30	
Certain State Employees	18,733.34	\$ 9,528,662.62
Certain Teachers	<u>2,260.12</u>	
<u>Refunds of Contributions -</u>		
State Employees	\$ 1,133,006.16	
Teachers	822,037.33	
Teachers' Survivors	163,821.57	
Interest, Teachers' Survivors Contribution Refunds	1,532.71	
To Municipalities	55,994.69	
To Teachers		2,288,880.16
To Municipalities and Teachers' Survivors	<u>112,487.70</u>	
		13,530.41
Unclaimed Benefits		3,828.94
Miscellaneous Refunds		
<u>Investment Expense -</u>		
Postage & Insurance on Purchases		<u>153.06</u>
TOTAL EXPENDITURES		
EXCESS OF REVENUE OVER EXPENDITURES		

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 1969

Cash Balance, July 1, 1968		\$ 1,477,045.46
<u>Receipts:</u>		
Investments Sold and Matured	\$39,760,708.63	
Investment Earnings	4,792,585.10	
Discounts on Purchases	732,189.90	
Gain on Sales	<u>1,143,931.16</u>	\$46,429,414.79
<u>Member Contributions -</u>		
State Employees	\$ 3,460,961.15	
Teachers	4,547,746.96	
Teachers' Survivors	375,234.56	
Ins. Benefit Prem. Retired Employees	285.45	
Ins. Benefit Prem. Retired Legislators	<u>825.00</u>	8,385,053.12
<u>General Fund Contributions -</u>		
State Employees	\$ 3,981,155.54	
Teachers	2,289,171.00	
Certain State Employees	16,765.00	
Certain Teachers	<u>3,680.00</u>	6,290,771.54
<u>Municipal Contributions -</u>		
Teachers	\$ 3,042,170.09	
Teachers' Survivors	<u>375,777.61</u>	3,417,947.70
<u>Other Contributions -</u>		
Unclaimed Benefits		1,747.29
Miscellaneous Receipts		<u>2,637.89</u>
TOTAL RECEIPTS		
TOTAL AVAILABLE		
		<u>64,527,577.33</u>
		\$66,004,617.79

Statement of Cash Receipts and Disbursements - continued

Disbursements -

Investments Purchased	\$52,373,509.80	
Accrued Interest on Purchases	75,527.68	
Premiums on Purchases	53,013.00	
Postage & Insurance on Purchases	153.06	\$52,502,203.54

Pension Benefits - Death Benefits -
Death Retirement Allowances -

State Employees	\$ 3,572,346.97	
Teachers	5,752,927.66	
Legislators	143,323.23	
Teachers' Survivors	39,071.30	
Certain State Employees	18,733.34	
Certain Teachers	2,260.12	9,528,662.62

Refunds of Contributions -

State Employees	\$ 1,133,006.16	
Teachers	622,037.33	
Teachers' Survivors	163,821.57	
Interest, Teachers' Survivors Contribution Refunds	1,532.71	
Municipalities a/c Teachers	55,994.69	
Municipalities a/c Teachers' Survivors	112,487.70	2,288,860.16

Unclaimed Benefits 13,530.41

Miscellaneous Refunds 4,173.94

TOTAL DISBURSEMENTS

\$64,337.45

CASH BALANCE, JUNE 30, 1969

\$ 1,667.16

COMPARATIVE STATEMENT OF INVESTMENT EARNINGS

RECEIPTS AND DISBURSEMENTS

FISCAL YEARS ENDED JUNE 30, 1969 AND JUNE 30, 1968

	1968-1969	1967-1968
<u>RECEIPTS</u>		
Interest & Dividends	\$4,792,240.10	\$4,170,576.62
Discounts on Purchases	732,189.90	312,899.48
Gain or Loss on Sales	1,143,931.16	- 49,142.38
<u>Gross Receipts</u>	\$6,668,361.16	\$4,434,333.72
<u>DISBURSEMENTS</u>		
Accrued Interest on Purchases	\$ 75,527.68	\$ 56,374.71
Premiums on Purchases	53,013.00	20,029.50
Postage and Insurance on Purchases	153.06	10.92
<u>Total Disbursements</u>	\$ 128,693.74	\$ 76,415.13
<u>NET INVESTMENT RECEIPTS FOR THE YEAR</u>	\$6,539,667.42	\$4,357,918.59