Report of the Actuary

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REPORT ON AN ACTUARIAL VALUATION OF THE SYSTEM AS OF JUNE 30, 1974

The principal purpose of an actuarial valuation of a retirement system is to establish the liabilities and reserve requirements for the accrued and prospective pension credits arising under the prescribed benefit schedule. An actuarial balance sheet is prepared showing the accrued and prospective liabilities and the present and prospective assets to meet these liabilities.

The liabilities incurred for the several benefit obligations are calculated and the reserves required to meet these accrued liabilities for the lifetime of the members are established. The factors of mortality, turnover in employment and interest earnings are basic in this procedure. Other factors of pertinence are considered in the actuarial process, including rates of disability expectancies and the assumed ages at which members may retire.

Actuarial functions reflecting the system's operating experience were formulated in prior actuarial surveys and investigations. These functions were applied in this valuation. Because of the marked variance in basic characteristics between State employees and teacher-members, different functions were used for the respective groups of members. In consideration of the diverse physiological conditions and employment experience between male and female members, a further division in rates was made for the element of sex. Some variations from the established rates and functions frequently occur in current operations. Special adjustments of the results of the valuation are made for these variations.

BASIS OF VALUATION

The benefit and contribution provisions of the retirement plan forming the basis of this valuation are summarized in this report. The assumptions made with respect to the actuarial factors used in this valuation are as follows:

1. *Mortality expectancy:* The 1951 Group Annuity Table (modified)
2. Interest rate: Compound interest at 5% per annum

3. Turnover factors: Assumed annual rates of withdrawal from all causes - (select ages)

Age	Rate per 1,000
20	247
25	198
30	162
35	120
40	91
45	60
50	33
55	15
60 and over	Mortality only

4. Future salary increments: An average annual compound rate of $3\frac{1}{2}$%.
5. Average age at retirement: State employees - 64 years; Teachers - 62 years
6. Disability rates: Class (1) rates of disablement from the Society of Actuaries 1952 Inter-company study were used. It was assumed that 15% of all disablements would occur in line of duty.
7. Marital status: 85% of employees in service assumed to be married with the average age of the wives 4 years less than that of the employees. 65% of the State employees and 50% of the teachers retiring on pension are married.
8. Administrative expense: None

MEMBERSHIP STATISTICS

Detailed statistics were compiled and tabulated for this valuation. Statistical tables reflecting this statistical data are embodied in the appendix. A summary thereof is presented below.

	State Employees		Teachers	
ACTIVE MEMBERS	Male	Female	Male	Female
Number	7,774	7,301	4,781	7,867
Precent of Total	51.6%	48.4%	37.8%	62.2%
Annual Salries	$72,578,064	$52,026,926	$51,783,011	$82,493,362
Average Salary	$9,336	$7,126	$10,831	$10,486
Average age	44.7	41.3	37.2	39.6
Average service	8.8	7.4	9.2	9.8
RETIREMENTS				
1. Total number at 6/30/74	1,550	1,339	418	1,927
Percent of total	53.6%	46.4%	17.8%	82.2%
Average age at June 30,1974	70.7	75.1	69.9	70.5

2. Retirements during year	204	151	40	179
Average age at retirement	64.6	63.7	62.7	64.1
3. Terminations	82	49	12	66
Average age at death	71.8	73.3	80.0	78.6
Average age at retirement	64.1	65.4	65.6	66.7

RESULTS OF VALUATION

The results of the valuation are presented in the accompanying Valuation Balance Sheet which displays the financial condition of the system from an actuarial standpoint. This statement sets forth the accrued and prospective liabilities for the several benefits comprising the benefit schedule, and the present and prospective assets, according to the provisions of the retirement plan presently in force.

The financial stability of a retirement system may be measured by a comparison of the total accrued liabilities for the earned and matured pension credits at the end of any fiscal period with the amount of net present assets. Thus, the extent to which these pension credits are covered by present assets is determined. In the case of this system, it is noted that the ratio of net present assets to total accrued liabilities is 52.7% for State Employees' and 22.7% for Teachers. This rate is considerably below what is considered by students of pensions as a reasonable rate of funding for a public employees retirement system which is 66-2/3%.

