Report of the Actuary

A. A. WEINBERG
CONSULTING ACTUARY
CHICAGO 60604

...LIC ACCOUNTANT

MEMBER - AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SUITE 1507
14 EAST JACKSON BLVD.
(312) 939-7124
(312) 922-4573

November 30, 1975

REPORT ON AN ACTUARIAL VALUATION OF THE SYSTEM AS OF JUNE 30, 1975

Part 1, PURPOSE

An actuarial valuation of a retirement system is undertaken 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 exhibiting the accrued and prospective liabilities and the present and prospective assets for meeting 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 investment earnings are basic in this determination. Other factors are considered in the actuarial process, including the rates of salary and their progression until retirement of the members, disability expectancies, and the ages at which members may be expected to retire.

A retirement system represents a long term operation characterized by a steady upward trend in payments. The system experiences a relatively small outlay during its early years but expenditures increase steadily and persistently until considerably higher levels of payments are reached as the system expands its operations. An actuarial valuation is made for the purpose of computing the accrued and prospective liabilities under the established benefit schedule and ascertaining if these liabilities will be met by the prescribed revenue provisions under the established method of financing.

The valuation was made with the use of actuarial functions reflecting the operating experience for prior years. In establishing these functions, it is assumed that the operations with respect to mortality among active and retired members, separations with refunds, rates of salary increments and possible investment earnings will be duplicated in the future. It is the responsibility of the actuary to properly evaluate the results of the past and modify his findings, if necessary, with the view of establishing functions for the current valuation which will realistically reflect as closely as possible the operating experience of the system.

Long range valuations or cost estimates, regardless how determined, cannot be precise no matter how accurately they are calculated. Differences generally arise between actual experience in operations and the assumptions made with respect to the several actuarial factors used in such determination. Nevertheless, periodic valuations and cost determinations must be made in order that an indication may be had regarding the amounts of accruing pension obligations and to illustrate current cost trends. This is especially important in the case of a retirement system where, either because of the character of the membership or the types of benefits provided, payments rise steadily and persistently over the years compared to the relatively small expenditure incurred during the early years of operations.

Some form of arbitrary adjustment is generally made of the results of the valuation, particularly with respect to normal cost for the retirement annuity applicable to future years to give effect to possible variations of some significance from the assumed operating experience.

Part 2. BASIS OF VALUATION

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

1. Valuation method - Entry-age normal
2. Mortality expectancy - The 1951 Group Annuity Table (modified)
3. Interest rate - Compound interest at 5% per annum
4. Turnover factors - Assumed annual rates of withdrawal for select ages -

	Rates per 1,000			
	State Employees		Teachers	
Age	Male	Female	Male	Female
20	187	220	117	143
25	122	144	92	118
30	103	121	70	78
35	88	80	53	56
40	67	51	33	27
45	25	22	15	10
50	10	4	5	4
55 and over	Nortality only			

5. Future salary increments - An average annual compound rate of 4%
6. Average age at retirement - State employees - 64 years
Teachers - 63 years
7. Disability rates - Actual experience of the system. It was assumed that 15% of all disablements would occur in line of duty.

8. Marital status - 85% of employees in service were 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 were assumed to be married

9. Administrative expense - None.

Part 3. MEMBERSHIP STATISTICS

Statistics were compiled and tabulated for this valuation. Statistical tables reflecting this statistical data on a 5-year group basis are presented in the appendix. A summary thereof is as follows:

	State Employees		Teachers	
	Male	Female	Male	Female
ACTIVE CONTRIBUTORS				
Number	7,910	7,390	4,230	6,961
Percent of total	51.7%	48.3%	37.8%	62.2%
Annual salaries	$77,913,822	$55,706,178	$52,288,740	$86,041.260
Average salary	$9,850	$7,538	$12,361	$12,360
Average age	44.1	40.8	36.6	38.9
Average service	8.7	7.2	9.0	9.5
PENSIONERS				
1. Total number at 6/30/75	1,702	1,456	444	2,007
Percent of total	53.9%	46.1%	18.1%	81.9%
Average age at June 30, 1975	70.8	75.3	70.2	70.4
2. Retirements during year	178	162	41	140
Average age at retirement	64.8	64.4	64.4	62.7

	State Employees		Teachers	
	Male	Female	Male	Female
PENSIONERS - continued				
3. Terminations	70	45	15	58
Average age at death	73.5	75.2	76.1	76.2
Average age at retirement	65.3	65.4	63.3	64.8

A decrease in the number of contributing teachers, and to some extent in the case of State employees, occurred during the year due to the elimination of certain inactive accounts involving relatively short periods of non-vested service credits.

