Report of the Actuary

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REPORT ON AN ACTUARIAL VALUATION OF THE EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND AS OF JUNE 30, 1976

Part 1. PURPOSE

The purpose of an actuarial valuation of a retirement system is to establish the liabilities and reserve requirements under the prescribed benefit schedule. An actuarial balance sheet is prepared exhibiting the total accrued liabilities and the net present assets for meeting these liabilities.

The liabilities incurred for the several benefits comprising the benefit schedule 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 factors in this determination. Other factors are considered in the process, including the rates of salary and their progression to the assumed ages of retirement of the members, disability expectancies, and others of pertinence in this process.

A retirement system represents a long term operation characterized by a continuous upward trend in payments. The expenditures during its early years of existence are of relatively small proportions but these expenditures increase steadily and persistently until considerably higher levels of payments are reached as the system continues its operations. An actuarial valuation is prepared 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 revenue provisions prescribed under the established method of financing.

The valuation was made with the use of actuarial functions reflecting the operating experience of the system for prior years. In formulating these functions, it was 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 substantially duplicated in the future. It is the responsibility of the actuary to properly evaluate the results of the past years and modify his findings, if necessary, in order to establish functions for the current valuation that will realistically reflect the operating experience of the system.

Long range valuations or cost estimates, regardless how determined, cannot be precise no matter how closely they may have been calculated. Differences generally arise between actual operating experience and the assumptions made with respect to the several actuarial factors used in such calculations.

Nevertheless, periodic valuations and cost analyses must be made in order that information may be provided regarding the amounts of accruing pension obligations and underlying cost trends. This is particularly important in retirement system operations because of the character of the membership and the types of benefits provided. In such a system, as previously stated, payments rise steadily over the years with continued operations.

Arbitrary adjustments may be made by the actuary of the results of the valuation with respect to cost factors applicable to future years in order to give effect to expected variations in future operations of some significance from the past 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 (Projected)
3. Interest rate - Compound interest at 5% per annum
4. Turnover factors - Assumed annual rates of withdrawal for select ages -

Rates per 1,000

Age	State Employees Male	State Employees Female	Teachers Male	Teachers 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	Mortality 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 by the office staff of the system and made available in detailed form. These statistics were tabulated for this valuation. Statistical tables reflecting this 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	7,960	7,326	4,252	6,924
Percent of total	52.1%	47.9%	38.0%	62.0%
Annual salaries	$88,716,164	$62,562,610	$53,176,864	$86,679,279
Average salary	$11,128	$8,525	$12,506	$12,518
Average age	44.0	40.5	36.4	37.3
Average service	8.8	7.3	9.2	9.5
PENSIONERS				
Total number at 6/30/76	1,892	1,598	459	2078
Percent of total	54.2%	45.8%	18.1%	81.9%
Average age at June 30, 1976	71.0	75.6	70.5	70.7

Part 4. FUNDING THE PENSION COST

Normal cost. The cost of funding the liabilities for the several prescribed benefits of the 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 as percentage of payroll	11.1%	13.4%

The foregoing rates represent each year's pension liability for the members as a percentage of payroll. Provision has been made in the foregoing rates, in respect to the service retirement annuity, for the post-retirement increment with its compounding feature which is an integral part of the benefit schedule.

Unfunded accrued liability. The amounts due from the participating employers for unfunded pension credits covering service prior to June 30, 1976 are as follows:

State of Rhode Island -	
State employees	$154,796,106
Teacher-members	203,172,352
Cities and Towns on account of teacher-members	203,172,352
Teachers survivors plan	6,881,114
Total	$568,021,924

Partial funding. For the purpose of curtailing appropriations for pensions by the State, a partial funding method was established by the State government some years ago by an amendment to the pension law replacing the actuarial reserve method then in effect which had been in the law from the inception of the system in 1936. This partial funded method provided for a projection of pension and benefit expenditures for a period of 10 years with the annual contributions by the State to be the average annual expenditures for the ensuing 10-year period. This period for calculating the appropriations was reduced to 5 years upon recommendation of a legislative committee, thus having the effect of further curtailing appropriations 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 pension payments by the system, additional revenues over and above total expenditures have resulted each year. These have been credited to the reserves. For the 1976 fiscal year these additional revenues amounted to $2,286,149.