The low rate of funding or security ratio as it is otherwise called is due principally to the partial reserve method of funding which is in effect for the system resulting in the accumulation of reserves that are considerably below the requirements for the accruing pension credits as established by actuarial criteria.

Under the financing formula in effect, the contributions by the employers are determined as the average annual requiremnts for benefit payments according to a 5 year projection of pension expenditures by the system. The rate per cent of contributions for the period of 5 years effective July 1, 1972 was fixed at 6.5% of payroll for State employees and 9.0% of payroll for teacher-members. The latter cost is shared equally by the State and the Cities and Towns.

Partial funding of pension liabilities results in a deferment of part of the currently incurred pension cost with the consequent increase in the unfunded accrued liability. As a result, the unfunded accrued liability or actuarial deficit is steadily increased and the currently accruing pension cost is shifted to future generations. In the case of this system, the actuarial deficit for the system, therefore, has been in an upward trend and will continue in that trend for an indeterminate period unless a greater measure of funding is provided in accordance with actuarial reserve requirements.

Even if full funding is provided for the currently accruing pension credits in full measure, the unfunded accrued liability will continue to increase by the mount of the annual accruing interest on the unfunded liability at the

rate of interest assumption in effect, which presently is 5% per annum.

<u>Actuarial reserve funding</u>. The full cost of funding the current service of the members of the system, as a percentage of payroll, effective as of July 1, 1974, according to actuarial criteria which reflects the accrual principle, is as follows:

	State Employees	Teacher Members
Normal cost as a percentage of payroll	16.0%	19.2%
Less, member contributions	5.0	6.0
Cost to the Employers	11.0%	13.2%

VALUATION BALANCE SHEET

A Valuation Balance Sheet is presented in the following pages. This statement displays the financial condition of the system at June 30, 1974. From a strict technical stanpoint, a sound financial condition exists when the system has present assets 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 according to the prescribed rate schedule. A retirement system attaining this condition will have provided in full for all accrued pension credits in accordance with actuarial requirements.

VALUATION BALANCE SHEET - JUNE 30,1974

ASSETS

NET PRESENT ASSETS:		
Cash		$ 1,163,124
Investments (Amoritzed book value for bonds - cost for stocks)		196,030,846
Accrued interest receivable		2,568,540
		$199,762,510
Less, Accounts Payable		43,136
		$199,719,374
DEFERRED ASSETS		
Present Value of future contributions on account of service credits after July 1, 1974		
State Employees- Members	$40,892,411	
State of Rhode Island	64,011,723	
Teacher-Members	51,487,362	
State of Rhode Island	48,677,178	
Cities and Towns	48,677,178	253,745,852
UNFUNDED ACCRUED LIABILITY		
Due from Employers for unfunded pension credits-		
A/C of State Employees	$130,932.871	
A/C of Teachers	138,937,834	
Cities and Towns -Account Teachers	138,937,834	408,808,539
TOTAL ASSETS		$862,273,765

1.-The State of Rhode Island and the Cities and Towns share equally in the financing of teachers' pensions.

LIABILITIES AND RESERVE REQUIREMENTS

FUTURE SERVICE LIABILITY:		
State Employees	$104,904,134	
Teacher-Members	148,841,718	$253,745,852
RESERVE REQUIREMENTS:		
1. MEMBER CONTRIBUTIONS-		
State Employees		
For service retirement and disability annuities	$ 21,014,588	
For future refunds	15,773,019	36,787,607
Teacher-Members		
For service retirement and disability annuities	$ 34,720,179	
For future refunds	16,022,117	50,742,296
2. TEACHERS' SURVIVOR BENEFITS		14,896,621
3. EMPLOYER CONTRIBUTIONS		
For service retirement and disability annuities on active members -		
State Employees		
Total requirements	$122,933,510	
Less, Employee Contributions	21,014,588	101,918,922
Teacher-Members		
Total requirements	$246,377,129	
Less, Employee Contributions	34,720,179	211,656,950
4. RETIREMENT AND BENEFITS RESERVE		
State Employee		66,093,591
Teacher-Members		126,431,926
TOTAL LIABILITIES AND RESERVES		$862,273,765

The following explanation of the several items comprising the Valuation Balance Sheet is given to facilitate an understanding of their function and meaning.