Part 4. FUNDING THE PENSION COST

Normal cost. The cost of funding the several prescribed benefits of the Employees' Retirement System for the current service of the members, as a percentage of payroll, according to actuarial criteria which reflects the accrual principle, is as follows:

Type of Benefit	State Employees	Teachers
1. Service retirement annuity	10.2%	14.6%
2. Occupational disability	0.7	0.3
3. Non-occupational disability	1.2	1.0
4. Occupational death	0.4	0.2
5. Non-occupational death	0.7	0.4
6. Post-retirement increment	1.9	2.1
7. Refunds	1.0	0.8
Totals	16.1%	19.4%
Less, employee contributions	5.0	6.0
Cost to governmental employers	11.1%	13.4%

The foregoing rates reflect current service cost requirements for the members. They represent the actuary's evaluation of the normal cost of current service for the several described benefits. An additional provision has been made in the foregoing rates, particularly in respect to the service retirement annuity because of the incidence during recent years of early retirement provisions, and in regard to the post-retirement increment with its compounding feature.

Unfunded accrued liability. The amounts due from the participating governmental employers for unfunded pension credit covering previous service, as of June 30, 1975, are as follows:

State of Rhode Island -	
State employees	$131,386,351
Teacher-members	175,127,988
Cities and Towns on account of teacher-members	175,127,988
Teachers survivors plan	5,562,279
Total	$487,204,606

Partial funding. For the purpose of reducing appropriations for pensions by the State, a partial funding method was established some 25 years ago by an amendment to the pension law replacing the actuarial reserve method which was in effect from the inception of the Employees' Retirement System in 1936. This method provided for a projection of pension and benefit expenditures for a period of 10 years with the yearly contributions by the State to be the average of such expenditures for the ensuing 10-year period. This period was reduced to 5 years upon recommendation of a legislative committee, thus having the effect of further curtailing contributions by the State.

Upon recommendation of the actuary, the rates of contribution to the system under this method were fixed by the retirement board in 1972 at 6.5% of payroll for State employees and 9.0% of payroll for school teachers. The latter amount is divided equally between the State and the Cities and Towns, as provided by law.

Under this partial funding method, because of the continuous upward trend in expenditures by the system, excess revenues over and above total expenditures have resulted each year. These have been credited to the reserves. For the 1975 fiscal year these excess revenues amounted to $3,296,167, approximating 6-1/2% of total annual revenues.

Part 5. RESULTS OF VALUATION

An actuarial valuation of the system has been completed as of June 30, 1975. A valuation balance sheet, embodying the results of the computation of reserves and liabilities, is presented in the following pages. The procedure followed in the preparation of this statement is similar to that used by accountants in the preparation of a financial balance sheet, except that a valuation balance sheet is broader in scope. It includes, in addition to the present assets and current liabilities, the actuary's evaluation of the accrued and prospective liabilities, and the prospective assets.

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 a 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 the Employees' Retirement System, it is noted that at June 30, 1975 the ratio of net present assets to total accrued liabilities was 31.2%. This compares with a rate of 32.8% a year ago. This rate is considerably below a level that is considered by students of pensions as a reasonable measure of funding for a public employee retirement system of approximately 66-2/3%.

The low rate of funding or security ratio as it is otherwise called is due to the partial reserve method of funding prescribed by the retirement statute. This has resulted in the accumulation of reserves that are considerably below the requirements for the accrued and accruing pension credits according to actuarial criteria.

Partial funding of pension liabilities results in a deferment of a substantial portion 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 has steadily increased and the currently accruing pension liability is shifted to future generations. In the case of this system, the actuarial deficit has been in a persistent upward trend and will continue in that trend for an indefinite period unless a greater measure of funding is provided in accordance with actuarial or accruing requirements.

Even if full funding is provided in full measure for the currently accruing pension credits, the unfunded accrued liability will still continue to increase. This increase will be caused by the amount of the annual accruing interest on the unfunded liability at the rate of 5% per annum.