Part 5. RESULTS OF VALUATION

An actuarial valuation of the system has been completed as of June 30, 1976. 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 pension liabilities for the earned pension credits of the participating employees.

Some indication of the financial stability of a retirement system may be had 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, 1976 the ratio of net present assets to total accrued liabilities was 30.4%. This compares with a rate of 31.2% a year ago. This rate is considerably below a level that is considered by students of pensions as a reasonable measure of coverage of accrued liabilities by net present assets for a public employee retirement system. The objective rate is to have assets equal approximately to 2/3rds of accrued liabilities.

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

Partial funding of pension liabilities results in a deferment of a substantial portion of the currently incurred pension cost to future years with the consequent increase in the cost of funding the retirement system. As a result, the currently incurred 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 this trend for an indefinite period unless a greater measure of funding is provided in accordance with actuarial requirements.

Even if full funding is provided in full measure for the currently accruing pension credits or normal cost, the unfunded accrued liability will still continue to increase. This increase will be caused by the annual accruing interest on the unfunded liability at the assumed rate of 5% per annum. In order to curtail this increase, additional funds must be provided over and above the normal cost to provide for interest on the unfunded accrued liability and for the amortization of such liability.

VALUATION BALANCE SHEET

JUNE 30, 1976

VALUATION BALANCE SHEET - JUNE 30, 1976

Statement of Assets, Liabilities and Reserves

A S S E T S

NET PRESENT ASSETS

Cash	$ 253,052
Investments (Amortized book value for bonds - cost for stocks)	243,941,049
Accrued interest receivable	3,450.272
	$247,644,373
Less Current Liabilities	49,125
	$247,595,248

UNFUNDED ACCRUED LIABILITY

Due from employers for unfunded pension credits -		
State of Rhode Island -		
State employees	$154,796,106	
Teacher-members	203,172,352	
Cities and Towns[1/]	203,172,352	
Teachers Survivors Plan	6,881,114	568,021,924
TOTAL		$815,617,172

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

VALUATION BALANCE SHEET - JUNE 30, 1976

Statement of Assets, Liabilities and Reserves

RESERVE REQUIREMENTS

RESERVE REQUIREMENTS		
1. MEMBER CONTRIBUTIONS -		
State Employees -		
For service retirement and disability annuities	$ 22,849,722	
For future refunds	21,488,341	$ 44,338,063
Teacher-Members -		
For service retirement and disability annuities	$ 41,785,038	
For future refunds	17,488,206	59,273,244
2. TEACHERS' SURVIVOR BENEFITS -		12,337,251
3. EMPLOYER CONTRIBUTIONS -		
For service retirement and disability annuities on active members -		
State Employees -		
Total requirements	$167,638,627	
Less, employee contributions	22,849,722	144,788,905
Teacher-Members -		
Total requirements	$335,174,698	
Less, employee contributions	41,784,038	293,390,660
4. RETIREMENT AND BENEFITS RESERVE -		
State employees		98,187,332
Teacher-members		163,301,717
TOTAL		$815,617,172

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 Executive Director of the system as of June 30, 1976.

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.

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 balance sheet date.

Part 6. VESTED BENEFITS

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

Under a provision for vesting, an employee withdrawing from service prior to the attainment of the minimum age prescribed for retirement may qualify for a deferred retirement annuity payable upon attainment of the minimum age prescribed for the receipt of such annuity. The acceptance of this vested right is generally optional with the employee. The employee may instead take a refund of his contribution credits and thus forfeit all earned and accrued rights and benefits in the system.

Conditions for vesting. 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.

Judicial aspects. 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.