Net Present Assets comprise the assets on hand as shown by the financial reports supplied by the office of the system as of June 30,1974.

Deferred Assets consist of the obligations of the members and the employers for service to be rendered subsequent to June 30,1974. They represent actuarially determined amounts, giving effect to the factors of mortality, interest, turnover and others that enter into the computation of liabilities and annuities and benfits that accrue on account of future service.

Unfunded Accrued Liability constitues 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.

Future Service Liability is an offset to Deferred Assets and represents the present value of the proportionate pension credits 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 Teachers' Survivor Benefits represents the accumulation of contribution by the teacher-member 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 employers' 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 payout 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 the assets, accrued liabilities and reserves of the system as of June 30, 1974. Present assets were taken from the financial statements submitted by the Senior 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, 1974 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

October 15, 1974

RECONCILIATION OF THE INCREASE IN THE UNFUNDED ACCRUED LIABILITY

	State of Rhode Island	Cities and Towns
1. Normal cost requirements for 1973-1974 fiscal year		
11.2% of payroll	$13,824,892	
14.2% of payroll		$18,685,373
2. Interest on the unfunded accrued liability at June 30, 1973	11,656,790	5,943,981
Total	$25,481,682	$24,629,354
3. Deduct, actual employers' contributions	7,190,366	11,221,938
4. Deficiency in current year's requirements	$18,291,316	$13,407,416
5. Increase in Liabilities due to 1973 amendents which became operative during the year	7,461,381	3,035,206
6. Effect of adjustments of following actuarial factors for current operation trends:		
(a) Turnover	1,877,353	1,023,487
(b) Salary scale	4,206,190	927,722
(c) Ages at retirement	2,632,002	836,896
(d) Mortality	3,290,294	1,699,453
Total	$37,758,536	$20,930,180
7. Less, excess investment income above 5% actuarial interest rate assumption	1,023,626	871,978
Balance	$36,734,910	$20,058,202

PROJECTION OF FUTURE PENSION AND BENEFIT PAYOUTS

In order to illustrate the need for the systematic funding of the pension obligation in accordance with its accruing requirements, giving effect to all aspects thereof, a projection of pension and benfit payouts is presented covering a number of years in the future.

Such statement serves to point up the scope and magnitude of the pension obligation and its full impact in the fiscal operations of the State and local governments.

The projection of future pension payouts presented below shows the amounts of pension payments that the system will be required to meet in future under the present provisions of the retirement law.

Year	Amounts of future pension and benefit payments (in millions)
1974	22.5
1976	29.1
1979	40.2
1982	53.6
1985	68.7

Liberalizing changes in the benefit schedule of the retirement plan either as to rates of pensions or benefits, or in respect to qualifying conditions, will increase the amounts of future payments in the foregoing projection.

FINANCING PENSION COSTS

Pension costs are readily determinable, within reasonable limits of accuracy, only through the application of approved actuarial criteria. Given a retirement system with a designated number of participants and a scientific formula for the computation of the pension benefits, and taking into account such factors, among others, as time of functional vesting in the employer's contributions, optional ages of retirement, qualifying service conditions, and the age, service and salary characteristics of the participants, it is not a difficult task for the actuary to marshal and analyze these factors in relation to approved mortality and interest standards, and to arrive at reasonable accurate costs of meeting the pension obligations.