VALUATION BALANCE SHEET

JUNE 30, 1975

VALUATION BALANCE SHEET - JUNE 30, 1975

Statement of Assets, Liabilities and Reserves

A S S E T S

NET PRESENT ASSETS		
Cash		$ 3,478,272
Investments (Amortized book value for bonds - cost for stocks)		216,186,878
Accrued interest receivable		2,895,215
		$ 222,560,365
Less, Accounts Payable		62,889
		$ 222,497,476
DEFERRED ASSETS		
Present value of future contributions on account of service credits after July 1, 1975		
State employees -		
Members	$ 51,977,862	
State of Rhode Island	108,098,460	
Teacher-Members -		
Members	56,878,401	
State of Rhode Island	57,722,118	
Cities and Towns	57,722,118	332,398,959
UNFUNDED ACCRUED LIABILITY		
Due from employers for unfunded pension credits -		
State of Rhode Island -		
State employees	$131,386,351	
Teacher-Members	175,127,988	
Cities and Towns[1]	175,127,988	
Teachers Survivors Plan	5,562,279	487,204,606
TOTAL ASSETS		$1,042,101,041

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

VALUATION BALANCE SHEET - JUNE 30, 1975

Statement of Assets, Liabilities and Reserves

LIABILITIES AND RESERVE REQUIREMENTS

FUTURE SERVICE LIABILITY		
State employees	$160,076,322	
Teacher-members	172,322,637	$ 332,398,959
RESERVE REQUIREMENTS		
1. MEMBER CONTRIBUTIONS -		
State Employees -		
For service retirement and disability annuities	$ 23,090,622	
For future refunds	17,622,186	40,712,808
Teacher-Members -		
For service retirement and disability annuities	$ 34,690,901	
For future refunds	18,910,240	53,601,141
2. TEACHERS' SURVIVOR BENEFITS -		16,386,283
3. EMPLOYER CONTRIBUTIONS -		
For service retirement and disability annuities on active members -		
State Employees -		
Total requirements	$151,620,636	
Less, Employee Contributions	23,090,622	128,530,014
Teacher-Members -		
Total requirements	$274,013,272	
Less, Employee contributions	34,690,901	239,322,371
4. RETIREMENT AND BENEFITS RESERVE -		
State employees		82,362,118
Teacher-members		148,787,347
TOTAL LIABILITIES AND RESERVES		$1,042,101,041

The following explanation of the several accounts comprising the Valuation Balance Sheet is presented to facilitate an understanding of their functions and meaning.

Net Present Assets comprise the assets on hand as shown in the financial reports supplied by the system as of June 30, 1975.

Deferred Assets represent the obligations of the members and the employers for service to be rendered by the members subsequent to June 30, 1975. They consist of actuarially computed amounts, giving effect to the factors of mortality, interest, turnover, and other factors that relate to the computation of liabilities and annuities and benefits accruing on account of service subsequent to the date of the balance sheet.

Unfunded Accrued Liability is the amount accrued and unpaid on account of service rendered prior to the balance sheet date. This is an accrued obligation respectively of the State and the Cities and Towns as indicated.

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 covering service from the balance sheet date to the assumed ages of retirement.

Reserve for Members' Contributions consists of the total of members' accumulated contribution credits at the balance sheet date. Part of these credits is payable as a refund in future years 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 in service who will ultimately qualify for retirement.

Reserve for Teachers' Survivor Benefits represents the accumulation of contributions by the teacher-members and the Cities and Towns towards the survivor benefit provision applicable specifically to these members.

Reserve for Employer Contributions represents 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 for payouts during the future lifetime of the pensioners presently on the pension roll of the pensions granted and in force at the balanee sheet date.

CERTIFICATION

The accompanying Valuation Balance Sheet presents the assets, accrued liabilities and reserves of the system as of June 30, 1975. Present assets were taken from the financial statements submitted by 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, 1975 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

November 30, 1975

Part 6. VESTED BENEFITS

Vesting in its application to a retirement plan represents, in a functional sense, the acquisition of an accrued right in a pension which is to become effective upon fulfillment of specified qualifying conditions, which would be forfeited by the employee by the receipt of a refund of member contribution credits following separation from service. Vesting in a legal sense constitutes a contractual right or interest in a pension which may be upheld at law and which affects an employee's participating equity in the retirement plan.