Value of contractual benefits. 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	$ 85,613,997	$ 96,726,541
Members on retirement	98,187,332	163,301,717
Total value of all contractual vested benefits	$183,801,329	$260,028,258

Part 7. PROJECTION OF FUTURE PENSION AND BENEFIT PAYMENTS

The importance of systematic funding of the pension and benefit obligations in accordance with their currently accruing requirements, giving effect to all aspects thereof, is clearly illustrated by a projection of the pension and benefit payouts covering a number of years in the future.

Such statement serves to point up the total impact of pension obligations on the fiscal operations of the State and local governments and the steady and persistent upward trend in these obligations.

The projection of future pension and benefit payouts presented below shows at 3-year intervals the estimated 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)
1976	$27.3
1979	47.1
1982	58.0
1985	69.3
1988	82.0
1991	95.7

In the preparation of this projection certain assumptions have been made with respect to future salary levels and ages of retirement.

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

Part 8. 1976 STATE LEGISLATION AFFECTING THE SYSTEM

ACT NO. 129. PENSION CREDIT FOR NATIONAL GUARD TECHNICIANS. An employee who entered State service prior to December 31, 1968 and rendered service as a "national guard technician" is entitled to pension credit in the Employees' Retirement System between January 1, 1946 and December 31, 1968, provided he makes written application to the Retirement Board before December 31, 1976, and makes payment, in a single sum, of an amount equal to the full actuarial cost of such service as determined by the Board.

ACT NO. 289. REORGANIZES THE MEMBERSHIP OF THE RETIREMENT BOARD AND INCREASES EMPLOYEE AND EMPLOYER CONTRIBUTIONS.

(1) Membership of the Retirement Board was increased from 11 to 15 members; certain elective members were added including a retiree; an elected chairman is provided; provision is made for the recall of a member and the procedures thereof are prescribed; the Act also provides for the filling of vacancies on the Board by special appointment or election as the case may require.

(2) Provides for an annual instead of 5-year actuarial survey and investigation beginning July 1, 1976, of the operating experience of the system; increases state employee contribution rates on July 1, 1978 to 5-1/2% of salary; on July 1, 1979 to 6% of salary; and on July 1, 1980 to 6-1/2% of salary. Requires that State contributions must be made on an actuarial basis, with amortization of the unfunded accrued liability to occur over a period of 30 years dating from July 1, 1986. Established interim

State contribution beginning July 1, 1976, at 7.7% of salaries on account of State employees and 5.1% of salaries on account of teacher-members with the cities and towns to contribute a like rate of 5.1% of salaries on account of the teachers.

(3). In the case of teacher-members, contributions are to be increased to 6-1/2% of salary on July 1, 1978; to 7% of salary on July 1, 1979; and to 7-1/2% of salary on July 1, 1980. The cities and towns of the State are to make contributions as heretofore equal to one-half of the total employer's cost of financing the system on account of teachers. The Act also prescribes the procedures for pension contributions on the part of a city, town or local educational agency for teachers.

ACT NO. 315. OFFSET OF CREDIT UNION LOAN AGAINST REFUNDS. An assignment, will be required, upon application for refund, of employee contributions in the Employees' Retirement System, upon separation from service, of all or part of the employee contribution credits in the system, for the payment of any outstanding credit union loan made by the employee.

Part 9. PROPOSED FEDERAL LEGISLATION

PROPOSAL FOR FEDERAL REGULATION. H. R. 13040 was introduced on April 5, 1976 in the House of Representatives by Congressman Dent of Pennsylvania and Congressman Erlenborn of Illinois which would require the regulation of public employee retirement systems by the U. S. Department of Labor.

The bill calls for the periodic filing with the Department of Labor reports on accounting, financial, statistical and actuarial information, and making available to participants and beneficiaries of the systems plans descriptions and periodic statements on the results of current operations. Fiduciary standards and responsibilities are prescribed for pension system trustees similar to those prescribed by the Pension Reform Act of 1974 applicable to private industry retirement systems.