Comparison with insurance company programs. In essence, therefore, cost computations of public employee pensions are no different than the cost computations involved in private insurance and annuity programs. However, the similarity begins and ends with this analogy by reason of the fundamentally different relationships which exist between a governmental agency and its employees, and a private insurance concern and its policy holders.

Insurance plans reflect a rigid and inflexible application of actuarial criteria to cost factors unfettered by the problems which affect the governmental employer. Although insurance companies assume some risk elements incident to their contractual stipulations to pay a given amount of annuity at a specified time, these risks are insignificant in relation to those assumed by a governmental employer under a statutory retirement program.

Problems in public administration. The most perfectly conceived and financially sound retirement plan for public employees may by virtue of factors that may be wholly irrelevant under a private insurance program find itself in the course of time in an unsatisfactory financial condition. Irrestible pressures for increased salaries with the consequence of larger pension benefits, without a corresponding provision of revenues to the retirement system to meet the rise in pension costs occasioned thereby, inevitably result in the accumulation of unfunded liabilities which are but deferred obligations. Compounding the evil has been the fact that most plans originally established or subsequent extensions of the plans to additional groups of employees contained inadequate revenue authorizations for normal cost and for meeting the past service liabilities.

The Rhode Island situation. In the case of the Employees' Retirement System of Rhode Island, there has been a steady and persistent increase in the unfunded accrued liability due in part to the lack of adequate funding of the obligations already established, and in some measure to the failure over the years to provide increased revenues for continued liberalizing changes in benefits and qualifying conditions. While the Retirement Board has been alert to the problem and has been constant in calling attention to the cost aspects of new amendatory proposals for improved benefits and increased pension credits in reports on new legislative proposals, its efforts to curtail or arrest the trend have been unsuccessful.

The annual reports of the Retirement Board, over the years, have included a statement as to the full normal cost requirements for the accruing pension credits. This reference in these reports has largely been ignored. In this connection, there appears to be a startling lack of understanding among public officials and the participants as to the potential adverse implications of inadequate funding of the accruing pension cost. Continuosly mounting actuarial deficits, if not viewed with complacency, are at least not considered with that degree of concern which such a situation demands. As long as the retirement system is able to meet its annual expenditures, the officials and participants are inclined to believe that financial stability and solvency exists as to future needs as well.

If there is any concern among the employees or officials of government about future financial requirements, the officials and employees are further inclined to negate the possibility that the public will refuse to underwrite these costs as the benefit payments mature. Perhaps, mingled with these attitudes is the feeling that though future generations of employees may be affected, the problem is of no concern to present employees, a sort of "let the future take care of itself" psychology. Whatever may be the reason behind this lack of offical and employee concern, the fact is that it is unrealistic. A change of attitude and remedial and corrective measure are imperative if the retirement system is to survive and fulfill its functions and state objective for present employees as well as future participants.

Impractical financial policy. The principle of funding pension cost as it accrues was in fact recognized in the retirement plan originally established for State goverment employees in 1936. This principle was consistently adhered to for some years until a change in priority occurred. This was due no doubt to the increased demands on the State for essential services in many areas coupled with existing limitations upon State revenues. Presumably, at such time fiscal planning by State officials dismissed the idea of full actuarial or accrual funding because of the vast tax and credit sources available to State government. As a result of this policy, the

unfunded accrued liability for the Employees' Retirement System has steadily increased until at June 30, 1974 it has attained the following proportions:

State of Rhode Island	$269,870,705
Cities and Towns	138,937,834
Total	$408,808,539

Even as recently as the year 1971, officials of the State proposed a reduction in the arbitrary contribution rate applicable to the State government on the so-called partial funded basis. This is indicative of the attitude of officials during recent years towards the financing of the system's needs even at the existing level of funding which is below actuarial requirements.