Under a provision for vesting, an employee withdrawing from service prior to the fulfillment of the age and/or service conditions prescribed for vesting is entitled to a deferred retirement annuity upon fulfilling the qualifying conditions for the receipt of such annuity. The acceptance of this right is generally optional with the employee. As stated above, the employee may instead take a refund of his contribution credits and thus forfeit all accrued rights and benefits in the system.

Under the Employees' Retirement System vesting of pension credits is effective upon completion of 10 years of service with the deferred retirement annuity payable upon attainment of age 60. An employee may leave the service after 35 years

of service and retire on pension regardless of age. Also, an employee may retire between ages 55 and 60 years upon completion of at least 30 years of service.

Obviously, any member already on retirement has a vested interest in his retirement annuity which the courts now construe as being contractual in character. The increasing recognition by the judiciary of the deferred salary concept related to the employer's funding obligation under the retirement system established in essence a form of contractual interest in the vested benefits for members in service. This interest could be upheld at law should the governmental employer fail to meet his statutory obligation for funding the benefits earned by the employees and accrued to their credit.

The actuarial value of the vested benefits under the Employees' Retirement System has been determined to be as follows:

	State Employees	Teachers
Members in service	$ 80,537,697	$ 92,066,670
Members on retirement	82,362,118	148,787,347
Total value of all vested benefits	$162,899,815	$240,854,017

Part 7. PROJECTION OF FUTURE PENSION AND BENEFIT PAYMENTS

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

Such statement serves to point up the full impact of the pension obligation in the fiscal operations of the State and local governments and the steady and persistent upward trend.

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

Year	Amounts of future pension and benefit payments (in millions)
1975	$25.1
1976	33.3
1979	45.5
1982	59.0
1985	75.2

Any liberalizing changes in the benefit schedule of the retirement plan either as to rates of pensions or benefits, or in qualifying conditions, or in substantial upward salary adjustments, will effect an increase in the amounts of future payments and would necessitate a revision of this projection.

Part 8. PROPOSED FEDERAL REGULATION OF PUBLIC PENSION PLANS

The Employees' Retirement Income Security Act of the federal government effective January 1, 1974, otherwise known as "ERISA", directs the several committees which were involved in the legislation affecting private pension plans to make a study of the plans applicable to public employees to determine the feasibility of extending federal regulation over retirement systems in the public sector.

Accordingly, for the purpose of establishing a vehicle for such a study, H. R. 9155 was introduced by Congressman John H. Dent, of Pennsylvania, Chairman of the Subcommittee in Labor Standards and Congressman John N. Erlenborn of Illinois, ranking minority member of the said committee, to apply to non-federal government retirement plans. This bill is intended for the purpose of facilitating a study and analysis of the adequacy of provisions for coverage, vesting standards and funding. It also provides for an inquiry into existing fiduciary standards. It is also proposed to determine the necessity of federal regulation of the retirement plans operating in public administration and the propriety and legality of imposing certain minimum standards and rules to govern the operation of these plans.

If the standards for funding presently embodied in ERISA are applied to public plans, assuming the results of the study

presently underway develop into a federal law and are made applicable to these plans, the annual cost requirements for the funding of the Employees' Retirement System as of June 30, 1975 would be approximately as follows:

	State Employees		Teachers	
	Annual Amount	% of Valuation Payroll	Annual Amount	% of Valuation Payroll
Normal cost	$241,001	18.0%	$ 92,681	6.7%
Accrued liability	179,050	13.4	102,364	7.4
Totals	$420,051	31.4%	$195,045	14.1%

The foregoing amounts applicable to teachers include an obligation on the part of the State of Rhode Island for one-half of the normal cost and one-half of the unfunded accrued liability on account of teachers.

The accrued liability contribution represents an amortization payment covering a period of 40 years assuming an interest rate of 5% per annum.

Part 9. FINANCING THE PENSION OBLIGATION

The cost of a retirement plan in any year is represented by the value of the pension credits earned by the active members during the year. These yearly pension credits form a proportionate part of the ultimate retirement benefits which would become due and payable to the members as they qualify for retirement by fulfilling the prescribed conditions as to age or service, or both.

Pension and benefit payments during any year, therefore, are derived from a combination of accumulation of earned pension credits covering a number of productive years which represent the total periods of service rendered by the annuitants. It is these pension credits which had accumulated during the service of the members that constitute the reserve requirements for financing the pension payments to the qualifying members when the obligations mature. This current accumulation of pension credits represents the real cost of the benefits for any fiscal period.