The bill deals exclusively with reporting and disclosure of operating results by the retirement systems and fiduciary standards for Board members in the administration of the systems. Because of the scope and frequency of the reports to be filed, the effect of the bill, if enacted, would bring about a considerable increase in administrative effort and expense on the part of the state and local governments with the total cost to fall upon the local taxpaying public. If the bill becomes law, all public retirement systems would be saddled with the many duties and burdens that are now imposed upon private industry systems under the Pension Reform Act of 1974. A basic legal

question also exists whether the federal government may mandate the states and local governments to subscribe it its prescribed standards.

In the case of the State of Rhode Island, the State has consistently conformed to a policy over the years of keeping the members fully apprised of their rights, benefits and expectancies under the retirement system, and in respect to the results of operations of the system. Every effort has been made at all times to provide full information to the members and annuitants of the system. It is the considered opinion, therefore, of students of pensions for public employees that federal regulation of public retirement systems is unnecessary and unwarranted, and that regulation of such systems, if necessary, should be left to the discretion of the state or local governments.

Part 10. FUNDING PENSION LIABILITIES

The pension liability under 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 conditons.

Pension and benefit payments during any year, therefore, are derived from an accumulation of earned pension credits covering a number of productive years representing the total periods of service previously rendered by the annuitants. It is these pension credits which had accumulated during the service that constitute the reserve requirements for funding the pension payments to the qualifying members when the pension 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 underlying a retirement plan. Actuarial procedure is predicated upon 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, actuarial procedure and the accrual principle would be implicit in its basic provisions. Rates of contribution are formulated with the view of accumulating adequate reserves to cover the earned pension credits for meeting the ultimate payouts for 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 required 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 officials having to do with the formulation of budgets. This has brought about, in some instances, the withholding of required revenues for the retirement plan by means of arbitrary reductions in appropriations 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.

Actuarial funding methods. 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 such as the 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.

CERTIFICATION

The accompanying Valuation Balance Sheet presents the assets, accrued liabilities and reserves of the system as of June 30, 1976. 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, 1976 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

December 30, 1976

Financial Statements

Comparative Financial Balance Sheet

June 30

Assets	1976	1975
Cash	$ 253,052	$ 3,478,273
Accrued Interest Receivable	3,450,272	2,895,215
Investments (At Amortized Book Value for Bonds and Cost for Stock)	243,941,049	216,186,879
Total Assets	$ 247,644,373	$ 222,560,367
Liabilities & Reserves		
Current Liabilities		
Unclaimed Benefits	$ 49,125	$ 62,888
Members' Contribution Reserves		
State Employees	44,338,063	40,712,808
Teachers	59,273,244	53,601,142
Teachers Survivors	3,761,603	3,328,984
Total Members Reserves	$ 107,372,910	$ 97,642,934
General Reserves		
State Employees	$ 89,630,190	$ 79,502,028
Teachers	42,013,056	37,853,741
Teachers Survivors	8,575,648	7,495,022
Certain State Employees	3,444	3,754
Total General Reserves	$ 140,222,338	$ 124,854,545
Total Liabilities & Reserves	$ 247,644,373	$ 222,560,367

STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED - JUNE 30, 1976

REVENUES

Member Contributions		
State Employees	$ 7,558,717	
Legislators	2,567	
Teachers	8,391,369	
Teachers Survivors	558,259	
Ins. Premiums - Legislators	2,655	$ 16,513,567
State Contributions		
State Employees	6,406,827	
State Employees A/C FF Cost	3,727,787	
Teachers	6,283,774	
Certain State Employees	8,520	16,426,908
Municipal Contributions		
Teachers	6,699,750	
Teachers Survivors	575,979	7,275,729
Investment Income		
Interest	11,494,574	
Dividends	3,280,211	
Capital Gain or (Loss)	689,845	15,464,630
Miscellaneous		
Miscellaneous Receipts	30,667	
Employees Trans. - Municipal	25,503	
Unclaimed Benefits	13,227	
Interest - Service Purchase	91,415	160,812
Total Revenues		$ 55,841,646