Systematic budgeting of pension cost. Since public employee pensions are an essential element in the personnel program of a government unit, and since pensions are properly considered as earned but deferred compensation, the cost factors incident to pensions should have an immediate relationship to the personnel policy and practices of the State as an employer. To isolate pension costs from employment policies is neither good personnel practice nor good fiscal management of an important problem in governmental finance administration. If the employer is made fully cognizant of the pension cost incident to the employment of new personnel, his employment practices would more likely be geared to this factor. For this reaseon, the adoption of the principle of budgeting and meeting pension cost currently from appropriations for personal services, on a departmental basis, is strongly recommended for public agencies. Under such a plan, not only would the true concept of pensions as a basic element of compensation be emphasized but more importantly the pension costs incident to new employments would be budgeted and paid concurrently with the payment of salaries.

Accrual basis less costly. Experience of public retirement system over the years has demonstrated conclusively that it is more economical for government to provide for the pension cost as it accrues than to begin paying it when the employee retires. The practice of deferring pension cost tends to conceal the true pension obligation. It results in measuring this cost on a fictitious basis, and understates the true pension obligation. Employees and officials are encouraged to seek liberalizing amendments and greater benefits since costs are considered in terms of the current small cash outlay for the proposed changes rather than the ultimate total cost burden. Under any partial method of funding, no effort is made to equate the cost of new proposals with their total cost aspects. Instead, it is represented that the cost effect of a proposed amendment is insignificant merely because the initial additional payments may be of relatively small proportions

To minimize or attempt to ignore the pension burden through a makeshift method of financing inevitably results in much greater eventual pension cost. There is no short cut method to financing pensions. No magic formula exists for meeting this cost whether the pensions are provided by the State, the federal government or a private underwriter. In the final reckoning, a systematic budgeting of this cost, as it is incurred, is prudently economical and will actually reduce the pension burden for the governmental employer. By the aplication of controls incident to the employment policies, which automatically apply under this budgeting method, a lower pension obligation may be achieved.

Budgeting of the pension cost is facilitated by means of the actuarial reserve.

An actuarial reserve is basically a method of cost accounting. It results in spreading the cost of a pension equitably over the period of the employee's productive service. The actuarial reserve is in reality the net liability of a retirement system to the prospective beneficiaries or pensioners.

As previously stated, the actuarial basis of funding relects the accrual method of meeting pension cost and calls for current contributions in excess of current pension payments. A carry-over of funds results into a reserve which is to be maintained to meet future pension payments. The adequacy of the rates of contribution under this method of accrual funding is verified perodically by means of the actuarial valuations.

Funding the State's pension obligation. As previously stated, the actuarial reserve requirements for funding the normal cost is 11.0% for State employees and 13.2% for teachers. Since the State of Rhode Island shares equally with the Cities and Towns in the cost of teachers' pensions, its total obligation for normal cost on an actuarial funded basis is increased to the extent of one-half of the cost of teachers' pensions. The normal cost for teachers assumed by the State is equal to 6.6% of payroll, The total unfunded accrued liability of the State of Rhode Island at June 30, 1974, as given above, is $269,870,705 of which $130,932,871 applies to State employees and $138,937,834 to teachers.

It is considered appropriate in the case of a public agency to provide only for the interest accrual on this item, provided the full normal cost is met currently. By this process, a reasonably secure financial condition is established and the unfunded accrued liability is stabilized at the current level. In time, when the full normal cost requirements are fully provided for, a program for the gradual amortization of the accrued liability may be considered and initiated.

The interest accrual on the unfunded accrued liability imposed on the State at 5% per annum is $6,546,643 for State employees and $6,946,891 for teachers. This is equal to 5.3% of payroll for State employees, and 5.2% for teachers.

Thus, the total cost to the State of Rhode Island for funding its statutory obligations is 16.3% for State employees and 11.8% for teachers, or a total cost to the State of 28.1% of payrolls.

Funding the obligation of the Cities and Towns. The normal cost to the Cities and Towns of the State for funding teachers' pensions is 6.6% of the teachers' payroll, with the State of Rhode Island assuming an equal share as stated above. Interest accruing on the unfunded accrued liability of $138,937,834 at 5% per annum is $6,946,891, or 5.2% of payroll. In terms of the total payroll for the teachers, the cost requirements from the Cities and Towns of the State for full funding according to the minimum standard is equal to 11.8% of payroll.