The foregoing illustrates the accrual or reserve principle that governs a retirement plan. Actuarial criteria reflect the accrual concept. It underlies all retirement fund operations. Even if a retirement law did not specifically spell out the method of financing these pension credits, the accrual principle would be implicit in its basic provisions. Rates

of contribution are formulated with the view of accumulating adequate reserves for the earned pension credits to meet the ultimate payouts for the retirement and other benefits. Total revenues accruing from these rates are substantially in excess of the current expenditures for benefits. This excess represents the reserve for meeting the future pension and benefit payments.

It is this reserve which is created by the application of the established contribution rates that seems to be a source of temptation to officials of government, particularly those having to do with the formulation of budgets. This has brought about, in some instances, the withholding of revenues for the retirement plan by means of arbitrary reductions in appropriations below the actual requirements for the accruing pension credits. Pressures also arise from time to time for the application or diversion of some or all of the accumulated reserves for other governmental purposes.

In its true concept, pension cost is a current operating expense of government. It is an obligation which cannot logically be deferred. It has a direct and immediate relationship to the entire fiscal operations of government. There is no short cut method or formula for financing this cost. A retirement plan is considered to be a legitimate employee welfare program of governmental concern. The principle that government should bear a measure of responsibility for employees whose productivity has become impaired due to old age or disability is now generally accepted. Since this is the case, government should face up to its responsibility in this area. It should be willing to meet the cost of pensions on the most practical and economical basis. The only real method is the one that reflects the accruing or current budgeting concept.

<u>Actuarial funding methods</u>. Several actuarial cost methods are currently recognized for the computation of pension costs and liabilities. In the case of a fixed benefit plan such as that in effect for the Employees' Retirement System, two specific methods are commonly used, namely, the "Accrued Benefit Method" and "Projected Benefit Method". These methods have been previously described in this report.

The accrued benefit method is otherwise referred to as the "Unit credit", "step-rate" or "single premium" method. It involves the determination of each year's earned pension credit as a present value figure as of the attained ages of the members. Obviously, as the ages of the employees advance, the yearly pension credit costs are increased but the increases in aggregate costs may be somewhat curtailed or may partially be offset by other compensating factors in the form or complexion of the membership occasioned by the factor of turnover.

The "projected benefit method", frequently referred to as the "entry-age normal-cost" or "aggregate level cost", provides for the projection of the benefits to be earned by the employees and the contributions to be made to finance these benefits. This is the method employed in the financing of the Employees' Retirement System. Supplemental liabilities are provided for accrued pension credits previously earned by the members and unfunded. The cost of ancillary benefits covering disability or death may be funded on a one-year term premium basis considering the basic character of such benefits.

Financial Statements

Comparative Financial Balance Sheet

June 30

Assets	1975	1974
Cash	$ 3,478,273	$ 1,163,124
Accrued Interest Receivable	2,895,215	2,568,540
Investments (At Amortized Book value for Bonds and Cost for Stock)	216,186,879	196,030,846
Total Assets	$222,560,367	$199,762,510
Liabilities & Reserves		
Current Liabilities		
Unclaimed Benefits	$ 62,888	$ 43,137
Members' Contribution Reserves		
State Employees	40,712,808	36,787,608
Teachers	53,601,142	47,829,435
Teachers Survivors	3,328,984	2,912,862
Total Members Reserves	97,642,934	87,529,905
General Reserves		
State Employees	79,502,028	71,199,447
Teachers	37,853,741	34,430,355
Teachers Survivors	7,495,022	6,550,697
Certain State Employees	3,754	7,969
Certain Teachers		1,000
Total General Reserves	$124,854,545	$112,189,468
Total Liabilities & Reserves	$222,560,367	$199,762,510

STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED - JUNE 30, 1975

REVENUES

Member Contributions		
State Employees	$ 7,017,683	
Legislators	22,112	
Teachers	8,563,983	
Teachers Survivors	541,999	
Ins. Premiums - Legislators	2,670	$ 16,148,447
State Contributions		
State Employees	5,441,579	
State Employees A/C FF Cost	3,350,564	
Teachers	5,536,552	
Certain State Employees	4,170	
Certain Teachers	0	14,332,865
Municipal Contributions		
Teachers	6,310,759	
Teachers Survivors	560,312	6,871,071
Investment Income		
Interest	9,846,205	
Dividends	3,159,300	
Capital Gain or (Loss)	66,294	13,071,799
Miscellaneous		
Miscellaneous Receipts	22,062	
Employees Trans. - Municipal	47,821	
Unclaimed Benefits	31,418	
Interest - Service Purchase	61,329	162,630
Total Revenues		$ 50,586,812