EXPENDITURES

Pension Benefits		
State Employees	$ 9,891,266	
Legislators	487,811	
Teachers	16,623,126	
Teachers Survivors	240,599	
Certain State Employees	5,190	$ 27,247,992
Death Benefits		
State Employees	619,055	
Legislators	24,000	
Teachers	319,054	962,109
Refunds of Contributions		
State Employees	1,333,400	
Teachers	873,810	
Teachers Survivors	115,215	
Interest on Refunds - Survivors	18,281	
Municipalities	38,973	2,379,679
Investment Expense		
Postage & Insurance	131	131
Miscellaneous		
Miscellaneous Refunds	138,737	
Employees Transfers - Municipal	2,001	
Unclaimed Benefits	26,991	167,729
Total Expenditures		$ 30,757,640
Excess Revenues over Expenditures		$ 25,084,006

Analysis of Revenue & Expenditures
Fiscal Year Ended - June 30, 1976

REVENUES	State Employees Amount	%	Teachers Amount	%	Total
Members Contributions	$ 7,563,939	28.9	$ 8,949,628	30.2	$16,513,567
State Contributions	10,143,134	38.8	6,283,774	21.2	16,426,908
Municipal Contributions			7,275,729	24.5	7,275,729
Investment Earnings	8,361,655	31.9	7,102,844	24.0	15,464,499
Miscellaneous	112,748	0.4	48,064	0.1	160,812
Total Revenues	$26,181,476	100.0	$29,660,039	100.0	$55,841,515
EXPENDITURES					
Pensions	$ 9,635,535	36.8	$15,216,413	51.3	$24,851,948
Cost of Living Adjust.	748,731	2.9	1,647,312	5.6	2,396,043
Death Benefits	643,056	2.5	319,054	1.0	962,110
Refunds-Contributions	1,333,401	5.1	1,046,278	3.5	2,379,679
Miscellaneous	141,157	0.5	26,572	0.1	167,729
Total Expenditures	$12,501,880	47.8	$18,255,629	61.5	$30,757,509
Excess Revenues over Expenditures - to Reserves	$13,679,596	52.2	$11,404,410	38.5	$25,084,006

Distribution of Excess Revenue

Unclaimed Benefits	$ -13,763
Members Reserves	
State	3,625,254
Teachers	5,672,103
Survivors	432,619
General Reserves	
State	10,128,162
Teachers	4,159,314
Survivors	1,080,627
Certain Employees & Teachers	-310
Total	$25,084,006

ANALYSIS OF INVESTMENT INCOME

FISCAL YEAR ENDED JUNE 30, 1976

Investment Income - Interest		$ 10,073,290
Add: Accrued Interest June 30, 1976	$ 3,450,272	
Accrued Interest July 1, 1975	-2,895,215	
	555,057	
Discounts Amortized	1,129,741	
Total Additions		1,684,798
Total		$ 11,758,088
Less: Accrued Interest Purchased	$ 219,375	
Premiums Amortized	44,139	
Total Deductions		263,514
Net Interest Earned		11,494,574
Dividends		3,280,211
Total Earned on Investments		$ 14,774,785
Capital Gain		689,845
Total Investment Income		$ 15,464,630

Distribution of Investment Income

Fiscal Year Ended - June 30, 1976

	State Employees	Teachers	Teachers Survivors	Total
Members Reserves:				
Balance July 1, 1975	$ 40,712,808	$ 53,601,141	$ 3,328,984	$ 97,642,933
" June 30, 1976	44,338,063	59,273,244	3,761,603	107,372,910
General Reserves:				
Balance July 1, 1975	79,502,028	37,853,741	7,495,022	124,850,791
" June 30, 1976	81,268,535	35,672,611	7,813,248	124,754,394
Total	$245,821,434	$186,400,737	$22,398,857	$454,621,028
Average	$122,910,717	$ 93,200,369	$11,199,428	$227,310,514
%	54.07	41.00	4.93	100.0
Distribution	$ 8,361,655	$ 6,340,444	$ 762,400	$ 15,464,499