Recommendation. In order to minimize the financial impact of a change from the present partial funded method for meeting the cost of pensions for State employees and teachers to an acturial reserve method which fully reflects the accrual principle, it is recommended that the increase in requirements from both the State of Rhode Island and the Cities and Towns be graduated over a period of years. A step-rate plan is proposed so as to facilitate most conveniently the transition from the present partial funded basis to one reflecting actuarial requirements.

It is recommended,therefore, that the contribution rate for the State of Rhode Island for State employees be increased each year for the next 5 years by 1.5 percentage points, from the present rate of 6.5% of payroll. At the end of the 5-year period when the rate will have attained a level of 14.0% of payroll, a reexamination of the rate would be made in the light of the conditions then existing to determine the change to be made at that time.

It is furthur recommended that the contribution rate for the Cities and Towns of the State on account of teachers be increased each year for the next 5 years 2 percentage points from the present level of 9.0% of payroll. In this rate the State shares equally with the Cities and Towns in financing the teachers' pensions. At the end of the 5-year progression period, when the total rate will have attained a level of19% of payroll, a reexamination of the rate would be made under the conditions then in effect and a new rate schedule would be determined for the future.

Under this method of adjustment, full funding of the accruing pension obligations would be achieved in the course of several years without too much disruption in the financial budgets of the State and the Cities and Towns. An orderly transition would occur from the present partial funded procedure to a full funded method reflecting actuarial criteria.

Special survivor's benefit for certain teachers. The survivor's benefit program for teachers who did not elect social security coverage prior to July 1, 1963, was extensively revised at the 1974 session of the Legislature, effective July 1, 1974. Rates of benefit were upgraded to a level comparable with the rates in effect under Federal social security. Refund and contribution provisions were revised. The changes made substantially improved this program.

Financial Statements

Comparative Financial Balance Sheet

June 30

Assets	1974	1973
Cash	$ 1,163,124	$ (276,998)
Accrued Interest Receivable	2,568,540	1,982,540
Investments (At Amortized Book value for Bonds and Cost for Stock	196,030,846	178,555,278
Total Assets	$199,762,510	$180,260,820
Liabilities & Reserves		
Current Liabilities		
Unclaimed Benefits	$ 43,137	$ 38,834
Members' Contribution Reserves		
State Employees	36,787,608	33,380,247
Teachers	47,829,435	42,940,627
Teachers Survivors	2,912,862	2,594,322
Total Members Reserves	87,529,905	78,915,196
General Reserves		
State Employees	71,199,447	64,356,986
Teachers	34,430,355	31,322,117
Teachers Survivors	6,550,697	5,620,780
Certain State Employees	7,969	4,067
Certain Teachers	1,000	2,840
Total General Reserves	$112,189,468	$101,306,790
Total Liabilities & Reserves	$199,762,510	$180,260,820

STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED - JUNE 30, 1974

REVENUES

Member Contributions		
State Employees	$ 6,171,827	
Legislators	6,454	
Teachers	7,840,018	
Teachers Survivors	432,815	
Ins.Premiums-Legislators	2,220	$14,453,334
State Contributions		
State Employees	$ 4,561,729	
State Employees A/C FF Cost	2,609,591	
Teachers	4,918,555	
Certain State Employees	19,047	
Certain Teachers	-0-	12,108,922
Municipal Contributions		
Teachers	$ 5,861,451	
Teachers Survivors	441,932	6,303,383
Investment Income		
Interest	$ 8,273,964	
Dividends	2,904,780	
Capital Gain or (Loss)	195,625	11,374,369
Miscellaneous		
Miscellaneous Receipts	$ 6,333	
Employees Trans -Municipal	103,351	
Unclaimed Benefits	10,552	
Interest -Service Purchases	95,046	215,282
Total Revenues		$44,455,290