EXPENDITURES

Pension Benefits		
State Employees	$ 8,358,087	
Legislators	365,179	
Teachers	15,211,283	
Teachers Survivors	231,922	
Certain State Employees	7,301	
Certain Teachers	1,000	$ 24,174,772
Death Benefits		
State Employees	615,681	
Legislators	20,800	
Teachers	286,213	922,694
Refunds of Contributions		
State Employees	1,145,830	
Teachers	1,059,961	
Teachers Survivors	122,738	
Interest on Refunds - Survivors	15,169	
Municipalities	43,024	2,386,722
Investment Expense		
Postage & Insurance	138	138
Miscellaneous		
Miscellaneous Refunds	288,978	
Employees Transfers - Municipal	3,985	
Unclaimed Benefits	11,666	304,629
Total Expenditures		$ 27,788,955
Excess Revenues over Expenditures		$ 22,797,857

Analysis of Revenue & Expenditures
Fiscal Year Ended - June 30, 1975

REVENUES	State Employees Amount	%	Teachers Amount	%	Total
Members Contributions	$ 7,042,465	30.6	$ 9,105,983	33.0	$16,148,448
State Contributions	8,796,313	38.2	5,536,552	20.1	14,332,865
Municipal Contributions			6,871,071	24.9	6,871,071
Investment Earnings	7,065,233	30.7	6,006,428	21.8	13,071,661
Miscellaneous	118,372	0.5	44,257	0.2	162,629
Total Revenues	$23,022,383	100.0	$27,564,291	100.0	$50,586,674
EXPENDITURES					
Pensions	$ 8,118,371	35.2	$14,076,602	51.1	$22,194,973
Cost of Living Adjust.	612,196	2.7	1,367,603	5.0	1,979,799
Death Benefits	636,481	2.8	286,213	1.0	922,694
Refunds - Contributions	1,145,830	5.0	1,240,892	4.5	2,386,722
Miscellaneous	299,223	1.3	5,406		304,629
Total Expenditures	$10,812,101	47.0	$16,976,716	61.6	$27,788,817
Excess Revenues over Expenditures - to Reserves	$12,210,282	53.0	$10,587,575	38.4	$22,797,857

Distribution of Excess Revenue

Unclaimed Benefits	$ 19,752
Members Reserves	
State	3,925,200
Teachers	5,771,707
Survivors	416,122
General Reserves	
State	8,302,581
Teachers	3,423,385
Survivors	944,325
Certain Employees & Teachers	- 5,215
Total	$22,797,857

ANALYSIS OF INVESTMENT INCOME
FISCAL YEAR ENDED JUNE 30, 1975

Investment Income - Interest		$ 8,364,974
Add:		
Accrued Interest June 30, 1975	$ 2,895,215	
Accrued Interest July 1, 1974	-2,568,540	
	326,675	
Discounts Amortized	1,375,615	
Total Additions		1,702,290
Total		$ 10,067,264
Less:		
Accrued Interest Purchased	$ 181,294	
Premiums Amortized	39,764	
Total Deductions		221,058
Net Interest Earned		9,846,206
Dividends		3,159,299
Total Earned on Investments		$ 13,005,505
Capital Gain		66,294
Total Investment Income		$ 13,071,799

Distribution of Investment Income
Fiscal Year Ended - June 30, 1975

	State Employees	Teachers	Teachers Survivors	Total
Members Reserves:				
Balance July 1, 1974	$36,787,608	$47,829,435	$ 2,912,862	$87,529,905
" June 30, 1975	40,712,808	53,601,141	3,328,984	97,642,933
General Reserves:				
Balance July 1, 1974	71,199,447	34,430,356	6,550,697	112,180,500
" June 30, 1975	72,436,795	32,476,060	6,866,275	111,779,130
Total	$221,136,658	$168,336,992	$19,658,818	$409,132,468
Average	$110,568,329	$ 84,168,496	$ 9,829,409	$204,566,234
%	54.05	41.14	4.81	100.0
Distribution	$ 7,065,233	$ 5,377,681	$ 628,747	$ 13,071,661