EXPENDITURES

Pension Benefits		
State Employees	$ 7,188,021	
Legislators	250,239	
Teachers	13,898,414	
Teachers Survivors	85,793	
Certain State Employees	10,901	
Certain Teachers	1,070	$21,434,438
Death Benefits		
State Employees	$ 757,797	
Legislators	15,600	
Teachers	371,794	$ 1,145,191
Refunds of Contributions		
State Employees	$ 1,056,810	
Teachers	1,032,659	
Teachers Survivors	61,822	
Interest on Refunds-Survivors	6,659	
Municipalities	23,353	$ 2,181,304
Investment Expense		
Postage & Insurance	$ 42	42
Miscellaneous		
Miscellaneous Refunds	$ 174,696	
Employees Trasfers -Municipal	11,369	
Unclaimed Benefits	6,560	$ 195,625
Total Expenditures		$24,953,600
Excess Revenues over Expenditures		$19,501,690

Analysis of Revenue & Expenditures
Fiscal Year Ended - June 30,1974

REVENUES	State Employees Amount	%	Teachers Amount	%	Total
Members Contributions	$ 6,180,502	31.4	$ 8,272,833	33.4	$ 14,453,335
State Contributions	7,190,367	36.5	4,918,555	20.0	12,108,922
Municipal Contributions			6,303,383	25.5	6,303,383
Investment Earnings	6,159,198	31.2	5,215,129	21.0	11,374,327
Miscellaneous	179,100	.9	36,181	.1	215,281
Total Revenues	$ 19,709,166	100.0	$24,746,082	100.0	$ 44,455,248
EXPENDITURES					
Pensions	6,946,783	35.2	12,865,531	52.0	19,812,314
Cost of Living Adjust.	502,378	2.5	1,119,746	4.5	1,622,124
Death Benefits	773,397	3.9	371,794	1.5	1,145,191
Refunds - Contributions	1,056,810	5.4	1,124,493	4.6	2,181,303
Miscellaneous	192,626	1.0			192,626
Total Expenditures	9,471,994	48.0	15,481,564	62.6	24,953,558
Excess Revenues over Expenditures-to Reserves	$ 10,237,172	52.0	$ 9,264,518	37.4	$ 19,501,690

Distribution of Excess Revenue

Unclaimed Benefits	$ 4,303
Members Reserves	
State	3,407,361
Teachers	4,888,808
Survivors	318,540
General Reserves	
State	6,842,460
Teachers	3,108.239
Survivors	929,917
Certain Employees & Teachers	2,062
Total	$ 19,501,690

ANALYSIS OF INVESTMENT INCOME
FISCAL YEAR ENDED JUNE 30, 1974

Investment Income - Interest		$ 7,197,031
Add:		
Accrued Interest June 30, 1974	$2,568,540	
Accrued Interest July 1, 1973	1,982,540	
	586,000	
Discounts Amortized	646,998	
Total Additions		1,232,998
Total		$ 8,430,029
Less:		
Accrued Interest Purchased	$ 124,654	
Premiums Amortized	31,410	
Total Deductions		156,064
Net Interest Earned		$ 8,273,965
Dividends		2,904,780
Total Earned on Investments		$ 11,178,745
Capital Gain		195,624
Total Investment Income		$ 11,374,369

Distribution of Investment Income
Fiscal Year Ended - June 30, 1974

	State Employees	Teachers	Teachers Survivors	Total
Members Reserves:				
Balance July 1, 1973	33,380,247	42,940,626	2,594,322	78,915,196
" June 30,1974	36,787,607	47,829,434	2,912,862	87,529,904
General Reserves:				
Balance July 1, 1973	64,356,986	31,322,117	5,620,779	101,299,883
" June 30,1974	65,040,248	29,744,132	6,021,790	100,806,171
Total	199,565,090	151,836,311	17,149,754	368,551,156
Average	99,782,545	75,918,155	8,574,877	184,275,578
%	54	41	5	100
Distribution	6,159,198	4,686,223	528,906	11,374,327